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THURSDAY, FEBRUARY 8, 2018 ~ VOL. CCLXXI NO. 32

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What's News

Business & Finance

Vice Media fell far short of its 2017 revenue goal, a setback that comes as it works to stabilize its executive ranks and reassure investors. **A1**

◆ **BlackRock** is looking to raise over \$10 billion to buy and hold stakes in companies, replicating the approach of Berkshire Hathaway. **B1**

◆ **Carlyle** swung to a profit, helped by fee-related earnings and strong growth in the value of its investments. **B10**

◆ U.S. stock indexes closed lower after continued volatile trading. The Dow lost 19.42 points to 24893.35. **B12**

◆ **Tesla** signaled it is making progress in overcoming Model 3 production woes and said it expects its first sustained operating profit this year. **B1**

◆ **Wynn** directors face pressure in the wake of Steve Wynn's exit, as investigations of alleged sexual misconduct at the company continue. **B1**

◆ **SoftBank** is aiming to buy a stake in reinsurer Swiss Re that could be valued at \$10 billion or more. **B1**

◆ **Goldman** is in talks to offer financing to shoppers buying phones, watches and other gadgets from Apple. **B3**

◆ **Snapchat** is launching a tool to let TV networks pipe snippets of live broadcasts into the social-media app. **B4**

◆ **Biotech** billionaire Soon-Shiong reached a deal to buy the Los Angeles Times. **B3**

World-Wide

◆ Congressional leaders said they agreed on a two-year budget deal that raises spending and suspends the debt limit through March 1, 2019. **A1**

◆ **Pelosi** set a record for the longest known House speech as she pressed Ryan to allow an open immigration debate. **A4**

◆ **North Korea** intends to send Kim's younger sister to the Winter Olympics, a move that raises the prospect of talks with Seoul and the U.S. **A6**

◆ **Pence** said the U.S. would soon announce new sanctions on North Korea. **A6**

◆ Germany's Merkel moved within reach of a fourth term as chancellor after clinching a coalition deal that could result in a fractious government. **A7**

◆ The European Union raised its forecasts for euro-zone growth, but also warned of market risks. **A9**

◆ A top Trump adviser, Robert Porter, quit amid allegations that he was abusive toward his ex-wives. **A3**

◆ **White House** lawyers have until Thursday to recommend whether to release a Democratic memo on the probe of a Trump ex-aide. **A4**

◆ Democratic donor money has flooded the 23 Republican-held House districts that Clinton won in the presidential race. **A4**

◆ The U.S. military launched an airstrike and aimed artillery fire against forces fighting for the Syrian regime. **A8**

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THE WALL STREET JOURNAL.

Congress Breaks Budget Impasse

By KRISTINA PETERSON
AND SIOBHAN HUGHES

WASHINGTON—Congressional leaders said Wednesday they had reached an agreement on a two-year budget deal, charting a path out of the turmoil over spending and immigration that shut down the government last month and left its long-term funding in jeopardy.

If approved by the GOP-controlled Congress, the deal would mark the triumph of defense hawks, who have pushed for higher military spending, over the dwindling number of

lawmakers focused on reducing the federal budget deficit.

After months of legislative stalemate, Democrats and Republicans hailed different components of the sprawling agreement, which also angered factions of both parties.

"This bill is the product of extensive negotiations among congressional leaders and the White House," Senate Majority

Leader Mitch McConnell (R., Ky.) said on the Senate floor Wednesday in announcing the pact. "No one would suggest it is perfect, but we worked hard to find common ground."

"After months of legislative logjams, this budget deal is a genuine breakthrough," Senate Minority Leader Chuck Schumer (D., N.Y.) said on the Senate floor.

The deal between the top four congressional leaders and the White House came after many Democrats, smarting from the political fallout of last month's government shutdown, decided to separate an immigration debate from long-run.

Please see BUDGET page A4

◆ Pelosi presses Ryan for full debate on DACA..... A4

Search for the Missing Continues After Quake Rocks Taiwan



ON ALERT: Rescue workers Wednesday blocked off the area outside a building in Hualien that tilted precariously after its foundation collapsed following a 6.4-magnitude quake. The tremor left seven people dead, 254 injured and 88 missing as of Wednesday afternoon. **A6**

Vice Media Exhibits Growing Pains

By KEACH HAGEY

Vice Media fell far short of its revenue target last year, as the privately held company works to stabilize its executive ranks and reassure shareholders pressing for an exit.

Vice, whose \$5.7 billion valuation makes it the most valuable new media company in the U.S., missed its 2017 revenue goal of \$805 million by more than \$100 million, according to people familiar with the matter.

That setback, largely due to the struggling ViceLand cable TV channel, comes as co-president Andrew Creighton, who was placed on leave after sexual-harassment allegations surfaced, is unlikely to return to his post, according to people familiar with the matter.

Please see VICE page A8

Vice Grip

Vice Media's value far outpaces most of its peers.

Vice	\$5.7 billion
BuzzFeed	1.7
Vox	1.0
Group Nine Media	0.6
Medium	0.6
Refinery29	0.5
Business Insider	0.4
Bustle	0.2
Gizmodo Media Group	0.1
Mic	0.1

Source: Wall Street Journal reporting on valuations from most recent sales or investment rounds

THE WALL STREET JOURNAL.

YouTube Drives Viewers to the Internet's Darkest Corners

Video site's algorithm often recommends divisive or misleading fare

By JACK NICAS

YouTube is the new television, with more than 1.5 billion users, and videos the site recommends have the power to influence viewpoints around the world.

Those recommendations often present divisive, misleading or false content despite changes the site has recently made to highlight more-neutral fare, a Wall Street Journal investigation found.

People cumulatively watch more than a billion YouTube hours daily world-wide, a 10-fold increase from 2012, the site says. Behind that growth is an algorithm that creates personal-

ized playlists. YouTube says these recommendations drive more than 70% of its viewing time, making the algorithm among the single biggest deciders of what people watch.

The Journal investigation found YouTube's recommendations often lead users to channels that feature conspiracy theories, partisan viewpoints and misleading videos, even when those users haven't shown interest in such content. When users show a political bias in what they choose to view, YouTube typically recommends videos that echo those biases, often with more-extreme viewpoints.

A search for "the pope" this week returned

Please see VIDEO page A10

If You Can Read This Clearly You Might Be A High School Debater

* * *

To make their points, Lincoln-Douglas participants orate at 300 words a minute

By DANIEL KRUGER

LEXINGTON, Mass.—For weeks, high school debater Benjamin Waldman rehearsed his argument affirming the resolution that the criminal-justice system should abolish plea bargaining. Now that it was time to speak, he took a deep breath and let it rip.

"...the criminal justice system is a reflection of a nation of law and order, and it's position of the law and order is that of the law and order."

After six minutes of speaking at this blinding pace, topping out at 300 words a minute, the 15-year-old sat down,

ready for his foe's cross-examination.

The tournament at Lexington High School followed a debate format known as Lincoln-Douglas, the name referring to the famous series of joint appearances by two Illinois Senate candidates in 1858, Abraham Lincoln and Stephen Douglas. The similarities are scant.

Where Messrs. Lincoln and Douglas each had an hour for an opening argument, and then an hour and a half to respond to the other debater, Mr. Waldman's opening salvo was limited to six minutes. A three-minute cross-examination by 17-year-old opponent Alan Liu came next,

Please see DEBATE page A10

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U.S. NEWS

Cities Look to Higher Fees to Pay the Bills

Charges for garbage, ambulance rides and 911 calls help offset weak tax revenues

By HEATHER GILLERS
AND SARAH CHANEY

Scranton, Pa., is turning to an unlikely source for fiscal strength: garbage.

The distressed city in northeastern Pennsylvania began charging residents a \$300 annual fee in 2014 to collect trash, up from \$178. That 68% increase has since raised millions for Scranton, one of the many steps being taken to restore the former coal-mining hub to solid financial footing after decades of decline.

Cash-strapped American cities are asking their residents to pay higher amounts for mundane services as they struggle to pay for mounting pension obligations, cover costly infrastructure improvements and replace revenue de-

pleted by the last recession. Bills are rising for everything from parking tickets and 911 calls to sewer service and trash pickup.

In 73 U.S. cities with more than 30,000 people that have reported results so far, fees and fines increased by a collective \$182 million in 2017, according to financial reports analyzed by Merritt Research Services. That annual tally is up 11% since the 2008 financial crisis.

Fees are expected to go even higher because of recent changes at the state and federal levels. New tax legislation passed last year by Congress caps the amount of local property and income taxes Americans can deduct from their federal tax bills, making local tax increases more costly for residents and thus politically difficult for elected officials.

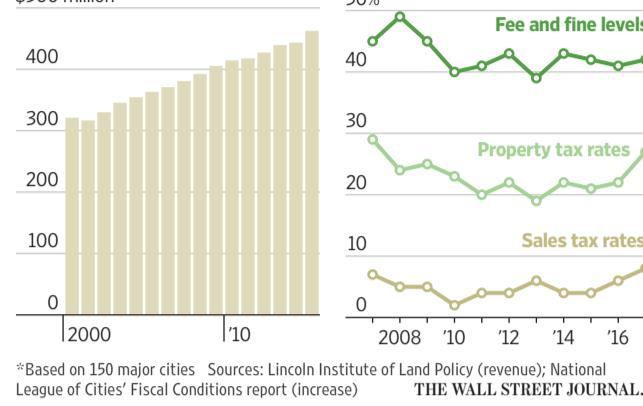
Thirty-four states have also placed separate limits on local-government tax or spending increases, according to the National League of Cities.

"What's left? Basically

Civic Duties

Cash-strapped cities across the U.S. are raising fees for everything from parking tickets and 911 calls to sewer service and trash pickup.

Average city revenue from fines and fees*



*Based on 150 major cities. Sources: Lincoln Institute of Land Policy (revenue); National League of Cities' Fiscal Conditions report (increase).

what's left are charges," said Andrew Reschovsky, a professor emeritus of public affairs and applied economics at the University of Wisconsin-Madison. "I think the future probably holds more fee increases."

Cities began turning to more fees and fines following the financial crisis, which eroded property- and sales-tax revenue due to pullbacks in housing values, employment and consumer spending.

Revenue from property sales and income taxes has climbed in recent years as the economy has rebounded, but the total collected in 2017 was still below 2008 levels, according to data from the National League of Cities.

Revenue from fees, on the other hand, was 14% higher in 2015 than in 2009, according to a study of 150 cities conducted by the Lincoln Institute of Land Policy. In 2017, 42% of city chief financial officers said their towns raised fees, more than the 27% who said they raised property-tax rates and the 8% who reported sales-tax increases.

In California, more than a dozen city fire departments are now charging hundreds of dollars for ambulance calls and more for ambulance rides. Long Beach, Calif., began imposing a \$250 fee for service calls in 2016 on top of the existing \$1,300 to \$1,900 for a ride. The ambulance-call fee brought in \$1.6 million that year and \$2.2 million in

2017, the finance director said.

One small Midwestern town, Danville, Ill., is raising its fees for a specific purpose: to chip away at more than \$100 million in liabilities owed to police and fire department retirees. The city of about 30,000 first attached a \$2-a-month "public safety pension fee" to residents' sewer bills in 2014 and in December pushed that charge to \$22.25 for those in single-family homes.

Danville Mayor Scott Eisenhauer said the city took this step because it no longer had enough to make its required pension payments without devoting less to firefighting, police, parks, street repairs and code enforcement.

Those who pay the higher fees aren't always pleased with the new demands. In Scranton, a property owner has filed lawsuits over the \$300 trash-collection fee and a fee for landlords, arguing the levies were higher than needed to pay for the services.

Tech Wealth Helps Seattle's Affordable-Housing Push

BY NOUR MALAS

ness have surged as the tech industry has sowed patchy prosperity.

"There has been a shift among investors, and particularly folks who have done well in this region, to recognizing that they can redirect the money they've made in the last decade into actually improving this region," said Gene Duvernoy, founder and president of Forterra, the nonprofit that raised the money.

Forterra started in the early 1990s as a land trust focused on conserving forests and farmlands in the Pacific Northwest. It has evolved into something of a power broker in Seattle's tight real-estate market, putting cash upfront or simply helping to negotiate to secure land or buildings for community groups.

Andrew Reschovsky, a professor emeritus of public affairs and applied economics at the University of Wisconsin-Madison. "I think the future probably holds more fee increases."

Cities began turning to more fees and fines following the financial crisis, which eroded property- and sales-tax revenue due to pullbacks in housing values, employment and consumer spending.

"It used to be that you either gave money [as charity] or you invested for your maximum return," said Tom Alberg, founder of venture-capital firm Madrona Venture Group and one of Amazon's earliest investors.

"I think that attitude has changed....There is this middle category," said Mr. Alberg, who personally invested \$500,000 in the Forterra fund, which he called an innovative way to raise money for social causes. Mr. Alberg sits on

Amazon's board of directors.

Venture capitalist Nick Hanauer, another early Amazon investor, also invested in the fund. Others include the Seattle Foundation and a regional builders association.

The 10-year fund offers an

annual return of 2%. Forterra has deployed \$3.8 million of the \$10.25 million raised toward three affordable-housing projects that also secure spots for local businesses.

In Tukwila, a city south of Seattle and home to a large Somali immigrant community, the organization bought a crime-plagued motel across the street from a local mosque. Under the deal, the mosque will take ownership of the motel and help redesign it into a marketplace for Somali businesses and workforce housing.

The two other deals are partnerships with Africatown Community Land Trust, a group founded by black activists to preserve neighborhoods where gentrification is pricing out the black community.

STOCKS

Continued from Page One
treates rates.

An inflation scare is an entirely different animal from the deflation scares that have rocked markets in the past decade, including the U.S. financial crisis of 2008, Europe's government-debt crisis of 2011 and China's slowdown in 2015. Each of those events tanked, or threatened to tank, a key economy and push inflation into negative territory. In each, investors bet on more central-bank measures to prop up growth.

This time it isn't slow growth, deflation or more central-bank stimulus that preoccupies investors, but the opposite. Last Wednesday, the Federal Reserve released a statement in which it predicted "further" gradual interest-rate increases. The word "further," which wasn't in December's statement, subtly signaled more conviction that higher rates are in order. Then Friday's report on January job growth was accompanied by the largest annual increase in wages since 2009.

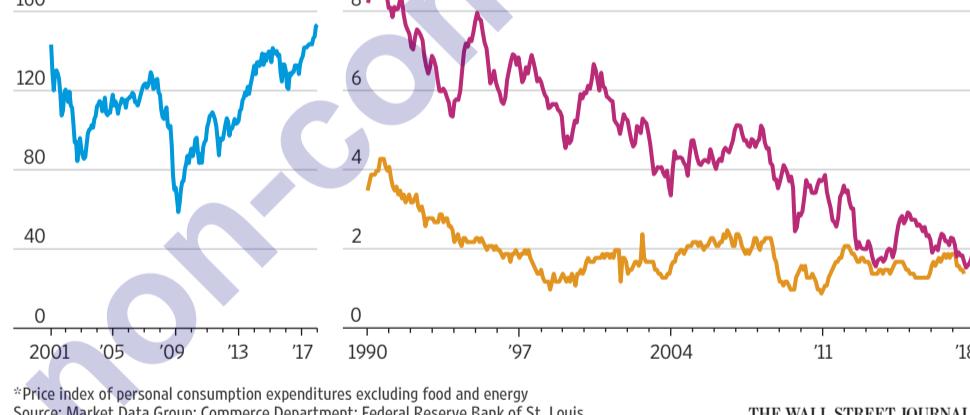
During deflation scares, investors sought safety in government bonds, driving their prices up and yields down. Now U.S. bond yields are rising, standing near a four-year high as of Tuesday.

Inflation results from the economy pressing up against its productive capacity. That is a fundamentally bullish development. Higher wages and

Not Normal

Even with the latest market sell-off, stock values are historically high, while inflation and interest rates are historically low.

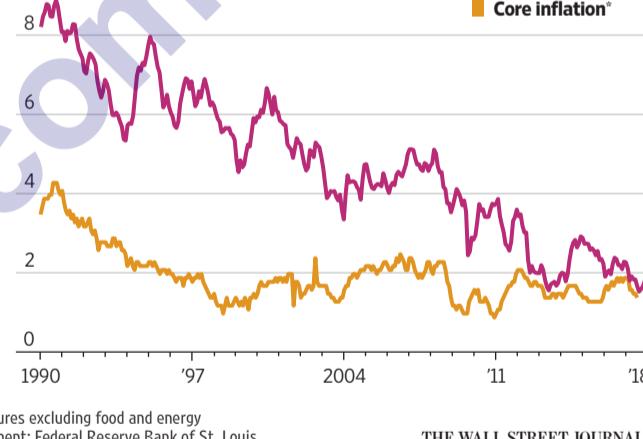
Market capitalization, percentage of GDP



*Price index of personal consumption expenditures excluding food and energy

Source: Market Data Group; Commerce Department; Federal Reserve Bank of St. Louis

Interest rates and inflation



*Price index of personal consumption expenditures excluding food and energy

Source: Market Data Group; Commerce Department; Federal Reserve Bank of St. Louis

Fed Officials Signal Unchanged Outlook

He added that he still favors raising rates in a "patient and gradual manner."

Stocks sold off Friday after new employment data showed strong wage gains in January, causing some investors to worry that inflation might surge and the Fed might raise rates more aggressively to keep price pressures under control.

Then when stocks seesawed Monday and Tuesday, some market participants started thinking the Fed might hold off on rate increases or move less this year than forecast out of concern that the financial gyrations might hurt the economy.

"My outlook hasn't changed because the stock market is a little bit lower than it was a few days ago. It's still up sharply from where it was a year ago," Mr. Dudley said.

—Michael S. Derby

Interest rates and inflation

10-year Treasuries

Core inflation

Interest rates and inflation

10-year Treasuries</

U.S. NEWS

A Bird's-Eye View From the Space Needle

DON'T LOOK DOWN: Josh Jagger climbed out on scaffolding as he built it Wednesday on the halo of Seattle's landmark Space Needle. The 55-year-old observation tower is undergoing a \$100 million renovation designed to increase the views some 500 feet above ground. Portions of the observation deck continue to be open periodically. Work is expected to be completed by the summer.

Au Pairs Press Claims Over Pay

Class action says U.S. agencies violate wage laws; defendants cite program's benefits

BY SARA RANDAZZO

A class-action lawsuit involving 91,000 au pairs is making the case that the long-standing U.S. program violates federal and state wage laws and exploits young people traveling from abroad to care for American children.

A federal judge in Denver recently allowed multiple classes of au pairs to press antitrust, fraud and other claims against organizations designated by the U.S. State Department to sponsor the au pair program. The ruling clears the way for the 3½-year-old case to continue toward trial.

Billed as a cultural-exchange program, au pairs are asked to provide 45 hours of child-care work per week for a \$195.75 weekly stipend and small education allowance, as well as housing and meals.

The lawsuit alleges the 15 sponsor agencies conspired to set the same wage nationwide, which is far less than other child-care options and doesn't meet minimum wage, and discouraged families from paying more. The defendants—some for-profit, some nonprofit—have argued they follow State Department guidelines on pay and that the \$4.35-an-hour rate doesn't include the substantial benefit of being housed and fed while on assignment.

The agencies didn't respond to requests for comment or

Working Long Hours

Many families and au pairs have positive experiences, but critics say the program can be susceptible to abuse.

Sarah Azuela, who is part of the class-action lawsuit, remembers the au pair advertisement that she saw on her university campus in Mexico, promising that being an au pair would be the best year of her life. Instead, she said, it turned into one of the worst.

At her first home in Boston, she said she had to use her wages for food because the family forbade her from eating much of what they

declined to comment. One defendant, Go Au Pair, said in a 2015 filing the "lawsuit attacks the very existence of our nation's au pair program" and that the grievances should be directed at the federal government instead.

In court filings, the au pair agencies point to higher wages offered to some more experienced au pairs, and they say they shouldn't be on the hook because they aren't the au pairs' legal employers.

The State Department has said \$195.75 is the weekly minimum and that the sponsors must comply with minimum-wage laws. The lawsuit says the sponsors aren't meeting that threshold.

Dawn Smalls, a partner at Boies Schiller Flexner LLP who is representing the au pairs, said she considers the marketing behind the program incon-



bought. When that relationship frayed, she briefly went to a family in Maryland, then to a home in Virginia, where in addition to caring for three chil-

dren she said she cleaned the house, packed boxes, did yard work and prepared meals, working far more than 45 hours a week.

sistent. For the prospective au pairs, the program is promoted as a cultural exchange to help improve language skills and be embraced by a new family. For families signing up, Ms. Smalls said, it is often marketed as a low-cost domestic-worker program.

The sponsors have said in court filings that most participants aren't drawn to the program to earn money, but instead because of a desire to live in the U.S., learn English and for cultural opportunities.

Au pairs initiated the lawsuit in November 2014, alleging the formation of a price-fixing cartel to pay illegal wages dates to the inception of the au pair program in the U.S. in 1986.

The complaint said some agencies specifically advertise au pairs as cheap alternatives to nannies or day care and tell

prospective au pairs that the price is fixed by the government and to be wary of families offering to pay more.

Linda Elizabeth, who is part of the litigation, first came to the U.S. from Germany in 2007

to serve as an au pair for two sets of twins. Happy with her experience, she returned in 2013 and cared for twins in two more families—but found a much different situation.

Both treated her like hired help, she said.

Having better pay, Ms. Elizabeth said, could help weed out the families looking to use the system as cheap child care and instead limit it to those committed to the cultural-exchange aspect of the program.

"If you're part of a family, then money is not your main focus," said Ms. Elizabeth, now an international operations specialist in Texas.

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Trump Aide Resigns Amid Abuse Claims

BY MICHAEL C. BENDER
AND REBECCA BALLHAUS

WASHINGTON—One of President Donald Trump's top advisers, White House staff secretary Robert Porter, said Wednesday that he has resigned his position amid allegations that he was abusive toward his ex-wives.

Mr. Porter denied many of the allegations, which were earlier reported by Daily-Mail.com.

His sudden departure marks the exit of one of the most enduring and influential voices in the West Wing. As staff secretary, Mr. Porter was the gatekeeper of paper flowing in and out of the Oval Office, a particularly crucial position under Chief of Staff John Kelly, who has sought to limit access to Mr. Trump.

Mr. Kelly was among several senior aides who urged Mr. Porter not to resign and to fight the allegations, according to a White House official.

Two news reports on Tuesday alleged that Mr. Porter had been abusive in his previous marriages. His second wife, Jennifer Willoughby, said in an interview with Daily-Mail.com that Mr. Porter had behaved in an "angry" and "oppressive" manner after they were married in 2009.

Mr. Porter's first wife, Col-

bie Holderness, told Daily-Mail.com, "He was verbally, emotionally and physically abusive and that is why I left."

Ms. Holderness also provided to the Intercept photos of herself with a black eye that she said she sustained during a vacation with Mr. Porter to Florence, Italy.

In a statement Wednesday, he said the events that led to the black-eye photo were being misrepresented. "These outrageous allegations are simply false," he said, adding that he took the photos of Ms. Holderness published in the media. "The reality behind them is nowhere close to what is being described," he said.

"I have been transparent and truthful about these vile claims, but I will not further engage publicly with a coordinated smear campaign," he said.

Ms. Holderness and Ms. Willoughby didn't respond to requests for comment.

The White House issued several statements in support of Mr. Porter. In one, Mr. Kelly called him a "man of true integrity and honor" and that he still had the "full confidence" of the White House.

White House press secretary Sarah Huckabee Sanders said Mr. Porter has been "effective in his role" and that he still had the "full confidence" of the White House.

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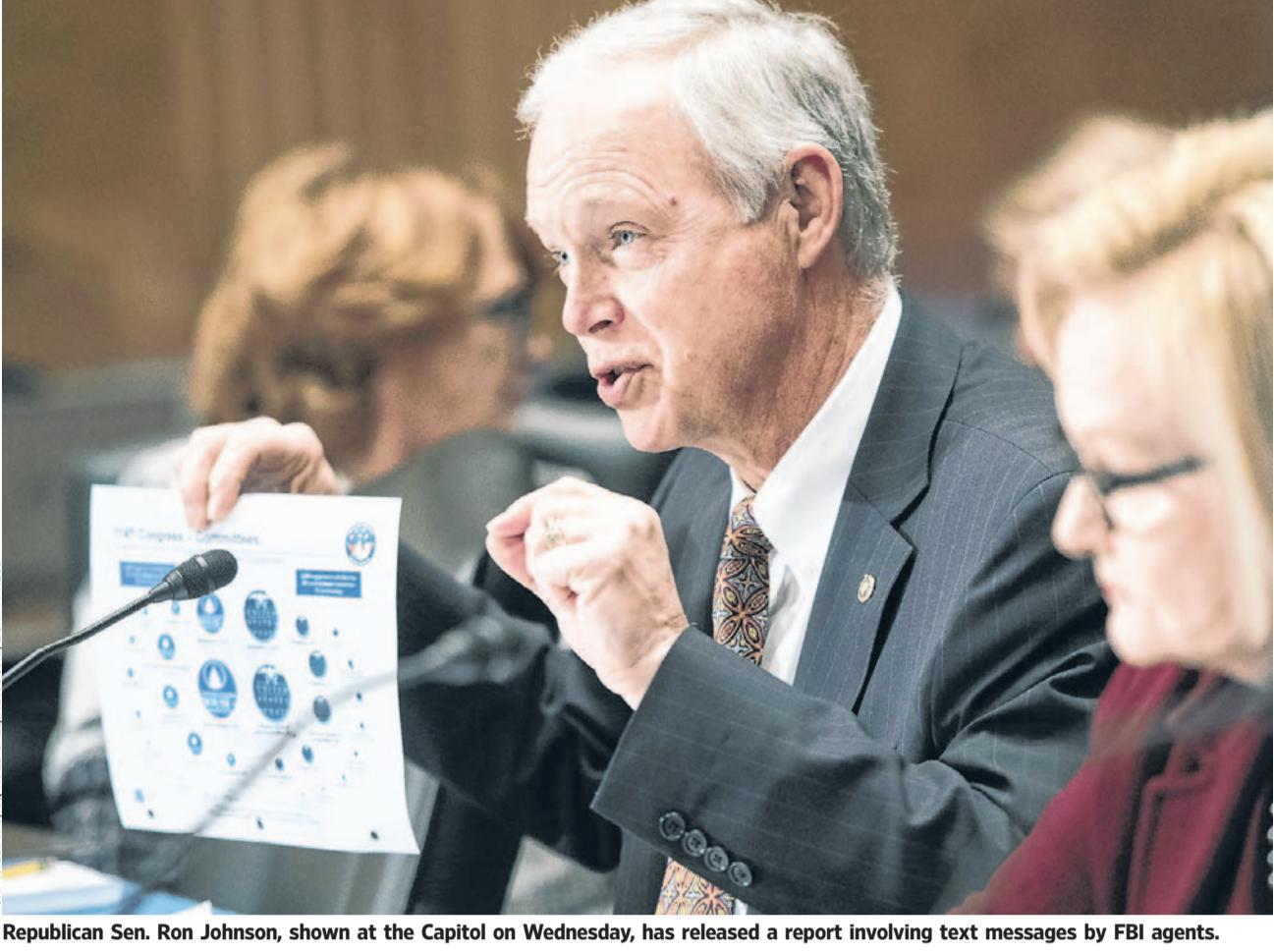
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U.S. NEWS



Republican Sen. Ron Johnson, shown at the Capitol on Wednesday, has released a report involving text messages by FBI agents.

Obama Showed Interest in FBI Work

By DEL QUENTIN WILBER

A text message between two FBI employees from September 2016 released by a Republican senator Wednesday says that then-President Barack Obama "wants to know everything we're doing."

What exactly the text refers to isn't specified in the exchange. Associates of the FBI employees said it refers to preparation to brief Mr. Obama about Russian interference in that year's election. Sen. Ron Johnson (R., Wis.), who released the text Wednesday as part of a 25-page report, said it raises questions about meddling by Mr. Obama in the federal Hillary Clinton email investigation, which wasn't an active probe at that time.

The report from Mr. Johnson, chairman of the Senate Homeland Security and Governmental Affairs Committee, highlights previously cited texts between Peter Strzok, a former Federal Bureau of Investigation agent, and Lisa Page, a bureau lawyer with whom he was having an affair. Mr. Strzok supervised the investigation into Mrs. Clinton's use of a private email server while she was secretary of state and was to become the lead agent on special counsel Robert Mueller's team investigating any ties between Trump associates and Russia.

Mr. Strzok was removed in July, however, after the Justice

Kelly Sets Deadline On Memo Guidance

White House lawyers have until Thursday to recommend whether President Donald Trump should release a classified Democratic memo rebutting Republican allegations of wrongdoing in the federal investigation of former Trump campaign aide Carter Page.

White House chief of staff John Kelly said Tuesday he told lawyers reviewing the document to "get back to me" by the end of day Thursday. He suggested the memo could need redactions before it can be released to the public.

"This is not as clean a memo as the first one," Mr. Kelly said, referring to the earlier Republican memo.

Department's inspector general uncovered numerous text messages between Mr. Strzok and Ms. Page, in 2015 and 2016, that were highly critical of Mr. Trump. Since Mr. Strzok's removal was disclosed in December, staffers for Mr. Johnson and other senators have been poring over the pair's correspondence, and the Justice Department has turned over to Congress two batches of the pair's texts.

While The Wall Street Journal obtained many of the text

Mr. Kelly said the president's decision on the memo would hinge on the recommendation of senior law-enforcement officials, including Deputy Attorney General Rod Rosenstein and Federal Bureau of Investigation Director Christopher Wray.

A White House spokeswoman declined to comment on whether attorneys are leaning toward redacting parts of the 10-page memo.

On Monday, after the House Intelligence Committee voted unanimously to release the Democratic memo, the panel's top Democrat, Rep. Adam Schiff, requested that any redactions made be "fully explained" by either the FBI or Justice Department. "We want to make sure that the White House does not redact our memo for political purposes," he said.

—Rebecca Ballhaus

messages between the two staffers last week, reporting that they showed no overall conspiracy against Mr. Trump, Republicans and the president himself have cited the messages as evidence that the Russian probe amounts to a wider plot to undermine him.

In his Wednesday report, Mr. Johnson pointed to a Sept. 2, 2016, exchange in which Mr. Strzok and Ms. Page were discussing talking points for then-FBI Director James Comey to deliver to

Mr. Obama.

"Potus wants to know everything we're doing," Ms. Page said, using the acronym for President of the United States. Mr. Johnson said the text raises questions about "the type and extent of President Obama's personal involvement" in the Clinton investigation.

The associates of Mr. Strzok and Ms. Page said that exchange referred to the president's wanting information on Russia election meddling, which the FBI was heavily involved in over that period. That exchange occurred just days before Mr. Obama met Russian President Vladimir Putin at a summit in China. Mr. Obama said in December 2016 that he had addressed the issue of tampering with the election process with Mr. Putin at that September meeting.

In August and September 2016, the FBI was no longer actively investigating the Clinton matter. In late October 2016, the FBI ramped up its investigation into Mrs. Clinton again when the bureau learned about a potential trove of new Clinton-related emails on the computer belonging to the husband of one of her aides.

Former Attorney General Eric Holder, who served under Mr. Obama though not during the Clinton probe, told reporters Wednesday in Washington that the president never intervened in an investigation.

Democrats Gain Money Edge in Vote

By JULIE BYKOWICZ

Democratic donor money has flooded the 23 Republican-held House districts that Hillary Clinton won in the presidential race, giving those candidates a \$4 million fundraising advantage over Republicans, according to a Wall Street Journal analysis of new Federal Election Commission reports.

Across the country, Democratic candidates outraised at least 40 Republican incumbents in the last three months of 2017, according to commission reports.

The money race is one measure of enthusiasm that Democrats are trying to capture as they work to win the net 24 seats that would give them control of the House after the November elections. Both Democratic and Republican strategists expect at least 80 seats to be competitive, but the 23 in districts Mrs. Clinton won offer particularly attractive Democratic targets.

President Donald Trump this week warned of complacency in the midterm elections, a pattern that has plagued prior White Houses. "So what happens is they sort of take it for granted," he said of the party in power. "They sit back and then they get clobbered because the other people are desperate and they get out and they have more energy."

Tyler Law, spokesman for the Democratic Congressional Campaign Committee, said the flow of cash shows they are "building the largest battlefield" in years. "We knew from Day One that we would need to compete in as many places as possible to spread Republican resources thin."

Jesse Hunt, spokesman for the National Republican Congressional Committee, said he expected Republicans to have "more than enough money to be competitive to hold the majority. But he said last year's fundraising reiterates the message Republican leaders have been giving their candidates for months now: 'Prepare for a competitive election cycle. The Democratic base is energized, and that's something we have to contend with.'

Democratic enthusiasm in House races is a double-edged sword. Candidates have piled into primary races across the country, meaning some of their fundraising largess will be whittled down in internal races long before the general elections even begin.

The Democratic committee continued its seven-month streak of collecting more cash than its Republican counterpart, raising \$105 million last year compared with the Republican committee's \$85 million, the reports show.

Almost 40% of the Democratic committee money last year came from donors giving \$200 or less, while small donors made up about 12% of the Republican committee's incoming cash, according to the reports.

and immigration.

Democrats previously tried to use their leverage to secure legal protections for undocumented immigrants brought to the U.S. at a young age, so-called Dreamers. Mr. Trump in September ended the Deferred Action for Childhood Arrivals, or DACA, program that shielded them from deportation, but gave Congress until March 5 to pass its replacement.

House Minority Leader Nancy Pelosi (D., Calif.) said she would oppose the deal unless Mr. Ryan pledged to bring an immigration bill up for a vote.

As part of a deal to end a three-day partial government shutdown last month, Mr. McConnell pledged to bring an immigration bill to the Senate floor. But on the House side, Mr. Ryan has said he would bring an immigration bill to the House floor only if it is backed by Mr. Trump.

AshLee Strong, a spokeswoman for Mr. Ryan, reiterated that stance Wednesday.

Many House Democrats were noncommittal about the budget agreement, but indicated it contained many provisions they favored. "There's a lot of really good stuff in it that I like," said Rep. John Delaney (D., Md.). Appetite for another government shutdown was "zero," he said.

The House on Tuesday night passed a spending bill that would keep the Defense Department funded through September and the rest of the government through March 23. The Senate is likely to strip out the military funding and include the two-year budget agreement, sending it back to the House.

—Natalie Andrews and Peter Nicholas contributed to this article.

No Attack In Border Death

By ALICIA A. CALDWELL

The Federal Bureau of Investigation said it found no evidence of an attack in the death of a U.S. Border Patrol agent last year that fueled calls for a southern border wall from President Donald Trump.

Border Patrol Agent Rogelio Martinez, 36 years old, died in November after what was initially described by the Border Patrol's union and Mr. Trump as an attack. A second agent was seriously injured.

The FBI previously said it was treating the investigation as an assault on federal agents but in a statement Wednesday said there is no evidence of a "scuffle, altercation, or attack" in the incident.

The men may have fallen into a culvert, according to Emmerson Buie, the FBI's special agent in charge in El Paso, Texas.

He said that during the incident the second agent, disoriented and unsure of where he was, radioed an agency dispatcher and "made a statement to the effect of, 'We ran into a culvert.'"

Mr. Buie said the FBI has conducted more than 650 interviews but investigators haven't identified any suspects. The case remains open.

The men had been patrolling a stretch of Interstate 10 near Van Horn, Texas, about 120 miles east of El Paso.

BUDGET

*Continued from Page One*ning efforts to boost spending for both the military and domestic programs.

The budget deal would raise military spending by \$80 billion through the rest of the fiscal year, which runs through September, and by \$85 billion in fiscal year 2019, in addition to \$140 billion in emergency war funds, according to aides from both parties.

Congressional leaders also agreed to raise nondefense spending by \$63 billion this fiscal year and \$68 billion the following year, according to aides. That addressed demands from Democrats, who had pushed for bolstering domestic programs.

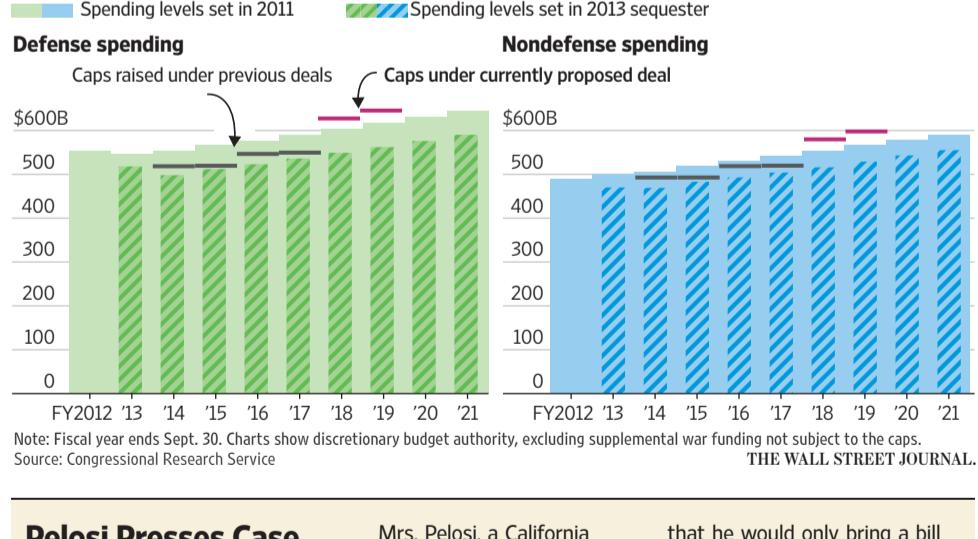
Taken together, the budget deal would not only undo one set of spending curbs, known as the sequester, for two years, but also for the first time would bring federal spending above the higher set of limits agreed to in 2011, as part of a compromise aimed at ending a bruising battle over the debt ceiling.

It would also ensure that the Children's Health Insurance Program is funded for 10 years, direct nearly \$90 billion in aid for states and territories battered by last year's storms and increase funding for community health centers for two years.

The pact would set overall spending levels for the next two fiscal years, but lawmakers will need several weeks to translate that into detailed spending legislation to fund the government through September. Congress will still need to pass a short-term spending bill this week to avoid a government shutdown when its current funding ex-

Loosening the Spigot

A proposed spending deal would bust two sets of automatic spending caps Congress established in order to curb deficits in 2011.



Pelosi Presses Case For DACA Debate

WASHINGTON—Minority Leader Nancy Pelosi held the House floor all day on Wednesday, breaking a record for the longest known speech in the chamber, as she pressed Speaker Paul Ryan to allow the same free-flowing immigration debate in the House as is planned in the Senate.

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pires at 12:01 a.m. Friday.

President Donald Trump backed the pact in a tweet Wednesday evening, a display of support that could help win over reluctant conservatives.

"The Budget Agreement today is so important for our great Military," the president wrote.

"Republicans and Democrats must support our troops and support this Bill!"

Mrs. Pelosi, a California Democrat, used her time to tell immigrants' stories, including those of students in college and of people who didn't even know they were in the U.S. illegally.

She said former President Barack Obama's Deferred Action for Childhood Arrivals program has had a positive effect on their lives. "We've been the country of the American dream forever," she said.

But Mr. Ryan, a Wisconsin Republican, said on Tuesday

that he would only bring a bill to the floor that is backed by President Donald Trump.

And White House congressional liaison Marc Short said he was unmoved by Mrs.

Pelosi's gambit. "I'm not going to tell Speaker Ryan how to manage the House," he said.

Still, he added that the White House is "anxious to get a vote" on the immigration issue,

and Mr. Ryan "is too."

—Laura Meckler and Siobhan Hughes

predicted the "vast, vast majority" of the group would oppose the pact. "I just think it's a bad deal," he said as he left a briefing led by House Speaker Paul Ryan (R., Wis.). "This is not what we were elected to do."

The agreement also faces resistance from some House Democrats, whose votes will be needed to pass it, over the decoupling of the spending fight

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The agreement also faces resistance

We manufacture prescription opioids. How could we not help fight the prescription and illicit opioid abuse crisis?

Two doctors founded a company in 1892 now known as Purdue Pharma. Continuing the strong heritage of a research-driven, science-based company, another doctor is currently at the helm as CEO. We're the pharmaceutical company that manufactures OxyContin®. Patients' needs and safety have guided our steps. It's what led us to research and develop medications to help patients. Today, it's what has spurred us to redouble our efforts in the fight against the prescription and illicit opioid abuse crisis. It's why we're taking action.

We support recommendations in *The President's Commission on Combating Drug Addiction and the Opioid Crisis* and the FDA's *Opioid Action Plan*. There are too many prescription opioid pills in people's medicine cabinets. We support initiatives to limit the length of first opioid prescriptions. Reducing the number of excess tablets won't end the epidemic, but we believe it will help rein in the problem. We believe doctors should check their state Prescription Drug Monitoring Program (PDMP) databases before writing an opioid prescription, to guard against doctor-shopping by those trying to game the system. Information sharing between state databases must improve.

Our industry and our company have and will continue to take meaningful action to reduce opioid abuse. We focused our talented research scientists and applied our innovative thinking to making opioids with abuse-deterrent properties, making them harder to crush and, therefore, harder to be abused by snorting or injection. With this investment, we pioneered the pharmaceutical industry's movement toward developing opioids with abuse-deterrent properties when we were the first to receive FDA approval.¹ Developing new formulations is risky and there are never any guarantees, but we did it anyway. Our company also took the initiative to distribute the CDC Guideline for Prescribing Opioids to thousands of prescribers and pharmacists shortly after it was released.

As we continue to fight the prescription opioid and illicit substance abuse crisis, we are applying our resources and our best scientific minds to discover and develop new, non-opioid pain medicines for patients.

No one solution will end the crisis, but multiple, overlapping efforts will. We want everyone engaged to know you have a partner in Purdue Pharma. This is our fight, too.



www.purduepharma.com

¹Opioids with abuse-deterrent properties are not abuse-proof and don't prevent addiction, but they are part of a multifaceted approach to addressing the prescription opioid abuse crisis.

WORLD NEWS

Kim's Younger Sister to Attend Olympics

Move to send member of ruling family raises prospect of talks with South Korea and U.S.

By JONATHAN CHENG
AND ANDREW JEONG

SEOUL—North Korea told the South that it intends to send the younger sister of leader Kim Jong Un to the Winter Olympics in South Korea, a move that raises the prospect of high-level talks with Seoul and the U.S.

Sending Kim Yo Jong would mark the first official visit to the South by a member of the ruling Kim family, and was announced minutes before U.S. Vice President Mike Pence told reporters in Tokyo that the U.S. would further tighten sanctions on Pyongyang. In earlier comments en route to Asia, Mr. Pence signaled the Games might be a stage for talks between the U.S. and North Korean officials. U.S. officials have said any meeting involving Mr. Pence would have to be with an appropriately high-ranking North Korean.

Asked if he supported a meeting between Mr. Pence and North Korean officials at the Winter Olympics, Defense Secretary Jim Mattis said the vice president would determine if a meeting was appropriate.

"Vice President Pence is quite capable of making the call on that there, while he's in Korea," Mr. Mattis told reporters during an appearance at the White House on Wednesday.

Ms. Kim, who is believed to be around 30 years old, has been closely watched by officials in Seoul and Washington because of the centrality of the family in North Korea's power structure. As with her brother, Ms. Kim is thought to have studied in Switzerland.

In recent years, she has



Kim Yo Jong, left, with North Korean leader Kim Jong Un in 2015, is believed to oversee the state's propaganda efforts.

risen through the ranks of the ruling Workers' Party and holds the title of first vice director of its central committee. She is also believed to oversee the state's propaganda efforts.

North Korea watchers say the decision to dispatch Ms. Kim is more significant than the inclusion of Kim Yong Nam, North Korea's ceremonial head of state. Kim Yong Nam, 90 years old, isn't related to Kim Jong Un.

"The most credible person to send is a member of the Kim family," said Christopher Green, a senior adviser on Korean Peninsula issues for the International Crisis Group.

Unlike Kim Yong Nam, who

hasn't deviated from the party line during his decades in service, Ms. Kim may feel freer to speak her mind because of her status as a member of the ruling family, Mr. Green said.

While it isn't known how much influence Kim Yo Jong has over her brother, analysts have described Ms. Kim as one of the dictator's most trusted lieutenants. They have compared her with her aunt, Kim Kyong Hui, who served in senior political roles under Kim Jong Il, the current leader's father, who ruled the North from 1994 to 2011.

For the South Korean government, which favors engagement with the North, Pyongyang's decision to send Kim Yo Jong offers an opportunity to broker a meeting between the U.S. and North Korea.

"We believe that the North's announcement of the delegation shows its willingness to ease tensions on the Korean Peninsula along with a message of celebration for the Pyeongchang Olympic Winter Games," a spokesman for South Korea's presidential Blue House said.

It is unclear whether Kim Yo Jong would arrive in time for the opening ceremony on Friday evening in Pyeongchang, the South Korean ski resort that is hosting the Games.

A spokeswoman for the Blue House said the government would "make sure that there will be no inconvenience during the stay of the North's high-level delegation."

"Sending Ms. Kim as part of North Korea's delegation shows that Kim Jong Un is trying to show that he really wants to improve relations with South Korea," said Cheong Seong-chang, a senior fellow at the Seoul-based private think tank Sejong Institute.

The decision also seems to have taken into account reports that U.S. President Donald Trump would send his daughter Ivanka to Pyeongchang, Mr. Cheong said.

"But the most important takeaway from this gesture is that it raises the chances for a possible summit between South and North Korea or at least some kind of candid talks between Seoul and Pyongyang," Mr. Cheong said.

It is possible, too, that Kim Yo Jong could stay mum. During the 2014 Asian Games in Incheon, South Korea, the North sent a high-level delegation, raising hopes for an inter-Korean breakthrough.

"Really, all they came to do was to cheer on the athletes" in 2014, Mr. Green said. "It was part of domestic North Korean sports propaganda."

—Michael R. Gordon
in Washington
contributed to this article.

Pence, in Japan, Flags New Actions Against Pyongyang

Vice President Mike Pence said the U.S. would soon announce new sanctions on North Korea, as he warned that the country could be using its attendance at the Olympics to blunt international pressure aimed at forcing it to drop its nuclear-weapons program.

Speaking after meeting with Japanese Prime Minister Shinzo Abe in Tokyo, Mr. Pence said the U.S. would impose the "toughest and most aggressive round of economic sanctions on North Korea ever" but didn't provide specifics on the steps or when they would be introduced.

Mr. Pence and Mr. Abe said North Korea appeared to be trying to weaken international coordination by cooperating with South Korea at the Olympics. On Tuesday, a team of North Korean cheerleaders arrived in South Korea.

—Alastair Gale

North's Propaganda Win at Games

By JONATHAN CHENG

SEOUL—Ninety-two countries will take part in the Winter Olympics that begin Friday in the South Korean ski resort of Pyeongchang. Yet much attention will be fixed on one that failed to register any athletes and has only the faintest of medal hopes: North Korea.

After a year in which Pyongyang test-launched ballistic missiles and detonated a powerful nuclear weapon in violation of United Nations resolutions, the regime of leader Kim Jong Un is trying to present a friendlier face on a stage many view as a symbol of international peace and harmony.

North Korea's success in getting into the Olympics represents a first-round win in a parallel competition: the propaganda games.

Mr. Kim raised the stakes on Wednesday by informing Seoul that he would send his younger sister, Kim Yo Jong, to the Games, in the first official visit to the South by a member of the North's ruling family. The presence of the Swiss-educated millennial—who is believed to oversee state propaganda—could offer a softer face for an infamous regime.

For the opposing team, U.S. Vice President Mike Pence will be there, attending the opening ceremony with the parents of Otto Warmbier, the college student who died in June, days after he was returned to the U.S. in a coma after more than a year in North Korean custody.

"We're traveling to the Olympics to make sure that North Korea doesn't use the powerful symbolism and the backdrop of the Winter Olympics to paper over the truth about their regime," Mr. Pence said Monday.

Mr. Pence hinted at a series of events on North Korea's human-rights abuses. "We'll be telling the truth about North Korea at every stop," he said.

But Mr. Kim will also have opportunities to score more image points in the days to come.

Hundreds of North Korean cheerleaders will descend on the Olympic venues. A 140-member North Korean musical ensemble will perform two shows to packed auditoriums



North Korea's Olympic appearance has provoked competing reactions in the South. Above, enthusiasts cheer a ferry delivering North Korean entertainers. Below, conservatives protest another ferry's arrival.



FROM TOP: KIM DO-HYUN/YONHAP/ASSOCIATED PRESS; CARL COURT/GETTY IMAGES

in Seoul and at the Games. North Korea's 22 athletes, brought in with a last-minute assist from the International Olympic Committee, will march into Pyeongchang's opening ceremony alongside the South's larger delegation under a flag bearing a silhouette of an undivided Korean Peninsula.

In the arena, even one victory for the inter-Korean women's ice-hockey team would be a coup for Pyongyang—especially against rival Japan.

North Korea's pivot to rapprochement, which began in a Jan. 1 speech by Mr. Kim that also included threats of nuclear destruction, has injected tensions into the alliance be-

tween South Korea and the U.S. South Korea's President Moon Jae-in has promoted outreach to the North, while the Trump administration has led a global campaign of pressure and sanctions.

The opening ceremony alone will present plenty of potential for drama. Mr. Pence will be there, as will North Korea's nominal head of state, Kim Yong Nam. The seating arrangement could allow for an encounter—planned or otherwise—between the two. It is also possible that Ms. Kim could attend the opening ceremony.

The North's involvement in the Games allows it to try to cast itself as something of a peacemaker, despite its contin-

ued pledges to bolster its arsenal of nuclear weapons. The U.S. and South Korea recently agreed to postpone joint military exercises until after the Paralympics end in mid-March, citing the need to concentrate on security arrangements for the Games.

For skeptics of Mr. Kim's intentions, this has turned the Pyeongchang Olympics into the "Pyongyang Olympics"—a phrase that South Korea's main conservative opposition party has deployed in recent weeks. "It's amazing how completely Kim Jong Un is controlling the agenda," said Aidan Foster-Carter, an honorary senior research fellow and Korea expert at Leeds University in the U.K.

JAKARTA—The United Nations' chief human-rights official urged Indonesia to refrain from criminalizing gay sex in sweeping revisions to the criminal code that are currently under consideration in the world's most populous Muslim-majority nation.

"The extremist views playing out in the political arena are deeply worrying," U.N. High Commissioner for Human Rights Zeid Ra'ad al-Hussein said Wednesday during a three-day visit to Indonesia.

The revisions to the criminal code, a relic of the Dutch colonial era, are being debated against a rise of conservative Islam as a political force that is challenging traditions of tolerance in this Southeast Asian country of 250 million people.

A group of legislators, including representatives of Is-

Scores Still Missing After Taiwan Quake

By TE-PING CHEN

BEIJING—Rescuers in Taiwan worked to free scores of residents trapped after a 6.4-magnitude earthquake toppled buildings or knocked them askew in the coastal city of Hualien.

The quake, which struck shortly before midnight Tuesday, left seven people dead and injured 254, with another 88 city residents reported as missing as of Wednesday afternoon, according to the government's Central Emergency Operation Center.

Rescuers homed in on about four badly damaged buildings, particularly the Yunmen Tsuiti apartment building, which photos and videos showed sharply tilted to one side. The emergency center said 43 residents of the building were still unaccounted for.

Two people trapped in the damaged Marshal Hotel were rescued Wednesday afternoon, with one having experienced cardiac arrest, according to

the Central News Agency, Taiwan's official news service.

A worker at a nearby hotel said that books and other items had toppled in her apartment during the quake. "Everyone felt it. It was very powerful," said the worker, who gave her surname only as Yang. "A little scary, but today business is still as normal."

Taiwanese President Tsai Ing-wen promised full-scale rescue efforts from the military and civil agencies. "Rescue operations have been continuing night & day," Ms. Tsai wrote on her verified Twitter feed. "We will not rest until all are found."

Tuesday's quake took place just ahead of the Lunar New Year, the island's most important holiday and a time when many travel to visit families. Authorities said that 40,000 people were without water as a result of the disaster.

Hualien lies in an earthquake-prone area on an island where quakes are frequent.

—Yang Jie contributed to this article.

U.N. Intercedes as Jakarta Mulls Proscribing Gay Sex

By ANITA RACHMAN

Islamic parties, are negotiating the wording of the bill with government drafters. The debate is focused mainly on severity of punishments.

In one draft, "homosexual relations in public" would be punishable by up to 18 months incarceration. Marital infidelity and cohabitation could also be punished by imprisonment. Other proposed revisions include articles about blasphemy and freedom of speech. One proposal would ban people from criticizing the president.

After the parties agree on the wording of the bill, it will eventually be submitted to parliament for a vote.

Same-sex relations currently are banned only in the province of Aceh, the sole region where Shariah law is practiced. Gay people there can receive up to 100 lashes with a cane for violations of the law.

WORLD NEWS

Iranian Women Cast Off Hijabs

Iranian women are defying the government by pulling off their head scarfs in public, joining a growing protest movement that places them on the front lines of a debate between Iran's Islamic conservatives and proponents of greater social freedoms.

By Asa Fitch in Dubai and Aresu Eqlabi in Tehran

The demonstrations, which included more than a dozen women on Wednesday, also betray differences between Iranian President Hassan Rouhani, a relative moderate who has courted women's support, and the country's hard-liners, who oppose any easing of strictures on the head scarf, or hijab.

Iranian women have protested for decades against laws requiring them to wear the hijab in public places. But dozens of them have become more daring in the past month, removing their head scarfs in public places where they are at greater risk of arrest, and publicizing the acts on social media.

And while the hijab protests have been much smaller and more sporadic than the unrest that rocked Iran around the New Year, they have grown even as the earlier demonstra-



A woman waves her white scarf, above, in an Instagram video.

@TAVANA

Merkel Sets Shaky Coalition

BY ZEKE TURNER AND BERTRAND BENOIT

BERLIN—German Chancellor Angela Merkel moved within reach of a fourth term after clinching a coalition deal that would keep Germany's shrinking political mainstream in power but could leave her presiding over an unstable and fractious government.

The 177-page agreement reached early Wednesday between Ms. Merkel's conservatives and the center-left Social Democratic Party, or SPD, reconstitutes the so-called grand coalition that has governed Germany since 2013 but transfers the powerful finance ministry from her Christian Democratic Union to the historically pro-European SPD. Experts dismissed hopes in Brussels, however, that the shift would herald a more generous German approach to funding the European Union, as French President Emmanuel Macron has advocated.

"Allocating the ministries wasn't easy," Ms. Merkel said in her first remarks on Wednesday. "Whether the ministry is led by the CDU or the SPD, you can only spend as much money as you have," she later added.

The agreement, the outcome of long and often fractious negotiations, still has to be approved by the SPD's 460,000 members in a vote culminating on March 4. A rejection of the coalition by SPD rank-and-file, seen as unlikely but not impossible, would almost certainly mean early elections and renewed political turmoil. A "yes" would make Ms. Merkel's re-election by parliament a formality, though few expect it would restore political calm in the country.

"It's going to be a really unpleasant stint in government for Merkel," said Charles Lichfield, an analyst with the Eurasia Group political-risk consulting firm.

Once Europe's anchor of stability, German politics descended into turmoil in Sep-



Germany's chancellor with SPD leader Martin Schulz, right, and her Bavarian ally, Horst Seehofer.

tember after a general election left the two largest parties with their lowest vote shares in decades, brought a far-right party into parliament for the first time since World War II, and left the country without a clear ruling majority.

The negotiators inserted a pledge in this week's agreement to re-evaluate the alliance after two years, a clause analysts said reflected mounting distrust between the two parties, fatigue among their rank-and-file following two such alliances since 2005 and a general sense that this government may be less stable than its predecessor.

Unlike Ms. Merkel's previous grand coalition joining her CDU and its Bavarian sister party to the Social Democrats four years ago, this one takes shape amid an accelerating exodus of voters from the political mainstream. Two polls released this month showed support for the SPD and Ms. Merkel's conservative camp shrinking, with the parties together commanding less than 50% of voting intentions for

scoring 15% of votes, up from 12.6% at the election and only two points behind a diminished SPD. Other small parties, from the Greens to the pro-market liberals and radical Left Party, are also recording high support.

"Out of fear of the SPD vote, the CDU has given up," said Alexander Gauland, parliamentary floor leader of the AfD. He took particular issue at Ms. Merkel's decision to give Germany's powerful finance ministry to her junior partners.

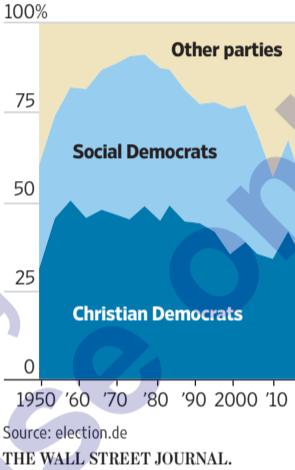
The perception that Ms. Merkel had granted valuable concessions to the SPD in exchange for retaining the chancellery dominated conservative analyses of the agreement on Wednesday. Both the high-brow conservative broadsheet Frankfurter Allgemeine and the business daily Handelsblatt called the agreement "a debacle" for the chancellor's party.

The CDU Economic Council, an independent caucus of pro-business conservatives, called it a "lamentable negotiation result."

Crowded Out

For decades, Germany's two mainstream parties dominated politics, but upstarts are increasingly challenging them.

German federal election results



Source: election.de

THE WALL STREET JOURNAL.

the first time.

Another poll, by INSA for the popular Bild daily and released on Wednesday, showed the right-wing upstart Alternative for Germany, or AfD,

THE WALL STREET JOURNAL. D.LIVE

APRIL 19-20, 2018 | HONG KONG AND SHENZHEN

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WORLD WATCH



FRANCOIS MORI/ASSOCIATED PRESS

SWEET SLOPE: Snow caused travel disruptions in northern France and Paris, where one man found a creative use for the predicament.**SYRIA**
U.S. Military Strikes Pro-Regime Forces

The U.S. military launched an airstrike and aimed artillery fire against forces fighting for the Syrian regime, in response to what it called an "unprovoked attack" on U.S. and coalition personnel and the local forces they back.

It was the third known strike by the U.S. military on pro-regime forces to defend U.S.-backed Syrian Democratic Forces or coalition personnel since the Syrian war started and the first east of the Euphrates River, showing the geographic span of

the U.S. strikes against pro-regime forces.

The strike, around 3 p.m. local time Wednesday, occurred after U.S. personnel watched pro-regime forces as they approached an area known as a deconfliction zone in the Middle Euphrates River Valley, roughly 5 miles east of the eastern city of Deir Ez-zour, a U.S. military official said.

The pro-regime forces, in vehicles, approached what the official called a "well-established" SDF outpost and then fired artillery, the official said.

Dozens of coalition troops were at the site, the official said, including Americans. None were injured, the official said.

—Nancy A. Youssef

CANADA**Disputes Over Nafta Become Provincial**

Trade tensions between the U.S. and Canadian federal governments are spilling over to the state level. The province of Ontario, Canada's biggest in population and economic terms, on Wednesday said it would restrict firms from New York from bidding on its government contracts in retaliation for the Buy American measures state lawmakers have approved.

The timing of fresh retaliatory, protectionist policies from a high level of the Canadian government is the latest sign of growing

trade friction between Ottawa and Washington, as the Trump administration implements its America First agenda and Canada fights to preserve the North American Free Trade Agreement.

One of the big sticking points is a U.S. proposal on government procurement that Canada and Mexico contend would severely limit their ability to bid on government tenders. The Ontario government-procurement market is valued at more than six billion Canadian dollars (US\$4.8 billion). According to Ontario government data, the province sold roughly C\$11.57 billion of goods to New York in 2016, while purchasing C\$14.28 billion from the state.

—Paul Vieira

FROM PAGE ONE

VICE

Continued from Page One

Mr. Creighton led Vice's advertising business, but could be given other roles within the Brooklyn-based company among other possible outcomes, these people said.

Mr. Creighton, who has denied the harassment allegations reported by the New York Times in December, didn't respond to requests for comment. A Vice spokesman said the company's review of the matter is continuing.

Vice has been working to fill out its top executive ranks to give more support to co-founder and Chief Executive Shane Smith, who is focusing on long-term strategy and content creation, according to people familiar with the matter. The situation with Mr. Creighton is complicating that effort, one of the people said.

Vice has struggled to meet the expectations of its investors, which had bet the company could continue the quick expansion of its digital audience and advertising sales while also translating its edgy, youthful brand to television in a financially efficient way. Those investors, which include private-equity firms TPG and TCV, Walt Disney Co., Hearst and 21st Century Fox, are now pushing

for the company to turn a profit this year, which would require cost-cutting, the people said. Mr. Smith controls the company through supervoting shares.

While revenue at the digital publishing and television company failed to meet projections in 2017, it did grow.

"Across every key metric, 2017 was the best year in

Vice's 23-year history," a company spokesman said. "We experienced record ratings and the highest traffic ever, posted double-digit revenue growth and brought our award-winning programming to new audiences around the world."

The company's digital business continued to expand in the U.S., with web traffic rising 16%

from a year earlier to 78 million monthly unique visitors in December, according to comScore.

The Vice spokesman said the company expects to record "strong financial growth across every line of business" this year.

The Viceland cable TV channel still has limited reach at home and abroad. In the U.S., it

drew an average prime-time audience of 55,000 viewers among adults 18 to 49 in 2017, up 28% from the previous year

when it launched, according to Nielsen. Well-established entertainment cable channels draw anywhere from a few hundred thousand prime-time viewers to upward of 1.5 million.

Vice's programming has fared better on premium channel HBO. Across all platforms, the total audience for the HBO daily show "Vice News Tonight" grew 19% to 582,000 viewers in 2017.

In January, Vice lost a major international partnership when Canadian telecom giant Rogers Media Inc. cut ties on their \$100 million joint venture. It had provided Viceland with Canadian distribution and served as the template for dozens of multiplatform partnerships that Vice has since struck around the world.

New leadership at Rogers pulled the plug on the partnership after a fiscal year in which Viceland lost \$2.5 million in Canada through the end of August, according to the country's broadcasting regulator. "We tried something new and it didn't work," Rogers spokeswoman Andrea Goldstein wrote in an email.

Vice is in talks with other Canadian distributors, including Bell Media, the media arm of BCE Inc., about carrying

Viceland, according to people familiar with the matter.

Vice's capital raising has come with constraints. According to the terms of the \$450 million convertible-preferred equity investment it took from TPG last summer, the investment firm's 8% stake in the company can grow in the next few years. That would dilute other investors, giving them an incentive to find an exit sooner rather than later.

Vice isn't likely to be ready for an initial public offering this year, according to people familiar with the matter.

Selling the company in the current media environment—an alternative to going public—would be tough. The expanding reach of Facebook and Google has made it hard for publishers to make money from online ads. Digital media startup BuzzFeed, valued at \$1.7 billion in 2016, also missed its revenue target for 2017, while Mashable, valued at \$250 million as recently as 2016, was sold at the end of last year for a paltry \$50 million.

If Vice were sold for less than its valuation, TPG would be entitled to get all of its money out before the other investors get paid, people familiar with the TPG investment deal said.

—David George-Cosh and Lukas I. Alpert contributed to this article.



ASTRID STAWIARZ/GETTY IMAGES

Vice's Andrew Creighton, left, and Shane Smith at a company party in Brooklyn in 2011.

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WORLD NEWS

On China, Pope Echoes Cold-War Stance

Bid to accommodate Beijing on bishops has precedent in church's approach to Soviet bloc

By FRANCIS X. ROCCA

ROME—Pope Francis' overture to Communist China echoes the Vatican's conciliatory approach to Soviet-bloc states during much of the Cold War, a policy some say diminished and others say preserved the Catholic Church there.

The pope's plan to replace bishops loyal to Rome with excommunicated men chosen by Beijing, in hope of gaining China's recognition of the pope as heading the country's Catholic Church, has been widely described as a revival of Vatican Ostpolitik.

Defenders of that policy—whose name comes from West Germany's campaign to normalize relations with Communist East Germany in the early 1970s—call it a realistic response that allowed the church to survive behind the Iron Curtain. They say such an approach is even more appropriate today in China, a rising economic and geopolitical power where Catholics amount to less than 1% of the population.

Following World War II, Eastern Europe was forcibly absorbed into the Soviet sphere and Communism was growing even in Italy. In 1948, Cardinal Jozsef Mindszenty of Hungary was arrested, leading to his subsequent torture, show trial and years of imprisonment.

In the context of such persecution, Pope Pius XII in 1949 excommunicated all Catholics

who "profess, defend or promote materialistic Communist doctrine." He later forcefully condemned the U.S.S.R.'s 1956 invasion of Hungary to suppress a democratizing revolution there.

The Vatican's approach shifted under the next pope, St. John XXIII, who was alarmed by the superpower confrontation that led to the 1962 Cuban Missile Crisis and sought to reduce tensions.

Under Pope John, who died in 1963, and especially under his successor, Pope Paul VI, the Vatican largely muted its anti-Communist rhetoric and made a series of compromises with Communist regimes. It allowed those governments in effect to veto bishop appointments and it let priests take part in Communist propaganda efforts. In Czechoslovakia, the Vatican even forbade the clandestine ordination of priests in an "underground" church that operated outside the government-approved hierarchy.

At the time, Vatican diplomats justified these concessions as necessary for the church's sheer survival, and some say history has vindicated them.

"Ostpolitik served to defend endangered religious communities, but it was also a diplomatic initiative for peace," wrote Roberto Morozzo Della Rocca, who teaches history at Roma Tre University.

With the papal election of Polish Cardinal Karol Wojtyla, who took the name Pope John Paul II, the Vatican's approach to Communism took a dramatic turn. The new pope repeatedly demanded respect for human rights and religious



Altar boys on Palm Sunday last year at an 'underground' church near Shijiazhuang, China. Below, Pope Francis at the Vatican on Wednesday.



freedom in Soviet-bloc states, especially his native Poland, and gave crucial support to the Solidarity trade-union movement that spearheaded

the political revolution there. Despite Pope John Paul II's decisive stand against Communism, some say the legacy of the church's conciliatory

policies limited its ability to take advantage of the religious freedom that came with the advent of democracy. They point to less than vibrant church life in the years before and after Communism's fall in Hungary and what would become Slovakia and the Czech Republic.

A similar loss of vigor could befall the church in China, some warn, if it seems to abandon the millions of Catholics in the so-called underground church there, some of whom have suffered imprisonment and other punishment for their loyalty to Rome and defiance of Beijing.

"Why should those Chinese interested in exploring the possibility of religious faith be

interested in a Catholicism that had kowtowed to the Communist regime?" George Weigel, a biographer of Pope John Paul, wrote this week in the National Review.

Pope Francis sees no alternative to compromise with a China whose might other world powers are also adjusting to, said a person familiar with the matter.

"No one says a word against Beijing. No one protests. Beijing buys everybody," said the person, suggesting the church would find no support in a confrontation with China. "An agreement would not resolve the problems. There would still be new sufferings and difficulties. But at least it would be a foot in the door."

Venezuela Sets April Date For Presidential Elections

By KEJAL VYAS

a six-year term.

Despite polls showing less than 30% of the electorate supports him, his control over the National Electoral Council, the Supreme Court and other institutions, as well as his moves to bar political rivals from holding office, suggest the former bus driver is all but likely to win.

"We urge the government not to make the absurd mistake of calling elections unilaterally," opposition leader Julio Borges said after negotiations with the government held in the Dominican Republic fell apart.

A delegation led by Mr. Borges on Wednesday refused to sign an agreement with the government to schedule elections, saying they lacked guarantees of transparency. The Maduro administration has rejected calls for independent election monitors.

Mr. Maduro, who has overseen an economy in free fall, a mounting humanitarian crisis and a mass exodus of Venezuelans, is seeking re-election to

Eurozone Set to Extend Growth Spurt

By EMRE PEKER

BRUSSELS—The European Union raised its forecasts for eurozone growth, saying the monetary bloc would build on its fastest expansion since the global economic crisis, but also warned of market risks.

Gross domestic product in the 19-member eurozone will grow by 2.3% in 2018, the EU said Wednesday, raising its forecast from 2.1% in November. The economy is expected to expand 2% next year, up from a previous forecast of 1.9%.

The continued expansion marks a return to solid growth, EU officials said, despite a marginal slowdown from 2.5% in 2017, which marked the fastest pace in a decade. A global economic acceleration and boost in trade is bolstering activity in Europe, where subdued inflation and the European Central Bank's monetary

policies are poised to stoke the expansion through strong demand and investments.

"This growth is here to stay," said Pierre Moscovici, the European commissioner for economic and financial affairs, taxation and customs. "Unemployment and deficits continue to fall and investment is at last rising in a meaningful way."

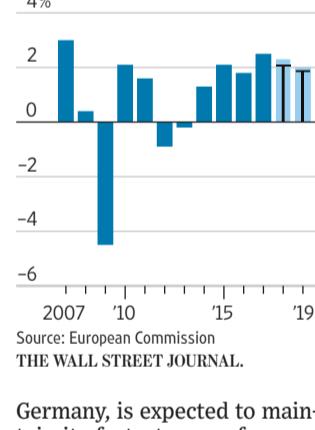
Yet a range of factors—from the latest bout of volatility rocking global markets to possible fallout from protectionist U.S. policies—continue to weigh on growth, the forecasts show.

The U.K. is likely to slip behind Italy to become the slowest-growing EU economy, with 1.1% growth in 2019, just as it leaves the bloc, according to forecasts that assume status quo in trading relations between Britain and the remaining 27 countries.

In contrast, the EU's primary economic-growth driver,

Improved Outlook

EU officials forecast that the eurozone will grow faster than previously projected, though not as fast as it did last year.



Germany, is expected to maintain its fastest pace of expansion in six years and grow an average 2.2% this year and in

2019. Chancellor Angela Merkel's agreement on Wednesday to continue governing with her longstanding coalition partners was also welcomed in Brussels as a harbinger of measures to deepen the monetary union.

"The fact that in Berlin we will have a stable, solid, ambitious, pro-European government will allow us to take reflections and decisions on the eurozone," Mr. Moscovici said.

Berlin, however, may yet dash the EU's hopes for an ambitious push for further eurozone integration. Ms. Merkel's coalition is likely to maintain Germany's restrictive views on potential reforms, including a common budget for the euro area strongly advocated by the European Commission, the EU's executive, and French President Emmanuel Macron.

—Paul Hannon and Wiktor Szary in London contributed to this article.

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IN DEPTH

Down the Rabbit Hole

YouTube users often click on a video, then click on successive recommendations the site serves up. Those suggestions are often provocative.

SEARCHING FOR 'FLU VACCINE' BRINGS UP THESE RECOMMENDED VIDEOS:

'Flu Vaccine' (Dr. John Bergman)



'You'll Be Shocked at What the Flu Shot is Really Doing to You!' (iHealthTube.com)



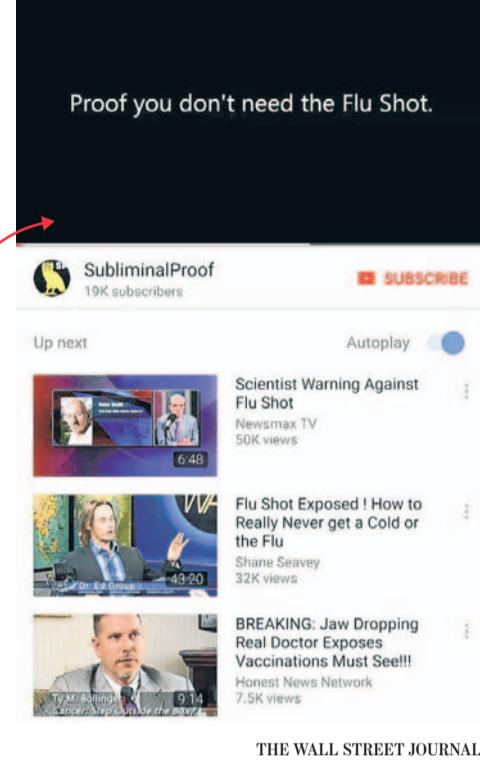
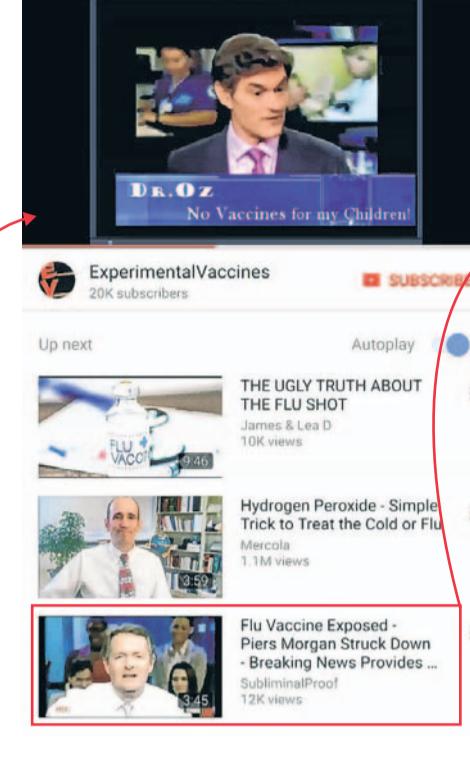
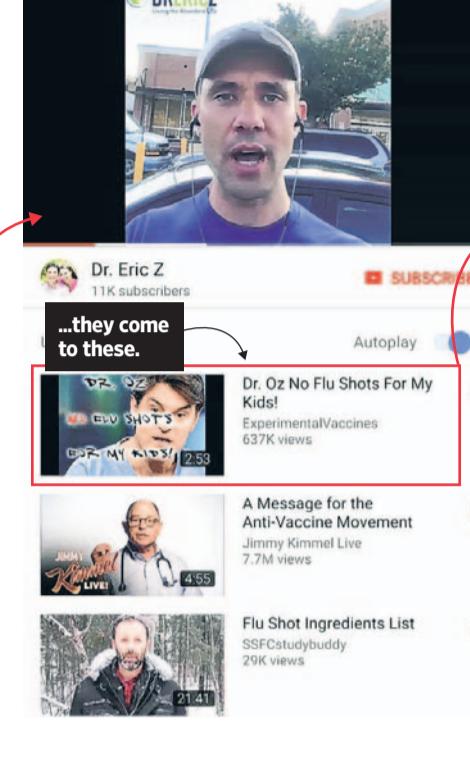
'Why do you need to get a flu shot every year?' - Melvin Sanicas' (TED-Ed)



'How The Flu Shot Works (And Why You Should Get It)' (Seeker)



WHEN USERS SELECT THE FIRST VIDEO,
THIS IS WHAT THEY SEE:



Source: YouTube search conducted Feb. 6

VIDEO

Continued from Page One
conspiracy theories and sensationalist videos alongside mainstream clips. The top result, from a channel that pushes conspiracy theories, was titled, "How Dangerous Is The Pope?"

A search last week for "lunar eclipse" returned a video, with just 3,000 views, that suggested the earth is flat.

Such recommendations play into concerns about how social-media sites can amplify extremist voices, sow misinformation and isolate users in "filter bubbles" where they hear largely like-minded perspectives. Unlike Facebook Inc. and Twitter Inc. sites, where users see content from accounts they choose to follow, YouTube takes an active role in pushing information to users they likely wouldn't have otherwise seen.

"The editorial policy of these new platforms is to essentially not have one," said Northeastern University computer-science professor Christo Wilson, who studies the impact of algorithms.

"That sounded great when it was all about free speech and in the marketplace of ideas, only the best ones win." But we're seeing again and again that that's not what happens. What's happening instead is the systems are being gamed and people are being gamed."

YouTube says it recommends more than 200 million different videos in 80 languages each day, typically alongside clips users are currently watching or in personalized playlists on YouTube's home page.

Long a place for entertainment, YouTube has recently begun trying to make it a more reliable site for news,

said YouTube Chief Product Officer Neal Mohan.

YouTube has been tweaking its algorithm since last autumn to surface what its executives call "more authoritative" news sources to people searching about breaking-news events. YouTube last week said it is considering a design change to promote relevant information from credible news sources alongside videos that push conspiracy theories.

After the Journal this week provided examples of how the site still promotes deceptive and divisive videos, YouTube executives said the recommendations were a problem. "We recognize that this is our responsibility," said YouTube's product-management chief for recommendations, Johanna Wright, "and we have more to do."

YouTube engineered its algorithm several years ago to

neer, said this week that the algorithm struggles with news and political recommendations partly because "it's basically the same system that's working for people who come to YouTube for knitting or quilting or cat videos or whatever."

YouTube vs. Google

There is another way to calculate recommendations, demonstrated by YouTube's parent, Alphabet Inc.'s Google. It has designed its search-engine algorithms to recommend sources that are authoritative, not just popular.

The same search in YouTube and Google can produce strikingly divergent results.

Consider the results of a search for "FBI memo" on Friday, several hours after Republicans released a memo on how intelligence officials sought a warrant authorizing surveillance of a former Donald Trump adviser.

On YouTube, after small thumbnails from mainstream news sources, the top result came from BPEarthWatch, which describes itself as "Dedicated to Watching the End Time Events that Lead to the Return of Our Lord Jesus Christ. Comets, Asteroids, Earth Quakes, Solar Flares and The End Time Powers." There were also videos from Styxhexenhammer666, whose informational page simply says, "I am God," and from Alex Jones, the founder of Infowars, a site that often promotes conspiracy theories.

In contrast, a Google search led users to only mainstream news sources.

Google spokeswoman Crystal Dahlen said that Google improved its algorithm last year "to surface more authoritative content, to help prevent the spread of blatantly misleading, low-quality, offensive or downright false information,"

YouTube's algorithm aims to recommend videos that keep users staying to watch more.

make the site "sticky"—to recommend videos that keep users staying to watch still more, said current and former YouTube engineers who helped build it. The site earns money selling ads that run before and during videos.

The algorithm doesn't seek out extreme videos, they said, but looks for clips that data show are already drawing high traffic and keeping people on the site. Those videos often tend to be sensationalist and on the extreme fringe, the engineers said.

Cristos Goodrow, YouTube's lead recommendations engi-

nator, said this week that the algorithm struggles with news and political recommendations partly because "it's basically the same system that's working for people who come to YouTube for knitting or quilting or cat videos or whatever."

YouTube's Ms. Wright said Google's results can be more reliable because the Google team has more experience with news—and more authoritative results to pull from.

"Typically when news breaks, people write stories about it," she said. "They don't make videos about it."

In October, YouTube tweaked its algorithm to return more mainstream sources on breaking-news queries after searches about the deadly Las Vegas shooting yielded videos claiming the government was involved.

In recent weeks, it has expanded that change to other news-related queries. Since then, the Journal's tests show, news searches in YouTube return fewer videos from highly partisan channels.

Still, many searches on the site this week were returning conspiracy-theory videos. A YouTube search Tuesday for "moon landing" returned videos that suggested humans haven't landed on the moon.

Artificial intelligence

YouTube's recommendations became even more effective at keeping people on the site in 2016, when the company began employing an artificial-intelligence technique called a deep neural network that makes connections between videos that humans wouldn't. The algorithm uses hundreds of signals, YouTube says, but the most important remains what a given user has watched.

Using a deep neural network makes the recommendations more of a black box to engineers than previous techniques, YouTube recommendations engineer Jim McFadden said last year. "We don't have

to think as much," he said. "We'll just give it some raw data and let it figure it out."

To better understand the algorithm, the Journal enlisted former YouTube engineer Guillaume Chaslot, who worked on it, to analyze thousands of YouTube recommendations on the most popular news-related queries, chosen from the 40 most-searched terms in Google News in November and December.

Mr. Chaslot created a computer program that simulates the "rabbit hole" users often descend into when surfing the site. In the Journal study, the

member's top search terms, showed YouTube frequently led users to divisive and misleading videos on the 21 news-related searches left after eliminating queries about entertainment, sports and gaming—such as "Trump," "North Korea" and "bitcoin." YouTube most frequently recommended videos from Conservative Network and Dose of Dissonance, two channels of Dissonance, two channels that post videos, with provocative titles, of political personalities arguing.

A later analysis, of December's top search terms, showed YouTube was returning more-mainstream sources for news-related queries—but still was promoting many divisive videos. YouTube most frequently recommended videos from CNN and the late-night talk show Jimmy Kimmel Live.

YouTube's algorithm tweaks don't appear to have changed how YouTube recommends videos on its home page. On the home page, the algorithm provides a personalized feed for each logged-in user largely based on what the user has watched.

Repeated tests by the Journal as recently as this week showed the home page often fed far-right or far-left videos to users who watched relatively mainstream news sources, such as Fox News and MSNBC.

YouTube can also push users toward conspiracy theories even if they seek out just mainstream sources.

After searching for "9/11" last month, then clicking on a single CNN clip about the attacks, then returning to the home page, the fifth and sixth recommended videos were about claims the U.S. government carried out the attacks. One titled "Footage Shows Military Plane hitting WTC Tower on 9/11—13 Witnesses React"—had 5.3 million views.

DEBATE

Continued from Page One
followed by a seven-minute rebuttal and a few more exchanges. Total speaking time for each debater: 16 minutes.

To impress judges, they had to pack into that brief time arguments of intellectual depth and complexity, complete with citations of legal scholars or philosophers. Any point left unrebutted could be deemed conceded. Every word had to be read aloud for the judges to score it. The result was speech at roughly the pace of a cattle auctioneer.

Part-time debate coach and judge John Staunton trains clients for this sort of contest by having them read tongue twisters and enunciate at high volume to enhance clarity. Mr. Staunton, a former high-school debate champion who is now a Columbia University student, frowns on one popular training technique: speed-reading aloud with a pen clamped between the teeth. That can hurt the jaw, he says.

Marie-Rose Sheinerman, a senior at Hunter College High School in New York, recites

random paragraphs from her economics text forwards and backwards to hone superfast speech, which is known in the debate world as "spreading," a word some say derives from "speed" and "reading."

She knows the risks. "When you're talking quick, your voice gets superhigh," she says.

There's also the problem of the audience. "My mother, actually, she can't even be in the room when I'm spreading because she would laugh too hard and it would distract me," Ms. Sheinerman says.

High school Lincoln-Douglas debate was started in the 1980s as an antidote to what had become the breakneck speaking pace of an earlier debate format. Then LD participants also started talking ever faster, to squeeze in more debate points.

By the mid-1990s, spreading dominated high-school debate's national circuit, which includes about 1,500 competitors.

Mr. Waldman, who is a freshman at Walt Whitman High School in Bethesda, Md., tries to block out everything as he reads his prepared speeches, including the mean-

ing of what he's reading. "When you try to process it, it slows you down," he says.

Debate traditionalists are aghast. "Spreading is a pernicious disease that has undermined the very essence of high school and college debate," says Republican Sen. Ted Cruz, who is enshrined in Princeton University's debate hall of fame. "In no other endeavor in life do you get rewarded for speaking ridiculously quickly, unless you hope to appear in a FedEx commercial."

(A FedEx Corp. spot featuring John Moschitta, a former Guinness fast-talk record

holder, became one of the most popular TV commercials ever.)

The National Speech & Debate Association, which says participation in high school debating is up 12% since 2014, made another stab at slowing down the speakers in the early 2000s, creating a team format called Public Forum. As deeper and more comprehensive arguments became winners, this evolved in the same speedy direction, says J. Scott Wunn, executive director of the group: "It naturally is a competitive thing."

Two years ago, the organization introduced yet another

format, Big Questions, with guidelines that call for "conversational speaking speed and tone."

In top-flight high-school debates using Lincoln-Douglas, the fastest-growing format, spreading remains *de rigueur*. At the tournament held at Lexington High, the round of 16 matched two 17-year-olds, Camille Caldera of Bethesda and Ari Azbel of Orlando, who both had years of practice.

Each started competing in the eighth grade, drawn in by an older sibling who showed them how to machine-gun through a speech.

Ms. Caldera honed her ability to both talk fast and listen at a debate camp in the ninth grade, initially boosting her comprehension to 90% of a given opponent's speech. At the tournament, aided by access to her opponent's case documents ahead of time, she was able to process Mr. Azbel's arguments as fast as they leapt from his tongue.

"The first thing that goes through my mind is trying to figure out exactly what he's saying," Ms. Caldera says. "What exactly is he saying, how exactly does it interact with her own case?"

When Mr. Azbel spoke, his arms sped up to match his blitzkrieg speech. His right hand began repeatedly punching the air. Then his left hand took over, karate-chopping as if he were breaking board after board.

"When I'm in the moment, reading a case, I don't notice it," Mr. Azbel says. If he watches a video, "I notice I make ridiculous hand gestures."

He felt a twinge of unease after his performance at Lexington, thinking the time pressure had caused a somewhat muddled presentation. After a few minutes, though, the judges declared him winner of the round by a 2-1 vote.

For Mr. Staunton, the former champion, debate's strange skill set has yielded multiple dividends. Not only is he paid to train teenagers to talk even faster than they normally do, but JetBlue Airways Corp. tapped him in 2016 for a commercial on its Facebook page.

In the ad, Mr. Staunton read the names of every city, state and country the airline flies to, 100 destinations, with 282 proper nouns.

In 68 seconds.

It's like you're always stuck in second gear. Well, it hasn't been your day, your week, your month, or even your year. But, I'll be there for you, when the rain starts to pour. I'll be there for you, like I've been there before. I'll be there for you.

PHOTO: ROB ALCARAZ

Marie-Rose Sheinerman reads texts backwards to hone fast talk.



Marie-Rose Sheinerman reads texts backwards to hone fast talk.

GREATER NEW YORK

Fewer K-2 Students Face Suspension

New York City schools have cut back on the punishment that has polarized educators

BY LESLIE BRODY

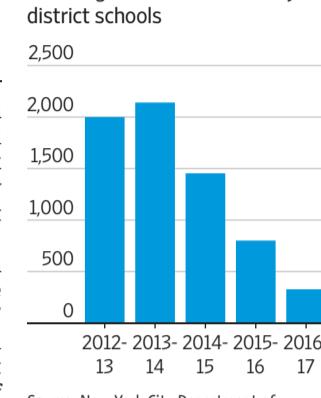
Suspensions of children in kindergarten through second grade have dropped in New York City public schools after City Hall's push to keep the littlest learners in their classrooms.

City data show 328 children in these early grades were suspended in the 2016-17 school year, down from 801 the previous year and about 2,000 five years ago. Most of the suspensions stemmed from fights, inflicting serious injuries and other belligerence. Eleven children had weapons, mostly knives and box-cutters. None had guns.

The nation's largest school district has made reducing suspensions a goal, and it is part of Mayor Bill de Blasio's efforts to reform what he saw as overly punitive policies in all grade levels. There is a movement in schools nationwide to try conflict-resolution techniques, counseling and rewarding positive behavior to prevent outbursts.

Suspensions are a polarizing approach among educators. Many say such strict punishment is required to keep order and prevent unruly students from distracting classmates. Others say such penalties are imposed more aggressively on children of color, and students who act out often have undiagnosed disabilities that deserve

Easing Up
Number of suspensions for children in kindergarten through second grade in New York City district schools



Source: New York City Department of Education
THE WALL STREET JOURNAL.

treatment rather than punishment. Another argument holds that suspensions can alienate young children from school and increase their odds of failure.

Last April, the city Department of Education adopted a discipline code that bars K-2 suspensions except in extreme circumstances, such as when a student repeatedly is violent. Schools must get permission from the central office to suspend them.

City schools aren't supposed to send children home at this age, but should find alternative instructional settings. Of the K-2 suspensions in the last academic year, 241 were "principal suspensions" of one to five days at a site inside their school buildings. The other 87 were "superintendent suspensions" exceeding five days, at a

nearby school. Some administrators have said suspension rates fell because they fear repercussions from their superiors if they try to impose them.

Evan Stone, co-CEO of Educators for Excellence, an advocacy group that tries to elevate the voice of teachers in policy debates, said many teachers need more training to manage students' difficult behavior and re-entry to classrooms. "We had used no-excuses disciplinary policies since the '90s," he said. "It's really hard to shift."

When Mr. de Blasio proposed eliminating K-2 suspensions in 2016, the United Federation of Teachers balked, saying that in a "perfect world" no child under 8 years old would be suspended, but teachers should have discretion and more training to defuse conflicts. "These numbers show that there is more to do, and why our schools need more clinical support," Union President Michael Mulgrew said.

City Department of Education officials say they spend \$47 million a year to improve school environment by training teachers to de-escalate crises, providing mental-health services and other steps.

Claudia Whittingham, a special-education teacher in Brooklyn, said some K-2 children acted out as a response to hardships. Some didn't understand the rules. "I've seen a kid turn a class upside down," she said. While she was glad to hear suspensions have dropped, she questioned the data: "Is it tied to any real change...or is it tied to just not reporting?"



Parents and children outside a Brooklyn elementary school in 2015.

Graduation Rates Rise at High Schools

Graduation rates for public high-school students across New York continued to inch up last year, according to state data released Wednesday.

New York's statewide graduation rate in June edged up to 80.2% for the Class of 2017, up by half a percentage point from the prior year, and up more than 11 percentage points in a decade. New York City's June graduation rate rose to 71.1%, up about 1 percentage point from the year before.

The graduation rate measures the percentage of teenagers who started ninth grade in the fall of 2013 and received diplomas on time, adjusted for those who transfer out, emi-

grate or die.

Achievement gaps remained wide, state Education Department data showed. Statewide, 89% of white students graduated on time, compared with 69.3% of black students and 68.4% of Hispanic students.

Income matters: Only 63.9% of students in a group of four high-need urban districts—combining Buffalo, Rochester, Syracuse and Yonkers—graduated on time, compared with 94.8% in low-need districts.

Critics say New York diplomas have lost some of their meaning, and note that roughly 80% of students entering City University of New York community colleges must take remedial classes before they can enroll in courses for credit. That reflects on New York City public high schools, which educated most CUNY freshmen.

A Pivotal Witness Is Grilled on Credibility

BY ERICA ORDEN AND MIKE VILENSKY

A key prosecution witness in a federal corruption case against a former top aide to New York Gov. Andrew Cuomo testified Wednesday to his own yearslong criminal résumé that included fraud, embezzlement and lawsuits involving friends, family, his lawyers, a gym, a tutor and even a dog walker.

The witness, Todd Howe, a longtime Cuomo associate, is cooperating with the government in its bribery case against the former aide, Joseph Percoco. Under cross-examination in Manhattan federal court, Mr. Howe said his testimony against Mr. Percoco should be believed despite his history of deceit.

"Are you an honest man?" asked Mr. Percoco's attorney, Barry Bohrer. "I am today," replied Mr. Howe, who has pleaded guilty to eight felonies as part of his cooperation agreement.

The weeks-long trial has

'Are you an honest man?' an attorney asked. 'I am today,' Todd Howe replied.

painted a picture of a clubby, transactional atmosphere in Albany and examined the inner workings of the Cuomo administration, with many current and former aides taking the stand. Mr. Cuomo, a Democrat, isn't on trial or accused of wrongdoing.

Mr. Howe was the self-described middleman between Mr. Percoco and three private executives, who also are on trial for allegedly paying more than \$300,000 in bribes to Mr. Percoco to obtain government favors for their companies.

On Wednesday, Mr. Bohrer was the first defense attorney in the case to take a crack at Mr. Howe's credibility as a witness.

By Mr. Howe's own account, from the late 1990s to the early 2000s he failed to pay dozens of bills. He also admitted he didn't pay judgments against him after various individuals and lenders sued him.

Prosecutors have presented emails allegedly showing efforts by Mr. Percoco, Mr. Howe and the executives to trade payments for government perks. Part of Mr. Bohrer's defense is that Mr. Howe altered the contents of those emails when forwarding them to associates, which Mr. Howe has admitted.

Mr. Bohrer also suggested that Mr. Howe, who faces up to 130 years in prison for the eight felonies, was bending his story to benefit the prosecution. His cooperation agreement requires the government to request a lighter sentence for Mr. Howe if he fulfills his obligations as a witness, one of which is to testify truthfully.

After four hours of questioning from Mr. Bohrer Wednesday, Mr. Howe raised his voice to defend himself. "I'm telling the truth because I made horrible mistakes. I wrecked my career. I damaged my family," he said. "So I find it a bit insulting you're saying the only reason I told the truth is to get a get-out-of-jail-free card, because that is not true, counselor."

Women Aim to Reshape New Jersey Politics

Political-party structure that wields power in selecting and promoting candidates is a challenge

BY KATE KING

Colleen Mahr is running for a position that few women hold but is among the most powerful in New Jersey politics—county leader of a political-party organization.

The chairs of the Democratic and Republican parties in each of New Jersey's 21 counties wield significant power, leading organizations that make endorsements in primary elections, provide chosen candidates with fundraising support and award prominent ballot spots.

Seven of the 42 county party organizations in New Jersey are led by women, including four Democrats and three Republicans.

If she wins, Ms. Mahr would bring that count to eight. Ms. Mahr served for five years as first vice chairwoman of the Union County Democratic Committee and became acting chairwoman in January after the chairman resigned.

Ms. Mahr is running against two other candidates, both men, for the permanent chair position in a party convention later this month when the organization, comprised of more than 800 elected committee members, will vote to select a leader.

At a time when women nationwide are signing up in record numbers to run for office, winning leadership



'When I asked people to help me find that qualified woman, they said "there aren't any.'"

Former Republican Lt. Gov. Kim Guadagno



Colleen Mahr is vying for Union County Democratic Committee chair.

PETER FOLEY FOR WSJ; RIGHT: TOM WILLIAMS/CONGRESSIONAL QUARTERLY/ZUMA PRESS



'The party structure tends to seek out and feel more comfortable with males.'

Democratic U.S. Rep. Bonnie Watson Coleman

roles within political parties is critical to boosting and sustaining female representation in government, Ms. Mahr and other women politicians said.

"Women are capable leaders and should be part of all the decision-making, at every step of the way," Ms. Mahr said.

Diane Allen, a former Republican state senator who retired in January after more than two decades in the New Jersey Legislature, said women often have been

overlooked by a political-party structure that gives a small group of men disproportionate power in selecting and promoting candidates.

She has started a statewide political fund that will support women candidates from both sides of the aisle.

"There is an amazingly strong old boys network," Ms. Allen said. "I love old white men, I'm married to one. But I don't need all of my laws made by them, and I don't need all of the deci-

sions on who's going to run for public office made by them, either."

Democrats are hoping women will lead the charge in winning more seats in this year's midterm elections, spurred by outrage about sexual-assault allegations against powerful men in politics, media and Hollywood.

In New Jersey, however, newly inspired candidates are likely to encounter hurdles that have long slowed the ascension of women to public office.

Brigid Harrison, a professor of political science and law at Montclair State University, said a small number of power brokers hold significant power over political resources, nominations and policy.

"Those people are all men, and they tend to surround themselves with people like them," she said. "Anywhere you have strong political parties, as we do in New Jersey, you're typically going to see fewer women in the

Please see NJ page A10B

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GREATER NEW YORK

Manhattan Real-Estate Sales Stumble

Buyers are waiting for better deals because they expect tax-law changes to hurt prices

By JOSH BARBANEL

The tax overhaul and its elimination of some tax advantages of owning property have settled like a cloud over the Manhattan real-estate market.

PROPERTY Buyers are becoming convinced that prices are due to fall. Sellers don't agree. The result: a standoff.

The number of contracts signed from October through January was down 6% from the same four-month period a year earlier, according to figures from brokerage Brown Harris Steven. That was the slowest pace of activity during those months since a broad recovery in the Manhattan market began in 2012.

"It used to be location, location, location," said Jonathan Miller, an appraiser and market analyst. "Now it is uncertainty, uncertainty, uncertainty."

Making matters worse, last year's sales were already



The number of contracts signed from October through January fell 6% from the same period a year ago.

convinced prices will come down further, said Hall F. Willkie, the co-president of brokerage Brown Harris Stevens. Sellers haven't come to the same conclusion, he said.

Many brokers have long viewed the Manhattan real-estate market as closely linked to the fortunes of stock markets. Many buyers of expensive properties—the median sale for a Manhattan apartment is above \$1 million—have investment portfolios and many residents work in finance.

But that relationship, if it existed in the past, broke down over the past year, said Frederick Peters, chief executive of brokerage at Warburg Realty Partnership. While sales slowed, the stock market surged.

Now some worry the pull-back in the stock market in the last few days could add uncertainty, even though rising stocks didn't help before.

"Volatility doesn't help anybody," said Noah Rosenblatt, a broker and founder of real-estate search site UrbanDigs.com. "It makes bids for real estate less aggressive. Some will sit it out to see what happens. There are other people who will think this is an opportunity."

The higher-end market, where many purchases are discretionary, has been particularly hard hit of late. In January, the number of contracts signed on listings of \$4 million or more fell 29% from January 2017, according to data from Olshan Realty Inc.

It will likely take six months for the market to digest the impact of the new federal tax law on New York real estate, said Donna Olshan, president of Olshan Realty. Some buyers, she said, might decide to look in other states, where state and local taxes are lower. Others will dig in and buy.

"You can't continually put off having a home," she said.

Howard Margolis, a broker at Douglas Elliman, said he was about to list eight properties for between \$1 million and \$5 million, at a time when buyers are demanding lower prices.

"Buyers are tough" on sellers, he said.

Still, there are signs that some sellers he works with are losing patience and are willing to make concessions.

"The sellers are saying what do I need to do to sell my apartment," Mr. Margolis said. "There are a lot of choices now."

weak. Brokers and market analysts blamed uncertainty over the presidential election for the lackluster activity in late 2016 and early 2017.

For all of 2017, sales were nearly flat compared with 2016, up 0.6%. Together, the years ranked as the two worst

for sales volumes since 2011.

The slowdown intensified as the year went on. Sales in January were down 7.6% from January 2016; in December, sales were 10.7% lower year-over-year.

The tax law, most of whose provisions went into effect at

the start of the year, caps deductions for state and local taxes, including property taxes, at \$10,000, and limits interest deductions to the first \$750,000 of a new mortgage.

Now that the details of the tax bills are better understood, buyers have become

Continued from page A10A more powerful positions."

John Currie, who leads the state Democratic Party and is a longtime county chairman from Passaic, said he encourages fellow party leaders to recruit more women, and is pleased to see female candidates emerge this year as strong contenders in several congressional races.

"We might have a lot of catching up to do, but I think that culture is changing," Mr. Currie said.

Women have made gains

in New Jersey elections in recent years.

A record 30% of freeholders—elected officials for county government—are women this year, according to the Center for American Women and Politics at Rutgers University. And New Jersey fares better than 34 other states when it comes to female representation in the state Legislature, with women holding about 29% of 120 seats.

Women only have incrementally picked up seats in New Jersey, however, with their biggest boosts usually coming after male lawmakers were dragged down by scandal.

The number of women in the state Legislature, for example, jumped dramatically between 2004 and 2011, when more than two dozen men resigned midterm or decided not to run for reelection.

Eight of the vacancies followed allegations of corruption or other misconduct, according to a 2012 study by the Center for American Women and Politics.

During the same period, only three women won office by defeating sitting lawmakers, according to the study, showing both the power of incumbency and how difficult it is for candidates to succeed without party support.

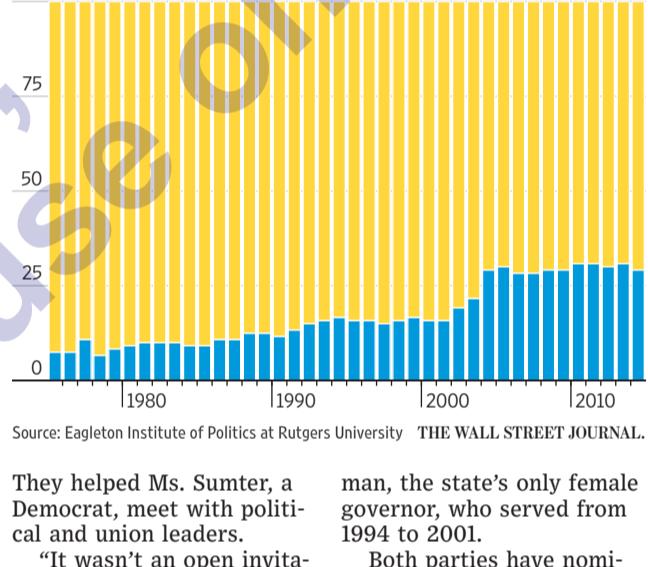
Bonnie Watson Coleman, who currently is the state's only congresswoman, said it is easier for women to get elected compared with when she first ran for office two decades ago, but impediments remain.

"The party structure tends to seek out and feel more comfortable with males," said Ms. Watson Coleman, a Democrat.

Shavonda Sumter, an assemblywoman from Paterson, N.J., said she enlisted well-connected men, known as validators, to make introductions for her when she tried to get on the ticket to run for lieutenant governor in last November's election.

Slow Rise

Percentage of seats held by men and women in the New Jersey legislature.



Source: Eagleton Institute of Politics at Rutgers University THE WALL STREET JOURNAL.

They helped Ms. Sumter, a Democrat, meet with political and union leaders.

"It wasn't an open invitation, I would not have been in that room if it weren't for that validator," Ms. Sumter said. "The rooms where the money was being raised were heavily white, male-dominated."

Gov. Phil Murphy, a Democrat, chose then-Assemblywoman Sheila Oliver as his running mate in November, and she became the first African-American woman elected to a statewide office in New Jersey.

Other women to have reached the highest levels of New Jersey politics include Christine Todd Whit-

man, the state's only female governor, who served from 1994 to 2001.

Both parties have nominated women as their candidates in governor's races, including former Lt. Gov. Kim Guadagno, a Republican, last year.

Ms. Mahr, the longtime mayor of Fanwood, N.J., said she thinks getting involved in politics at the local level is key to increasing the power of women within political parties and getting elected to higher offices.

"Women need to serve in all levels, whether it is mayor, council, Congress or county chairs, to help impact issues that are important to women," she said.

GREATER NEW YORK WATCH

REAL ESTATE

Nasdaq Is Moving To Times Square

Nasdaq Inc. is relocating its global headquarters from downtown Manhattan to Times Square.

The stock-exchange operator, which is home to about 3,900 listings, has signed a 145,000-square-foot lease to move to 4 Times Square, the Durst Organization tower where the company holds its market bell ceremonies.

Nasdaq will relocate from One Liberty Plaza, which has served as the company's home for almost 18 years, Adena Friedman, Nasdaq's chief executive, said.

Since 1999, Nasdaq has had a presence at 4 Times Square where it launched its MarketSite facility, a space where the company hosts client events. Since then, the location has become a center for the company, Ms. Friedman said.

The 15-year lease deal with Durst will create a headquarters with a new event space and terrace on the 10th floor of the 1.8-million-square-foot tower.

Durst has recently invested in a \$140 million improvement program to 4 Times Square, adding an almost 46,000-square-foot amenity floor for tenants, featuring a cafe and coffee bar run by Michelin Star Chef Claus Meyer as well as conference and event spaces.

—Keiko Morris

ART

Museum Can Keep Picasso, Judge Says

A federal judge in New York has dismissed a lawsuit that sought to force the Metropolitan Museum of Art to return a Picasso painting to the heir of a Jewish businessman who allegedly sold it under duress.

Judge Loretta Preska ruled Wednesday that the museum can keep the 1904-05 painting, "The Actor."

According to the lawsuit, businessman Paul Leffmann and his wife, Alice, sold the painting for \$13,200, much less than it is worth, to finance their flight to Switzerland in 1938. It was donated to the Met in 1952.

The judge said the Leffmanns' great-grand-niece, Laurel Zuckerman, couldn't show under New York law that the painting was sold under duress. Her lawyer said his client intends to appeal.

The Met called Judge Preska's decision "well-reasoned."

—Associated Press

NEW YORK

Small Quake Rattles Lake Mohegan Area

Some communities north of New York City have been rattled by a magnitude 2.2 earthquake.

The U.S. Geological Survey says the quake registered at 6:14 a.m. Wednesday in the Lake Mohegan area of New York.

Some residents of Westchester

and Putnam counties posted on social media about the quake. There were no immediate reports of injuries or damage.

Lake Mohegan is about 50 miles north of New York City.

—Associated Press

WEST POINT

Sex-Assault Reports Increased Sharply

The number of sexual assaults reported at the U.S. Military Academy roughly doubled during the last school year, according to data reviewed by the Associated Press, in the latest example of the armed forces' persistent struggle to root out such misbehavior.

It is the fourth year in a row that sexual assault reports increased at the school in West Point, N.Y. There were 50 cases in the school year that ended last summer, compared with 26 made during the 2015-16 school year. By comparison, the U.S. Naval Academy in Annapolis, Md., and the U.S. Air Force Academy in Colorado Springs, Colo., saw only slight increases.

Defense Department and West Point officials said the big jump at the Military Academy resulted from a concerted effort to encourage victims to come forward. But the dramatic and consistent increases may suggest more assaults are happening.

"I'm very encouraged by the reporting," said Lt. Gen. Robert Caslen, West Point superintendent.

—Associated Press

THE PLEDGE

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LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

Airline Rules Are Up for Review

Department of Transportation asks companies to suggest changes to regulations, as passenger advocates push back

AIRLINES WANT TO NIX a host of rules that attempt to keep them from mistreating customers. The Transportation Department is considering it.

The DOT has asked airlines to suggest changes or cuts to regulations, part of a broad initiative from President Trump, once an owner of a small airline, to reduce government red tape. It comes as DOT fines against airlines fell by half last year.

The rules matter because DOT is just about the only protection consumers have in U.S. air travel. If the airlines get what they want, the government would weaken the tarmac delay rule, which imposes hefty fines for stranding passengers on planes for long periods, and eliminate a requirement that they show the full price of a ticket when people shop.

Carriers also have asked DOT to scrap the 24-hour grace period for a full refund when buying a ticket—you'd pay a change fee even if you realized right away you booked the wrong date or made a mistake in the passenger name. They want to eliminate a rule that requires them to honor tickets sold for "mistake fares," and they're asking for freedom to charge fees for wheelchair service.

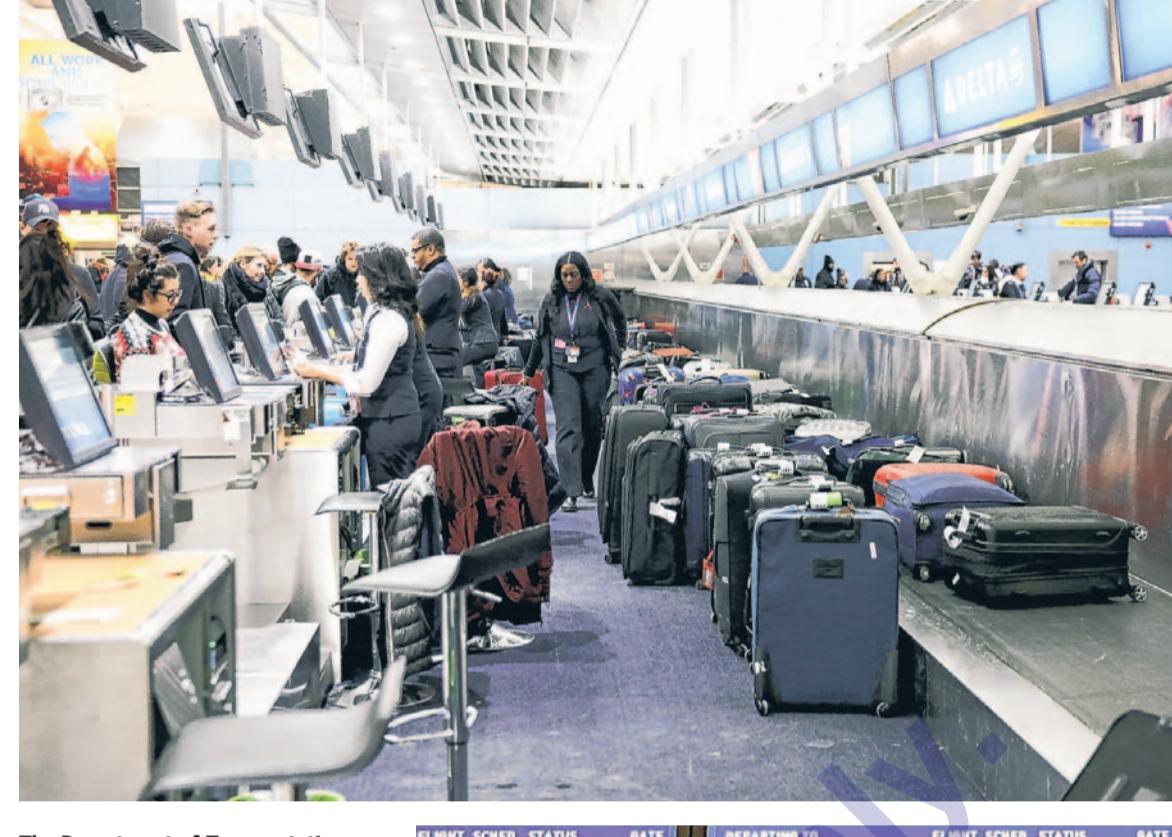
They also want to reintroduce bias in travel agency search results, so one airline might pay to dominate the first page of available options you see, and drop requirements to show on-time and cancellation data with flights.

In October, DOT asked for suggestions of "existing rules and other agency actions that are good candidates for repeal, replacement, suspension, or modification." Airlines responded in volume, calling out regulations they consider trivial, costly, outdated, burdensome and unfair. Airlines for America, the industry's lobbying group, filed 222 pages of comments. United Airlines added 50 pages of its own. There's no telling when or if the DOT will put through changes.

Airlines argue DOT has limited authority for consumer protection and has turned too-activist over the years. "DOT has strayed far from the limited scope of the statutory mandate Congress gave it when deregulating the airline industry nearly 40 years ago," David Berg, senior vice president at Airlines for America, says in one filing to DOT.

Unique in everyday commerce, airlines sometimes do bad things to their customers with expensive consequences. They leave them stranded, lose and damage their belongings, and bump them from flights when they have a ticket. It's a tough business, vulnerable to weather, machines, air-traffic control and complicated scheduling with little cushion for recovery.

Over the years, DOT has imposed new rules in reaction to public outrage over airline fiascos like holding people on planes 10 hours or more in wretched conditions, bumping low-fare customers



The Department of Transportation, headed by Elaine Chao, top left, will consider sweeping changes that would affect regulations on baggage fees, delay disclosures, free wheelchair service and pets in airplane cabins.



off planes to seat high-dollar passengers or offering misleading advertisements that not only leave out government taxes and fees but also airline-designated "fuel surcharges."

The DOT enforces rules on accommodating passengers with disabilities, polices misleading advertisements and tries to make sure that airlines follow rules on things like disclosing code-sharing arrangements, lost baggage liability and compensation when involuntarily bumped from flights.

Consumer groups say DOT under the Trump administration has delayed implementation of three pro-passenger laws approved by Congress in 2016, including a measure forcing airlines to seat families together and another to re-

fund baggage fees when checked bags get delayed. The agency has also signaled to airlines enforcement is changing by inviting suggestions on rules to quash.

"Basically the DOT has stopped working for passengers," says Charlie Leocha, president of Travelers United, a group that lobbies in Washington for passengers.

DOT says nothing has changed; it has the same number of staff working on enforcement and conducted more than 100 unannounced airline inspections in August and September alone. The agency employs analysts who look for trends in complaints consumers file about airlines and other travel companies. They sometimes conduct inspections at airports, shop for tickets to see if airlines

FLIGHT SCHED	STATUS	DATE	DEPARTING TO	FLIGHT SCHED	STATUS	DATE
839 11:58p	Cancelled	19	Sacramento, CA	161 7:20p	Cancelled	15
65 7:58p	Cancelled	28	Salt Lake City, UT	71 8:51p	Cancelled	17
1295 9:05p	Cancelled	16	San Francisco, CA	915 3:59p	Cancelled	12
561 11:59p	Cancelled	27	San Francisco, CA	1415 8:05p	Cancelled	17
231 6:47p	Cancelled	3	San Juan, PR	1715 9:40p	Cancelled	21
18 6:55p	Cancelled		San Juan, PR	803 1:15p	Cancelled	20
18 10:50p	Cancelled	14	San Juan, PR	1503 11:59p	Cancelled	23
02 6:33p	Cancelled	7	Santiago, DR	937 8:40p	Cancelled	8
02 10:45p	Cancelled	4	Santiago, DR	437 11:10p	Cancelled	28
9 5:10p	Cancelled	16	Santiago, DR	837 5:00a	Cancelled	
4 10:44p	Cancelled	4	Santo Domingo, DR	1909 9:01p	Cancelled	12
8:16p	Cancelled	9	Santo Domingo, DR	609 11:55p	Cancelled	22
04 5:30p	Cancelled	11	Santo Domingo, DR	209 5:02a	Cancelled	9
08 9:10p	Cancelled	11	Seattle, WA	243 5:38p	Cancelled	30
1 6:43p	Cancelled	26	Syracuse, NY	1816 10:50p	Cancelled	7
7 8:30p	Cancelled	20	Tampa, FL	325 2:57p	Cancelled	25
10:00p	Cancelled	26	Tampa, FL	225 6:42p	Cancelled	19
7:16p	Cancelled	29	Washington Dulles, DC	1307 5:29p	Cancelled	5

are following rules and inspect airline records at their headquarters.

Last year, DOT levied \$3.2 million in aviation-related fines in 17 enforcement cases, half of the \$6.4 million in 31 cases during 2016.

Enforcement cases take a long time and often annual results vary. In 2015, for example, there were \$2.4 million in fines levied in only 13 cases.

"The department continues to vigorously and fairly enforce our nation's laws and regulations protecting the economic and civil rights of air travel consumers," a spokeswoman said in a statement.

Benjamin Edelman, a Harvard Business School professor who frequently files formal complaints about airline rules violations, says it's too early to tell if enforcement has gone lax. He filed only one case last year and it's too early to say whether DOT is not pursuing it as aggressively, he says. A few older cases have dragged on, but that's not unusual, Mr. Edelman says.

"I didn't think they were perfect under Obama and I don't think they are perfect now," he says. "There has always been plenty to criticize."

Airlines say some of DOT's enforcement actions are absurd or trivial and go beyond the agency's

regulatory authority.

In 2016, JetBlue was fined \$40,000, half of it waived if it didn't repeat the violation within one year, after it self-reported that it had underpaid 12 passengers who were bumped from a flight. JetBlue issued vouchers to the travelers toward future flights instead of the \$1,350 in cash each was owed.

When the error was discovered, JetBlue sent a \$1,350 check to each passenger and trained employees involved on compliance.

Some regulations under review are clearly out of date. Airlines have to pay out involuntary denied boarding compensation in cash or check; they want the ability to use debit cards or electronic transfers.

And airlines are actually begging for more regulations on transporting service and support animals. They complain current regulations are broad and vague, and travelers are abusing them to transport large pets in cabins and avoid pet fees paid to airlines by declaring pets "emotional support animals."

Delta and United have already tightened their own rules. "All too frequently, animals have jumped on, bitten, or scratched customers and crew," Delta said in its DOT filing on regulatory change requests.

MUSIC

WHO SIGNED OFF ON PRINCE'S SUPER BOWL APPEARANCE?

BY ANNE STEELE

TWENTY YEARS AGO, Prince recoiled at the idea of technology being used to summon a posthumous performance.

So when video footage of the pop star, who died in 2016, was projected onto a massive screen during Justin Timberlake's Super Bowl performance on Sunday, many fans were shocked.

"That's the most demonic thing imaginable," Prince said in a 1998 interview with *Guitar World* magazine. "That'll never happen to me. To prevent that kind of thing from happening is another reason why I want artistic control."

Since he didn't leave a will, that control is now in the hands of a regional bank.

In the nearly two years since Prince's prescription drug-overdose death at the age of 57, lawyers, advisers and heirs have haggled over his estate, his unreleased

recordings and his legacy. At times it hasn't been clear who is in charge of decisions over the image and likeness of the reclusive artist, who despised the idea of his music being exploited by entertainment executives and sought to manage his own affairs when he could.

Last May, a Minnesota judge ruled that Prince's sister, Tyka Nelson, and five half-siblings are heirs to his estate. But until an agreement is reached with the IRS on how much they owe in taxes and how they will be paid, the estate remains in the hands of Comerica Bank & Trust, which was appointed by Carver County District Judge Kevin Eide as fiduciary in January 2017.

Those heirs aren't authorized to make decisions regarding the estate but are consulted by Comerica, according to a person familiar with the estate's affairs. The Dallas-based bank appointed Troy Carter, a former manager for Lady Gaga and now a senior executive

Please see PRINCE page A12



Video of Prince, who died in 2016, was incorporated into Justin Timberlake's Super Bowl halftime show on Sunday.

LIFE & ARTS

FITNESS

The Same Class, but in Paradise

High-profile fitness instructors take their workouts to far-flung locations, touting vacation perks; rosé at sunset, volcano tours

BY ERIN GEIGER SMITH

VACATIONS used to mean a choice between fun or fitness—but a wave of new retreats combines both.

High-profile instructors are increasingly taking their shows on the road to far-flung locations, catering to demand from boutique fitness clients who want to have exotic getaways and their classes, too. Some people take the trips, often with price tags in the thousands of dollars, to hobnob with celebrity instructors they've admired online and bond with fellow followers.

While the godmother of fitness retreats—yoga—is still readily available, offerings have broadened to include cardio dance, Pilates and barre. Different from the detox yoga retreats of the past, the events tout perks of a vacation, such as rosé at sunset, private snorkeling tours and dance parties at night.

"It's not the typical retreat in terms of 'kill yourself, don't eat anything and go home a smaller version of yourself,'" says Kristin Fine, a Connecticut-based interior designer who has gone on trips with the Class by Taryn Toomey, a New York-based fitness studio. Instead, she says, "It's an opportunity to give yourself some space from your everyday life."

Established instructors and studios "don't have a problem doing these re-



CLOCKWISE FROM TOP LEFT: MEGHAN MEHAN; AKT; YOGA FOR BAD PEOPLE

treats and selling them out," says Roxy Borger, head of client education for Mindbody, the company that supplies the software that

nearly 60,000 studios use to book classes. The number of fitness retreats increased by nearly a third between 2015 and 2017, according to Mindbody. Ms. Borger says the events not only help companies boost revenue but also build community: "You're getting a group of people who are hungry to deep dive

on whatever fitness this business is offering."

Ms. Fine, who owns her business and has four children and three dogs, says she makes time to attend retreats even though she regularly takes Ms. Toomey's classes in the studio in New York. She most recently went to Playa Grande Beach Club in the Dominican Republic, where the Class had taken over the resort for a weeklong "retreatment," with prices starting at

\$4,800, not including airfare.

Like many of the retreats, the Class guarantees the opportunity for the clients to sit down with Ms. Toomey and other instructors, in a structured group conversation or over meals.

Dominique Ashley, 33, from Newport Beach, Calif., started doing a cardio-dance workout called AKT at home a few years ago via videos, and has since attended several of the company's retreats, including one in Puerto Vallarta, Mexico. The first time, "I went by myself and I was freaking out," Ms. Ashley says. But she enjoyed getting to know founder Anna Kaiser—and having her form corrected—and has made friends she keeps in touch with in person and via social media, meeting up with them at other AKT retreats.

Following sold-out trips last year in the hills of Austin, Texas, and in Ojai, Calif., AKT's Ms. Kaiser plans at least three this year, including one to Nicaragua that will feature an excursion to the Masaya volcano to view bubbling lava. She brings in mirrors, sound equipment and shock-absorbent floors to mimic the vibe in her studio and has learned, she says, that people want to work out harder than at home, but not so much they



Clockwise from left, the Class by Taryn Toomey's Dominican Republic retreat; AKT's Anna Kaiser (left) with a student in Austin, Texas; Yoga For Bad People's Heather Lilleston (left) at a Costa Rica retreat



can't enjoy themselves.

It's not always easy finding the right resort, says New York-based instructor Tootsie Olan, who organized a retreat in Tulum, Mexico, last year. "The dance classes and yoga classes I teach are exuberant, soul-charged, crazy cardio, kind of intense classes," she says. When she sent videos of her class to potential hotels, one responded it looked fun—but too loud for the rain forest.

She eventually chose a resort that included a dance space on the roof overlooking the ocean and a price achievable for her varied client base. "Some people had private rooms on the beach, some were four to a room," Ms. Olan says. (Prices started at \$1,700 a person.)

Heather Lilleston, co-founder of Yoga For Bad People, a company that hosts around a dozen fitness

retreats a year, says she's had plenty of opportunity for trial and error. From the start, clients booked their own flights—the right decision, says Ms. Lilleston. But a retreat in Croatia was a learning experience: a high wind called "the bora" ruined plans to work out in a spectacular venue. "We had to move the class from a yoga platform above a vineyard up on the hill, to an inside location," she says.

Scenes of yoga amid lush greenery and sunset beach strolls on the company's website attracted New York art gallery director Jill McLennan when she was looking for a fitness retreat in a place she'd never traveled last August. "I thought, 'Oh, this is cool. This aesthetic I really get,'" says Ms. McLennan, 30 years old. "They're posing like how I pose with my friends on a beach."

Being open to attending a retreat can mean memorable moments with a new group of friends, or old ones you bring along, Ms. Lilleston says, citing a retreat in Jose Ignacio, Uruguay, as one of her favorite experiences. A group dinner and bonfire ended with the ocean taking on a beautiful glow, she says. "We all took off our clothes and swam with the phosphorescence under the moonlight."

PRINCE

Continued from page A11
at Spotify AB, as entertainment adviser to the estate.

"The bottom line is it's Comerica making the final decisions," the person said.

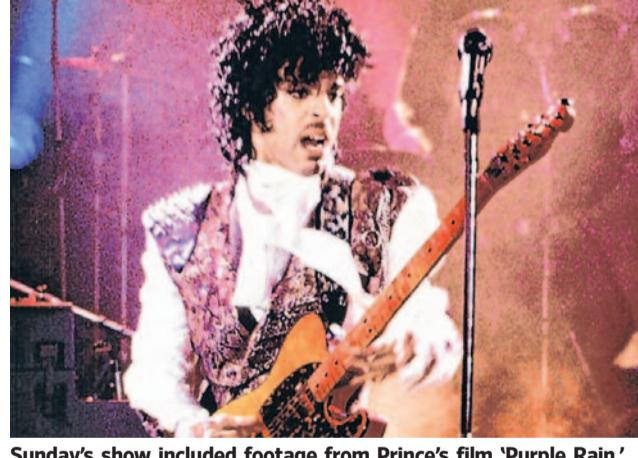
In a statement, Comerica called Sunday's performance "a tasteful and sincere tribute to Prince, during which Prince's inimitable artistry was given center stage. We appreciated Mr. Timberlake's desire to honor Prince, and we hope that new fans discover the magnificence of Prince as a result of the tribute."

Banks are often enlisted as fiduciaries even when there is a will, to handle estate taxes and other financial matters. But that leaves a corporate entity, at least temporarily, as the arbiter of one of pop culture's most acclaimed legacies.

The estate said the footage that appeared Sunday was licensed from a Prince performance in Syracuse, N.Y., and "Purple Rain," his 1984 movie. Comerica declined to say whether money changed hands.

Nick Whitehouse, whose production company Fireplay handled the visuals for the halftime performance, said he and Mr. Timberlake worked hard to create a tribute to Prince. "Ultimately, Justin decided that the only person who could do Prince justice is Prince," Mr. Whitehouse said in a press release Sunday.

On "The Tonight Show



Sunday's show included footage from Prince's film 'Purple Rain.'

Starring Jimmy Fallon" Monday, Mr. Timberlake called Prince "my favorite musician of all time" and said the performance was intended as "the ultimate homage."

Mr. Timberlake's spokeswoman didn't respond to a request for comment.

In the days leading up to the Super Bowl, Prince fans erupted over rumors that a hologram of the pop star would appear during the halftime show. His former percussionist Sheila E. on Saturday tweeted: "Prince told me don't ever let anyone do a hologram of me. Not cool if this happens!"

She wrote later that day that she spoke with Mr. Timberlake and that there would be no hologram, then apologized for "any role I may have played in causing a distraction during one of our most cherished sports event, as well as any ill-will toward the efforts of organizations

and artist who gave their best in representing their talents." Her spokeswoman declined to comment further.

Ms. Nelson, Prince's sister, told entertainment site TMZ on Monday she enjoyed the performance and that it wasn't possible for anyone to know what Prince would have wanted. She said she and the rest of the family knew what Mr. Timberlake was planning to sing but didn't know about the video component.

It isn't clear what will happen when the estate taxes are settled and decision-making turns to Prince's six heirs, who haven't agreed on issues ranging from music-licensing deals to a tribute concert.

There is still time for other heirs to come forward and be granted legitimacy by the judge, though the person close to the situation says there are currently no likely contenders. If any heirs were found, the six already certified will remain so.

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A12

LIFE & ARTS

NEW YORK FASHION WEEK

The Runway Recedes

Is the fashion show out of fashion? Three designers take different paths

ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL (3); GETTY IMAGES (WANG + WAINWRIGHT)



BY RAY A. SMITH

NEW YORK Fashion Week, which begins Thursday, is in full disruption mode. Darlings such as Proenza Schouler, Rodarte, Altuzarra and Thom Browne have abandoned New York for Paris, seeking more exposure and prestige by showing there.

Amid listless sales, some fashion designers are re-thinking when to show their collections. Should they stick with a season ahead? Or shift to the same season so customers can buy the clothes right away? They worry that fans will lose interest after being barraged by images of new runway clothes they can't buy for months. Some designers have tried see-now/buy-now runway collections with mixed results.

Alexander Wang, one of New York's buzziest creators, plans to opt out of the New York Fashion Week timetable. After his presentation on Saturday, his house will show in June and December, rather than the next NYFW in September, he says, to "reinvent the fashion week timing" and be more in line with customers' shopping habits.

There have been complaints from store buyers, designers and others that too many runway shows are jammed into Fashion Week, making collections blur together. A show, which lasts around 10 minutes, can cost anywhere from \$100,000 to a few million dollars.

Some designers are trying to shake things up by mounting elaborate spectacles with entertainment. In September, Ralph Lauren hosted a fashion show and seated dinner amid the vintage-car collection in his sprawling garage in Bedford, N.Y. He shuttled guests from New York City to the event in town cars.

Others are turning to technology, showing collections in videos or on Instagram. Some are hosting lunches and dinners or hold-



ing presentations that are more like art installations.

As questions swirl about New York Fashion Week's relevance and future, we look at three designers with different approaches to runway shows.

TOM FORD

Rather than pull back from New York Fashion Week, Tom Ford is doubling down with two big shows. On Tuesday night, he held a menswear show, his first during New York Men's Fashion Week, which began in the summer of 2015. On



Backstage at the Tom Ford show on Tuesday night at the Park Avenue Armory in New York.

Thursday night, he will roll out his women's collection with a runway show.

In the past, Mr. Ford has experimented with how and where to show. He has tried private appointments, a video starring Lady Gaga in lieu of a fashion show, and a celebrity-spangled dinner followed by a runway presentation in the former Four Seasons restaurant in New York. He did a see-now/buy-now collection for just one

season, telling Women's Wear Daily that stores' shipping schedules didn't align with the new concept. He has shown often in London and once in Los Angeles.

"I've done a lot of different things—videos and this and that, and here and L.A. at Oscars week—and think it's easier for people to watch what you're doing when there's a consistency," the designer said after his men's show Tuesday night. "It's 'Here's what he's doing this season' rather than 'Where is he this season?'."

Mr. Ford lives in Los Angeles and operates largely from there. On the hand-wringing over the fate of New York Fashion Week, he said, "Now that everything is on the internet immediately, does it really matter where you show? I don't know."

ALEXANDER WANG

The designer known for fast-paced fashion shows with high-profile finales and rauous afterparties is quitting New York Fashion Week after this season and rejiggering his runway calendar, according to the company.

The new schedule means the next Alexander Wang show in New York after the one on Saturday will be in June rather than September. That will be followed by a show in December instead of February. In June and December, designers usually show "pre-collections"—the

Tom Ford, left, after his menswear fashion show, above, in New York on Tuesday.

more commercially minded clothes that fill stores between the main spring and fall collections. Alexander Wang will combine its pre-collection and main collection in one show every six months, which means merchandise can arrive in stores earlier and be updated more frequently. Pre-collections enter stores a few months before main collections, so they are there longer before being marked down.

"The consumer is going to see more product earlier and more product when they want it in the store," rather than on a traditional fashion week

calendar, CEO Lisa Gersh says. Clothes and accessories shown in June will arrive between October and March rather than between January and March if Mr. Wang were still showing in September.

"We think New York Fashion Week is important, we're really just changing the timing," Ms. Gersh says, adding jokingly: "We're big supporters of New York Fashion Week but we want it to be in June."

rag & bone

After several years of arresting runway shows with soundtracks by Radiohead's Thom Yorke, contemporary fashion label rag & bone now eschews the traditional format. It "doesn't feel origi-



Kate Mara and rag & bone CEO Marcus Wainwright at a recent New York event for the label.

nal" anymore, says CEO and creative director Marcus Wainwright.

The house has sampled other options, such as private appointments with editors, and a photography project last year consisting of self-portraits of an eclectic group of models and personalities wearing rag & bone's Spring 2018 collection. At editors' appointments during the coming New York Fashion Week, clothes in the showroom will be on hangers rather than models.

Mr. Wainwright isn't convinced fashion shows are the most effective way to draw attention to the label's collections during New York Fashion Week "amongst 500 other fashion shows." If other brands find them effective, "more power to them," he said. "I just question that. New York Fashion Week has so much to offer. Is the best platform for American fashion on the runway? I don't know that it is. Could we be channeling our creativity into something else?"

In February, rag & bone held a premiere in New York for a short movie starring Kate Mara and Ansel Elgort. Members of the cast wore clothes from the label's Spring 2018 collection—the same one highlighted in the photo project.

ROMEO + JULIET

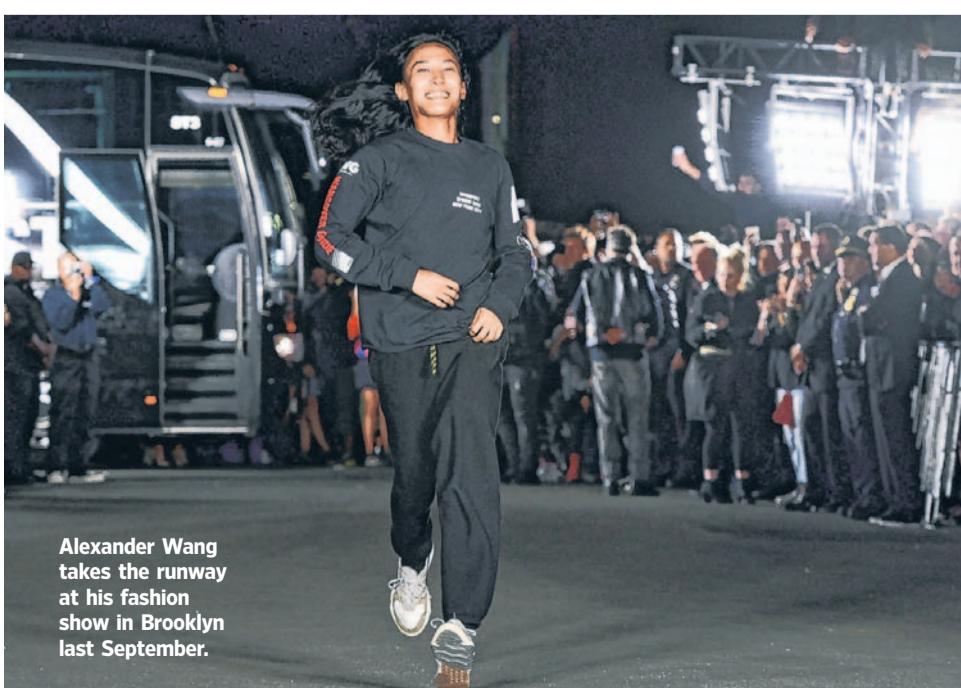
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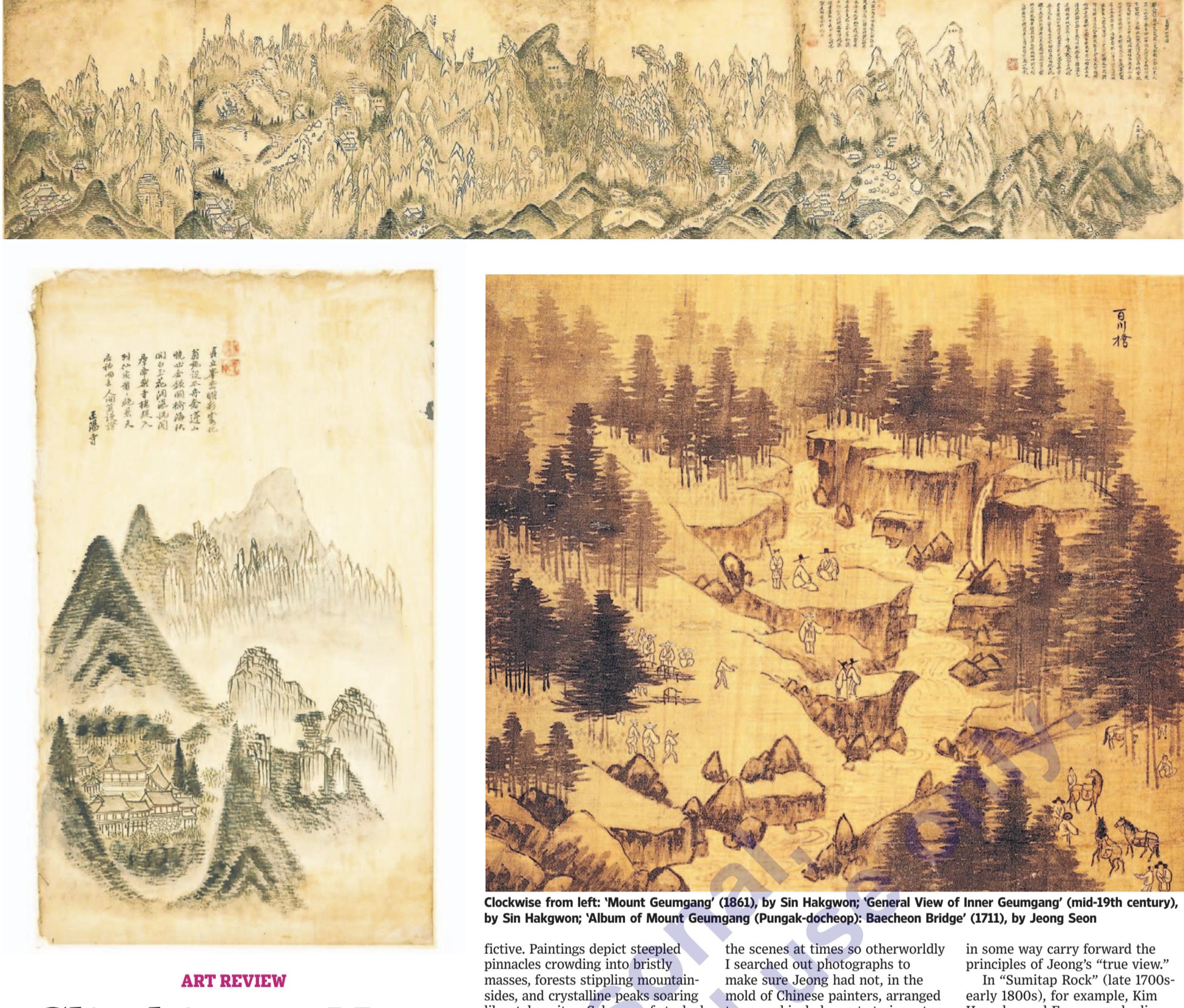
NEW YORK CITY BALLET

TRAVELERS GLOBAL SPONSOR



Alexander Wang takes the runway at his fashion show in Brooklyn last September.

LIFE & ARTS



CLOCKWISE FROM TOP: THE METROPOLITAN MUSEUM OF ART; NATIONAL MUSEUM OF KOREA; AMOREPACIFIC MUSEUM OF ART

ART REVIEW

Climbing to New Peaks of Creativity

BY LEE LAWRENCE

New York

IN 1711 JEONG SEON, a low-ranking Korean official with an aristocratic background and a scholar's education, sparked a new, enduring genre of Korean landscape painting when he walked into the sprawling Mount Geumgang—or Diamond Mountains—equipped with paper, ink and brushes. Six of the 13 views Jeong (1676-1759) produced form the starting point of “Diamond Mountains: Travel and Nostalgia in

To mark the Korean gallery's 20th anniversary, Soyoung Lee, the Met's curator for Korean art, has filled it with an overview of 300 years of Diamond Mountain imagery, from ink to acrylic, factual to

fictive. Paintings depict steeped pinnacles crowding into bristly masses, forests stippling mountain-sides, and crystalline peaks soaring like stalagmites. Columns of stacked basalt blocks rise, precarious, by the sea. Temples nestle within tectonic folds. Waterfalls split rock faces.

In Korea, as in China, mountains commanded reverence for their presumed proximity to the heavens. Buddhists regarded Mount Geumgang's 12,000 peaks as home to select bodhisattvas. Taoists associated the mountain with the Land of Immortals. And neo-Confucians considered it a wellspring of nature's energy and creative power. Jeong—who returned at least twice, in 1712 and 1747—was not the first to paint this geological marvel. Records refer to court painters depicting the site, possibly as early as the 12th century. But none of those works survive. The earliest known to exist are those of Jeong's 1711 album.

Its paper is tea-colored, the brushwork varied and masterly, and

the scenes at times so otherworldly I searched out photographs to make sure Jeong had not, in the mold of Chinese painters, arranged topographical elements to invent a landscape or express an emotion. He did not. But neither did Jeong always faithfully represent what he saw, as suggested by “true view,” the term scholars later applied to his drawn-from-observation style. One general view, for example, offers a vista no vantage point affords (somewhat like some Canaletto depictions of Venice), while elsewhere massive rocks emerge from the ether. “First-hand response” might be more accurate, if less artful.

New roads and better maps made the Diamond Mountains increasingly accessible, fueling a proliferation of paintings and literature and inspiring many who never visited—witness the lively profusion of crystalline peaks in scenes by an unknown and probably untrained 19th-century artist. Most of the works in the gallery, however,

in some way carry forward the principles of Jeong's “true view.”

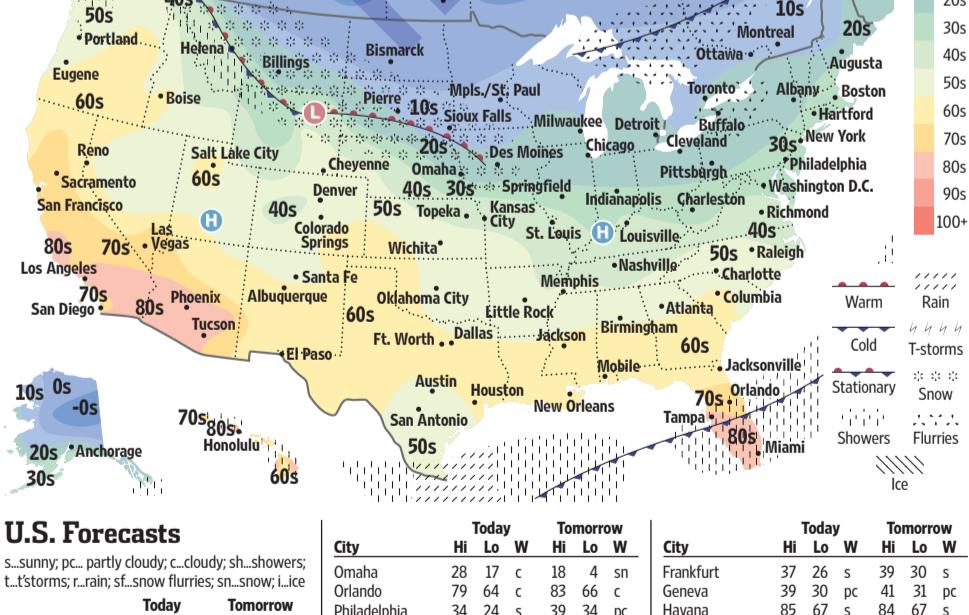
In “Sumitap Rock” (late 1700s-early 1800s), for example, Kim Hongdo used European shading and perspective to render the texture of a renowned rock. Kim Hajong deployed similar techniques to inject “Myeonggyeong-dae Rock” (1815) with personality. And Byeon Gwansik in his 1966 “Autumn Colors of Samseonam Rocks in Outer Geumgang” portrays three famous rocks, one of which bisects the composition. The effect is disconcerting, almost violent, separating a house and its inhabitants on the right from the mountainscape to the left, no doubt reflecting how South Koreans like Byeon regarded the border severing the peninsula since 1948.

Diamond Mountains: Travel and Nostalgia in Korean Art

The Met Fifth Avenue, through May 20

Ms. Lawrence writes about Asian and Islamic art for the Journal.

Weather



U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	22	7	s	24	15	pc
Atlanta	59	38	s	58	49	c
Austin	58	38	pc	65	52	sh
Baltimore	35	21	s	43	34	pc
Boise	63	38	c	53	29	pc
Boston	32	18	s	33	29	s
Burlington	23	10	c	25	19	sn
Charlotte	55	31	s	58	47	s
Chicago	21	16	c	28	18	sn
Cleveland	25	14	s	36	27	sn
Dallas	60	42	s	69	54	s
Denver	59	31	pc	44	17	pc
Detroit	21	10	c	26	17	sn
Honolulu	80	67	pc	79	68	pc
Houston	60	47	pc	66	55	c
Indianapolis	30	22	pc	47	27	c
Kansas City	45	32	pc	35	14	c
Las Vegas	75	50	s	78	51	s
Little Rock	51	29	s	58	45	pc
Los Angeles	85	56	s	80	54	s
Miami	84	73	c	83	73	pc
Milwaukee	22	15	c	26	10	sn
Minneapolis	13	2	pc	13	-4	c
Nashville	48	32	s	49	49	s
New Orleans	60	53	c	70	63	c
New York City	33	23	s	35	34	pc
Oklahoma City	58	32	s	64	26	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	39	31	pc	38	33	sn
Athens	62	49	s	61	50	pc
Bahrain	74	48	s	73	48	c
Bangkok	89	72	s	89	74	pc
Beijing	39	16	pc	41	14	c
Berlin	32	24	pc	35	25	s
Brussels	39	29	s	35	31	sn
Buenos Aires	95	69	s	83	61	t
Dubai	75	60	s	76	60	s
Dublin	47	30	r	41	34	pc
Edinburgh	46	31	r	40	32	p

The WSJ Daily Crossword | Edited by Mike Shenk



OPINION

The Trump Panic

WONDER LAND
By Daniel Henninger

It is a historic spectacle. Washington is transfixed by dueling "memos" between Republicans and Democrats in the House Intelligence Committee over an FBI application to the Foreign Intelligence Surveillance Court to surveil Carter Page of the Trump presidential campaign.

The application included a 35-page "dossier" on Donald Trump prepared by former British spy Christopher Steele.

The Washington press corps has kept the Trump-Russia collusion story before the American public for a year, and the president himself, speaking through his Twitter account, says he is the victim of a "witch hunt."

How did this spectacle happen? Two salient and related events occurred on Nov. 8, 2016. Donald Trump defeated Hillary Clinton for the U.S. presidency. Within hours, the Trump Panic went viral.

The Trump Panic of 2016-17 was the belief that the U.S. presidency had fallen into the hands of an unacceptable person—who had to be stopped, or resisted by any means.

Historians will record that the Trump Panic gripped all Democrats, some Republicans, scores of intellectuals (such as those who signed documents declaring their refusal to work in the Trump foreign-policy agencies), foreign leaders,

journalists, and members of U.S. security agencies.

On election day, two FBI officials—Peter Strzok of the bureau's counterintelligence division and Lisa Page—exchanged text messages.

Page: "OMG THIS IS F***ING TERRIFYING," Strzok: "Omg, I am so depressed."

Recall how routine it was then to hear or read that the new U.S. president resembled Hitler or Mussolini. Democracy was "at risk"—even as such non-Hitlerian pillars as Jim Mattis, Rex Tillerson and Gary Cohn joined the government.

Let us stipulate it is not beyond imagining that individuals at the FBI's Washington headquarters or at the Justice Department are Democrats. This is Washington, and the sky is blue. Historically, though, it has been possible to believe a functional distinction existed in these sensitive bureaucracies between political impulse and professional responsibility.

Because of the Trump Panic, professional discipline eroded. Exhibit A will always be the Steele dossier. Spend 15 minutes reading it, and you will recognize a textbook example of the Russian Cold War art form of assembling published facts, half-truths, untruths and conspiracies into an eye-popping narrative that would embarrass Frederick Forsyth.

From page 33: "Referring back to the (surprise) sacking of Sergei IVANOV as Head of PA in August 2016, his replacement by Anton VAINO and the appointment of former Russian premier Sergei KIRIYENKO to

another senior position in the PA, the Kremlin insider repeated that this had been directly connected to the TRUMP support operation and the need to cover up now that it was being exposed by the USG and in the western media."

The Steele dossier is factoids on steroids. In normal times, the FBI would not include it in a submission to the

It was the belief that the elected president was unacceptable and had to be stopped.

FISA court. The Trump Panic wasn't normal times. Decisions outside normal boundaries were considered justified.

Recall Sally Yates. After President Trump's legally vulnerable travel-ban order, acting Attorney General Yates wrote, "For as long as I am the acting Attorney General, the Department of Justice will not present arguments in defense of th[is] executive order." You won't what?

By comparison, it is well known that during Barack Obama's presidency, much of the U.S. military leadership abhorred his policies and directives. It is inconceivable that any of them would have refused to execute a similar order from Mr. Obama.

But this was the Trump Panic, and Ms. Yates's act of professional insubordination elicited approval in an email from Andrew Weissman, head

of the Justice Department's criminal fraud section: "I am so proud. And in awe. Thank you so much."

This doesn't mean the FBI is off the rails. It means a handful of people in Director James Comey's orbit at 935 Pennsylvania Avenue—products of an insular, inbred Beltway village—lost their professional bearings and succumbed to the zeitgeist of panic over the Trump presidency. Righting that ship is crucial.

We wrote at the outset that this is a spectacle. Which brings us, necessarily, to one of its ringmasters—Donald J. Trump.

Controversies come and go for any presidency. Some, such as Watergate and Whitewater, kept going because it was possible to report events that truly advanced the story. The Russian collusion story went moribund months ago, with Rep. Adam Schiff reduced this week to waving the Steele dossier as if it were the second coming of the Pumpkin Papers, which revealed Alger Hiss as a Russian dupe.

Anyone else in politics would have let the fires under the collusion issue burn down. Is it a potential legal problem? Sure. Should it be a destructive daily bonfire? No.

Mr. Trump is combative not for political reasons but because he's been combative all his life. In the Washington Swamp he has found the ultimate Trumpian arena. The Swamp is his sparring partner. Don't let the raging tweets fool you. He loves it.

Write henninger@wsj.com.

BOOKSHELF | By Graeme Wood

Terror's Fall, Rise and Fall

The Caliphate at War

By Ahmed S. Hashim
(Oxford, 379 pages, \$29.95)

Four years ago, when Islamic State seized Mosul, Iraq's second-largest city, in a blitzkrieg action, the most salient question about the group was "Why?" Why were hairy guys doing donuts in captured tanks in town squares and lopping the heads off innocent journalists on our television screens? What had driven these men and women—thousands of whom came from safe, prosperous countries—to the embrace of a millenarian death cult? Since then, these existential questions have been largely answered (the answers were, to most of us, as unsettling as the events that prompted them), and in their place we have practical ones: How did Islamic State conquer so much territory, and how did it govern?

Ahmed S. Hashim's "The Caliphate at War" considers the "operational realities and innovations" of Islamic State, and the book's modest contribution is to examine Islamic State's history and practice. Mr. Hashim's discussion of Islamic State's ideology is perfunctory, and his attempt to characterize the personalities and motivations of the group's leaders and foot soldiers negligible.

Instead the book focuses on the realpolitik of Islamic State's predecessors and the history of its fall, rise and now fall again. The strongest sections of "The Caliphate at War" deal with Islamic State's predecessors, including al Qaeda in Iraq (2003-06), the Islamic State in Iraq (2006-13), and the Islamic State in Iraq and the Levant (2013-14). Most notable are the differences rather

than the continuities. The famed progenitor of these groups, Abu Musab al-Zarqawi, did indeed harbor ambitions of founding a caliphate "on the prophetic model," as the eventual Islamic State slogan went. But for most of the 2000s, he and his successors were prolific in carnage but humble in actual achievement. They founded, made compromises, were crippled by security concerns, alienated Iraqis and should not have been surprised by their eviction by Iraqi tribes during the Sunni Awakening.

More desultory is Mr. Hashim's treatment of the battlefield and governing practices of Islamic State, once it finally controlled territory and had a state and a war machine to run. Most terror groups never find themselves with administrative responsibilities—which, needless to say, require skills different from those of an insurgency. Islamic State was the dog that caught the car, then learned to drive the car surprisingly well, for a dog. Much of this story is about organizational evolution along almost Weberian lines, in a nightmarish context, from the charismatic rule of Zarqawi to the creation of a large and malevolent bureaucracy.

The total Islamic State fighting force that sacked Mosul may have been fewer than 1,000 men, defeating an Iraqi regional garrison well over 10 times its size. The tactical advances of Islamic State therefore hold particular interest for aficionados of military history. Here Mr. Hashim repeats what any newspaper reader will know: that Islamic State moved fast, with light units and, in frontal assaults on major cities, with disorienting waves of suicide car bombers.

After seizing large swaths of Iraq and Syria, Islamic State found itself managing a bureaucracy as well as a war machine.

He notes that the production of car bombs eventually escalated to an industrial scale. Islamic State fighters packed trucks with explosives, fitted them with heavy hunks of steel armor that hung like plates on a stegosaurus, then drove them at top speed through the desert directly at their enemies. Last year, Hugo Kaaman, a young Swede, published an exquisitely illustrated guide to Islamic State's production and use of these hell-trucks. Mr. Hashim's treatment eschews many of the details and statistics that made Mr. Kaaman's analysis mesmerizing, given the centrality of the suicide car bomb to Islamic State's battlefield success.

Most frustrating, though, is the lack of original research. Mr. Hashim, a professor at Singapore's Nanyang Technological University, finished the book in 2017, long after most of the events depicted. (A ponderous opening section covers the Assyrian Empire, which collapsed around 600 B.C.; Islamic State itself appears around halfway through the book.) The sources are overwhelmingly in English, and journalistic.

A scholarly treatment of Islamic State requires an engagement with primary sources. Some archival work has already been done to assemble the raw documentation of Islamic State's structure and government (see, for example, the writings of the tireless British researcher Aymenn J. Al-Tamimi). Islamic State itself has released enormous quantities of its own propaganda, including barely edited footage that makes Syria and Iraq by far the best-documented jihadist battlefields in history. Mr. Hashim does little evident primary work of his own—few interviews, no field work, almost no engagement with sources in Arabic—and instead cites *Newsweek* and *The Economist*.

Perhaps due to his deference to these sources, and to a few scholarly journals devoted to terrorism, he is at least restrained in the overarching claims he makes about Islamic State. And although small factual errors pervade the book—Abu Omar al-Shishani, the late military commander of Islamic State, was indeed ethnically Kist, but from Georgia, not Chechnya; T.E. Lawrence's book was "Seven Pillars of Wisdom," not "The Pillars of Wisdom"—it gets certain things right that less cautious (and more politically motivated) analysts have gotten wrong. Mr. Hashim deserves credit, for example, for describing the role of ex-Baathists accurately, neither minimizing their practical role in providing security for Islamic State nor falling for the canard that they secretly run the caliphate. He covers religion briefly but unsneeringly, neither denying its centrality to Islamic State nor treating it as the only topic about the group worth discussing.

Still, a book whose main virtue is its modesty is one with room for improvement. The loss of Islamic State's main cities has fooled many lay observers into the belief that it is dead. In fact, it remains dangerous both in its capabilities and by its example. The next ambitious terror group will study its methods and copy them. This book, however, lacks innovation of its own and probably won't be on their reading list.

Mr. Wood is the author of "The Way of the Strangers: Encounters With the Islamic State" and a visiting fellow at the University of Pennsylvania.

Reading the Midterm Tea Leaves

By Karl Rove

The only certainty about the 2018 House elections is that Republicans will lose seats. This will not be the rare election like 2002, when Republicans gained eight seats, or 1998, when Democrats picked up five. This will be like the other 16 midterms since World War II, in which the president's party lost seats.

How many seats will the GOP drop? The Democrats need 24 to win control. Here's what to watch:

First, presidential job approval. A January Bloomberg analysis found that since 1970, parties whose president had an approval rating below 50% lost an average of 33 House seats in midterm elections. With President Trump at 40% in Gallup's daily tracker and 42.4% in the Real Clear Politics average of recent polls, this indicator points toward a Democratic takeover of the House.

But wait. While low presidential approval tends to mean bigger gains for the other party, the relationship isn't always predictable. In 2006, near the height of national angst over the Iraq war, George W. Bush's approval rating was 38% and Republicans lost 30 seats. But in 2014, Barack Obama's approval was 42%—roughly the same as Mr. Trump's now—and Democrats

lost only 13 seats. If the GOP matched that performance, it would hold the House.

Then there's the generic ballot. Today, Democrats lead Republicans by 6 points in the RCP average, 44.4% to 38.4%—pointing to a close race for control of the House. Tax reform has contributed to a surge in GOP prospects: On Dec. 20,

The GOP looks better on the generic ballot, but retirements may take their toll.

before it passed, the Democrats' advantage was 13 points. But no one knows if tax reform will continue to deliver political dividends for Republicans. And given that the Democratic generic advantage has more than halved in the last six weeks, this measure will likely continue to oscillate.

Moreover, the relationship between generic-ballot polling and electoral outcomes can vary dramatically, as a Wall Street Journal analysis indicated last month. In 2006, Democrats were up by 10 on the generic ballot and picked up 31 seats; in 2008 they were up by 14 and added only 21. The GOP tends to add more seats with smaller generic-ballot

polling margins: In 1994, Republicans were up by 4 points and gained 52 seats, and in 2010 they turned a 2-point lead into a 63-seat gain.

A Jan. 18 ABC News/Washington Post poll helps illustrate why generic ballot leads don't go as far for Democrats. According to the poll the party's edge on the generic ballot is 38 points in districts it now holds. The GOP advantage in districts it holds is just 6 points. Concentrated Democratic margins in already safe Democratic seats provide little help in winning Republican-held districts.

Further complicating this year's midterm is what political scientists call "surge and decline." In presidential elections, the White House winner often brings in new members in marginal seats, who then lose in the midterm. When Ronald Reagan won in 1980, 34 new Republican congressmen rode in on his coattails. Twenty-six didn't survive the next midterm. Not every new president's election creates a surge, however. When Mr. Trump won in 2016, Republicans lost six House seats. This suggests there might be fewer freshmen vulnerable to "decline" this November.

The most important midterm variable, however, is incumbency. All but 15 of the 219 incumbent GOP congressmen

were ahead of Mr. Trump in the 2016 election. A National Journal analysis found that 93.8% of incumbent congressmen who sought re-election since 1980 won. For Republicans to keep the House, they must minimize retirements among the 23 Republicans whose districts were carried by Hillary Clinton.

Of the 48 House members who have announced their retirements so far, 33 are Republicans and 15 are Democrats. Six Republicans are in districts Mrs. Clinton won, and two more are in districts Mr. Trump carried by 1 to 4 points. These are the seats most at risk this year. But the 15 GOP-held seats opening up in districts Mr. Trump carried by 20 to 49 points, and most of the 10 seats where his margin was 5 to 19 points, are likely to remain Republican.

Three other important factors are money, enthusiasm and opposition candidate quality. These are worthy of in-depth attention in another column. For now, suffice it to say that indicators are giving off ambiguous signals with most of this election game to go.

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

America's Self-Imposed Uranium Shortage

By John Barrasso

Uranium plays a vital role in maintaining America's national security. The element powers nearly a quarter of the U.S. Navy's fleet and keeps the lights on in around 20% of American homes and businesses. So why is the U.S. relying on adversaries to supply it with uranium?

The American West—including my home state of Wyoming—is rich in uranium. In 2016, commercial nuclear power plants purchased 50.6 million pounds of uranium, according to the Energy Information Administration. The U.S. could produce tens of millions of pounds a year, relying on friendly countries like Canada or Australia for the remainder. Yet the element often comes from nations like Russia, Kazakhstan and Uzbekistan. Together, the three supply around 40% of America's commercial nuclear fuel.

Making matters worse, America's only plant capable of preparing natural uranium for enrichment was idled last year. All uranium mined in the U.S.

must now leave the country for processing in places like France and Canada. Then it is reimported for use in domestic nuclear power plants.

The federal government has made the situation worse. Since the 1990s, the Energy Department has maintained a

The U.S. and its allies have plenty, but we still buy from despots.

stockpile of uranium from decommissioned nuclear weapons. For the past decade, the agency has actually bartered uranium away in exchange for services from contractors. The contractors then sell the uranium.

If the department sold its uranium directly, the funds would go to the U.S. Treasury, not to the agency's coffers.

This bartering scheme effectively circumvents Congress's power of the purse, which is why the Government Accountability Office called it illegal in 2006 and 2011. The department kept doing it anyway.

Last spring Energy Secretary Rick Perry took a good first step when he announced that his department would begin to reduce uranium bartering with contractors. But the Energy Department should immediately stop paying its contractors in uranium. If the Trump administration ends this ill-advised policy, it will

open up significant opportunities for American uranium producers to supply America's nuclear power plants.

The administration should also take action against state-owned and state-subsidized producers in Russia, Kazakhstan and Uzbekistan. These nations are unfairly flooding the U.S. with cheap uranium, as they are interested in gaining political leverage over the U.S. Two American uranium producers recently petitioned the Commerce Department to investigate these abuses. The Trump administration should expedite this investigation and take steps to make sure our uranium producers can compete on a level playing field.

At a minimum, the administration should pursue policies that promote robust American uranium production. America is on the cusp of losing its ability to produce its own nuclear fuel. The administration can't let that happen.

Mr. Barrasso, a Wyoming Republican, is chairman of the Senate Environment and Public Works Committee.

OPINION

REVIEW & OUTLOOK

More Doubts About Mr. Steele

The case of the FBI and Christopher Steele gets curioser and curioser. In the latest news, GOP Senators Chuck Grassley and Lindsey Graham late Tuesday released a less redacted version of their criminal referral letter to the Justice Department concerning Mr. Steele, who wrote the now famous dossier alleging Russian collusion with Donald Trump. The letter supports the recent House Intelligence Committee claims of surveillance abuse and offers new evidence that the Clinton campaign may have been more involved than previously known.

Democrats claim the House Intel memo distorts the FBI's actions in obtaining in October 2016 an order from the Foreign Intelligence Surveillance Court to monitor former Trump aide Carter Page. But the Grassley-Graham referral makes public for the first time actual text from the FBI's FISA application, as well as classified testimony the FBI gave the Senate Judiciary Committee about the dossier and FISA application.

In particular, the referral rebuts the Democratic claim that the FBI told the FISA court about the partisan nature of the Steele dossier. "The FBI noted to a vaguely limited extent the political origins of the dossier," says the letter. And "the FBI stated that the dossier information was compiled pursuant to the direction of a law firm who had hired an 'identified U.S. person'—now known as Glenn Simpson of Fusion GPS," the firm that hired Mr. Steele.

But, adds the referral letter, "the application failed to disclose that the identities of Mr. Simpson's ultimate clients were the Clinton campaign and the DNC [Democratic National Committee]." That's not being honest with the judges who sign off on an eavesdrop order.

The referral also confirms the House memo's finding that the FBI "relied heavily" on Mr. Steele's dossier claims, as well as on a Yahoo News article for which Mr. Steele was the main source. And the letter notes that "the application appears to contain no additional information corroborating the dossier allegations against Mr. Page."

James Comey, who was running the FBI at the time of the FISA fiasco, told the Senate Judiciary Committee as much in March 2017. According to the referral, when Mr. Comey was asked "why the FBI relied on the dossier in the FISA applications absent meaningful corroboration," he said this was "because Mr. Steele himself was considered reliable due to his past work with the Bureau."

In other words, the FBI rested its wiretap application on the credibility of a source who was working at the direction of the Clinton cam-

paign. The FBI also seems to have closed its eyes to evidence that Mr. Steele wasn't honest. The FBI acknowledges that it told Mr. Steele not to speak to the media about the dossier. Yet in September 2016 the ex-British spy briefed reporters about the FBI's investigation and the dossier, which resulted in the Yahoo News article. The Clinton campaign cited that article on TV and social media to attack the Trump campaign. This was about a month prior to the FBI filing its first FISA application.

Yet the FBI's October application told the FISA court that, "The FBI does not believe that [Steele] directly provided this information to the press." Whether Mr. Steele lied to the FBI, or the FBI was too incompetent to verify that he was the source of the Yahoo News story, the result is the same: The FISA court issued a surveillance order on the basis of false information about the credibility of the FBI's main source.

Even after Mr. Steele said under oath in court filings in London that he had briefed Yahoo News, and this fact was reported by U.S. media in April 2017, the FBI didn't tell the FISA court in any subsequent wiretap application.

The Grassley-Graham referral also drops the stunning news that Mr. Steele received at least some of the information for his dossier from the Obama State Department. The letter redacts the names involved. But the press is now reporting, and our sources confirm, that one of the generators of this information was none other than Sidney Blumenthal. GOP Rep. Trey Gowdy, who has seen the documents, told Fox News "that would be really warm" when asked if Mr. Blumenthal is one of the redacted names.

Mr. Blumenthal has declined comment to several media outlets. But our readers will recall that he is a long-time Hillary Clinton operative whom President Obama barred from an official role at State but was later discovered to have sent her policy and political advice via her private email server. This revelation raises questions about the degree to which the Clinton team was involved in the Steele-Fusion effort from the beginning.

Some of our media friends are so invested in the Steele dossier, or in protecting their Fusion pals, or in Donald Trump's perfidy, that they want to ignore all this. But journalists ought to tell the complete story.

The best way to learn what's true and false in the Russian influence story is radical transparency, and the Trump Administration should declassify all four FISA applications on Mr. Page and all of the documents behind them. Meanwhile, thanks to the two Senators for helping get closer to the truth.

The Guns and Butter Budget

Congress announced the outline of a two-year bipartisan budget deal on Wednesday, and no doubt Members want to avoid another pointless government shutdown. The deal has the virtue of starting to fix a weakening military. But the delusion is that the U.S. can continue to deny the trade-off between guns and butter, or defense and the entitlement state.

* * *

Democrats exact a high price for agreeing to boost the military.

this spending is a bipartisan hall pass for not having to think about tougher problems like why so many Americans are declining treatment and overdosing multiple times.

One good development is that Republicans managed to include the repeal of ObamaCare's Independent Advisory Payment Board, known as IPAB. The Obama central planners created this panel of bureaucrats to impose price controls on Medicare and it represents everything Americans hate about the Affordable Care Act: political rationing over individual choice.

IPAB was designed so its decisions would be nearly impossible for Congress to overrule. Repeal gives Republicans another health-care achievement to tout in the 2018 midterms, in addition to zeroing out the law's penalty for declining to buy insurance as part of tax reform. Oh, and the deal raises the debt limit into 2019, which avoids another useless melodrama.

The politics of passing this deal could nonetheless get ugly. The Freedom Caucus is already squawking, and they have a point. The id of their membership is less spending, whether on defense or food stamps makes little difference. The problem is that their opposition hands leverage to Minority Leader Nancy Pelosi, who is trying to blow it up because it doesn't include an immigration deal over the young adult "Dreamers" brought to the U.S. illegally as children.

* * *

The larger fiscal reality is the continuing failure to reform entitlements, which absorb an ever-rising share of GDP and federal budget and present the true threat to national defense. President Obama blocked reform, and then the GOP missed the best chance in a generation to fix Medicaid by replacing the Affordable Care Act. The politics of reforming that entitlement is easy compared with Medicare and Social Security.

The annual budget deficit is cruising toward a cool \$1 trillion, yet some Republicans are flirting with adding another new entitlement called paid family leave. The GOP's best hope is that tax reform can deliver at least 3% growth and delay the fiscal reckoning. Republicans have to handle the urgent task of rebuilding the military in a dangerous world, but one certainty: Entitlement reform must happen, or we'll be defending ourselves against Kim Jong Un's nuclear missiles with Medicare checks.

Including an appearance by none other than Sidney Blumenthal.

LETTERS TO THE EDITOR

The FBI's FISA Abuses Need to be Exposed

As your Feb. 1 editorial points out, when it comes to "An Unaccountable FBI," we have seen this movie before. Few Americans remember how FBI Director J. Edgar Hoover abused his power and used dirt on people for political leverage. He even intimidated presidents. That FBI abuse was why Congress changed the law in 1973 and put a 10-year term limit on the director of the FBI. It is also why Congress has been given the oversight duty to make sure that the FBI doesn't abuse its power and operates with political neutrality based entirely on the rule of law.

The fact that the FBI refused for a year to provide the information requested by Congress to understand its role in the "Russian collusion" investigation, and only complied when threats of subpoenas were made, is a strong clue that the FBI is trying to hide improper activity that will embarrass it. Not to mention the thousands of improper and politically biased texts between high-level FBI agents Peter Strzok and Lisa Page, two lovers, who were involved in both the Clinton and Trump investigations that have been made public. For anybody paying attention, there is plenty of hard data that indicate that something is rotten at the high levels of the FBI and a majority of Americans have lost some faith in it. Not only did Congress have the right to make this document available to the American people, it needed to do so to prove that the FBI works for the American people and the rule of law.

RANDY ROSSI
Grayslake, Ill.

I am a retired FBI agent (1970-95). As a staff supervisor at FBI headquarters, I drafted affidavits to support FISA requests to obtain their approval by the director and the attorney general and then testified to them before the FISA court. Every agent testifying in such circumstances has (or should have) exhaustively tested the facts he or she provides in obtaining this most intrusive authority that courts can grant to override Fourth Amendment rights of U.S. citizens.

If the Steele dossier was used as even a partial basis to obtain a FISA warrant targeting "U.S. persons" in the Trump campaign, and it is shown that an FBI official testified, knowingly aware of false or unverifiable information therein, then that person should be prosecuted to the full extent of the law. We can't let the rot at the top of the Justice Department and the bureau destroy the hard-won reputation of our FBI.

GEORGE L. MOZINGO
Ashland, Ore.

The misuse of FISA to spy on the 2016 Republican candidate is another piece of evidence documenting the collusion between the FBI, Justice Department, IRS and Democratic Party to influence the national elections since at least 2012. While Russia has relatively little influence on what happens inside our country, these federal agencies have enormous and direct powers to bear on the democratic process. Perhaps George Orwell was only off by 32 years.

ELI LITMAN
Las Vegas

Time to Reconsider Mandatory Arbitration

Filing fees and expenses are major barriers to consumers seeking recourse through arbitration clauses ("Arbitration Inhibits Some Claims," U.S. News, Jan. 26). A plaintiff can file a lawsuit for a one-time fee of \$50. The judge, courtroom and all expenses are paid by the public. Initial arbitration filing fees and final fees begin at \$1,550, and for claims seeking higher damages the fees escalate into the thousands. In addition, the parties pay one or more arbitrators per hour plus hotel and travel expenses. Mandatory arbitration discourages many cases from being pursued.

BRUCE BIGELOW
Austin, Texas

barred access to public courts and collective arbitration. These clauses create roadblocks to justice. Corporations forcing people into arbitration "agreements" erodes civil rights, silences victims and propagates sexual harassment in the workplace.

CATHERINE RUCKELSHAUS
National Employment Law Project
New York

Even without attorney representation, mediation claims should be pursued vigorously. Facts and the law control the outcome of mediation. Assuredly, facts depend upon the quantity and quality of evidence that can be brought to the table. However, I have found it is possible to resolve these claims justly even without a lawyer. I have found that many disputes between parties with no lawyers often allow a powerful, unvarnished presentation of facts; it is then the arbitrator's job to follow the law and issue a dispositive finding in which substantial justice is done.

NATHANIEL FICK
Towson, Md.

EPA Pebble Mine Move Is Right and Sensible

Your editorial "Pruitt's Bad Pebble Precedent" (Jan. 31) criticizes the EPA's 2014 assessment of the proposed Pebble Mine in Alaska as "a phony study based on a hypothetical mine to create a worst-case scenario." To the contrary, EPA's assessment was subject to rigorous peer review from 12 independent scientists with expertise in mine engineering, salmon fisheries biology, aquatic toxicology and other relevant disciplines. Far from being "hypothetical," it considered several different scenarios based on documents from the Pebble Limited Partnership outlining a preliminary mine plan. It concluded that, at least in its originally proposed form, Pebble Mine would jeopardize 14,000 jobs and several Alaska native cultures that depend on the salmon fishery (valued at \$1.5 billion, according to one University of Alaska study). And rather than painting a "worst case scenario," the assessment left out several factors likely to further degrade the environment.

As for claims of federal overreach, consider this: 85% of Bristol Bay's commercial fishers and 82% of residents opposed Pebble Mine, as does the governor of Alaska. The 2010 request for the EPA to review the project came from groups with most at risk—including nine Bristol Bay tribes, com-

mercial fishermen and sportsmen.

As your editorial points out, the permitting process is still proceeding. This is far from over. For now, the EPA was right to embrace the science-based findings of its 2014 assessment and the feedback from local communities. The agency should continue to keep those in mind as the process plays out.

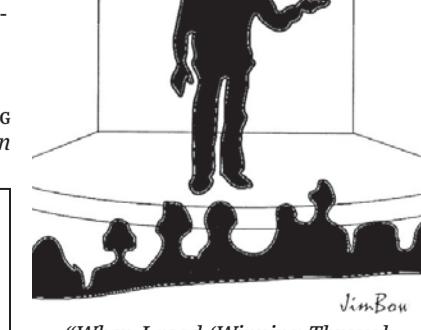
CARTER ROBERTS
President and CEO
World Wildlife Fund
Washington

Alaskan Gov. Bill Walker thanked the EPA and Trump administration for "listening to my input, as well as the input of thousands of Alaskans who oppose rescinding the EPA's Bristol Bay assessment." That doesn't sound like federal overreach to me. Further, for anyone closely following this issue, the line isn't drawn between political parties. The decision to open up resources for exploitation is, and should be, a balanced one that involves the state's input. With the leadership of Administrator Scott Pruitt, the EPA got this one right.

DANIEL McCUAHAN
La Conner, Wash.

Pepper ... And Salt

THE WALL STREET JOURNAL



"When I read 'Winning Through Intimidation,' it was like a door opening."

Credit Where Credit Is Due

Your editorial advising President Trump to quit claiming credit for moves in the stock market ("The Sell-off Arrives, Finally," Feb. 3) is sound. It is also likely to be heeded, as long as the market is dropping.

PAT FLEMING
Washington

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



Education *Re-Imagined*

We are pleased to announce the creation of a global network of schools, with innovations focused on *how* students learn as well as *what* they learn. Guided one-on-one by exceptional faculty, Whittle students will achieve a breadth of knowledge while having the time and resources for in-depth exploration of a particular passion.

Studying abroad at our other campuses will help students build language skills and cultural competencies as they learn to be compassionate stewards of the world. From ages three to 18, interdisciplinary, project-based work will prepare students to face the future's most complex and exciting challenges.

The culmination of four years of development by hundreds of educators, experts, architects, and planners, our first campuses in Shenzhen, China and Washington, D.C., will open in September 2019, with more campuses to be announced this year. Each campus will serve over 2,000 day and boarding students in beautifully crafted educational, athletic, performance, and dormitory facilities designed by Renzo Piano Building Workshop.



Rendering of the Whittle campus in Shenzhen



Rendering of the Whittle campus at 4,000 Connecticut Avenue, Washington, D.C.

We invite prospective students, parents, and faculty members to visit us at whittleschool.org and sign up to attend one of our Information Events in Shenzhen and Washington, D.C.

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SCHOOL & STUDIOS

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BlackRock Makes Like Buffett

Top asset manager seeks to raise \$10 billion to buy and hold stakes in companies

BY SARAH KROUSE

BlackRock Inc. is looking to raise more than \$10 billion that it would use to buy and hold stakes in companies, replicating the approach of Warren Buffett's **Berkshire Hathaway** Inc.

It is the first-ever attempt by the world's largest asset manager to make such direct investments, according to people

familiar with the matter. The move establishes BlackRock as a potential competitor to Wall Street private-equity giants like **Carlyle Group** LP and **Apollo Global Management** LLC.

For BlackRock Chief Executive Laurence Fink, it also sets up a rivalry with his old firm, **Blackstone Group** LP. Mr. Fink co-founded BlackRock as a division of Blackstone in 1988 but split from the private-equity giant in 1994.

BlackRock has since emerged as one of the biggest beneficiaries of an investor shift to cheaper funds that

mimic stock and bond indexes, topping \$6 trillion in assets for the first time in 2017.

Traditional asset managers like BlackRock and private-equity firms like Blackstone are increasingly battling for cash from the same clients as fees for certain products drop and competition for new pools of capital intensifies.

Big asset managers that have long catered to cost-conscious investors are trying to bulk up on products where they can charge big investors private equity-like fees. It is a way to add new revenue as large and small clients demand lower fees

for traditional offerings. Private-equity firms, meanwhile, are offering more funds to wealthy retail investors to broaden their pool of assets.

BlackRock's new vehicle, known within the firm as a "long-term private capital" vehicle, is part of that push to emphasize alternative investments. The firm already manages \$145 billion in higher-fee investment strategies that include private equity and hedge funds of funds, real assets and private credit. But it doesn't have a buyout fund of its own.

It is seeking capital from sovereign-wealth funds, pension

s and other big investors that it would use to launch BlackRock Long-Term Private Capital, according to people familiar with the matter.

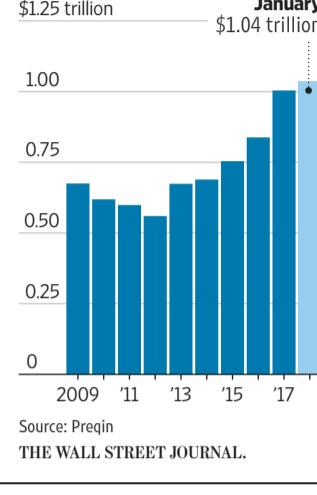
If BlackRock can attract roughly the \$10 billion it is seeking, it would represent the largest amount ever raised by the company. BlackRock is also contributing some of its own money to the effort.

The company is raising money after a record year for private-equity fundraising. Private-equity firms raised a record \$453 billion in 2017, according to data provider

Please see **FINK** page B10

Dry Powder

Unspent cash accumulated by private-equity firms is on the rise.



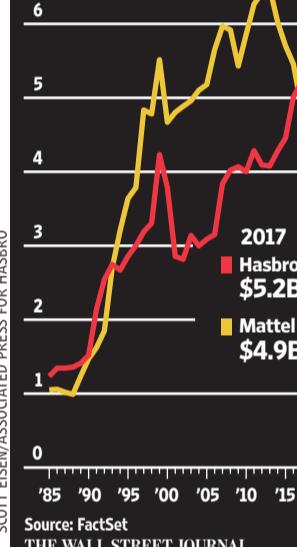
Source: Preqin
THE WALL STREET JOURNAL.

Monopoly Maker Rolls a Winner for the Quarter

New Toy King

Hasbro topped Mattel in annual sales for the first time in 24 years.

Annual revenue



Source: FactSet
THE WALL STREET JOURNAL.



ADVANCE TO GO: Despite a slowdown in sales of Star Wars toys, Hasbro shares rose 8.8% after the release of quarterly results. B2

Scrutiny Shifts To Wynn Directors

With Steve Wynn out as top executive of the casino empire he founded, pressure is now building on board members and other executives at **Wynn Resorts** Ltd., as regulatory investigations into alleged sexual misconduct at the com-

pany continue.

Mr. Wynn, 76 years old, stepped down Tuesday night from his dual roles as chairman and chief executive, citing an "avalanche of negative publicity" stemming from a Wall Street Journal investigation published late last month. By installing new leadership at the company, the Wynn Resorts board, which has long been criticized for corporate governance failures and close ties to Mr. Wynn, signaled that it was trying to move past the allegations.

Wynn Resorts stock closed up nearly 8.7% Wednesday.

But at a meeting Wednesday, gambling regulators in Massachusetts, where Wynn Resorts is planning a \$2.4 billion casino, raised pointed questions with implications for directors and executives who could have been in a position to know about Mr. Wynn's alleged misdeeds and didn't report them.

They also said Mr. Wynn's resignation raises new questions about the power he will continue to wield at Wynn Re-

Please see **WYNN** page B2

◆ Heard on the Street: Wynn's directors on hot seats..... B12

SoftBank Looks to Pile Into Swiss Re

BY LIZ HOFFMAN

AND DANA CIMILLUCA

SoftBank Group Corp. is in talks to buy a stake in reinsurance giant **Swiss Re** AG that could be worth \$10 billion or more, in the latest example of the Japanese conglomerate's soaring ambitions.

The deal being discussed calls for the purchase of up to a third of Swiss Re's shares at a premium, according to people familiar with the matter. Swiss Re's shares closed Wednesday at just over 90 francs, giving the company a market value of 31 billion francs, or about \$33 billion.

Swiss Re said in a statement following a report on the talks by The Wall Street Journal that "it is engaged in preliminary discussions with [SoftBank] regarding a potential minority investment in the company."

The talks are advanced, and the Zurich company's management in recent weeks traveled to Tokyo to meet with SoftBank officials including Chief Executive Masayoshi Son, according to the people. As usual, the talks still could fall apart and there might not be a deal.

The talks are the latest sign of Mr. Son's seemingly boundless, if sometimes quixotic, ambitions. He is recasting SoftBank, Japan's largest mobile-phone carrier and majority owner of U.S. wireless carrier **Sprint Corp.**, as a global technology conglomerate, laying bets on everything from e-commerce to driverless cars and virtual reality.

The firm in 2017 closed a \$100 billion venture-capital fund, known as the Vision Fund, and has plowed billions of dollars into private startups including ride-hailing service **Uber Technologies** Inc., broadband satellite company **One-**

Tesla Signals Better Model 3 Output

BY TIM HIGGINS

Tesla Inc. on Wednesday signaled it is making progress in overcoming its early production troubles building the Model 3 sedan, telling shareholders it expects to generate its first sustained operating profit sometime this year.

The Silicon Valley auto maker said in its quarterly financial report that is on track to reach a milestone of making 5,000 Model 3 sedans a week by the end of the second quarter—a twice-postponed goal—

◆ Heard on the Street: Tesla has to return to Earth..... B12

and that it is addressing bottlenecks that have derailed production.

The optimistic tone is a reversal from last quarter's report, when Tesla warned of months-long delays in the production of the Model 3 and raised the possibility the company could pump the brakes on planned growth. Tesla on Wednesday reported another record loss—\$675 million attributable to common shareholders—but unlike three months ago, the loss on an adjusted basis was narrower than what analysts expected.

This year "will be a transformative year for Tesla, with

a high level of operational scaling," Chief Executive Elon Musk wrote Wednesday in a letter to shareholders. "As we ramp production of both Model 3 and our energy products while keeping tight control of operating expenses, our quarterly operating income should turn sustainably positive at some point in 2018."

Tesla also improved its cash flow during the quarter—burning just \$277 million in free cash—crediting a delay in

investments for the Model 3, a sell-down of inventories of Model S sedans and Model X sport-utility vehicles and a 24% increase in customer de-

posits from three months earlier. While the company doesn't break out which products collected those reservations during the quarter, Tesla revealed a new semitrailer truck and a high-end sports car that will cost as much as \$250,000.

In after-hours trading on Wednesday, Tesla's shares fluctuated around the \$345 closing price, after rising 3.3% during regular hours.

Amid the buoyant predictions, Tesla cautioned shareholders that the company has encountered "difficulty of accurately forecasting specific

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INSIDE



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WOMEN FIGHT BARRIERS TO BOARDROOMS

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HEARD ON THE STREET | By Justin Lahart

Don't Count on Fed Safety Net for Stocks



Investors think the Federal Reserve is waiting with a net below the stock market, and chances are they are right. The only problem is that the net is far below where stocks are now.

The recent sharp drop in stocks began because investors were worried the Fed might raise rates faster than they had thought. When the selloff got worse, there was a view that the Fed might not raise very much because of the volatile market. Interest-rate futures now suggest investors are split over whether the central bank will raise rates three times this year, as Fed policy makers have projected, or just twice. Contrast that with early Friday, when the futures started pricing in the possibility of a fourth rate increase.

With the economy strong and the market still expensive, investors shouldn't expect a Fed rescue if shares tumble. Tuesday's powerful market rebound makes it even less likely.

The idea that the Fed will

help stop a selloff has been part of the market's dynamics for years. In early 2000, former Merrill Lynch derivatives strategist Steve Kim and former Pimco fund manager Paul McCulley started calling the Fed's tendency to cut rates or hold off on rate increases in response to financial market turmoil "the Greenspan put" after then-Fed Chairman Alan Greenspan. The phenomenon was most recently on view in early 2016 when the Fed dialed back its rate-increase plans in response to a global market selloff. Now, it is known as the Fed put.

Recent research from Duke University economist Anna Cieslak and University of California, Berkeley, economist Annette Vissing-Jorgensen shows the Fed put is very real. They found that stock returns are a more powerful predictor of changes in the Fed's interest-rate target than any one of 38 economic data points ranging from job growth to inflation. But the Fed's rate response is also asymmetrical: It responds significantly to

Rerating

Federal Reserve policy makers' year-end rate projections fell sharply in 2016.

1.50%



Source: Federal Reserve
THE WALL STREET JOURNAL.

negative stock returns, but not positive ones.

The economists then conducted a textual analysis of Fed minutes and transcripts to figure out why it was reacting to the stock market. Their finding: Fed policy makers worry that falling stocks might lead to cuts in consumer spending and hurt companies' ability to raise money, potentially slowing

the economy. They don't look at the market as an indicator of where the economy is going.

If those are the criteria, it is hard to imagine the Fed is particularly worried.

Even if stocks fall a whole lot more, the Fed might not be so quick to respond. The thicket of financial concerns and fragile global economic conditions that led them to postpone raising rates in 2016 aren't there.

Moreover, stock valuations remain rich, and the Fed seems worried that investors have taken on excessive risk. That may be particularly true of newly installed Fed Chairman Jerome Powell, who during the lead-up to the 2013 taper tantrum was part of a group of Fed policy makers sharing financial-stability concerns.

Nor does Mr. Powell likely want to set the tone for his tenure at the Fed by canceling rate increases in order to save stock investors from themselves. Falling stocks probably would have to pose a real threat to the economy before the Powell put is sprung.

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Hasbro Sales Decline As the Force Weakens

BY PAUL ZIOBRO
AND CARA LOMBARDO

Hasbro Inc. posted an unexpected drop in fourth-quarter revenue, as sales of Star Wars-related toys slowed after three consecutive years of new releases for the franchise.

Sales for the maker of Monopoly, Nerf guns and Disney Princess fell 2% during the key holiday period, well short of the company's forecast for sales growth of between 4% and 7%.

Despite the decline, Hasbro's annual revenue topped that of rival Mattel Inc. for the first time since 1993. Also, the company topped analysts' earnings expectations for the quarter.

Hasbro shares rose 8.8% to \$102.22 on Wednesday.

In addition to disappointing Star Wars sales, Chief Executive Brian Goldner blamed the fourth-quarter revenue shortfall on weakness in Europe and disruption from the Toys "R" Us Inc. bankruptcy.

Hasbro's Star Wars sales bump appears to be waning as the Walt Disney Co.-owned movie franchise has been churning out new movies annually following a decade-long hiatus. On Tuesday, Disney announced plans for additional Star Wars films.

Mr. Goldner noted that the intergalactic series' return in 2015 came amid pent-up demand, and with a long window ahead of the movie's release to sell toys.

The latest installment, "The Last Jedi," hit U.S. theaters toward the end of the quarter on Dec. 15, and toys sales didn't pick up until then.

He dismissed suggestions

that fans are tiring of Star Wars products and said the property should provide a large and stable source of annual revenue.

Hasbro has held the master licensing agreement for making of Star Wars toys for many years. In the fourth quarter, sales in its partner-brands segment, of which Star Wars toys are a part, fell 21%.

For all of 2017, Hasbro's sales rose 4% to \$5.21 billion, surpassing Mattel's \$4.88 billion.

Hasbro has enjoyed a revenue surge in recent years, helped by the return of Star Wars movies, some key licensed properties that had been with Mattel and growth among its own products like Nerf and Monopoly. Meanwhile, Mattel, which owns Barbie, Hot Wheels and Fisher-Price, endured a sputtering turnaround and declining sales.

With Mattel struggling, Hasbro last year approached its rival about a possible tie-up, though nothing materialized.

Hasbro on Wednesday reported a fourth-quarter loss of \$5.3 million, or 4 cents a share, compared with a profit of \$19.27 million, or \$1.52 a share, a year earlier. The latest results included a \$296.5 million net charge stemming from changes in U.S. tax laws.

The Pawtucket, R.I., company reported quarterly revenue of \$1.6 billion, below the \$1.7 billion analysts polled by Thomson Reuters expected. Excluding the tax-related charge and other items, Hasbro's per-share earnings came in at \$2.30; analysts were expecting \$1.80.



Hasbro's 2017 revenue beat Mattel's for the first time since 1993.

BUSINESS & FINANCE



Some regulated utilities say the tax overhaul will allow them to lower customers' bills, but credit-ratings analysts expressed concern.

Utilities to Pass Along Tax Savings

BY EZEQUIEL MINAYA

Ratings Firms Study Impact of Tax Law

A flurry of regulated gas and electric utilities are passing savings stemming from the recent tax overhaul to their customers, a move welcomed by consumers but met with concern by credit-ratings analysts.

Utilities' tax payments, alongside other operating costs, are built into retail rates and paid for by customers. Now that the federal government has slashed the corporate tax rate to 21% from 35%, utilities will pay less tax, which will need to be reflected in revised rates.

Rate changes will save a few dollars off the average customer's bill. Although state authorities may give regulated utilities little choice but to return tax savings to customers, credit markets may still penalize the sector for the diminished cash flow.

Moody's Investors Service Inc. reduced the outlook for 24 regulated utilities and utility holding companies to negative from stable in January, saying they would be adversely affected by tax changes.

"If [cash flow is] going to be smaller, to us the financial

risk has gone up," said Toby Shea, a senior credit officer at Moody's who covers utilities.

The sector relies on borrowing large amounts of money to build and maintain infrastructure such as power plants and transmission lines. The steady stream of customer bill payments underpins utilities' credit ratings, which in turn dictate their cost of debt.

Regulated utilities will also have to refund some of the tax payments they have collected from customers based on the 35% rate, but haven't yet passed to the federal government. Companies can refund this cash over years.

Utility holding company

National Grid U.S. expects a

noncash tax credit of \$2 bil-

lion in 2018 as a result of the lower tax rate, said Peggy Smyth, the company's finance chief.

"It's going to be returned to customers over a period of 20 to 30 years," Ms. Smyth said.

National Grid's subsidiaries in New York, Massachusetts and Rhode Island have requested more modest rate increases with a total of \$131 million in cuts linked to the new federal tax legislation.

To do so, regulated utilities submit proposals to state public utility commissions which approve retail rates. The calculation allows companies to recover from customers the cost of providing service including expenses like fuel, operations, depreciation and in-

The soured outlook means that there is at least a 1-in-3 chance that the company's current triple-B+ rating will be downgraded within the next two years, Mr. Grosberg said. A lower credit rating can result in higher interest rates, and therefore higher payments on new or refinanced debt, though broader bond market forces can temper that impact.

A spokesman for Dominion declined to comment.

come tax.

National Grid's New York customers will see first-year increases of only 1.7% for electric and 2.4% for gas rates, as opposed to the 13% and 14% originally proposed, said James Denn, a spokesman for the New York State Department of Public Service, the state's utility regulator.

"It's the right thing to do for our customers," Ms. Smyth said. "We view that as a pass-through cost and to the extent that the tax rate is going down, we are going to build that into the new rates."

Since January, more than a dozen utilities in states including Massachusetts, Oregon, Florida and New York have made similar moves.

Resorts executive leadership team also faces questions, particularly relating to "suitability" requirements for casino operators.

Matt Maddox, the Wynn Resorts president who was named CEO Tuesday night, and Kim Sinatra, the company's general counsel, were at the company when it applied for the Massachusetts license and failed to disclose the \$7.5 million settlement.

They are both considered "individual qualifiers," meaning they are subject to ongoing reviews of their personal suitability.

According to filings in a court

battle between Mr. Wynn and Elaine Wynn, his ex-wife and a co-founder of the company, Ms. Sinatra knew about the allegations since at least 2009. In court filings, Ms. Wynn said she learned about the settlement and asked Ms. Sinatra about it in 2009. Ms. Sinatra told Ms. Wynn it had been properly handled, according to the filing.

Mr. Wynn's resignation came amid a long-running legal dispute with Mr. Wynn's former business partner, Japanese gambling mogul Kazuo Okada. On Monday, a Nevada judge allowed claims to proceed against Wynn board members involved in the 2012 ousting of Mr. Okada, then the company's largest shareholder.

Wynn Resorts forcibly redeemed Mr. Okada's 20% stake, then valued at \$2.77 billion, at a 30% discount, and the board voted to remove him as a nonexecutive director, saying an internal investigation conducted by a former FBI director had found him to be "unsuitable" based on the company's own regulations.

The judge's ruling means Wynn board members could now be held personally liable in the 2012 lawsuit in which Mr. Okada, who has denied allegations of wrongdoing, is fighting to reclaim his shares. The company declined to comment on the lawsuit.

—Michael Siconolfi

contributed to this article.

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WYNN

Continued from the prior page

says, given that he still has

control of more than 20% of

the company's shares.

A Wynn Resorts spokesman declined to comment on questions raised at the Massachusetts meeting. The company said it is "fully cooperating" with the state's investigation and "will address any questions the commission has directly with it." The company said details of Mr. Wynn's separation agreement will be released when it is finalized.

Stephen Crosby, chairman of the Massachusetts Gaming Commission, zeroed in on an allegation that Mr. Wynn in 2005 paid a \$7.5 million settlement to a man in a suit who told people at the time that Mr. Wynn had forced her to have sex with him. Mr. Crosby said a central question is what the Wynn Resorts board of directors and executives knew about the settlement and associated allegations, and when they knew it.

Massachusetts regulators have stressed that they are closely investigating not just Mr. Wynn but also his board and the company, and that they are investigating the group's broader pattern of conduct.

Investigators have asked for information about Mr. Wynn's behavior during the 1990s when he was running Mirage Resorts Inc., for example, according to a person familiar with the matter. Mr. Wynn lost control of that company in 2000 and sold it to Kirk Kerkorian's MGM Grand Inc. amid a declining stock price and pressure from investors.

Gambling regulators in Nevada also said they were continuing an investigation despite Mr. Wynn's resignation. Nevada statutes require that anyone with more than a 10% stake in a casino company must be licensed and is subject to ongoing suitability review.

The Wynn Resorts board has consistently received low

marks from outside proxy advisory firms for what they have called poor corporate governance practices and its "excessive" executive compensation policies. Half of Wynn Resorts' independent directors have had seats for more than 10 years, a tenure investors often criticize as being too long.

Two key board members have had decades-long personal and business dealings with Mr. Wynn. Boone Wayson, named nonexecutive chairman in the wake of Mr. Wynn's resignation Tuesday, is a longtime family friend of Mr. Wynn; the two men have worked together since the 1980s.

Mr. Wayson didn't respond to requests for comment.

Another director, Patricia Mulroy, who was tapped to lead the special committee investigating Mr. Wynn, has dealt with the casino executive for decades.

Ms. Mulroy met Mr. Wynn in 1990 when she was Nevada state water manager, overseeing water resources issues for his casino projects such as Treasure Island and Bellagio—which he no longer owns—according to the Nevada Commission on Ethics. She also served as a member of the Nevada Gaming Commission, one of two state bodies that oversee the casino industry.

Ms. Mulroy sought an opinion from the state ethics com-

mittee when Mr. Wynn asked in 2015 if she would become an independent director at his company. The ethics committee said, "There could be a perception that Wynn contacted Mulroy based upon her membership on the Gaming Commission." But "her testimony and history with Wynn confirms that their connection is through water management," the committee said.

The Wynn Resorts board has received low marks from proxy advisory firms.

Ms. Mulroy asked whether an independent director would be considered an "employee" of Wynn Resorts and therefore subject to the one year revolving-door bar under ethics law.

She won a waiver after pledging to the ethics committee that her anticipated work as an independent director wouldn't include duties "associated with or pertaining to gaming and is anticipated to focus mainly on water issues."

Ms. Mulroy didn't respond to requests for comment.

In the Massachusetts regulatory investigation, the Wynn

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BUSINESS NEWS

L.A. Press Baron Is an Immigrant Who Made It Big

By AUSTEN HUFFORD

One of Los Angeles's richest people, Dr. Patrick Soon-Shiong, is the latest billionaire to become newspaper proprietor, joining Amazon.com Inc.'s Jeff Bezos, who bought the Washington Post, and Boston Red Sox owner John Henry, who bought the Boston Globe.

Dr. Soon-Shiong's **Nant Capital** reached a deal Wednesday to buy the Los Angeles Times, San Diego Union-Tribune and a group of smaller papers for \$500 million and assume \$90 million in pension liabilities from **Tronc** Inc. In a statement, he committed himself to "continuing the great tradition of award-winning journalism" at the publications.

The biotechnology entrepreneur, a former surgeon at

described as a blending of advanced technology with strong journalistic content. But he soon started sparring with Tronc Chairman Michael W. Ferro Jr. over the direction of the company. Within a year, Dr. Soon-Shiong was removed from the board.

The Los Angeles Business Journal, citing "unprecedented insight" into his holdings, pegged his total wealth at \$18 billion as of last year.

Born and raised in South Africa, Dr. Soon-Shiong arrived in the U.S. in the 1980s and worked for UCLA. In 1991, he started a company called VivoRx to pursue diabetes treatment.

Mylan NV invested in the startup and acquired an exclusive license to sell its diabetes treatment. In 1999, the companies announced they had settled lawsuits against each other, with VivoRx agreeing to reimburse Mylan for license fees and research costs.

Dr. Soon-Shiong would go on to invent and develop the drug Abraxane, which received Food and Drug Administration approval for the treatment of metastatic breast cancer, lung cancer and pancreatic cancer. He launched and sold American Pharmaceutical Partners and Abraxis BioScience.

A Wall Street Journal analysis of federal data in December showed that Dr. Soon-Shiong was among hundreds of people who donated stock to charities near price peaks or a few weeks before the stocks tanked.

Dr. Soon-Shiong used an investment vehicle to donate nearly \$105 million in shares of Sorrento Therapeutics Inc. to his family foundation in July 2015, shortly after the stock hit an all-time high; the share price fell sharply over the next month. A spokeswoman for Dr. Soon-Shiong declined to comment in December.

—Lukas Alpert and Joshua Jamerson contributed to this article.

Dr. Patrick Soon-Shiong invented Abraxane, a treatment for various cancers.

the University of California, Los Angeles, created companies aimed at making blockbuster treatments for cancer and diabetes. He founded and sold two biotech companies together worth nearly \$8 billion, and owns a chunk of the Los Angeles Lakers.

Dr. Soon-Shiong's public involvement with Tronc began in May 2016 after he bought \$70.5 million in stock and was named vice chairman of the company, formerly known as Tribune Publishing Co. The stock purchase established a barrier against an unsolicited buyout attempt by Gannett Co.

Dr. Soon-Shiong, 65 years old, told The Wall Street Journal at the time that he wanted to help create the "next generation of publishing," which he



The proposed partnership would be a coup for Goldman as it tries to expand its consumer bank. An Apple store in Hangzhou, China.

Goldman: Siri, Call Apple

Firm explores deal in which it would lend to shoppers buying iPhones, other devices

By PETER RUDGEAIR AND LIZ HOFFMAN

As Apple Inc.'s investment bank, **Goldman Sachs Group** Inc. has raised tens of billions of dollars for the technology company. Now, Goldman wants to service Apple's customers, too, a few hundred dollars at a time.

The Wall Street firm is in talks to offer financing to shoppers buying phones, watches and other gadgets from Apple, people familiar with the matter said. Customers purchasing a \$1,000 iPhone X could take out a loan from Goldman instead of charging it to credit cards that often carry high interest rates.

Talks between the tech company and the investment bank are continuing and could still fall apart. A spokesman for Goldman declined to com-

ment. Apple didn't respond to requests for comment.

The partnership would be a coup for Goldman as it tries to expand its new consumer bank. Better known as an elite adviser to corporations and governments, Goldman is embracing retail banking and plain-vanilla lending in pursuit of growth as some traditional areas of strength, namely trading, slump.

In 2016, Goldman launched Marcus, an online lending division that helps people refinance credit-card debt. Goldman is now building a "point-of-sale" financing business that will offer loans to shoppers at checkout, according to people familiar with the firm, effectively finding those customers one step earlier.

Shoppers in 2017 borrowed more than \$200 billion for purchases using credit cards affiliated with retailers or point-of-sale loans, consulting firm First Annapolis estimates. Some \$80 billion went toward big-ticket items like furniture and electronics that can take months to pay off, racking up

extra interest as borrowers roll over balances from month to month.

By offering a lower-cost loan, Goldman hopes to siphon off some of that business. Goldman charges 12% interest on its average Marcus loans. Credit cards can charge upward of 20% and carry late fees and other charges.

Partnerships with big retailers like Apple are key. They can deliver millions of customers that Goldman would struggle to find on its own.

The bank in October hired Scott Young from Citigroup Inc., where he ran retail credit-card partnerships, and helped snag the Costco Wholesale Corp. relationship away from American Express Co. He is responsible for striking similar deals for Goldman, which aims to finance purchases ranging from vacations to home furnishings to orthodontics.

The bank will start by offering loans similar to its existing Marcus product, but is exploring adding traditional store-brand credit cards down the road, the people familiar

with the matter said.

Apple introduced a program in 2015 with Citizens Financial Group Inc., in which the regional bank offered zero-interest loans for iPhone upgrades and higher-interest options for other device purchases. Part of Goldman's talks with Apple involves taking over some form of the upgrade program. It is unclear whether anything will change with the handling of the outstanding Citizens loans.

The Providence, R.I.-based bank didn't have an immediate comment.

The program started as wireless providers were scaling back subsidies for iPhones. It allows customers to pay for a new iPhone with a 24-month financing plan and upgrade to a new device after making 12 payments, a strategy that helps keep customers coming back for the newest models.

For Apple, the upgrade program is taking on increasing importance as its high-priced devices create sticker shock for some.

—Tripp Mickle contributed to this article.

Wyndham Nears the Sale Of Vacation-Rental Business

By BEN DUMMETT AND WILLIAM LOUCH

U.S. hospitality group **Wyndham Worldwide** Corp. is in advanced talks to sell its European vacation-rentals business to U.S. private-equity firm **Platinum Equity Partners** in a deal that values the division at around \$1 billion including debt, according to people familiar with the matter.

The deal, if completed, could be announced later this week.

The planned sale is part of Wyndham's bigger strategy to spin off the company's hotel and timeshare businesses into two separate publicly traded companies.

That move, announced in August, is meant to allow the separate units to better focus

on specific segments of the lodging sector to generate growth through acquisitions and other strategies.

The European vacation-rentals business wasn't a natural fit for either the hotel or timeshare business, prompting Wyndham to explore a potential sale of the operation.

Platinum's interest in Wyndham's European vacation-rentals business illustrates the buyout industry's appetite for deals in the U.K. hospitality and leisure sector.

This comes amid expectations that more British vacationers will stay in the U.K. rather than travel abroad because of economic uncertainty linked to Britain's exit from the European Union.

In December 2016, Canadian-buyout firm Onex Corp.

agreed to acquire Parkdean Resorts, a large resort operator in the U.K., for £1.35 billion (\$1.88 billion).

Meanwhile, the hospitality and leisure industry in continental Europe stands to benefit from the region's economic rebound. Last month, the EU's statistics agency said the euro-zone economy grew by 2.5% in 2017 from the prior year, the fastest growth rate since 2007.

Platinum beat out rival private-equity firms Blackstone Group LP, CVC Capital Partners and PAI Partners for the Wyndham business, people familiar with the matter said.

Wyndham's European operations are composed of its U.K. business, which offers access to about 45,000 vacation properties under brands such as Hoseasons, cottages.com and

James Villa Holidays; Novasol, a vacation-home rental company that operates in nearly 30 European countries; and Landal GreenParks, which offers chalets and campsites across more than 80 vacation

parks that it manages and franchises in several countries, including the Netherlands, Germany and Denmark, according to Wyndham's latest annual report.

Founded in 1995 by private-

equity veteran Tom Gores, Los Angeles-based Platinum is currently investing its fourth fund, which closed on \$6.5 billion in March last year. The firm has been doing deals in Europe since 2002.



British tourists at an English-style pub in Spain. The buyout industry expects more of these vacationers to stay in the U.K. amid economic uncertainty over the country's departure from the European Union.

Rio Tinto Hunts for Deals, Gives Cash to Shareholders

By RHIANNON HOYLE

SYDNEY—**Rio Tinto** PLC said it was hunting for acquisitions, including in new commodities such as lithium, as it handed more cash to shareholders through an increased buyback program and record annual dividend.

The remarks by Chief Executive Jean-Sébastien Jacques—while unveiling a 90% annual profit rise—show that resources companies are rethinking strategies after years of focusing on cost cuts.

The cuts were in response to a downturn in commodity prices that began around 2011.

Rio Tinto posted a net profit of US\$8.76 billion for 2017, up from \$4.62 billion a year earlier, as prices of coal, copper, aluminum and iron ore rebounded. The company promised a full-year dividend of \$2.90 a share, up from \$1.70 in 2016, and said it would buy \$1 billion in shares by the end of 2018. That is in addition to a \$1 billion share buyback an-

nounced midyear and a \$2.5 billion buyback tied to the sale of its Coal & Allied business.

The results kick off a string of earnings reports by the world's biggest mining companies that are expected to show a sharp rise in cash flow, raising questions about how they plan to spend the windfall.

BHP Billiton, which is due to report a half-year profit on Feb. 20, is coming under pressure from activist investor Elliott Management Corp. to sell assets, delay risky projects and rethink its dual-listed corporate structure to improve shareholder value.

Investors are nervous about the mining industry's record in doing big deals. Rio Tinto's forays in Guinea and Mozambique led to hefty write-downs and investigations by regulators in many countries including the U.S. over the company's disclosures and financial reporting.

At the same time, investors worry that mining companies have been slow to react to

shifts in demand for commodities as China's economy slows and the focus turns to new drivers of demand, such as electric vehicles.

Mr. Jacques said Rio Tinto has "a growth agenda" and is screening opportunities, including in commodities it doesn't already produce.

Rival **Glencore** PLC, led by mining-deal veteran Ivan Glasenberg, has so far led the charge on acquisitions, scooping up new businesses including coal and zinc operations.

"We are very well positioned to take advantage of any kind of opportunities," Rio Tinto's Mr. Jacques said Wednesday.

Lithium, used in rechargeable batteries, is among the commodities on Rio Tinto's radar, said Chief Financial Officer Chris Lynch.

A rally in metals markets has been gathering steam as some of the world's largest countries and auto makers ramp up pledges to phase out diesel cars. Analysts project

electric vehicles will play an important role for commodities such as lithium and cobalt, also used in batteries, and push up prices of more widely used metals including copper and nickel.

Rio Tinto already owns one lithium deposit in Serbia that is yet to be developed.

The challenge facing Rio Tinto, Mr. Lynch said in an interview, was getting an asset for the right price.

"You are not going to steal assets in this day and age," he said.

Global mining companies are broadly expected to beef up shareholder returns after emerging from a painful downturn that sparked widespread cost-cutting.

Rio Tinto said it had boosted cash flow by \$400 million from improved productivity, despite grappling with higher raw-material costs. Management hit a target to strip out \$2 billion in cash costs midyear, six months earlier than planned.

Congo State Firm Wants Control of The Nation's Mines

Congo's state-owned mining firm, **Gécamines** SA, is pushing to renationalize the Central African nation's rich natural resources, in a move that could roil some of the world's largest mining companies and have implications for industries such as technology and auto production.

Gécamines Chairman Albert Yuma Mulimbi said in an interview that Congo—Africa's biggest copper and cobalt producer, but also one of the world's poorest countries—hadn't benefited enough from its mining production. He alleged that companies had manipulated costs and production figures, resulting in lower dividends and royalty payments to the Congolese government.

He said audits being con-

ducted of several foreign companies operating in the country have found possible criminal activity. He declined to name specific companies or details, but said he would reveal more in March when the audits would be complete.

Major Western companies operating in Congo include **Glencore** PLC, **Randgold Resources** and **Ivanhoe Mines** Ltd. Executives from these companies either declined to comment or weren't immediately available to do so.

Mr. Yuma's comments—made Tuesday in Cape Town, South Africa—ratcheted up pressure on the mining companies that have bet big on Congo's mineral wealth. They have recently been on the defensive amid a run-up in prices for some of the country's most valuable commodities, which include copper, cobalt, diamonds and gold.

—Alexandra Wexler and Scott Patterson

TECHNOLOGY

WSJ.com/Tech

Doubters Still Question SpaceX

Skeptics challenge commercial viability of mammoth rocket as payload needs shift

By ANDY PASZTOR

WASHINGTON—The launch this week of SpaceX's mammoth Falcon Heavy rocket was a feat, but many in the space industry doubt it will bring the company big commercial business.

The heavy-lift vehicle appears to be too small for ferrying crews or delivering major cargo packages into deep space, said executives attending a commercial space conference here Wednesday. At the same time, it seems too big to serve today's generation of smaller satellites, they added.

"I don't understand what their plan is" to overcome those challenges, said John Mulholland, head of Boeing Co.'s program to carry U.S. astronauts to the international space station, on the sidelines of the conference.

When Space Exploration Technologies Corp. founder Elon Musk kicked off development of what would become the world's most powerful operational rocket at the start of the decade, the goal was to lift as many as 70 tons into orbits relatively close to Earth.

The vehicle was conceived to carry megasatellites for either businesses or the government, and transport U.S. astronauts. It was also intended to serve as a bridge to even more powerful systems designed to ultimately create human outposts deeper in space.

The successful launch proved the validity of the engineering, but assumptions about market demand have changed considerably. The size



The Falcon Heavy rocket during Tuesday liftoff. SpaceX originally intended the rocket to carry megasatellites and astronauts.

as well as the type of payloads has shifted, and not to the Falcon Heavy's advantage.

Commercial satellite operators increasingly are looking to reduce the size of their communication and earth-imaging models. So are Pentagon and national-security customers, worried about exposing multi-billion-dollar satellites to potential attacks by adversaries.

"I will not support buying big satellites that make juicy targets," Gen. John Hyten, head of the U.S. Strategic Command, has said.

The Falcon Heavy still can provide a cut-rate price to get the heaviest payloads into orbit. After Tuesday's success,

Mr. Musk told reporters his company already can count on a number of private customers and hopes to be approved for spy satellite missions in coming years. SpaceX's workhorse Falcon 9 also has been beefed up to allow it to carry larger satellites that otherwise would have required a Falcon Heavy.

But the number of corporate payloads world-wide in the category initially envisioned by Falcon Heavy's designers is now projected to remain at their current depressed levels for the foreseeable future, according to updated industry statistics released at the conference.

By contrast, the number of

small, low-orbit satellites has been climbing steadily, and global launch totals in that segment are expected to jump to 397 in 2019 from an estimated 341 this year, according to Phil Smith, a launch expert with the consulting firm Bryce Space and Technology.

In the past few years, the Pentagon has launched only one or two ultra-heavy satellites of its own.

Boeing's Mr. Mulholland said his team decided early on that a Falcon Heavy-class rocket wouldn't produce the thrust "we really need for Mars," or to establish a permanent gateway to deep space.

Mr. Smith told the confer-

ence that the global space economy expanded to some \$345 billion last year, with launch services accounting for less than \$6 billion.

The Falcon Heavy might find its niche as part of a government-industry partnership spanning manned and robotic missions to explore regions around the moon and beyond.

"No single organization has the level of resources" to accelerate exploration of the solar system "with the urgency, and most importantly, the safety that is needed," George Nield, head of the Federal Aviation Administration's commercial space office, told the conference.



Cars are assembled by robots at Tesla's factory in Fremont, Calif.

batteries for power storage.

Last November, Tesla acknowledged it was struggling to ramp up the Model 3 due to the complexity of the battery-pack assembly and its automated manufacturing process. It has suffered from bottle-

necks at the assembly plant in Fremont, Calif., and at the battery factory near Reno, Nev.

Tesla has received about 500,000 reservations to buy the Model 3, so the question is how quickly it can crank up production to meet the de-



second half of 2017 and that the company would reach 500,000 total production in 2018. Instead, Tesla, which began production of the compact car in July, built roughly 2,400 Model 3s in the fourth quarter, making Mr. Musk's dream of producing a half million vehicles a year, including the Model S and Model X, look unlikely anytime soon.

Model 3 delays threaten to eat into Tesla's limited cash. Tesla ended 2017 with \$3.4 billion in cash on hand after spending \$787 million on capital expenditures for Model 3 and battery production during the fourth quarter.

That was less than Tesla had forecast in November when it said it planned to spend about \$1 billion. The company said it delayed spending on the Model 3 until the first quarter.

Tesla plans to spend slightly more on capital expenditures this year compared with the \$3.4 billion spent in 2017, the company said.

TESLA

Continued from page B1
production rates at specific points in time." The company often misses its targets, as it did with the Model 3 in the fourth quarter, when it sold only about 1,550 of the sedans and fell short of hitting the 5,000-a-week goal by the end of the year.

Deliveries of the Model S sedan and Model X sport-utility vehicle helped boost unit sales by 35% during the fourth quarter from a year earlier. Tesla sold a record 102,807 vehicles last year mainly on the back of those two pricey cars, which typically sell for about \$100,000.

But investor attention is focused heavily on the Model 3, which starts at \$35,000 and is a key pillar of Mr. Musk's strategy to remake the luxury auto maker as a more mainstream company that offers electric cars, solar panels and

mand. The company's website currently says it will take about 12 to 18 months to get a Model 3 delivered if reserved today.

In 2016, Mr. Musk had said he expected to make as many as 200,000 Model 3s in the

probably useful in catching criminals, it could also make it easier for authorities to track political dissidents and profile ethnic minorities, said William Nee, China researcher at Amnesty International.

"The potential to give individual police officers facial-recognition technology in sunglasses could eventually make China's surveillance state all the more ubiquitous," he said.

Public-security authorities in Zhengzhou didn't immediately respond to requests for comment.

Beijing-based LLVision Technology Co. worked with police departments in Henan, the eastern province of Shandong and the northwestern region of Xinjiang for a year to develop the devices, according to LLVision Chief Executive Wu Fei.

He said the devices are based on wearable video cameras that lack facial-recognition capability that the company sells to businesses and consumers. However, the company also sells a model that companies can use for identification purposes at workplaces or corporate events, Mr. Wu said.

"It gives you the ability to check anywhere," he said.

The devices try to address a speed problem that bedevils fixed-camera facial-recogni-

tion systems at subway stations, border crossings and other places where authorities seek to identify fugitives. In many cases, by the time authorities rush to where a suspect has been identified, their target has melted back into the crowd.

"By making wearable glasses, with [artificial intelligence] on the front end, you get instant and accurate feed-

back," Mr. Wu said. "You can decide right away what the next interaction is going to be."

Unlike many fixed-camera facial-recognition systems that remotely connect cameras to vast facial databases stored in the cloud, the police glasses are wired directly to a handheld device that contains an offline database—allowing them to work more quickly.

In tests, the company said, the device has been able to identify individuals in a database of 10,000 suspects in as little as 100 milliseconds. That is faster than some fixed-camera systems, although Mr. Wu conceded that "environmental noise" in real-life situations was likely to decrease accuracy.

—Xiao Xiao contributed to this article.

Snapchat Adds Live Olympics Coverage

By GEORGIA WELLS AND BENJAMIN MULLIN

Snapchat has a message for television broadcasters: We're friends, not enemies.

The social-media app is preparing to launch a tool to let television networks pipe snippets of live broadcasts directly into Snapchat, starting this Saturday with NBC's coverage of the Olympic Games in Pyeongchang, South Korea.

The move could forge closer ties between traditional TV networks and Snapchat parent firm Snap Inc., which has sought to sweep up the ad dollars that broadcasters are losing as young people spend more time on smartphones.

Snap has so far struggled to capture those TV dollars and prove it can build a much bigger audience, though on Tuesday it said it had reignited growth in revenue and users for the first time since it became a publicly traded company last March. On Wednesday, Snap's shares surged 48% to \$20.75, their highest point in about eight months.

The deal with NBCUniversal—which invested \$500 million in Snap during the initial public offering—is the latest example of Snap's push to stock up on TV content. Snap in the past has struck deals to air short-form shows such as a Snapchat version of ESPN's "SportsCenter."

Those tie-ups haven't all gone smoothly. CNN canceled its daily Snapchat show late last year after determining that it was going to be hard to

The social-media app will offer NBC segments lasting as long as six minutes.

earn money after upfront licensing payments went away.

Sporting events such as the Olympics present an opportunity to capture an audience, Snap said. NBC will broadcast two- to six-minute live segments of sports such as figure skating and skiing.

"We do believe that the best place to watch a live game and a live awards show is on television," said Ben Scherwin, Snap's vice president of partnerships. "But if we can show the one moment that matters most on Snapchat, we think we can create a complementary experience."

Snap has made this pitch before, with newspapers, magazines and short-form TV shows. With live broadcasters, however, the courtship is more complicated: During Snap's IPO roadshow last year, executives touted Snapchat as an alternative way for advertisers to reach millennials.

For NBCUniversal, the partnership gives it access to a young audience that advertisers crave. The approximately two-week event is a ratings and advertising bonanza, drawing millions of viewers in prime time. The company is shelling out \$775 billion to air the Games from 2022 to 2032.

Maggie Suniewick, president of NBCUniversal Digital Enterprises, said 90% of the 35 million people who interacted with NBC's videos on Snapchat during the 2016 Summer Olympics in Rio de Janeiro were under the age of 35. "To me, that barked 'Oh, this generation does care about the Olympics,'" Ms. Suniewick said. "That lit a fire that there was a huge opportunity here."

NBCUniversal is also putting Olympics-themed short-format shows on Snapchat about snowboarding athletes and Team USA competitors.

Snap and NBC will share the revenue for this produced content. A spokesman for NBC Sports said the company expected revenue from the deal to be in the tens of millions of dollars. They have so far sold ads to more than 20 brands.

NBC's live video on Snapchat won't include advertising. NBCUniversal is betting the feature will draw viewers and make the broadcast more valuable, said Gary Zenkel, president of NBC Olympics.

China Rolls Out Mobile Facial Recognition

By JOSH CHIN

BEIJING—As hundreds of millions of Chinese begin traveling for the Lunar New Year holiday, police are showing off a new tool for crowd surveillance: mobile facial-recognition units mounted on eyeglasses.

China is already a global leader in deploying cutting-edge surveillance technologies based on artificial intelligence. The mobile devices could expand the reach of that surveillance, allowing authorities to peer into places that fixed cameras aren't scanning, and to respond more quickly.

The eyeglass-mounted camera is equipped with facial-recognition technology capable of "highly effective screening" of crowds for fugitives traveling under false pretenses, the official People's Daily newspaper reported Monday. The newspaper article included images of a policewoman wearing a sunglasses version of the device at a railway station in Zhengzhou, the capital of central China's Henan province.

China monitors train and air travel, and sometimes people who are facing punishment for infractions will try to get around travel restrictions by using a borrowed identity.

While the technology is



A Zhengzhou police officer's glasses device taps into an offline database for greater speed.

probably useful in catching criminals, it could also make it easier for authorities to track political dissidents and profile ethnic minorities, said William Nee, China researcher at Amnesty International.

In tests, the company said, the device has been able to identify individuals in a database of 10,000 suspects in as little as 100 milliseconds. That is faster than some fixed-camera systems, although Mr. Wu conceded that "environmental noise" in real-life situations was likely to decrease accuracy.

—Xiao Xiao contributed to this article.

BUSINESS NEWS

AT&T to Split Off Holdings in Latin America

BY DREW FITZGERALD

AT&T Inc. plans to separate most of its Latin American operations from its main business in an initial public offering that could raise billions of dollars for the U.S. carrier's core business.

The company said Wednesday it had filed documents for an IPO for a minority stake in DirecTV Latin America in the first half of this year.

The telecommunications company has spent months unsuccessfully searching for a buyer for its Latin American satellite-television operations, according to a person familiar with the process.

The unit includes millions of television subscribers in the Caribbean and in South America that AT&T inherited when it bought DirecTV in 2015. It also includes a 93% stake in Sky Brazil, a satellite provider. The division had 13.6 million connections that generated nearly \$5.5 billion of revenue last year.

Proceeds could help fund the company's pending takeover of Time Warner.

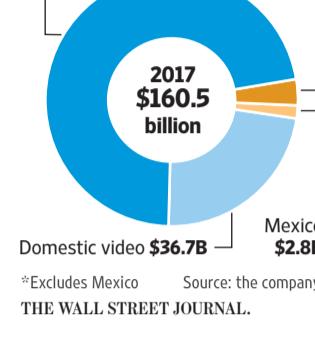
Executives have estimated the business, which doesn't include AT&T's Mexican cellphone and satellite-TV operations, could bring in about \$10 billion in an IPO, the person said.

AT&T executives often call Mexico a long-term priority for the company but stop short of making the same commitment to other Latin American markets. Political scandals have weakened the currency in its biggest South American satellite market,

Southern Exposure

AT&T is considering an initial public offering for its Latin American TV business.

AT&T operating revenue



*Excludes Mexico Source: the company

THE WALL STREET JOURNAL.

Brazil, complicating the situation for a business that was already struggling to reliably expand its subscriber base.

"When AT&T first announced the acquisition of DirecTV, the management team seemed most optimistic about Brazil," BTIG analyst Walt Piecyk wrote last year in a research note. Since then, "the currency and commodity melt-downs as well as billing issues in Brazil shifted AT&T's Latin American story to Mexico," he said.

Proceeds from a Latin American spinoff could help fund AT&T's pending \$85 billion takeover of media giant **Time Warner** Inc., though a 2017 bond sale that raised more than \$20 billion gave the company more than enough liquidity to fund the cash-and-stock deal on its own.

Customer growth in DirecTV's other Latin American markets has been fleeting in recent years, though the business started growing again in the fourth quarter. Trends have been no better in the U.S., where DirecTV shed about 554,000 satellite-video connections last year.



Sports programming costs weighed on quarterly operating profit.

Tax Benefit, Cable TV Propel Fox's Earnings

BY MARIA ARMENTAL

Cable-television networks powered revenue growth at **21st Century Fox** in its latest quarter, but higher costs related to sports programming and theatrical releases weighed on operating profit.

Fox booked a \$1.34 billion benefit tied to the U.S. tax overhaul that more than doubled net profit for its fiscal second quarter.

The quarterly report is the first since 21st Century Fox agreed to sell most of its entertainment assets to Walt Disney Co. in a \$52.4 billion deal. Disney would get the Twentieth Century Fox film and TV studio, some U.S. cable-TV networks and international assets, including Fox's 39% stake in U.K. pay-TV giant **Sky PLC**.

Fox would retain broadcast, sports and news assets, including the Fox TV network and Fox News. (21st Century Fox and The Wall Street Journal's parent, News Corp, share common ownership.)

On Wednesday, Rupert Murdoch and son Lachlan Murdoch, who are executive co-chairmen, said the company is focused on completing the deal with Disney, launching the "new" Fox and completing an acquisition of the rest of Sky.

Last month, British antitrust regulators said the deal would give the Murdoch family too much influence in the British media but left the door open

for actions that could make the deal possible.

Fox said in its earnings statement on Wednesday that it expects the Sky acquisition to close by mid-2019.

Overall, Fox's profit for the period ended Dec. 31 rose to \$1.83 billion, or 99 cents a share, from \$856 million, or 46 cents a share, a year earlier. Excluding the tax-related benefit and other items, profit from continuing operations fell to 42 cents a share from 53 cents. Revenue rose to \$8.04 billion, from \$7.68 billion a year earlier.

Fox's cable networks unit, home to Fox News and the FS1 sports network, drove the quarter's results with a 12% increase in domestic affiliate fee revenue, which is the money collected from pay-TV distributors to carry Fox's channels.

Fox News had another strong quarter, contributing to the revenue and profit expansion at the cable unit.

Lower ratings for National Football League and World Series games, along with lower revenue from political ads, contributed to a difficult quarter for the broadcast TV unit. Revenue was down 6% to \$1.81 billion. Sports programming costs rose, and operating profit in the segment fell 85%.

Operating profit at the filmed entertainment division fell 66% from a year earlier on higher theatrical release costs.

—Keach Hagey contributed to this article.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely pursuant to the Offer to Purchase (as defined below) and the related Letter of Transmittal (as defined below) and any amendments or supplements thereto. The Offer is not being made to (and no tenders will be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. Purchaser (as defined below) may, in its discretion, take such action as it deems necessary to make the Offer to holders of Shares in such jurisdiction in compliance with such applicable laws. In those jurisdictions where applicable laws require that the Offer be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

Notice of Offer to Purchase for Cash All Outstanding Shares of Common Stock of Cascadian Therapeutics, Inc.

at
\$10.00 Net Per Share In Cash
by
Valley Acquisition Sub, Inc.,
a wholly owned subsidiary of

Seattle Genetics®

Seattle Genetics, Inc.

Valley Acquisition Sub, Inc., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Seattle Genetics, Inc., a Delaware corporation ("Seattle Genetics"), is offering to purchase all of the shares of common stock, par value \$0.0001 per share (the "Shares"), of Cascadian Therapeutics, Inc., a Delaware corporation ("Cascadian Therapeutics"), that are issued and outstanding at a price of \$10.00 per Share, net to the seller in cash (the "Offer Price"), without interest, less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the offer to purchase, dated February 8, 2018 (as it may be amended or supplemented from time to time, the "Offer to Purchase"), and in the related letter of transmittal (as it may be amended or supplemented from time to time, the "Letter of Transmittal") and, together with the Offer to Purchase, the "Offer"). Tendering stockholders who have Shares registered in their names and who tender directly to Computershare Trust Company, N.A. (the "Depository") will not be obligated to pay brokerage fees, commissions or, except as set forth in the Letter of Transmittal, stock transfer taxes on the sale of Shares to Purchaser pursuant to the Offer. Stockholders with Shares held in street name by a broker, dealer, commercial bank, trust company or other nominee should consult with their nominee to determine if they will be charged any service fees or commissions.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON MARCH 9, 2018 (ONE MINUTE AFTER 11:59 P.M., NEW YORK CITY TIME, ON MARCH 8, 2018), UNLESS THE OFFER IS EXTENDED (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE").

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of January 30, 2018, by and among Seattle Genetics, Purchaser and Cascadian Therapeutics (as it may be amended or supplemented from time to time in accordance with its terms, the "Merger Agreement"), pursuant to which, as soon as practicable following the consummation of the Offer and subject to the satisfaction or waiver of the remaining conditions set forth in the Merger Agreement, Purchaser will merge with and into Cascadian Therapeutics (the "Merger"), with Cascadian Therapeutics continuing as the surviving corporation in the Merger and as a subsidiary of Seattle Genetics. Because the Merger will be governed by Section 251(h) of the General Corporation Law of the State of Delaware ("DGCL"), no stockholder vote will be required to consummate the Merger. At the effective time of the Merger, any Shares not purchased pursuant to the Offer (other than Shares owned by stockholders who are entitled to demand and properly demand appraisal in accordance with Section 262 of the DGCL in connection with the Merger, as described in the Offer to Purchase, and Shares then owned by Seattle Genetics, Purchaser or any other wholly owned subsidiary of Seattle Genetics and Shares owned by Cascadian Therapeutics or any wholly owned subsidiary of Cascadian Therapeutics, and in each case, not held on behalf of third parties) will be automatically converted into the right to receive the Offer Price, without interest, less any applicable withholding taxes. As a result of the Merger, the Shares will cease to be publicly traded and Seattle Genetics will own all of the common equity interests of Cascadian Therapeutics. The Merger Agreement is more fully described in the Offer to Purchase.

The Offer is not subject to any financing condition. The Offer is conditioned upon (i) there being validly tendered (and not validly withdrawn) prior to the Expiration Date that number of Shares (not including any Shares tendered pursuant to guaranteed delivery procedures that are not actually received by the depositor for the Offer prior to the Expiration Date) that represents at least a majority of the outstanding Shares on a fully diluted basis as of the Expiration Date (assuming the conversion of all outstanding Cascadian Therapeutics Preferred Stock (as defined in the Offer to Purchase) into Shares and further assuming that such fully diluted number of Shares shall not include (A) any outstanding options, warrants and other rights to purchase Shares that are out-of-the-money and (B) any outstanding restricted stock units and options that remain unvested prior to the Expiration Date and which will not vest prior to the time we accept for payment Shares tendered in the Offer) (the "Minimum Condition") and (ii) the termination or expiration of any applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder (the "Regulatory Condition"), as well as other customary conditions as described in Section 15 of the Offer to Purchase.

THE BOARD OF DIRECTORS OF CASCADIAN THERAPEUTICS UNANIMOUSLY RECOMMENDS THAT YOU TENDER ALL OF YOUR SHARES INTO THE OFFER.

After careful consideration, the board of directors of Cascadian Therapeutics (the "Cascadian Therapeutics Board") has unanimously (i) determined that the transactions contemplated by the Merger Agreement, including the Offer and the Merger, on the terms and subject to the conditions set forth in the Merger Agreement, are fair to and in the best interests of Cascadian Therapeutics and its stockholders, (ii) approved the Merger Agreement and declared it advisable, (iii) approved the execution, delivery and performance by Cascadian Therapeutics of the Merger Agreement and the consummation of the transactions contemplated therein, including the Offer and the Merger, (iv) resolved that the Merger shall be effected under Section 251(h) of the General Corporation Law of the State of Delaware, and (v) resolved to recommend that the stockholders of Cascadian Therapeutics accept the Offer and tender their Shares to Purchaser pursuant to the Offer.

The Offer to Purchase, the Letter of Transmittal and Cascadian Therapeutics' Solicitation/Recommendation Statement on Schedule 14D-9 (which contains the recommendation of the Cascadian Therapeutics Board and the reasons therefor) contain important information. Stockholders should carefully read these documents in their entirety before making a decision with respect to the Offer.

Purchaser may waive any or all of the conditions to its obligation to purchase Shares pursuant to the Offer (other than the Minimum Condition and the Regulatory Condition, which the Purchaser may not waive), subject to the terms of the Merger Agreement and applicable law. Pursuant to the Merger Agreement, Purchaser is required to extend the Offer (a) for one or more consecutive periods of not more than ten business days each or such longer period as Seattle Genetics and Cascadian Therapeutics may agree, but not beyond June 30, 2018 (the "End Date"), in order to permit the satisfaction of all remaining conditions (subject to the right of Purchaser to waive any condition to the Offer (other than the Minimum Condition and the Regulatory Condition) in accordance with the Merger Agreement), if, at any scheduled Expiration Date, any condition to the Offer has not been satisfied or waived (other than the Minimum Condition and the Regulatory Condition, which may not be waived by Purchaser), provided that if, at any then-scheduled Expiration Date, the sole unsatisfied condition to the Offer (other than those conditions that, by their nature, are to be satisfied at the time Purchaser accepts for payment Shares tendered in the Offer or the Certificate Delivery Condition (as defined in the Offer to Purchase)) is the Minimum Condition, Purchaser is only required (but has the right, in its sole discretion) to extend the Offer for a single period equal to the shorter of (A) 20 business days and (B) the number of business days remaining prior to the End Date, and (b) for any period or periods required by U.S. federal securities laws and the rules and regulations of the U.S. Securities and Exchange Commission ("the SEC") thereunder or any interpretation or position of the SEC or its staff with respect thereto or by the rules or regulations of NASDAQ Stock Market or as may be required by any other governmental authority, provided that Purchaser is not obligated to extend the Offer beyond the End Date.

There will not be a subsequent offering period for the Offer. Pursuant to the Merger Agreement, subject to the satisfaction of the Minimum Condition and the Regulatory Condition and the satisfaction or waiver of the remaining conditions set forth in the Merger Agreement, Purchaser, Seattle Genetics and Cascadian Therapeutics will take all necessary and appropriate action to cause the Merger to become effective as soon as practicable following the time Purchaser accepts for payment Shares tendered in the Offer. Because the Merger will be governed by Section 251(h) of the DGCL, no stockholder vote will be required to consummate the Merger. Purchaser does not expect there to be a significant period of time between the consummation of the Offer and the consummation of the Merger.

Any extension, delay, termination, waiver or amendment of the Offer will be followed as promptly as practicable by public announcement thereof, such announcement, in the case of an extension, to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

Upon the terms and subject to the conditions to the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will promptly accept for payment and promptly (and in any event within three business days) thereafter pay for all Shares validly tendered and not validly withdrawn prior to the Expiration Date pursuant to the Offer. For purposes of the Offer, Purchaser will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not validly withdrawn, if and when Purchaser gives oral or written notice to the Depository of Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions to the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price therefor with the Depository, which will act as agent for tendering stockholders of record for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. Under no circumstances will interest be paid with respect to the purchase of Shares pursuant to the Offer, regardless of any extension of the Offer or delay in making payment for Shares.

No alternative, conditional or contingent tenders will be accepted. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of: (i) the certificates representing such Shares (the "Share Certificates") or confirmation of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in the Offer to Purchase, (ii) a properly completed and duly executed Letter of Transmittal, together with any required signature guarantees or, in the case of book-entry transfer of Shares, either such Letter of Transmittal or an Agent's Message (as defined in the Offer to Purchase) in lieu of such Letter of Transmittal, and (iii) any other documents required by the Letter of Transmittal.

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, tenders of Shares are irrevocable, except that they may also be withdrawn after the 60th day from the commencement of the Offer, unless such Shares have already been accepted for payment by Purchaser pursuant to the Offer. For a withdrawal to be proper and effective, a written notice of withdrawal must be timely received by the Depository at one of its addresses set forth on the back cover of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depository, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depository and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase), unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares. Any Shares validly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, validly withdrawn Shares may be re-tendered at any time prior to the Expiration Date by following one of the procedures described in the Offer to Purchase.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser in its sole discretion.

Purchaser reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of its counsel, be unlawful. None of Purchaser, the Depository, the Information Agent (as defined below) or any other person will be under any duty to give notification of any defects or irregularities in any tenders or in any notice of withdrawal or incur any liability for failure to give any such notification.

Cascadian Therapeutics has provided Purchaser with Cascadian Therapeutics' stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase and the Letter of Transmittal will be mailed to record holders of Shares whose names appear on Cascadian Therapeutics' stockholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and other nominees whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

The receipt of cash for Shares by a United States Holder (as defined in the Offer to Purchase) pursuant to the Offer or the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a United States Holder will recognize gain or loss in an amount equal to the difference, if any, between such United States Holder's adjusted federal income tax basis in such Shares sold pursuant to the Offer or converted into the right to receive cash in the Merger and the amount of cash received therefrom. For a more detailed description of certain United States federal income tax consequences of the Offer and the Merger, see the Offer to Purchase. **Each holder of Shares should consult its tax advisor about the particular tax consequences to such holder of tendering Shares into the Offer, exchanging Shares in the Merger or exercising appraisal rights.**

The information required to be disclosed by Rule 14d-6(d)(1) under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference.

Innisfree M&A Incorporated, the information agent for the Offer (the "Information Agent"), may be contacted at the address and telephone numbers set forth below for questions and/or requests for additional copies of the Offer to Purchase, the Letter of Transmittal, the notice of guaranteed delivery and other tender offer materials. Such copies will be furnished promptly at Purchaser's expense. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance.

Except as set forth in the Offer to Purchase, neither Purchaser nor Seattle Genetics will pay any fees or commissions to any broker or dealer or any other person for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks, trust companies or other nominees will, upon request, be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding the Offer materials to their customers.

The Information Agent for the Offer is:

Innisfree®

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Stockholders may call toll free: (888) 750-5834

Banks and Brokers may call collect: (212) 750-5833

February 8, 2018

MANAGEMENT

WORKAROUND

Firms Cover More Fertility Treatments

Companies are turning to bigger and better fertility-treatment benefits to help lure the best and the brightest workers.

With the tightest U.S. labor market in two decades, employers are scouring for ways to stand out in the struggle for top talent.

Many say they have found an edge not just by helping employees pay for costly in vitro fertilization, or IVF, and other assisted-reproduction treatments, but by making existing coverage more generous and accessible.

"If we're going to meet our [head-count] growth projections, we have to be really competitive," says Meghan Lapidus, human-resources chief at location-technology company **Foursquare**.

The company recently expanded its fertility coverage to include any fertility-related treatment, such as egg freezing, and ensure same-sex couples and single, would-be parents can also use the benefit.

Some 66% of employers plan to offer fertility benefits by 2019, according to a January survey by advisory firm Willis Towers Watson PLC. That is up from 55% last year.

The survey included about 400 companies with a total of seven million workers. Of employers already offering financial assistance, 81% said the benefits would apply to same-sex couples next year, compared with 65% in 2017.

The image-sharing platform **Pinterest** Inc. raised its IVF coverage to \$20,000 last year from a maximum of \$5,000 in 2016. Since January, it now offers as many as four IVF cycles over a lifetime, which in many U.S. cities would cost between \$50,000 and \$75,000. **American Express** Co. boosted its lifetime maximum benefit for infertility treatments to \$35,000 from \$20,000 last year.

—Vanessa Fuhrmans

Women Struggle for First Board Seat

Businesses prefer veteran female directors over untested ones; male candidates have more connections

By JOANN S. LUBLIN

For women like Jill O'Donnell-Tormey, an imaginary sign seems to hang outside U.S. boardrooms. It reads: "Help Not Wanted."

The longtime chief executive of the nonprofit Cancer Research Institute has fruitlessly pursued a public company directorship for several years. With a résumé that touts her decades of experience as a CEO and cancer researcher, she has reached out to business acquaintances and enlisted the help of an executive-recruitment firm. "I don't think I even cross anybody's mind," Dr. O'Donnell-Tormey said.

Women looking to land their first board seats have a much tougher time than men, recruiters and corporate directors say. Some businesses are now trying to solve this problem in the face of intensified shareholder pressure for more female directors. **BlackRock** Inc., the world's biggest money manager, this month for the first time said that companies in which it invests should have at least two women on their boards.

The proportion of women on S&P 500 company boards grew just 1 percentage point to 22% last year—up from 16% in 2007, executive recruiters Spencer Stuart reported. And women represented 42% of the latest novice directors that S&P 500 companies disclosed in 2017 proxy statements. That is up from 32% in 2016, but down from 44% in 2015, according to Spencer Stuart.

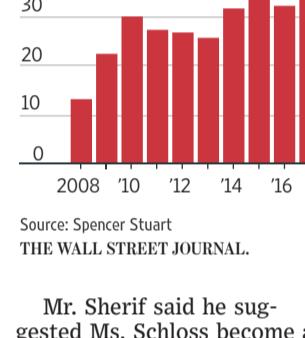
During her recent search for an initial directorship, human-resources executive Eileen Schloss discovered that her male boss's network opened more doors than hers. In June 2016, she was aiming to retire from Medidata Solutions Inc., a technology and data-analytics company for the life-sciences industry, when CEO Tarek Sherif summoned her to his office.



Cancer Research Institute chief Jill O'Donnell-Tormey has fruitlessly pursued a public company directorship for several years.

Board Newcomers

Share of newly appointed female directors at S&P 500 companies serving on a board for the first time.



Source: Spencer Stuart

THE WALL STREET JOURNAL.

that board clients preferred experienced CEOs and finance chiefs.

Assisted by a contact of Mr. Sherif, Ms. Schloss went on the board of Alteryx Inc. last May—shortly after the data-analytics startup went public and she retired.

"To gain their first corporate board seat, women still have to overcome strong cultural issues that most men don't have to overcome," said Bill George, a former head of Medtronic PLC and author of five leadership books.

Many businesses prefer veteran female directors over untested ones, research shows. The number of women serving on at least four boards of Russell 3000 companies rose to 38 from 30 between the end of 2012 and 2017, concludes an analysis for The Wall Street Journal by governance researchers Equilar. These women say they frequently get feelers about additional directorships.

"The only executive women whom many male directors know are already loaded up with board seats," Mr. George

said. "These men need to widen their aperture."

Goldman Sachs Group Inc.'s board, where Mr. George holds a seat, has no rookie women but three male first-timers. The bank appointed Barnard College's then-President Debora L. Spar as its first female director without corporate board experience in 2011. She left last April.

Prior board stints don't qualify or disqualify prospective directors, a person familiar with the bank said.

Being a board neophyte disadvantages a male candidate less because men typically enjoy better connections with powerful men, according to governance specialists.

"Women on the whole are outside the trusted networks of public company boards," said Coco Brown, founder of Athena Alliance, a nonprofit that helps women obtain seats. "So they end up with the bar that requires board experience."

Even so, certain businesses hungry for specialized expertise have begun to accept greenhorn female directors.

"When boards want tech or digital innovators, we see opportunities for women without board experience that didn't exist five years ago," said Julie Hembrock Daum, Spencer Stuart's head of its North American board and CEO succession practice.

Consider Axon Enterprise Inc., a supplier of high-tech law-enforcement products such as the Taser and body cameras. Facing the imminent departure of its only female member last year, the board decided to seek a woman savvy about cybersecurity—"an area where we weren't particularly strong," said Rick Smith, Axon's leader.

Unfortunately, he said, the few qualified women known to fellow board members were prominent technologists with too many directorships. Mr. Smith turned to Athena Alliance and Boardlist, a marketplace for female board talent in tech. The five finalists whom those groups identified for Axon were all board neophytes.

They included Julie Cullinan, a senior vice president and chief information officer at cybersecurity firm ForeScout Technologies Inc. She says she had spent 18 months looking for a directorship. Axon chose her in July.

Some women who have multiple directorships try to narrow the gender gap for board newbies. Women need to advocate for each other in the boardroom, said Kimberly Alexy, founder of Alexy Capital Management. She serves on the board of FireEye Inc., another cybersecurity concern, and four other businesses.

She highly recommended Alexa King, FireEye's general counsel, for her first directorship at communication software maker Vocera Communications Inc. because "I knew what she was capable of," Ms. Alexy said.

Her sponsorship "meant a great deal to me," Ms. King said. She joined Vocera's board in 2016.

Keurig's Deal Maker Looks for Treasures Below the Surface

Bob Gamgort has sold Americans Kool-Aid, Snickers bars and Duncan Hines cake mix. Now he has to prove he can pull off one of the biggest beverage deals of all time.

By Annie Gasparro
in Chicago, Cara Lombardo in New York
and Zeke Turner
in Berlin

The veteran food-industry executive is set to lead Keurig Dr Pepper, the proposed merger of **Keurig Green Mountain** Inc. with **Dr Pepper Snapple Group** Inc. that would create a coffee and soda company with annual sales of \$11 billion. The \$19 billion cash deal, announced last week, thrusts the Keurig chief executive into his most challenging role: marrying popular but struggling brands trying to keep up as consumers shift to healthier, more natural fare.

Mr. Gamgort has developed a reputation as a marketing guru and turnaround expert with a penchant for deal-making. Over 30 years, he has found ways to help older

brands attract younger consumers and adapt to health-oriented trends. He has helped steer 11 mergers—and to make his 12th a success, he will have to prove there is still plenty of life left in a fading giant of sugary drinks.

He said the Keurig-Dr Pepper tie-up would forge "the first company to combine hot and cold beverages at scale."

It also would pair Keurig's K-cup brewing technology with Dr Pepper Snapple's fleet of trucks and distribution network, creating a company that can deliver beverages as varied as bottled coffee drinks, Sunkist and 7UP to most of the U.S. "The traditional...segmentation of the market isn't cutting it anymore," he said.

Mr. Gamgort, 55 years old, began his career at General Foods Corp. working on brands such as Kool-Aid, another sugary drink in a sales slump.

"Kool-Aid always had a headwind," said John LeBoutillier, who worked with Mr. Gamgort then. "But Bob was unflappable."

He joined Mars Inc. in 1998

to run marketing for M&M's chocolate and other candies. There, he shook up the U.S. chocolate business. When Snickers didn't hit its sales and profit goals, Mr. Gamgort imposed an aggressive turnaround strategy discontinuing underperforming brands such as the Mars bar and cutting marketing spending at stores that weren't increasing sales. It succeeded.

Mr. Gamgort "helped rewrite the whole manual for marketing at Mars" by stressing simple messaging to consumers, said Paul Michaels, Mars's CEO at the time. Mr. Gamgort decided to promote M&Ms as the essence of "colorful, chocolate fun," his former boss said.

Seeing no near-term path to the top job and disagreeing with Mars's global reorganization, Mr. Gamgort left in 2009 to become CEO of Pinnacle Foods Inc. There, he took over a group of orphaned brands such as Vlasic pickles and Log Cabin syrup. "Every job that he took he opted to do something different," said Barbara Pickens, an industry recruiter

Top of the Pops

Bigest soft-drink deals on record

ACQUIRER	TARGET	VALUE
June 25 2003 Michael Wolfgang and Joachim Herz	Tchibo Holding*	\$4.6 billion
May 25 2007 Coca-Cola Co.	Glacéau	4.1
April 20 2009 PepsiCo	Pepsi Bottling Group*	5.9
Sept. 22 2009 Suntory Holdings	Orangina Schweppes	3.8
Feb. 25 2010 Coca-Cola Co.	Coca-Cola Enterprises†	4.7
Sept. 13 2012 Thai Beverage and TCC Assets	Fraser & Neave	10.2
Aug. 6 2015 Coca-Cola Enterprises'	Coca-Cola (Spain)	6.4
Aug. 6 2015 Coca-Cola Enterprises'	Coca-Cola (Germany)	3.4
Dec. 7 2015 JAB and partners**	Keurig Green Mountain	13.9
Jan. 29 2018 Keurig Green Mountain	Dr Pepper Snapple	Pending

*Deal for part of company †North American Operations **Agnaten SE; BDT Capital; Capital Partners; Mondelez Int.

Source: Dealogic

who has known Mr. Gamgort for decades.

Mr. Gamgort saw an opportunity to expand and reshape the company through acquisitions.

He bought Wishbone salad dressing and plant-based protein Gardein, and sought to

make brands such as Vlasic and Log Cabin trendier with

new Vlasic Purely Pickles and Log Cabin All Natural syrup.

In 2013, Mr. Gamgort took Pinnacle public. Two years later he bought the Boulder Brands natural-foods business, a public company, for \$682 million in a push to woo younger shoppers with gluten-free and organic foods, while also cutting costs by combining manufacturing.

At Pinnacle, Mr. Gamgort had a go-to metaphor from one of his favorite hobbies. "He'd say that 'you might be fishing in a river and it looks calm, but underneath the current there are a ton of fish,'" said Mike Barkley, an executive at Pinnacle.

The message: Look beyond the overall declining sales of a segment like frozen foods to identify the fast-moving trends within, such as frozen veggie burgers.

From 2010 to 2015, sales at Pinnacle rose 9% to \$2.66 billion, excluding Boulder Brands, while pretax earnings jumped 22% to \$532 million. When Mr. Gamgort was tapped to lead Keurig in 2016, Pinnacle's stock fell 12%.

P&G to Shut Kansas Site, Cut Jobs in Iowa

BY SHARON TERLEP

Procter & Gamble Co. will cut hundreds of factory jobs in Kansas City, Kan., and Iowa City, Iowa, and move work to a plant being built in West Virginia, part of a 10-year overhaul designed to get soap, razors and diapers to retailers more quickly.

The maker of Tide and Pam-

pers on Wednesday told work-

ers at a Kansas City, Kan.,

dish-soap factory that the

plant, which employs about

280, will close by the end of

2020. P&G also announced

plans to cut 500 jobs making

hair products and body wash

at an Iowa City, Iowa, plant,

leaving 100 jobs intact. Two

other Iowa City sites that employ about 600 workers will remain.

The work will shift to an almost-completed factory in Tabler Station, W.Va., set to open later this year. The additional work means the factory will employ 900 people by 2020, up from the 700 previously announced.

P&G also will move chemical production from Kansas City to a chemical plant near its Cincinnati headquarters.

P&G said it isn't yet clear how many jobs will ultimately be gained or lost as the company reworks its factory footprint. P&G will have 25 U.S. plants once the West Virginia factory is complete.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24893.35 ▼19.42, or 0.08%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open
Nov. Dec. Jan. Feb.
21500

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2681.66 ▼13.48, or 0.50%
High, low, open and close for each trading day of the past three months.



Nov. Dec. Jan. Feb.
2450

Nasdaq Composite Index

7051.98 ▼63.90, or 0.90%
High, low, open and close for each trading day of the past three months.

Last Year ago
Trailing P/E ratio *26.10 24.15
P/E estimate * 20.85 19.13
Dividend yield 0.99 1.16
All-time high: 7505.77, 01/26/18

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	25293.96	24785.44	24893.35	-19.42	-0.08	26616.71	20054.34	24.1	0.7
Industrial Average	25293.96	24785.44	24893.35	-19.42	-0.08	26616.71	20054.34	24.1	0.7	11.8
Transportation Avg	10669.28	10481.61	10560.59	31.74	0.30	11373.38	8783.74	14.2	-0.5	5.7
Utility Average	668.65	657.68	657.76	-4.56	-0.69	774.47	657.76	-1.8	-9.1	2.3
Total Stock Market	28125.49	27690.17	27690.99	-113.77	-0.41	29630.47	23853.00	16.1	0.1	8.9
Barron's 400	715.06	707.07	708.44	-0.83	-0.12	757.37	608.59	16.4	-0.4	9.0

Nasdaq Stock Market

Nasdaq Composite	7170.33	7051.53	7051.98	-63.90	-0.90	7505.77	5682.45	24.1	2.2	14.1
Nasdaq 100	6716.25	6581.38	6582.02	-83.96	-1.26	7022.97	5196.58	26.7	2.9	15.9

S&P

S&P 500 Index	2727.67	2681.33	2681.66	-13.48	-0.50	2872.87	2294.67	16.9	0.3	9.3
MidCap 400	1879.89	1856.09	1862.54	-1.49	-0.08	1995.23	1681.04	9.9	-2.0	8.0
SmallCap 600	924.16	915.75	918.54	0.13	0.01	979.57	815.62	10.8	-1.9	9.6

Other Indexes

Russell 2000	1517.00	1503.32	1507.97	0.80	0.05	1610.71	1345.24	11.0	-1.8	7.7
NYSE Composite	12866.58	12685.43	12687.18	-58.27	-0.46	13637.02	11251.80	12.8	-0.9	5.4
Value Line	555.81	549.67	550.27	-0.81	-0.15	589.69	503.24	7.3	-2.1	3.0
NYSE Arca Biotech	4629.17	4566.01	4581.55	-17.47	-0.38	4939.86	3294.10	39.1	8.5	8.3
NYSE Arca Pharma	543.41	535.37	537.66	-1.16	-0.21	593.12	487.13	10.4	-1.3	-0.5
KBW Bank	112.28	110.02	110.99	0.38	0.34	116.52	88.02	21.3	4.0	15.9
PHLX® Gold/Silver	82.78	80.40	80.54	-1.56	-1.90	96.72	76.42	-16.7	-5.5	1.5
PHLX® Oil Service	149.18	142.38	142.39	-4.29	-2.92	182.73	117.79	-19.8	-4.8	-11.1
PHLX® Semiconductor	1303.83	1272.50	1272.50	-29.16	-2.24	1392.86	960.01	30.9	1.6	23.7
Cboe Volatility	31.64	21.17	27.73	-2.25	-7.51	37.32	9.14	142.2	151.2	17.1

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. 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
SPDR S&P 500	SPY	18,358.0	265.96	-1.71	-0.64	272.00	265.54
PwrShrs QQQ Tr Series 1	QQQ	6,834.4	158.98	-1.23	-0.77	162.31	158.70
Bank of America	BAC	6,722.5	31.13	-0.12	-0.38	31.73	31.08
SPDR Portfolio ST Corp Bd	SPSB	5,800.0	30.32	0.01	0.03	30.32	30.32

iPath S&P 500 VIX ST Fut	VXX	4,681.7	45.95	1.38	3.10	46.70	44.00
Akamai Technologies	AKAM	4,311.7	64.48	...	unch.	64.52	64.09
VS Inverse VIX STerm	XIV	3,358.3	5.94	-0.29	-4.65	6.29	5.86
iShares MSCI Emg Markets	EEM	3,304.5	47.23	-0.10	-0.21	48.23	46.96

Source: SIX Financial Information; WSJ Market Data Group

Trading Diary

Volume, Advancers, Decliners
NYSE NYSE Amer.

Total volume*	1,135,986,913	16,045,307
Adv. volume*	469,088,419	4,390,325
Decl. volume*	629,934,230	10,956,947
Issues traded	3,103	326
Advances	1,555	165
Declines	1,435	144
Unchanged	113	17

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	3.1305	3.1305	3.0775	3.0765	-0.1010	704	
March	3.2130	3.2285	3.0850	3.0875	-0.1015	128,799	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1325.40	1331.10	1310.50	1311.60	-14.50	1,628	
April	1326.60	1334.80	1313.50	1314.60	-14.90	379,256	
June	1332.60	1339.50	1318.80	1319.80	-14.90	75,839	
Aug	1339.30	1344.50	1324.20	1325.10	-15.00	26,593	
Oct	1343.50	1348.90	1329.50	1330.50	-14.80	4,968	
Dec	1348.80	1355.80	1335.40	1336.30	-14.70	35,682	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	1006.85	1011.00	977.90	984.55	-17.95	26,338	
March	1006.00	1006.00	972.05	980.05	-18.50	5,666	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	971.65	972.20	971.65	971.05	-18.15	6	
Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%	145-180	146-120	144-110	144-200	-1-13	784,048	
March	144-220	145-100	143-110	143-190	-1-13	6,702	
Treasury Notes (CBT) -\$100,000; pts 32nds of 100%	121-065	121-195	120-275	121-000	-15.5	3,956,624	
March	120-225	121-020	120-100	120-140	-17.0	63,193	
5 Yr. Treasury Notes (CBT) -\$100,000; pts 32nds of 100%	114-219	114-287	114-155	114-182	-8.2	3,406,281	
March	114-130	114-200	114-065	114-092	-8.5	44,393	
2 Yr. Treasury Notes (CBT) -\$200,000; pts 32nds of 100%	106-215	106-240	106-192	106-205	-2.2	1,966,722	
March	106-160	106-160	106-120	106-130	-2.2	31,788	
30 Day Federal Funds (CBT) -\$5,000,000; 100% daily avg.	98.583	98.583	98.580	98.583	-	237,854	
April	98.380	98.390	98.365	98.370	-0.015	272,188	
10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000; pts 32nds of 100%	94.453	94.828	94.063	94.266	-5.16	29,412	
March	94.453	94.828	94.063	94.266	-5.16	29,412	
1 Month Libor (CME) -\$3,000,000; pts of 100%	98.2400	98.2400	98.2100	98.2175	-0.0200	117	
March	98.2150	98.2150	98.1825	98.1875	-0.0225	256	
Eurodollar (CME) -\$1,000,000; pts of 100%	98.1825	98.1875	98.1475	98.1600	-0.0250	176,312	
June	97.8850	97.9100	97.8650	97.8750	-0.0250	1,495,810	
Dec	97.6150	97.6600	97.6050	97.6200	-0.0200	1,668,393	
Dec'19	97.2900	97.3400	97.2600	97.2800	-0.0400	1,538,836	

Interest Rate Futures

Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%	March	145-180	146-120	144-110	144-200	-1-13	784,048
June	144-220	145-100	143-110	143-190	-1-13	6,702	
Treasury Notes (CBT) -\$100,000; pts 32nds of 100%	March	121-065	121-195	120-275	121-000	-15.5	3,956,624
June	120-225	121-020	120-100	120-140	-17.0	63,193	
5 Yr. Treasury Notes (CBT) -\$100,000; pts 32nds of 100%	March	114-219	114-287	114-155	114-182	-8.2	3,406,281
June	114-130	114-200	114-065	114-092	-8.5	44,393	
2 Yr. Treasury Notes (CBT) -\$200,000; pts 32nds of 100%	March	106-215	106-240	106-192	106-205	-2.2	1,966,722
June	106-160	106-160	106-120	106-130	-2.2	31,788	
30 Day Federal Funds (CBT) -\$5,000,000; 100% daily avg.	Feb	98.583	98.583	98.580	98.583	-	237,854
April	98.380	98.390	98.365	98.370	-0.015	272,188	
10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000; pts 32nds of 100%	March	94.453	94.828	94.063	94.266	-5.16	29,412
June	94.453	94.828	94.063	94.266	-5.16	29,412	
1 Month Libor (CME) -\$3,000,000; pts of 100%	March	98.2400	98.2400	98.2100	98.2175	-0.0200	117
April	98.2150	98.2150	98.1825	98.1875	-0.0225	256	
Eurodollar (CME) -\$1,000,000; pts of 100%	Feb	98.1825	98.1875	98.1475	98.1600	-0.0250	176,312
June	97.8850	97.9100	97.8650	97.8750	-0.0250	1,495,810	
Dec	97.6150	97.6600	97.6050	97.6200	-0.0200	1,668,393	
Dec'19	97.2900	97.3400	97.2600	97.2800	-0.0400	1,538,836	

Currency Futures

Japanese Yen (CME) -\$12,500,000; \$ per 100%	Feb	.9138	.9180	.9123	.9147	...	617
March	.9142	.9202	.9136	.9161	...	246,330	
Canadian Dollar (CME) -\$100,000; \$ per CAD	Feb	.7994	.8003	.7960	.7956	-0.0032	522
March	.8005	.8006	.7953	.7958	-0.0033	162,326	
British Pound (CME) -\$6,250,000; per £	Feb	1.3959	1.3986	1.3855	1.3885	-0.0080	741
March	1.3976	1.4014	1.3868	1.3899	-0.0080	211,890	
Swiss Franc (CME) CHF 125,000; \$ per CHF	March	1.0713	1.0738	1.0608	1.0639	-0.0078	73,662
June	1.0802	1.0816	1.0687	1.0718	-0.0079	286	
Australian Dollar (CME) -\$100,000; \$ per AUD	Feb	.7890	.7904	.7817	.7824	-0.0061	1,720
March	.7892	.7907	.7815	.7824	-0.0061	148,489	
April	.7867	.7903	.7816	.7825	-0.0061	804	
May	.7870	.7904	.7817	.7824	-0.0061	130	
June	.7895	.7903	.7820	.7825	-0.0061	2,300	
Dec	.7875	.7875	.7865	.7875	-0.0059	299	
Mexican Peso (CME) MXN 500,000; \$ per MXN	March	.05536	.05545	.05286	.05309	-0.0026	199,546
June	.05260	.05263	.05215	.05230	-0.0025	1,770	
Euro (CME) -\$125,000; \$ per €	Feb	1.2392	1.2410	1.2257	1.2284	-0.0119	1,914
March	1.2411	1.2437	1.2276	1.2306	-0.0118	566,489	

Index Futures

Mini DJ Industrial Average (CBT)-\$5 x index	March	24742	25239	24503	24735	-65	131,453

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables		Footnotes:	
The following explanations apply to NYSE, NYSE Arca, Nasdaq and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.		I-New 52-week high. I-New 52-week low. d-Dividends lost in the most recent four quarters.	
FD=First day of trading. h=Does not meet continued listing standards If-Late filing q=Temporary exemption from Nasdaq requirements.		FD=First day of trading. h=Does not meet continued listing standards If-Late filing q=Temporary exemption from Nasdaq requirements.	
<u>Underlined quotations</u> are those stocks with large changes in volume compared with the issue's average trading volume.		t-NYSE bankruptcy v-Trading halted on primary market. wJn bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.	
Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.			

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, February 7, 2018				Net				Net				Net				Net				Net					
Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg		
A B C				A	B	C		A	B	C		A	B	C		A	B	C		A	B	C			
ABB	ABB	26.14	-0.25	ArcorElec	ARW	79.62	0.91	CSX	CSX	52.97	-0.85	DISH Network	DISH	45.10	1.78	GGP	21.97	0.38	JLL	151.49	4.95	Mercadolibre	MELI	343.55	-6.91
AES	AES	10.45	-0.10	Athena	ATH	48.05	-0.03	DTE Energy	DTE	99.27	-0.09	Gallagher	AJG	66.11	0.71	GamingLeisure	GLPI	35.10	-0.11	Merck	MRK	55.88	0.42		
Aflac	AFL	85.60	-0.02	AtmosEnergy	ATO	78.45	0.45	DXC Tech	DXC	96.08	0.14	Darden	DHR	95.25	-1.80	Karpov Auction	KAR	50.81	-0.23	MetLife	MET	46.26	0.06		
AGNC Inv	AGNC	18.38	-0.10	Autodesk	ADSK	110.54	-2.08	Denaher	DEN	95.00	0.70	DaVita	DVA	74.60	-0.58	KKR	KKR	22.19	0.12	MettlerToledo	MTD	641.96	4.68		
ANGI Homesc	ANGI	13.61	-0.06	Autoliv	ALV	143.53	-0.66	DigitalFutura	DFT	104.17	-0.33	DeutscheBancorp	DB	16.09	-0.43	Kin-Bin	KIN	58.42	-1.75	MicroFocus	MFGP	20.15	-1.10		
Ansys	ANSYS	155.03	-0.07	AutoZone	AZO	278.33	-16.74	Dixie	DIXT	66.77	-0.11	DixiePap	DIXY	76.63	-0.49	Klarna	KLNA	102.66	-2.57	Petrobras	PBR	12.76	-0.57		
ASML	ASML	187.15	-6.96	AvalonBay	AVB	158.28	-0.07	Dodge	DOD	53.85	-0.17	DowDuPont	DPS	70.60	-0.39	Kodak	KOD	13.70	-0.20	Philip Morris	PM	42.01	-1.87		
ATT	ATT	3.69	0.10	Avgard	AGR	46.55	0.72	DouglasEmmett	DEM	38.61	-0.03	DowJones	DJIA	21.55	-0.02	Kellogg	KO	64.21	-0.95	PilgrimPride	PPC	25.64	-0.51		
AbbottLabs	ABT	58.67	-0.19	AveryDenison	AVY	114.78	0.47	DowJones	DJW	104.76	-1.41	Doyle	DOY	23.13	-0.12	KeySightTechs	KES	45.23	0.08	PinnacleFoods	PF	88.58	-0.43		
AbbVie	ABBV	113.62	-2.42	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Middleby	MID	132.91	4.54	SouthwestAir	LUV	78.89	-0.25		
Abiomed	ABMD	239.02	0.61	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	SnapOn	SNA	166.63	-0.44	SpectraPlex	SEP	62.41	-0.30		
Accenture	ACN	155.18	-0.46	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Sprint	SPR	90.34	-0.22	SpectrumBrands	SPR	110.48	-0.22		
ActivationBl	ATVI	69.46	-0.24	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Splunk	SPLK	89.11	0.19	UnivDisplay	UDN	155.05	-5.40		
AcuityBrands	ACV	148.07	-0.84	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Square	SQ	41.67	0.06	UniversalHealth	UHS	117.12	0.26		
Adient	ADNT	63.34	-0.17	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Verizon	VZ	51.01	0.18	UnumGroup	UMG	50.58	-0.06		
AdobeSystems	ADBE	192.34	-2.13	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Verite	VEON	3.63	-0.09	VersantMed	VME	61.91	-0.04		
AdvanceAuto	AAAP	109.93	-2.23	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	VF	VFC	80.47	1.11	Venture	VEN	173.58	2.24		
AdvMicroDevices	AMD	11.60	-0.05	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
AdvSemEngg	ASX	6.73	-0.25	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
Aegon	AGN	6.68	0.04	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
AerCap	AER	52.24	0.17	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
Aetna	AET	181.49	-0.52	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
AffiliatedMngs	ATMG	187.87	-2.53	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
AgileTech	AGL	44.65	0.72	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
Alcatel	ALC	17.70	-1.73	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
Albemarle	ALB	64.23	-1.04	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
Alcoa	AA	47.70	-1.73	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.76	-1.41	DuPont	DPU	40.76	-1.77	Venture	VEN	173.58	2.24	Venture	VEN	173.58	2.24		
AlexandriaReit	AXRE	18.96	-0.57	AxaltaCoating	AXTA	30.25	-0.25	DowJones	DJW	104.7															

BANKING & FINANCE



The exchange said VIX futures behaved as they were meant to through this week's market swings. The firm reports earnings Friday.

VIX Concerns Hurt Cboe

BY BEN EISEN

Investors are turning cautious on the exchange company behind volatility trading, an example of fallout from the recent stock-market rout.

Shares of **Cboe Global Markets** slid 12% on Tuesday, marking their worst daily performance since the company went public in 2010. The stock was down a further 2% to \$114.57 Wednesday as investors grappled with tumult in the market for futures on the Cboe Volatility Index, or VIX, one of the company's rapidly growing products.

Analysts expressed concern that demand for VIX futures could drop after a blowup in some popular products that use them to bet on falling volatility in the stock market. **Credit Suisse Group AG** said Tuesday that it was effectively shutting down an inverse volatility exchange-traded product due to large losses.

"Given VIX has been a key growth driver of CBOE, we

Follow the Futures

Cboe Global Markets shares took a dive this week as the market rout unfolded.



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

also see the potential for a deterioration in CBOE valuation," said JPMorgan Chase & Co. analysts, led by Kenneth Worthington, in a note to clients Wednesday. The firm dropped its rating on the stock to "neutral" from "overweight." It also lowered the price target to \$110 from \$131.

Cboe said the VIX futures market behaved as it was meant to through this week's market swings. Short volatility trading, "has been around since options and derivatives were listed and will continue to be an active strategy," said Edward Tilly, chief executive of Cboe, in a conference call with analysts Wednesday. The company is due to report earnings Friday.

Brian Schell, Cboe's deputy chief financial officer, said on an earnings call in November that the company's strong organic growth in the July-to-September period was, "primarily due to our proprietary products, particularly VIX futures and VIX options."

Exchange-traded products that utilize VIX futures are just a small portion of the investment strategies that wager on volatility, according to JPMorgan. Betting on volatility to drop has been especially profitable for investors, including pension and sovereign-wealth funds, as the VIX hit record

lows last year. It was also a boost to Cboe.

In January, those betting on a drop in volatility made up more than one-third of open interest in VIX futures, according to Jefferies estimates. But as volatility picked up, those trades were tested, and could continue to face challenges, analysts say.

"We think if these strategies are under material pressure, CBOE VIX Futures and VIX options activity could be under pressure too," the JPMorgan analysts wrote.

Jefferies analysts, led by Daniel Fannon, estimate that VIX futures make up roughly 13% of Cboe's net revenue. That is after VIX futures doubled as a share of transaction volumes over the past five years to about 20% in 2017. They noted that Cboe has built a diversified business, especially after its merger with stock-exchange operator Bats Global Markets last year.

—Alexander Osipovich contributed to this article.

FINK

Continued from page B1

Preqin, but the amount unspent rose to more than \$1 trillion for the first time ever. That pile of unspent money has raised concerns that the buyout firms won't be able to find enough investment opportunities or generate adequate returns.

The "best known" example of BlackRock's approach with this new vehicle is Berkshire Hathaway, according to a fund-raising document reviewed by The Wall Street Journal. The Omaha conglomerate run by Mr. Buffett is well known for its long-term ownership of companies.

The new vehicle plans to make investments of between \$500 million and \$2 billion in companies affected by what the document says are several "long-term themes" such as diverging demographics globally, a growing middle class in emerging markets and changing spending patterns by millennials. It is targeting annual returns in the low to mid teens.

The vehicle will look for investments with risks and returns that straddle those of stock investments and what buyout funds typically seek, according to the document. It plans to hold those positions



The effort sets up a rivalry for Laurence Fink with his old firm.

for more than 10 years.

BlackRock Long-Term Private Capital is likely to acquire minority stakes in companies, the people said. The investor document cites family-owned businesses, companies being spun out of parent firms or companies where private-equity investors are seeking to

exit from their investment.

The effort is being overseen internally by Mark Wiseman, who is viewed as a potential successor to Mr. Fink. Mr. Wiseman joined BlackRock in late 2016 as chairman of its alternative investing business and global head of active equities. Since joining, Mr. Wise-

man has led an overhaul of the stock-picking business and revamped the firm's global investment committee.

BlackRock has also hired André Bourbonnais, the chief executive of Canada's Public Sector Pension Investment Board, to lead the BlackRock Long-Term Private Capital effort. Before his current role, he spent nine years at the Canada Pension Plan Investment Board working with Mr. Wiseman, who previously was the organization's chief.

Unlike many private-equity funds, the BlackRock vehicle will take its investors' full commitment upfront, instead of drawing it down over time, and will reinvest proceeds as it exits its investments. It aims to avoid a cash drag that some private-equity funds suffer from as they shop for opportunity or return cash to investors at the end of their lifespan. Executives envision a secondary market developing for units in the vehicle when investors want their money back, the people said.

BlackRock will receive a management fee that covers its expenses and a certain profit margin and a performance fee. It aims to close the fundraising by the second quarter with four to six large investors that will also have the right to invest additional money in certain deals.

Carlyle's private-equity funds appreciated 8% during the quarter. Among its peers, **Blackstone Group LP**'s buyout funds gained 6.8%, while the private-equity portfolio of **Apollo Global Management LLC** climbed 9.1% in the quarter. The S&P 500 index rose 6.1%.

Carlyle's distributable income, the slice of profit available for payout to shareholders, came in at 44 cents a share.

Analysts polled by FactSet had expected 58 cents.

Fee-related earnings were \$26.7 million in the quarter versus a loss of \$132.4 million in the fourth quarter of 2016.

Private-equity firms have been benefiting from a broad rise in markets over the past year.

The tax bill passed by Congress late last year also is expected to boost the value of firms' portfolio companies by 3% to 17% on average, according to an analysis by private-equity investor and adviser **Hamilton Lane Advisors Inc.**

"For the majority of our

portfolio companies, the benefit of a lower corporate-tax rate outweighs the cost associated with potential limitations of interest expense deductibility," said Carlyle co-Chief Executive Glenn Youngkin on a conference call Wednesday.

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SWISS

Continued from page B1
Web Ltd, and co-working firm WeWork Cos.

It isn't clear whether the money for a Swiss Re investment would ultimately come from SoftBank itself or draw on the Vision Fund in some way.

Insurance is a staid business compared with some of SoftBank's other investments. But what it lacks in panache it makes up for in steady cash flow. Warren Buffett built his empire on the back of insurance operations, investing the premiums paid by policyholders into other lines of business.

That could potentially provide SoftBank, which is close to the limits of its own debt-laden balance sheet, with a fresh source of cash for deals. SoftBank has already dabbled in finance, striking a deal last year to acquire **Fortress Investment Group**, which manages private-equity and other investment funds.

The deal under discussion with SoftBank would keep Swiss Re a public company and protect its AA credit rating, the people said.

Should there be a deal, it would chart a new course for

Bank Roll

These are some of SoftBank's biggest investments since 2016.

ARM Holdings	\$31.8 billion
Swiss Re*	10.0
Uber	8.4
WeWork	4.4
Fortress	3.3
GrabTaxi	2.5

*Deal not finalized
Note: Some deals were done with partners.
Source: Dealogic

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the 155-year-old Swiss Re.

The company had \$224 billion in assets as of June 30, making it one of the world's largest reinsurers—the business of selling insurance to insurers.

SoftBank aims to take Swiss Re's insurance products directly to consumers, according to people familiar with the matter.

The plan would be to use technology instead of human brokers and tap the network of companies in which SoftBank itself is a major investor, the people said.

SoftBank to List Japanese Telecom To Bolster Finances

TOKYO—**SoftBank Group** said Wednesday it is planning to list its cash cow—the unit that runs Japan's third-largest mobile carrier—in part to have even more money to invest.

"

One hundred billion dollars is not nearly enough," said SoftBank Chief Executive Masayoshi Son, referring to the size of the company's marquee Vision Fund. "My dreams are too big."

"

Mr. Son said the firm would also use the listing proceeds to strengthen its finances, which have been strained by a series of acquisitions in recent years, including U.S. mobile carrier **Sprint Corp.** He said he hoped the Japanese unit, SoftBank Corp., would go public within a year.

"

Mr. Son declined to comment on how much money the listing might raise or how much of that funding SoftBank would use for

investments. Analysts have said the unit's value could be about ¥6 trillion to ¥6.6 trillion (\$55 billion to \$60 billion), meaning a sale of a minority portion under securities rules could raise nearly \$20 billion. Besides debt, SoftBank has relied on its Japanese telecom operations and its 30% stake in Alibaba Group Holding Ltd. to finance its acquisitions.

Moody's Investors Service and Standard & Poor's, which both give SoftBank a non-investment-grade, or "junk," rating, said their outlooks for the company's credit standing after a listing of the Japan mobile carrier would depend in large part on how much is floated. That would determine how much cash flow SoftBank stands to lose.

Proceeds from a public offering of SoftBank's Japan mobile unit would bolster an already formidable arsenal of capital, whose multimillion- and multibillion-dollar investments are roiling the venture-capital world.

—Phred Dvorak and Mayumi Negishi

Equifax Denies Breach Of Passport Numbers

BY ANNA MARIA ANDRIOTIS AND MICHAEL RAPORT

Equifax Inc. failed to disclose that hackers gained access to consumers' passport numbers, according to a report from Sen. Elizabeth Warren's office, but the company said that didn't happen.

The Democratic senator from Massachusetts released the report Wednesday following a four-month investigation by her office into the Equifax breach.

The cyberattack, which the company disclosed on Sept. 7, compromised personal information of 145.5 million Americans, including Social Security numbers, addresses and dates of birth. The breach also compromised driver's license information and credit-card numbers for many consumers.

Ms. Warren's report, while reiterating previous criticisms of the company's approach to security overall, also said, "Equifax failed to disclose the fact that the hackers gained access to consumers' passport numbers."

In a statement, an Equifax

spokeswoman said the senator's report "is based on information that we sent to the Senate Banking Committee in response to their questions. We specifically cited in our response to a question about the 'extent' of the breach that we were investigating a list of possible data elements that could have been accessed—and those included passport numbers.

"However, the results of the forensic investigation showed that passport numbers were not included in the information accessed by the hackers," the statement said.

Equifax said it completed its forensic investigation into the breach on Oct. 2 and submitted responses to the Senate committee three months later. The Equifax spokeswoman said the company was "trying to be exhaustive and as transparent as possible" and didn't say in its responses that passport numbers were accessed.

A spokeswoman for Ms. Warren said Equifax "told Congress one thing and is saying something totally different today."

Carlyle Swings to Profit Helped by Investment Growth, Fees

BY MIRIAM GOTTFRIED

Carlyle Group LP swung to a fourth-quarter profit, helped by an increase in fee-related earnings and strong growth in the value of its investments.

For the three-month period ended Dec. 31, the Washington-based asset manager reported earnings of \$52.9 million, or 49 cents a share. That compares with a loss of \$8.9 million, or 16 cents a share, in the year-earlier quarter.

Economic net income, a closely watched performance measure that reflects changes in the value of the firm's holdings, rose to \$366.4 million, or \$1.01 a share, from \$5.6 mil-

lion, or 2 cents a share, a year earlier.

Analysts polled by FactSet had expected 58 cents.

Fee-related earnings were \$26.7 million in the quarter versus a loss of \$132.4 million in the fourth quarter of 2016.

Private-equity firms have been benefiting from a broad rise in markets over the past year.

The tax bill passed by Congress late last year also is expected to boost the value of firms' portfolio companies by 3% to 17% on average, according to an analysis by private-equity investor and adviser **Hamilton Lane Advisors Inc.**

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Carlyle's distributable income, the slice of profit available for payout to shareholders, came in at 44 cents a share.

The firm reported no distributable income on a per-unit basis a year earlier because of charges related to its

plans to continue to increase fee-related earnings and diversify its sources of profit through the launch of new products in its private-credit business.

"The private-credit market today appears strikingly similar to where private equity was approximately 20 years ago," said co-CEO Kewsong Lee on the call. "And this market segment appears positioned to grow significantly over the next decade."

Carlyle echoed peers saying that it had no immediate plan to transition to a "C-corporation" from a partnership structure—something analysts had speculated might happen

as a result of tax-law changes. Such a move would reduce its economic net income and distributable earnings by roughly 15%, the firm said.

Carlyle's assets under management climbed to \$195.1 billion from \$157.6 billion a year earlier and \$174.4 billion in

MARKETS

Oil Prices Tumble as U.S. Output Surges

Crude falls 6.1% in four sessions; investors' focus turns to supply as stockpiles also rise

By ALISON SIDER

Oil investors are reckoning with shale once again.

In four days of trading, oil prices have given up nearly all of this year's gains. Prices

COMMODITIES have slid 6.1% over that period.

Earlier in the week, oil prices were swept up in the volatility that has rocked the global stock markets.

But even as stocks started to stabilize, oil's selloff accelerated Wednesday after the U.S. Energy Information Administration reported that U.S. production soared to 10.251

million barrels a day last week—a jump of 332,000 barrels a day from the previous week and a new weekly record.

"The report just shattered that connection" between oil and equities, said Bob Yawger, director of the futures division at Mizuho Securities USA. "Crude oil is on its own now, plodding its own path to the downside."

On Wednesday, U.S. crude futures fell \$1.60, or 2.5%, to \$61.79 a barrel on the New York Mercantile Exchange, the lowest settlement price since Jan. 8.

Brent, the global benchmark, fell \$1.35, or 2%, to \$65.51 a barrel on ICE Futures Europe, its lowest settlement since Dec. 22.

Rising output from shale has been "like the 800-pound gorilla in the back of the room that nobody wants to look at while they're long the market.

But it's there," said Mark Benigno, co-director of energy trading at INTL FCStone. "There was a crowded trade on the long side of this market for a long time. That egg is finally cracking."

The big jump in weekly production comes after the EIA raised its forecasts for oil production this year. It now expects output in the U.S. to average almost 10.6 million barrels a day in 2018 and 11.2 million barrels a day next year.

But the prospect of a wave of new output hasn't been enough to deflate oil prices. Global economic growth has boosted demand for oil.

At the same time, the glut that weighed on the market for years has shrunk, escalating geopolitical risks could disrupt supplies and the Organization of the Petroleum Exporting Countries remains committed to holding oil off

the market.

As a result, many analysts and investors say the market could absorb whatever shale producers pump this year. Banks have been raising their oil-price forecasts for four months, and investors have amassed record net bullish positions in oil, betting that prices would keep rising.

Now the sentiment that propelled oil prices to fresh three-year highs less than two weeks ago is rapidly eroding.

"Everybody got caught up in demand. Demand is great, but the market forgot about supply," said Ebele Kemery, head of energy investing at J.P. Morgan Asset Management.

Ms. Kemery expects that Brent prices will climb back toward \$75 to \$80 a barrel by the end of the year but could pull back to \$55 to \$65 first as investors pay more attention

Ebbing

U.S. crude-oil futures, front-month contract

\$70 a barrel



Source: WSJ Market Data Group
THE WALL STREET JOURNAL

to the oil pouring from shale wells.

Unexpected buildups of fuel in storage also weighed on prices Wednesday.

The EIA reported that

stockpiles of crude, gasoline and diesel all rose last week. The American Petroleum Institute, an industry group, had reported Tuesday that inventories of crude and gasoline fell last week.

Commercial crude stockpiles increased by 1.9 million barrels, less than what analysts surveyed by The Wall Street Journal had predicted. But the 3.4-million-barrel increase in gasoline stocks was much larger than the modest 700,000-barrel increase that analysts were anticipating.

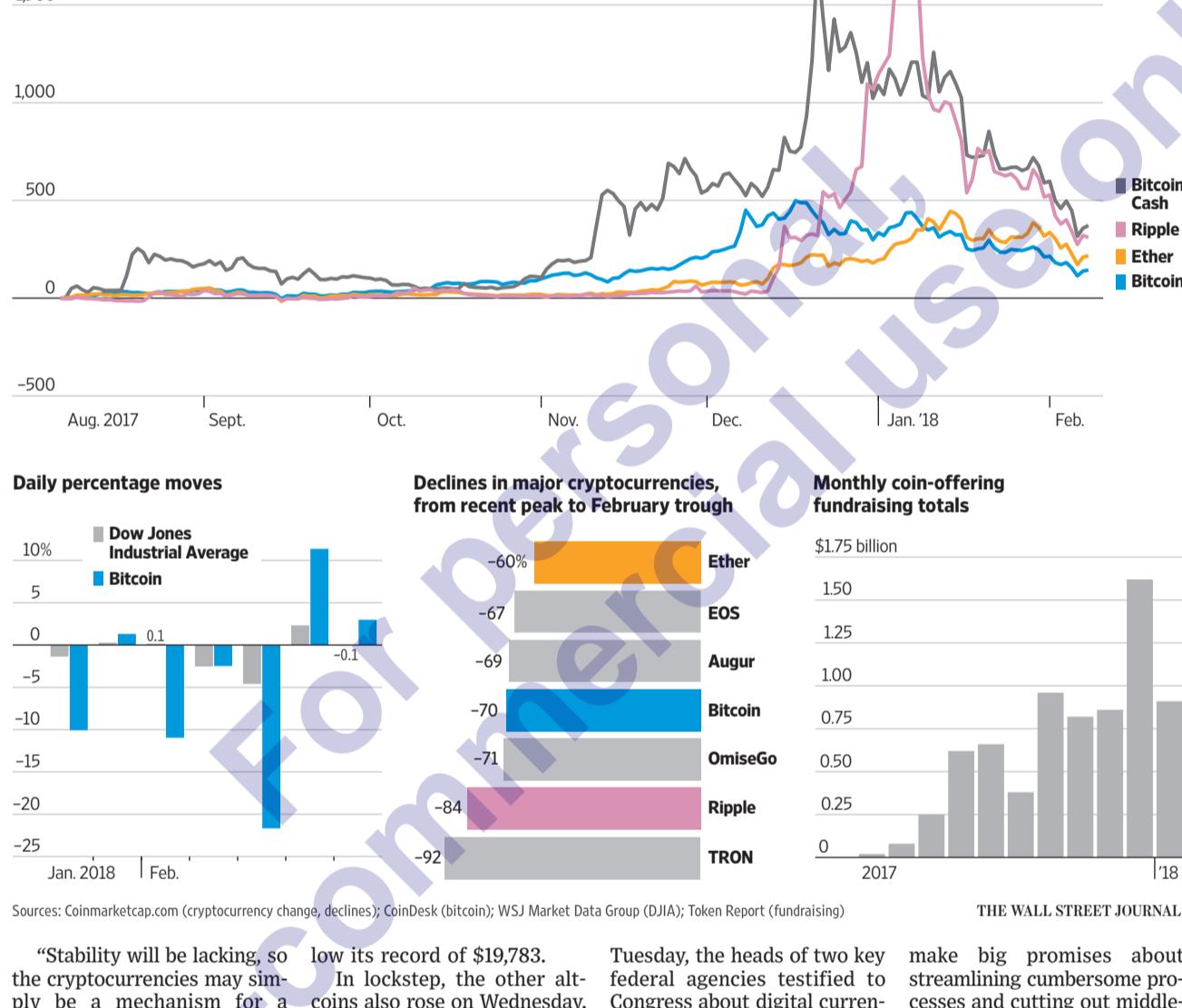
The EIA reported that diesel stockpiles increased by 3.9 million barrels, compared with the decrease of 1.1 million barrels that analysts were anticipating.

Gasoline futures fell 3.92 cents, or 2.2%, to \$1.7660 a gallon. Diesel futures declined 5.38 cents, or 2.7%, to \$1.9313 a gallon.

Bitcoin's Plunge Weighs on Coin Offerings

By PAUL VIGNA

Cryptocurrencies have tumbled following sharp rises through late 2017 and early January. During more recent declines, bitcoin has often risen or fallen alongside major U.S. stock indexes, while coin offerings have slowed.



Sources: Coinmarketcap.com (cryptocurrency change, declines); CoinDesk (bitcoin); WSJ Market Data Group (DJIA); Token Report (fundraising)

Treasurys Decline After Rally

By AKANE OTANI

U.S. government-bond prices weakened following a two-day rally, as swings buffeting global stocks showed signs of easing.

The yield on the 10-year Treasury note

CREDIT MARKETS rose to settle at 2.843% Wednesday, compared with 2.766% Tuesday. Yields rise when bond prices fall.

Yields had declined earlier this week as investors sought the relative safety of Treasurys while stock prices declined sharply. Turbulent trading across markets sent the yield on the 10-year Treasury note to its largest two-day decline since May, while the Dow Jones Industrial Average on Tuesday swung more than 1,000 points from its high to its low.

But on Wednesday, with stocks in Europe rebounding and some major indexes in Asia ending higher, demand for assets that investors tend to pick up during market swings, like gold and Treasury bonds, was muted.

Bond yields rose further after congressional leaders said they had agreed on a budget deal ahead of the government funding deadline later this week, and the Treasury Department's latest auction of 10-year notes was met with tepid demand.

The Treasury sold \$24 billion of 10-year notes Wednesday at a yield of 2.811%, which was slightly higher than traders had expected.

Even with recent pullbacks, the yield of the 10-year Treasury note remains near its highest level of the year, something some investors and analysts have attributed to bets that global growth and inflation are accelerating.

"The big question to look toward is if rates [move] higher for a good reason," said David Albrycht, chief investment officer of Newfleet Asset Management. "If rates are moving higher because we have a moderate pickup in growth and inflation, they're going up for the right reasons."

So far, data points to inflation looking moderately tame, Mr. Albrycht said, suggesting Treasury yields may not have much further to climb in the short term. Various measures of inflation have largely run under the Federal Reserve's 2% target, which investors say should keep the Fed on a moderate course of rate increases.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

10-YEAR NOTES

Applications	\$60,668,098,300
Accepted bids	\$28,536,158,300
"noncompetitively"	\$43,335,600
"foreign noncompetitively"	\$0
Auction price (rate)	99.471446 (2.811%)
Interest rate at clearing yield accepted	2.750%
Bids at clearing yield accepted	5.76%
Cusip number	9128283N

The notes, dated Feb. 15, 2018, mature on Feb. 15, 2028.

India Moves to Tax Income From Cryptocurrencies

By CORINNE ABRAMS

India's income-tax department has issued 100,000 tax notices to cryptocurrency investors, in the latest sign of a government crackdown on the use of the digital money.

"People who have made investments [in cryptocurrency] and have not declared income while filing taxes and have not paid tax on the profit earned by investing, we are sending them notices as we feel that it is all taxable," Sushil Chandra, the head of India's direct taxes department, was quoted as saying in a news release from an Associated Chambers of Commerce and Industry of India event Tuesday.

India has yet to issue guidelines on cryptocurrencies. The digital money isn't recognized as legal tender in India, Finance Minister Arun Jaitley

said in his budget announcement last week. The government has set up a committee to look at issues related to cryptocurrencies.

The Reserve Bank of India has warned against the financial, economic and security risks it says are associated with holding cryptocurrencies.

"We found out that there is no clarity on investments made by many people, which means that they have not declared it properly," Mr. Chandra said.

Mr. Chandra said the money people invested in cryptocurrency was taxable, as were any returns. He didn't immediately respond to a request for comment.

The value of bitcoin, one of the most popular digital currencies, fell below \$6,000 Tuesday following a global markets rout. It reached a re-

cord of near \$20,000 in December.

The price of bitcoin was \$8,096.22 late Wednesday in New York, according to research site CoinDesk Inc.

Ajeet Khurana, head of the Blockchain and Cryptocurrency Committee of India, estimated there were five million cryptocurrency users in India.

Mr. Khurana said several exchanges had worked with the tax department to identify individuals who used crypto-exchanges.

"All the exchanges very happily and voluntarily provided that information," he said.

Mr. Khurana said it was common for the tax department to send notices: "It is a sign of the maturing of the ecosystem and not a cause of worry to anybody."



SAKAT PAUL/PACIFIC PRESS/ZUMA PRESS
India Finance Minister Arun Jaitley, in his budget announcement last week on TV, said digital currencies aren't legal tender.

MARKETS

Dow Swings 500 Points, Closes Lower

Interest-rate worries, drop in oil prices continue to weigh on major stock indexes

By AMRITH RAMKUMAR AND JON SINDREU

The Dow Jones Industrial Average swung in a range of more than 500 points before closing slightly lower, extending a string of volatility as investors assess how the potential for higher interest rates would affect the nearly nine-year bull market.

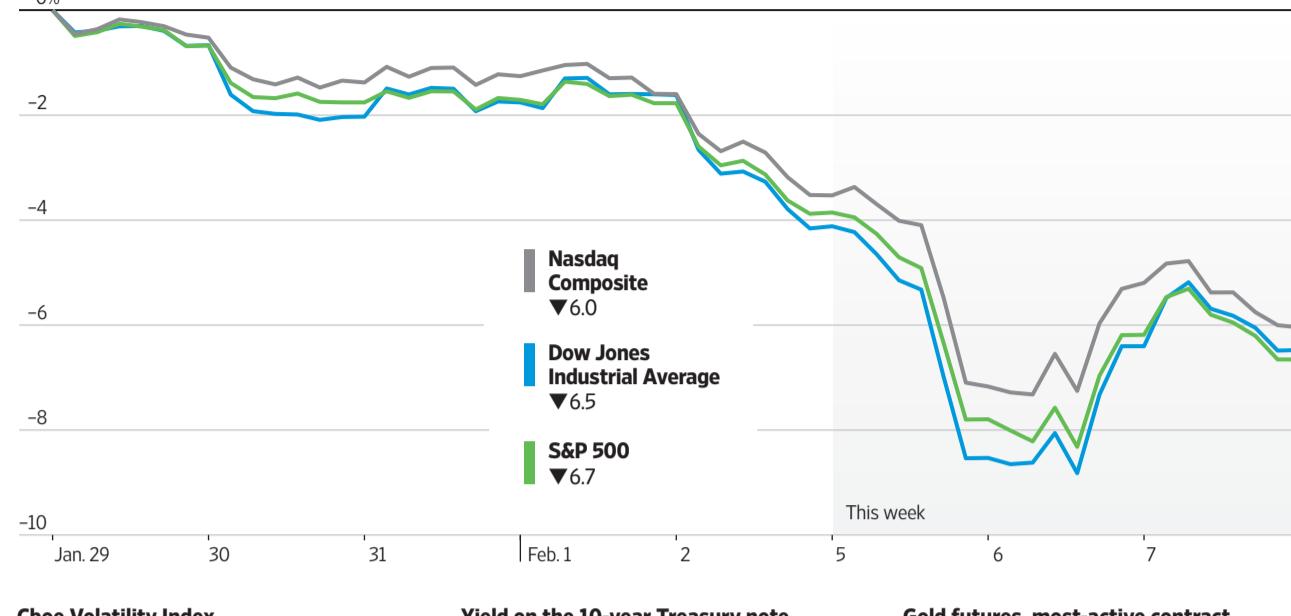
The blue-chip index has moved wildly this week, trading in its two biggest intraday ranges in history on Monday and Tuesday when the index swung 1,596.65 and 1,167.49 points, respectively.

A recent rise in bond yields has stoked fears that a pickup in inflation could lead central banks to tighten monetary policy more quickly than expected, making stocks less attractive as interest rates rise. Those concerns helped push stocks sharply lower Friday and Monday when the Dow suffered its biggest one-session point decline on record. Tuesday's uneven session—with 29 changes of direction for the Dow—ended with sizable gains.

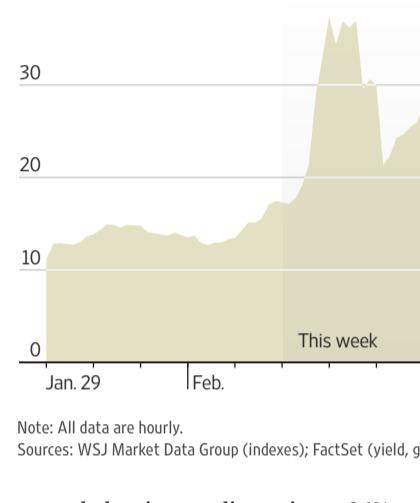
Some investors said the declines were overdue and created a buying opportunity given favorable earnings growth that they think should help stocks continue marching higher. Still, others warn that technical selling drove the recent pullback rather than investors panicking, which might suggest more dips lie ahead.

"We're just now digesting what's been a pretty violent reaction," said Jamie Robertson, senior portfolio manager of global asset allocation at Manulife Asset Management, which reduced stock positions

Index performance since Jan. 26 close



Cboe Volatility Index



Note: All data are hourly.

Sources: WSJ Market Data Group (indexes); FactSet (yield, gold)

Yield on the 10-year Treasury note



Gold futures, most-active contract



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wouldn't be surprising if we got a full 10% correction."

The Cboe Volatility Index, or VIX, known as the "fear gauge" for the U.S. stock market, fell after briefly hitting its highest intraday level since 2009 on Tuesday.

Danna Pratte, owner of a nutritional supplements company in Phoenix, said she has been worried in recent days about some of the stocks she owns. But despite rising anxiety over recent market swings, Ms. Pratte, 45 years old, said she hasn't made any changes to her portfolio.

"I take more of a long-term approach," she said. "I feel like I'm pretty prepared for these types of fluctuations."

Some investors have said the unwinding of extreme bets against stock-market volatility has made market swings more pronounced after months of quiet trading.

Some of the most popular products that bet against volatility—such as XIV exchange-traded notes, which benefit from falls in the VIX—have been all but wiped out, suggesting that the worst of the market rout is over, some analysts said.

However, there is still a chance of a small relapse over the next week, said Vineer Bhansali, founder of LongTail Alpha LLC, because many other funds target volatility and may continue to sell stocks to rebalance their allocations. "The VIX ETFs are just the tip of the iceberg, there's a lot of volatility strategies out there that haven't adapted to the new reality," he said.

Overseas, the Stoxx Europe 600 rose 2%. Japan's Nikkei Stock Average, which slumped 4.7% Tuesday to fall into correction territory, posted an early 3.4% rebound but closed up just 0.2%. At midday Thursday, the Nikkei was up 0.3%.

—Kenan Machado and Lisa Beilfuss contributed to this article.

recently but is now discussing increasing them. "This is the type of market action you get once you've had a bit of a dust storm."

After spending most of Wednesday's session in positive territory and rising as much as 381 points, the Dow industrials turned lower toward the end of the day and closed down 19.42 points, or 0.1%, at 24893.35. The S&P 500 declined 13.48 points, or 0.5%, to 2681.66, and the Nasdaq Composite fell 63.90 points, or 0.9%, to 7051.98.

A drop in oil prices continued to weigh on major indexes after data showed U.S. production surged to a record last week. The S&P 500 energy sector fell 1.7%, bringing its losses in the past week to

8.2%. It has been the broader index's worst performer during that span.

The yield on the 10-year Treasury note rose to 2.843% from 2.766% Tuesday. Yields rise as bond prices fall and were back near their four-year high hit last Friday.

Some traders have said investors are adjusting to a new market backdrop following a

historically calm period in the stock market and one of the best-ever starts to a year for global indexes.

The Dow industrials are down more than 5% from their Jan. 26 record but still up 0.7% on the year.

"I wouldn't say it's over yet," said Erik Davidson, chief investment officer at Wells Fargo Private Bank. "It

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FINANCIAL ANALYSIS & COMMENTARY

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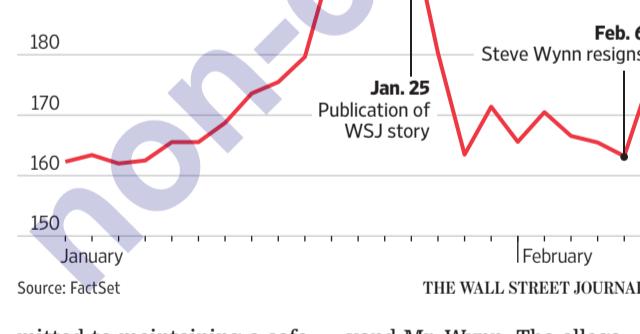
Email: heard@wsj.com

OVERHEARD

The Wynn Resorts Board Needs to Go, Too

Where the Chips Fall

Wynn Resorts share price, past month



mitted to maintaining a safe and respectful culture, requires annual antiharassment training for all and offers an anonymous hotline. The company's board has also formed a special committee to investigate the allegations.

Yet Wynn Resorts is hardly in the clear.

The investigations by regulators could broaden be-

yond Mr. Wynn. The allegations, if substantiated, could suggest a corporate-governance failure that extends to the company's board.

Indeed, the only thing more surprising than Mr. Wynn's sudden resignation is the tone with which the board "reluctantly" announced it.

"It is with a collective

heavy heart" that they accepted his resignation, said nonexecutive chairman of the board Boone Wayson. Mr. Wayson went on to praise Mr. Wynn as "a philanthropist and a beloved leader and visionary"—builder of the most iconic resorts, creator of modern Las Vegas.

That hardly sounds like a board that sees something amiss in Mr. Wynn's alleged conduct. Like Mr. Wynn, the board hasn't taken any responsibility for the alleged abuse of female employees.

Board members, which include only one woman, are widely viewed as lacking independence—one of the many reasons that Wynn Resorts ranks last in corporate governance among 108 companies in the gambling and casino business, according to Sustainalytics.

The board's credibility will be further tested by a lawsuit filed by former Wynn partner Kazuo Okada, a Japanese pachinko magnate. The

Wynn board voted in 2012 to take away his 20% stake in Wynn after a company investigation alleged that he bribed gambling officials in the Philippines. Mr. Okada has denied the allegations and sued Wynn Resorts.

The board argued that Mr. Okada's presence as a shareholder created a risk to Wynn's casino licenses. The board might have difficulty explaining why allegations against Mr. Wynn, who remains the largest shareholder, don't also pose a risk.

Without Mr. Wynn at the helm, the board could become the target of activist investors who want to improve governance and boost returns. Wynn's stock is well below its price prior to the Journal story about alleged misconduct. Investors could demand new board members take over and, if Wynn resists, could run a proxy fight to get their own slate elected.

—Elizabeth Winkler

Coming from almost any chief executive, the comments about the differences between male and female customers might have been controversial. But Indra Nooyi, who runs **PepsiCo**, is one of the more successful corporate bosses of any gender.

In a recent interview with **Stephen J. Dubner** on **Freakonomics Radio**, Ms. Nooyi pointed out that men eat more or less like pigs. By contrast, women "don't like to crunch too loudly in public" or "lick their fingers with great glee" and "pour the little broken pieces and the flavor into their mouth."

The company is looking into snacks that are less crunchy and crumbly and less prone to sticking to one's fingers but taste just as good for their female customers. Also, the bags may be designed to fit more easily into purses. Look out for a smaller, daintier chip aimed at humans who don't eat like pigs.

Semiconductor Stocks Still Have Juice

Chip stocks might look expensive, but looks can be deceiving. Investors should keep that in mind for the turbulent times that may still lie ahead.

Semiconductor names led the technology sector on a strong comeback Tuesday after having been brutalized during the previous two sessions. That was led by strong gains at **Micron Technology**, **Skyworks Solutions** and **Qualcomm**. Micron closed the day up more than 10% after having boosted its outlook for the quarter ending March 1, providing the latest sign that historically high memory prices aren't turning down just yet.

Nevertheless, the sector probably would succumb to

profit-taking again if markets' weakness were to return. Many chip stocks are near their highest levels since the first dot-com bubble popped. The PHLX Semiconductor Index, or SOX, has more than doubled over the past two years and topped out two weeks ago at 1393, about 4.5% above its peak from March 2000. The recent selloff proved particularly painful, with the index shedding nearly 8% over the two-day period that ended Monday, well ahead of the Nasdaq Composite's 5.6% drop during that time.

But unlike some more frothy segments in tech, fundamentals in the chip business remain strong. Growing demand from market segments like autos

and data centers have helped diversify the sector's historic reliance on PCs and smartphones. And profits have been particularly healthy of late, keeping valuations in check. The PHLX Index, which now fetches a little less than 15 times forward earnings, is at a 44% discount to the Nasdaq Composite. The average price/earnings ratio of the PHLX has risen just 14% over the past two years compared with the 120% jump in the index's value.

Value, of course, doesn't always provide shelter from the market's storms. But as investors re-evaluate exposure to risky tech names, many chips should still stack up.

—Dan Gallagher

Tesla Has to Return to Earth Sometime

Tesla is flying high after Elon Musk's successful rocket launch, which blasted a vehicle into outer space. Fourth-quarter earnings out Wednesday, however, still point to a number of challenges back here on Earth.

Tesla reported fourth-quarter revenue of \$3.3 billion and an adjusted loss of \$3.04 a share. That just beat the analyst consensus for a loss of \$3.11 a share. But a year ago, the consensus for the fourth quarter was a loss of 17 cents a share.

There were bright spots: Tesla burned just \$277 million in free cash, a significant improvement from recent quarters. And the company managed to avoid lowering its Model 3 production forecast for a third time

in three months. The cash burn appeared lower because Tesla included customer deposits for its planned new truck and roadster in its operating cash flow. That is deceiving because these deposits aren't drawn from current operations.

Meanwhile, an alarming trend of negative operating leverage has yet to reverse. Automotive gross margin fell to 13.8%, down more than 8 percentage points from a year earlier. Tesla forecasts about 100,000 deliveries of its older Model S and X vehicles this year, which offer better profits than the Model 3. That won't offer much, if any, growth from the 2017 tally of 101,000 cars.

The Model 3 is supposed to carry prices up to 65% be-

low Tesla's average selling price on older products; there will have to be substantial cost-cutting and improvements in production efficiency to even hold margins constant. Meanwhile, new industry competition coming this year won't improve pricing power.

Granted, investor faith in Mr. Musk is as strong as ever, and Tesla still enjoys open access to capital markets. Fears of a crash in the stock price aren't likely to materialize soon.

However, Tesla's chances of becoming a sustainable business that doesn't need constant capital markets access to survive seems less likely than a sports car in orbit.

—Charley Grant

PYEONGCHANG 2018

THE WINTER OLYMPICS

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THE WALL STREET JOURNAL.

Thursday, February 8, 2018 | R1



ILLUSTRATION BY SEAN McCABE

Clockwise from top left, Shaun White (snowboard), Mikaela Shiffrin (Alpine skiing), Hwang Dae-heon (short track), Kim Jong Un, the unified Korean team, Evgenia Medvedeva (figure skating)

An Olympic Games With Big Hurdles

BY RACHEL BACHMAN

THE PYEONGCHANG Winter Olympics are the kind of Games that Olympic leaders are trying to leave behind.

These Games, which open Friday, spurred \$10 billion in construction of facilities in a remote area far from the European and North American hubs of winter sports. Ticket sales lagged as tensions with the host country's increasingly restive nuclear-armed neighbor, North Korea, scared off some visitors.

Now, North Korea will participate in the Games thanks to a controversial last-minute agreement between Seoul and Pyongyang—a deal that has irritated some South Koreans who think attention for their years of planning has now been swiped by North Korean leader Kim Jong Un.

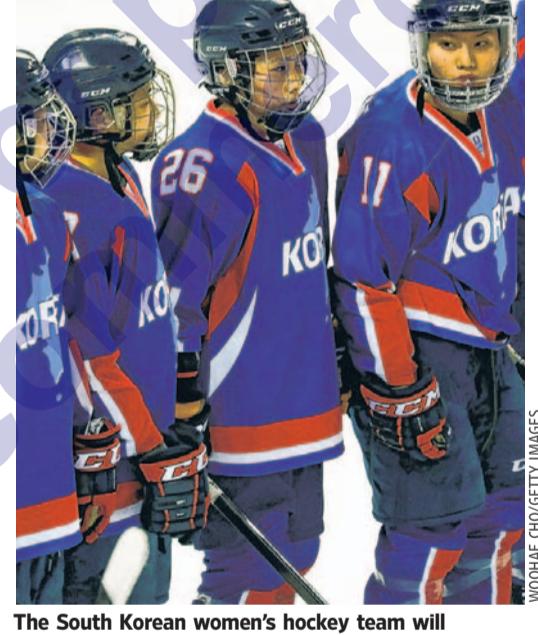
In the U.S., an exodus of younger Olympics viewers and a lack of recognizable stars threaten to extend a yearslong decline in TV ratings and strain NBC's \$1.3 billion investment in media rights.

"All of these coming together in one Olympics Games could be quite challenging for the Olympic movement within the United States," says Heather Dichter, associate professor of business and an Olympics scholar at De Montfort University in Leicester, England.

The International Olympic Committee is a few years into a plan that aims to make the Olympic Games more sustainable, affordable and accessible. But since these Games were awarded before that push, they will resemble the status quo: a skyline of pricey new facilities at the end of a long journey for most athletes and fans—plus a still-unfolding exercise in political triage.

North Korea is sending 22 athletes to compete in five events in the Games. The South Korean women's hockey team will incorporate North Korean players, and athletes from North and South will march in the Opening Ceremony under a unified flag.

Though some see the agreement as placating a hostile government, others see participation of North Korean athletes as



The South Korean women's hockey team will incorporate North Korean players during the Games.

a sign of hope—or insurance against disruptive actions during the Olympics.

About 10,000 miles and a half-day on the clock away—Pyeongchang is 14 hours ahead of U.S. Eastern time—American viewers will greet a largely new Olympics cast of characters. Most medal contenders—including snowboarder Chloe Kim and figure skater Nathan Chen—are largely unknown to casual U.S. viewers. The NHL's decision not to send its players to the Olympics means men's hockey games will look less like all-star matchups and more like the Great Lakes Invitational. But there will be some familiar names. Snowboarder Shaun White and skier Lindsey Vonn are contenders in their events, skier Mikaela Shiffrin is a rising star and a deep U.S. team has a chance to win the medal count.

Even NBC's lineup has been overhauled. Long-time prime-time host Bob Costas has moved on, and Matt Lauer exited after a report of inappropriate workplace behavior at the 2014 Olympics. Mike Tirico, a daytime host for the 2016 Olympics,

Please see WINTER page R2

The IOC is a few years into a plan that aims to make the Olympics more sustainable, but Pyeongchang was named host before that push.

IT'S TIME FOR SWEAT, GLORY AND CURLING

BY JASON GAY



The Winter Olympics open Friday in Pyeongchang, South Korea, and if you're feeling behind, I'm here to help.

There will be two weeks and two days of events, sweat, glory, sparkles—and, of course, the planet's greatest sport, curling. Iconic athletes will do iconic things; unknowns will become newly immortal. NBC will try and goose your emotions with its ooey-gooey soap-opera treatment. You know it's the Olympics when you sob over the accomplishments of people you hadn't heard of 20 minutes before.

As usual, there's some geopolitical Olympic weirdness, with these Games happening less than an hour's drive away from, uh, North Korea. Let's not act like this is perfectly calm and normal—the world gathered at the doorstep of a dictatorship currently playing nuke chicken with an agitated White House. "The World's Most Dangerous Olympics," these Games been called—try finding that on a T-shirt at the airport. North Korea recently agreed to send athletes, however, so there's optimism these Games will be peaceful and maybe even relation-repairing. But it will be edgy. And there will probably be tweets.

In other pre-Olympic controversies, there's also the Russian team, though you're not supposed to call them that, because the actual Russian team got kicked out of these Games for a state-sponsored doping scandal at the 2014 Winter Olympics (that they hosted!), so you're supposed to call any Russians sanctioned for Pyeongchang the Olympic Athletes from Russia,

Please see GAY page R7



Rachel Homan is a medal contender in curling.

MARK SCHIEFELBEIN/ASSOCIATED PRESS

INSIDE



THE RACE FOR GOLD

The medals battle looks like it may come down to two nations: the U.S. and Norway.



SCHEDULE OF EVENTS

Alpine skiing, figure skating and snowboard will get prime-time treatment in the U.S.



TARA AND JOHNNY

Meet the rare sportscasters who are unafraid to criticize the athletes.



GOING TO THE EXTREME

Freestyle skiing and snowboard have tilted the balance of power from traditional sports.



SLEEP IS OVERRATED

American ski jumpers have an unusual plan. They're not trying to avoid jet lag.

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R4-5

R6

R7

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PYEONGCHANG 2018



Johannes Lochner
and the rest of the
German bobsled
team, above. U.S.
biathlete Susan
Dunklee, below.

BY RACHEL BACHMAN AND
ELLEN EMMERENTZE JERVELL

THE MEDALS RACE in the Pyeongchang Olympics could come down to two nations: one that's mastered a single activity, cross-country skiing; and another that's gotten startlingly good at a bunch of them.

Norway and the U.S. finished in a virtual dead heat in The Wall Street Journal's projected medal count. Each could win 36 Olympic medals, although the Journal's simulations show the U.S. is slightly likelier to get there.

"Our job is to provide the resources necessary for Team USA to be successful," says Alan Ashley, chef de mission for the U.S. team at Pyeongchang 2018. "If we do that, the medal count will take care of itself."

The Journal's forecasting system identified medal contenders in all 102 events using results at recent national and international competitions and interviews with experts. It assigned each contender a probability of winning a gold and of winning any medal.

For example, Japanese figure skaters Shoma Uno and Yuzuru Hanyu were given 40% and 30% chances, respectively, of winning gold in men's singles. American Nathan Chen was given a 30% chance. All three skaters were given a 70% chance of winning any medal—gold, silver or bronze—with three other competitors given

smaller chances.

John Dewan, a sports actuary and founder and owner of Sports Info Solutions, used the Journal's probabilities to run 1,000 simulations of these Olympics. In those simulations the U.S. won or tied for the most overall medals 447 times. Norway won or tied the medal count in 438 simulations, followed by Canada (145) and Germany (103).

Germany is projected to win the most gold medals, 13, the measure of supremacy used by much of the rest of the world. Germany won or tied for the most golds in 420 Olympic simulations, followed by Norway with 371 and the U.S. with 248.

Host nation South Korea is projected to win 13 medals: eight in short-track speedskating, four in long-track speedskating and one in skeleton.

The Journal is predicting the U.S. will win medals in 12 of 15 sports, or 80% of them, which would be its most comprehensive showing ever, according to data from Olympic historian Bill Mallon.

Team USA has increased its sporting diversity in recent decades. It won medals in just two sports—figure-skating and speed-skating—out of 10 at the 1988



Winter Olympics but improved to winning medals in 10 of 15 sports, or 67%, at the 2002 Games.

The U.S. features Alpine women's skiing stars Lindsey Vonn and Mikaela Shiffrin and a slew of medal favorites in snowboarding and freestyle skiing. Heather Bergsma leads a long-track speed-skating team that can only improve after it went medal-less in 2014 in racing suits some athletes said impeded their performance.

But the real leap forward could come from a foray into Norway's territory: cross-country skiing. A powerful U.S. women's team led by

five-time Olympian Kikkan Randall has a chance at not one but multiple medals.

Americans Susan Dunklee and Lowell Bailey both made the podium at the 2017 world championships in biathlon, the sport that combines cross-country skiing and riflery. The U.S., despite its embrace of firearms, has never won a medal in the sport.

The results of the 2014 Olympics in Sochi show how difficult prognosticating can be. At Games' end Russia had 33 medals, a commanding victory in the overall count.

A few years later the IOC stripped 13 of those medals based on allegations that Russia orchestrated a widespread doping scheme at the Sochi Olympics, something Russian officials have denied. More recently the Court of Arbitration for Sport, an appellate court for sports cases, issued a ruling that could reinstate as many as nine of those medals due to insufficient evidence of doping.

The International Olympic Committee nominally banned Russia from the Pyeongchang Games due to the doping allegations but is allowing athletes cleared by an IOC panel to compete under the heading "Olympic Athlete from Russia."



Winter Winners

Total projected medals and projected golds for the Pyeongchang Games:

PROJECTED MEDALS	PROJECTED GOLDS
USA 36	GER 13
NOR 36	NOR 12
CAN 33	USA 11
GER 32	CAN 11
FRA 20	FRA 7
NED 18	NED 6
JPN 14	JPN 5
KOR 13	KOR 5
SWE 13	SWE 5
RUS 12	ITA 5
AUT 12	RUS 4

Note: Predicted medal totals for each country, based on probabilities calculated by WSJ and analyzed by John Dewan of Sports Info Solutions.

The result will be a Russian team in Pyeongchang similar in size to its squad of 175 in Vancouver but missing standouts such as short-track speedskater Viktor An and biathlete Anton Shipulin. Russian athletes are likely to win 12 medals, four of them gold, according to Journal projections.

Norway has parlayed its cross-country skiing prowess into a growing Winter Olympics empire. In Sochi, it won 21 of its 26 medals in just three sports, all of which employ cross-country skiing: biathlon, Nordic combined—a sport that blends cross-country skiing and ski jumping—and cross-country skiing by itself.

The Journal predicts Norway will win a total of 23 medals in the three cross-country skiing-related sports. It also will improve in ski jumping, and in Alpine skiing on the strength of 30-something standouts Kjetil Jansrud and Aksel Lund Svindal.

Germany went to Sochi with visions of winning 30 medals but finished with—katastrofe!—19. The DOSB, Germany's Olympic Sports Confederation, undertook a two-year review of its operations, identified sports and athletes with the best chances to win medals and gave them more funding.

Its goose-egg performance in bobsled four years ago was so disastrous that one journalist called it "a Trabant on ice," in reference to the two-cylinder, plastic-bodied cars once made in East Germany.

"After this, we thought that this could never happen again," says René Spies, the German bobsled coach. The team ditched its old sleds and gave athletes two choices for replacements: an Austrian-designed model and one from Germany's Institute for Research and Development of Sports Equipment.

"But there's only one competition that counts at the end," Spies says, "and this is the Olympics."

WINTER

Continued from page R1
takes over the lead role in prime time. NBC also wooed back Katie Couric to host the opening ceremony, her first since the 2004 Summer Games.

The Pyeongchang Olympics' \$12.6 billion tab so far is close (by Olympic standards) to its \$11.8 projected budget and far below the Sochi Games' reported \$51 billion price tag. Christophe Dubi, IOC Executive Director for the Olympic Games, praised organizers' years of work and called Pyeongchang "a superb new destination."

Yet prospects to keep the facilities in regular use after the Games are slim, given that they sit in a lightly populated area not widely known for winter sports. A few years ago, Pyeongchang organizers declined the option of co-hosting some Olympic events, such as bobsled and other sliding events at an existing facility in Japan.

"At the time they were not open to change and they decided to continue with building a number of venues," Dubi says, noting that leadership in South Korea's government and in the Pyeongchang Organizing Committee have since changed.

Pyeongchang Olympics spokesman Lim Song-jae says when the IOC reached out about alternative venues in early 2015, work on Pyeongchang's sliding center already was under way. Final price tag: more than \$100 million.

Pyeongchang organizers say they support the IOC's reforms

and are using six existing venues for these Olympics. They said the Games' budget includes spending on infrastructure that will benefit the region for years, including a high-speed railway.

Another reform was limiting Winter Olympics to about 100 events and 2,900 total athletes, says Kit McConnell, IOC sports director. Emphasis is on "about": Pyeongchang will have 102 events and 2,925 athletes.

Pyeongchang has one major advantage over recent Winter Games sites: cold weather.

Pyeongchang has one major advantage over recent Winter Games sites: cold weather. The average daily temperature in its mountains during the weeks of the Olympics over the past 10 years has been about 23 degrees Fahrenheit. That's much more snow-friendly than coastal Sochi or Vancouver.

In the longer-term, global climate change will limit the number of locations where Winter Olympics can take place, according to analysis by researchers led by the University of Waterloo in Ontario. If global emissions of greenhouse gases aren't dramatically reduced, only eight of the 21 cities that have hosted the Winter Olympics would be cold enough to reliably host them again, researchers say.

The Paralympics are at greater



A volunteer on the course at Jeongseon Alpine Center.

risk because they're typically held the month after the Olympics, in March. Future Paralympics might have to be moved to a separate location or run concurrently with the Olympics, says Dr. Daniel Scott, university research chair in climate and society at the University of Waterloo.

The Winter Games' biggest obstacle might be public sentiment. Innsbruck, Austria, was preparing a bid for the 2026 Olympics that seemed to align perfectly with the IOC's goals. The area had hosted the Olympics twice before and had nearly all the facilities needed. Austrian voters rejected the idea.

in a referendum. Current 2026 Olympics candidates include Calgary, Stockholm, Sapporo, Japan, and Sion, Switzerland, Dubi says.

For its challenges, Pyeongchang appears to have all of its relevant hardware in place.

—Kwanwoo Jun and Miho Inada contributed to this article.

PYEONGCHANG 2018

How Milliseconds Make or Break an Olympic Medalist

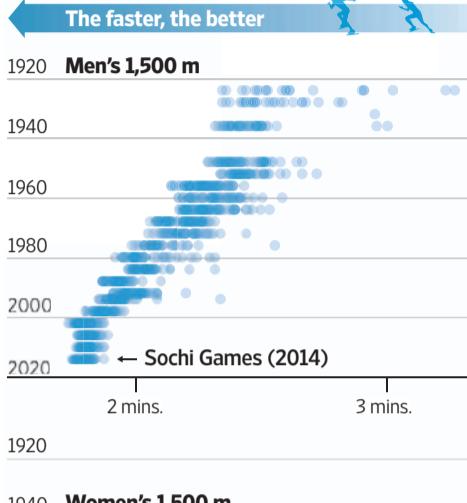
In the Olympics, every little detail counts: aerodynamics, equipment and, most important, technique. The average results in some Winter Olympics disciplines have become almost twice as fast as they were decades ago. Speed skating exemplifies

how dominant modern athletes have become over their predecessors. One of the fastest human-powered sports in the Olympics, the margin of winning gold and not medaling is decided in time it takes to blink.

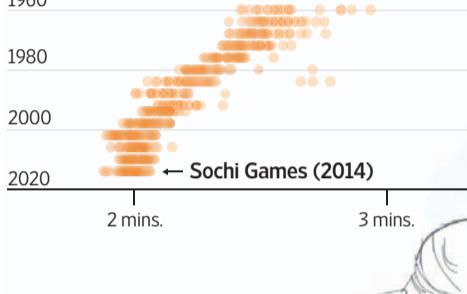
Fastest Speed Skating Has Ever Been

Speed skating gradually changed over the course of the last century. But the major breakthrough happened in 1976. That's when Swiss skater Franz Krienbühl finished 8th at the 10,000-meters races at the age of 46 by introducing the first known aerodynamic skating suit.

Fastest Olympic speed skater vs. the slowest



Women's 1,500 m

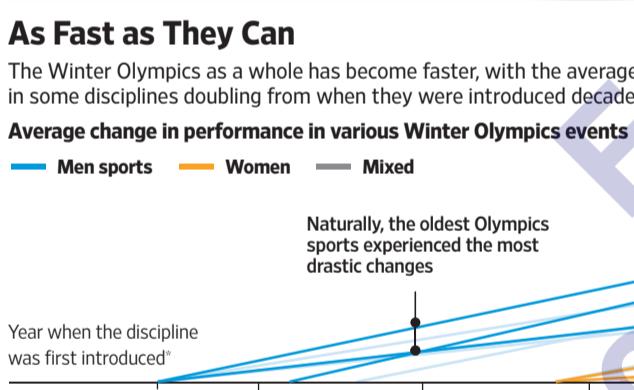


Biney's greatest strength is her acceleration. Using her powerful upper thighs, she pushes outward rather than backward to cut into the ice ...

As Fast as They Can

The Winter Olympics as a whole has become faster, with the average results in some disciplines doubling from when they were introduced decades ago.

Average change in performance in various Winter Olympics events



Sources: Olympic.org; International Olympic Committee

* Only events introduced before 1980

Maame Biney: Power and Speed

Maame Biney, 18, will make her Olympics debut in Pyeongchang. She is expected to be a force on the U.S. short-track team. Known for her powerful acceleration, here's how she generates momentum on the ice.

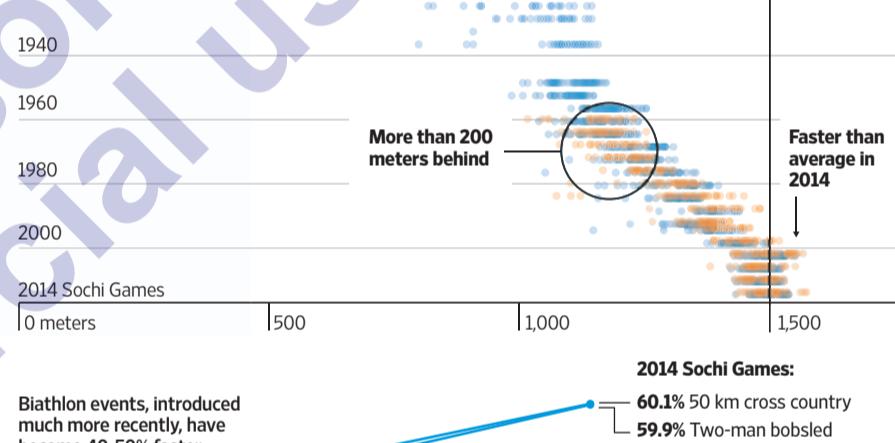
The outer arm swings rhythmically to generate forward momentum and maintain balance.

Entering a corner, short-track speed skaters touch their inner hand to the ice for extra stability.



A Race Against Time

Distance the previous 1,500-meter Olympic speed skaters cover in the average time of their sport in 2014:



Naturally, the oldest Olympics sports experienced the most drastic changes

Luge had the smallest increase in speed

Biathlon events, introduced much more recently, have become 40-50% faster

2014 Sochi Games:	
60.1%	50 km cross country
59.9%	Two-man bobsled
50.0%	20 km biathlon
48.7%	Biathlon, 4 x 75 km relay
36.6%	Downhill alpine skiing
32.7%	Speed skating, 1500m
12.6%	Alpine skiing, slalom
7.3%	Luge, doubles
5.5%	Luge, singles

Yaryna Serkez and Mike Sudal/THE WALL STREET JOURNAL.

BY JOSHUA ROBINSON

THE HOTTEST CLUB IN KOREA:

Gangneung Ice Arena



HOW HWEE YOUNG/EPA/SHUTTERSTOCK

Skaters during a training session for the Olympic short-track event at the Gangneung Ice Arena.

On home ice, following sustained investment in this relatively obscure sport, short-track skaters are expected to account for at least 60% of Korea's gold medals.

As in so many countries with particular prowess in a winter event, much of the explanation for South Korea's success comes down to facilities. A country of 51 million, it has 35 accredited rinks for short-track, including seven in Seoul alone. While that number is high, if not exceptional, Korea makes better use of those rinks than most.

Because it funnels children into the sport

early, the Korean Skating Union in 2017 boasted 182 registered short-track skaters still in elementary school. Combined with intensive coaching methods that focus on long hours of dull repetition, the national setup has yielded an average of six medals per Olympics.

"They can open a can and shake five great athletes out of it," Otter said. "When it's empty, grab another can and, hey, they've got another three or four. Their grassroots is very, very strong."

Korean women lead this season's World

Cup rankings in two of the four distances while holding second place in the other two. And on the men's side, Koreans are in the top three in three of the four distances. Their stiffest competition is set to come from Canada, the Netherlands, China and Hungary.

But if short-track skaters are to the Winter Olympics what sprinters are to the Summer Games, then the one damper on this event in Pyeongchang is that the competition will unfold without the closest thing short-track has had to Usain Bolt in recent years. His name is Viktor An and he took four medals, including three golds, across the four men's events in Sochi. The man was also an international incident waiting to happen.

Born Ahn Hyun-Soo in Korea, he competed for his native country at the 2006 Turin Games before a major injury in 2008 wrecked his form ahead of 2010 qualifying. It was around that time that Ahn fell out with the Korean Skating Union and became the prize catch in Russia's global trawl for potential medalists ahead of the Sochi Olympics. By 2014, by order of the Kremlin, Ahn Hyun-Soo had become Viktor An.

His races in Korea this February, in front of his former home crowd, were set to be among the highlights of the Olympics. But following the ban on the Russia delegation, Ahn didn't receive an invitation to compete.

An's absence should free up some medals for Korea and others. But the host nation's preparations haven't gone as smoothly as hoped. Last month, the Korean Skating Union had to suspend a coach for striking one of the top women's skaters, 21-year-old Shim Suk-hee, according to the federation. Shim, a medal contender in three disciplines, has since resumed training under a different coach.

"It is important for athletes to perform at the Winter Games in good conditions and atmosphere and overcome the incident," Kim Sun-tae, the head of the South Korea short-track program, told the Yonhap News Agency last month. "We wish to apologize for disappointing many people who love short-track speedskating."

—Min Sun Lee contributed to this article.

IN LONDON, it was the velodrome. In Sochi, it was the biathlon complex. And in Rio de Janeiro, it was the volleyball court on Copacabana beach. At every Olympics one venue always emerges as the place to be for hometown heroics, the hot spot where rabid local fans meet gold medals.

There is no debate over which venue will play that role in Pyeongchang. It's called the Gangneung Ice Arena. And beginning on Feb. 10, the 12,000-capacity dome will host short-track speedskating for five nights of craziness.

"We're going to Korea, the Mecca of short-track," said Dutch national short-track coach Jeroen Otter. "Everybody knows their athletes. Everybody knows even the competitors from other countries. It's going to be a blast."

Though soccer and baseball will always be more popular in Korea, short-track fans make themselves heard around the Olympics, inside the venue and out. When former U.S. star Apolo Ohno found himself at the center of a controversy at the 2002 Games, costing his Korean rival a gold medal on the final lap of a race, Korean fans bombarded the U.S. Olympic Committee with angry emails. The ensuing animosity festered to the point of the U.S. delegation pulling out from a World Cup meet in South Korea the following year.

That kind of drama isn't exactly rare in short-track, one of the most explosive sports at the Games. A lap is only 111 meters long. The shortest event, the 500 meters, is over in little more than 40 seconds. And there is so much contact between skaters amid flying skate blades that they are required to wear cut-proof gloves and Kevlar-laced suits.

But since it first appeared as an exhibition sport at the 1988 Games in Calgary, no one has embraced it as fervently as South Korea. The country has won 21 Olympic gold medals in short-track, more than twice as many as any other country. Four years ago, Korea took five out of 24 medals available in Sochi.

PYEONGCHANG 2018

SCHEDULE OF EVENTS

What to Watch at the Games

With a 14-hour time difference between Pyeongchang and U.S. Eastern time, one of the biggest challenges for American audiences will be figuring out when their favorite Olympic competitions are on.

Early local start times in Alpine skiing, figure skating and snowboard allow these events to be broadcast in prime time for U.S. audiences.

New events debuting at these Olympic Games include big air snowboarding, an Alpine skiing team event, mass start speedskating and mixed doubles curling.

With the absence of NHL players, the battle for gold in men's ice hockey is wide open. Team Canada has won the last two Olympic competitions, but the Olympic Athletes from Russia (OAR) team should be considered the favorites with a roster stacked with talent from Russia's KHL.

—Jim Chairusmi



ELANA MEYERS TAYLOR has her sights set on gold in bobsleigh, after taking bronze in 2010 and silver in 2014. The women's event concludes on Feb. 21.



GUS KENWORTHY is back for a run at another Olympic medal, after he won a silver in slopestyle in Sochi. The finals will be broadcast on Feb. 17. On Feb. 19 and 21, the finals of halfpipe are decided, with reigning gold medalists David Wise and Maddie Bowman leading U.S. teams that have the potential to sweep the podium.

ALL TIMES LISTED ARE EST
*Medal events only

9	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	
Opening Ceremony 6:00-8:00																
10 Saturday	Cross-Country Skiing Men's 15 km + 15 km Pursuit 11:30-1:30	Biathlon Women's 10 km Pursuit 5:10-6:00	Cross-Country Skiing M/W Individual Sprint Classic 3:45-4:45	Nordic Combined Men's Individual 10 km 3:45-4:45	Cross-Country Skiing Men's 15 km Free 1:00-2:50	Speed Skating Women's 1000 m 5:00-6:30	Cross-Country Skiing Women's 4 x 5 km Relay 4:30-5:45	Cross-Country Skiing Men's 4 x 10 km Relay 11:15-3:10	Freestyle Skiing Women's Aerials Finals 6:00-7:20	Speed Skating Men's 1000 m Final 5:00-7:55	Cross-Country Skiing Women's 3000 m 3:00-5:00	Ice Hockey Women's Bronze Medal 2:40-5:00	Speed Skating Short Track Women's 500 m Final 5:00-6:20	Cross-Country Skiing Men's 50 m Mass Start Classic 0:00-3:05	Curling Men's Gold Medal 1:35-4:55	Cross-Country Skiing Men's 30 km Mass Start Classic 1:15-3:20
Cross-Country Skiing Women's 7.5 km + 7.5 km Pursuit 2:15-3:20	Speed Skating Men's 5000 m 2:00-4:15	Freestyle Skiing Men's Moguls Final 9:30-6:00	Biathlon Men's 12.5 km Pursuit 7:00-7:55	Cross-Country Skiing M/W Team Sprint Classic 3:45-4:45	Speed Skating Women's 500 m Final 5:00-7:30	Biathlon Women's 15 km Individual 6:05-8:00	Luge Women's Single Heat 3 & 4 5:30-7:55	Cross-Country Skiing Men's 20 km Individual 6:00-8:00	Freestyle Skiing Women's 10 km Free 1:30-3:15	Speed Skating Women's 5000 m 6:00-7:30	Short Track Speed Skating Women's 1500 m Final 5:00-7:55	Skeleton Women's Heat 3 & 4 6:20-8:40	Bobsleigh 2-man: Heat 3 & 4 6:15-9:00	Speed Skating Men's 500 m Final 6:00-8:00	Cross-Country Skiing Men's 50 m Mass Start Classic 0:00-3:05	
Speed Skating Short Track Men's 1500 m Final 5:00-7:50	Roman Repilov Russia	Mariit Leenstra Netherlands	Freestyle Skiing Men's Moguls Final 5:30-6:00	Speed Skating Men's 500 m 7:00-8:40	Speed Skating Women's 500 m Final 7:00-8:40	Speed Skating Women's 500 m Final 7:00-8:40	Luge Women's Single Heat 3 & 4 5:30-7:55	Biathlon Men's 15 km Individual 6:05-8:00	Speed Skating Women's 10 km Free 1:30-3:15	Speed Skating Women's 5000 m 6:00-7:30	Biathlon Men's 20 km Individual 6:00-8:00	Speed Skating Men's 1000 m Final 5:00-7:55	Biathlon Men's 2 x 7.5 km Mixed Relay 6:15-7:45	Speed Skating Men's 500 m Final 6:00-8:00	Cross-Country Skiing Men's 50 m Mass Start Classic 0:00-3:05	
Speed Skating Women's 3000 m 6:00-7:50	Luge Men's Single 3 & 4 4:50-7:35	Freestyle Skiing Women's Moguls Final 5:30-6:00	Blathlon Men's 10 km Sprint 6:15-7:55	Speed Skating Women's 1500 m 7:30-9:10	Speed Skating Men's 1500 m 6:00-7:45	Biathlon Men's 15 km Individual 6:05-8:00	Luge Men's Double Heat 1 & 2 6:20-8:25	Alpine Skiing Men's Super-G 21:00-23:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Biathlon Men's 20 km Individual 6:00-8:00	Speed Skating Men's 1000 m Final 5:00-7:55	Justin Kripps Canada	Freestyle Skiing Men's Aerials Finals 6:00-7:20	Cross-Country Skiing Men's 50 m Mass Start Classic 0:00-3:05	
Biathlon Women's 7.5 km Sprint 6:15-7:45	Roman Repilov Russia	Mariit Leenstra Netherlands	Blathlon Men's 10 km Sprint 6:15-7:55	Ski Jumping Women's Normal Hill Individual Final 7:50-9:20	Speed Skating Women's 1500 m 7:30-9:10	Speed Skating Men's 1500 m 7:30-9:10	Biathlon Men's 15 km Individual 6:05-8:00	Speed Skating Men's 10000 m 6:00-8:10	Biathlon Men's 10 km Individual Final 7:30-9:15	Speed Skating Men's 10000 m 6:00-8:10	Biathlon Men's 20 km Individual Final 7:30-9:15	Speed Skating Men's 1000 m Final 5:00-7:00	Biathlon Men's 2 x 6 km Mixed Relay 6:15-7:45	Speed Skating Men's 500 m Relay Final 5:00-7:00	Cross-Country Skiing Men's 50 m Mass Start Classic 0:00-3:05	
Figure Skating Team Event: Men's Free Skating Women's Free Skating Ice Dance Free Dance 20:00-23:25	Freestyle Skiing Women's Slopestyle Finals 20:00-21:45	Blathlon Men's 10 km Sprint 6:15-7:55	Snowboard Women's Slopestyle Finals 20:00-21:45	Biathlon Men's 10 km Sprint 6:15-7:55	Speed Skating Women's 1500 m 7:30-9:10	Speed Skating Men's 1500 m 7:30-9:10	Speed Skating Men's 1500 m 7:30-9:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Cross-Country Skiing Men's 50 m Mass Start Classic 0:00-3:05	
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Ski Jumping Men's Normal Hill Individual Final 7:35-9:20	Alpine Skiing Women's Giant Slalom 20:15-21:55	Blathlon Men's 10 km Sprint 6:15-7:55	Snowboard Women's Slopestyle Finals 20:00-21:40	Biathlon Men's 10 km Sprint 6:15-7:55	Speed Skating Women's 1500 m 7:30-9:10	Speed Skating Men's 1500 m 7:30-9:10	Speed Skating Men's 1500 m 7:30-9:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Speed Skating Men's 10000 m 6:00-8:10	Cross-Country Skiing Men's 50 m Mass Start Classic 0:00-3:05	
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PYEONGCHANG 2018

How Tara and Johnny Became Television Stars

Tara Lipinski and Johnny Weir are unlike other commentators in almost every way—especially their actual commentary

BY BEN COHEN AND LOUISE RADNOFSKY

THE MOST incisive, most engaging and maybe even the best sports broadcasters on television wear bedazzled headsets.

Tara Lipinski and Johnny Weir are still fashionable. They are still funny. They are still every bit as fabulous as they were in Sochi four years ago. They were such a success in their cable debut that NBC promoted the pair simply known as Tara and Johnny to become the network's lead figure-skating analysts for its primetime telecasts from Pyeongchang—the voices of perhaps the Winter Olympics' premier event.

But for all the obvious ways Tara and Johnny are not your average commentators—their conspicuous handbags, their 21 suitcases for wardrobe, beauty products and scented candles, the Instagrams commemorating their karaoke sessions—what makes them unlike nearly anyone on television is their actual commentary. They're as blunt as it gets on broadcast TV.

At the U.S. national championships last month, for example, Olympic contender Jason Brown landed a triple axel that looked under-rotated once they watched the replay. Tara and Johnny had to explain why the jump wasn't the way it appeared to the untrained eye. That meant dinging an incredibly popular skater at a pivotal moment with a spot on Team USA potentially on the line. They nailed it.

"Nearly a half-turn that he finished that jump on the ice, and there is no call," Weir said. "That is so unfair—"

"It really is," Lipinski said.

"—to the rest of the field," Weir said. "It's a sport. This is why there's trouble with the sport being popular."

It was the kind of brutally honest talk rarely heard by fans watching the NFL and NBA on networks that pay billions of dollars for broadcast rights.

"For some reason, we just don't care," Lipinski said. "We tell it like it is."

"It isn't the 90s anymore with Vaseline-wiped screens and back-stories," Weir said, describing the television coverage of yesteryear at an NBC conference alongside some of the commentators he and Lipinski dethroned. "It's the era of reality TV. And we try to make the best reality TV show there is at the Olympics."

Weir added last week: "We're not going to pretend somebody is absolutely wonderful when they're not. The time for that is over."

The degree of difficulty in calling Olympic figure skating is high. The sport appeals to two distinct types of fans: those who know everything and those who know nothing. The vast majority of NBC viewers are the latter. They will rely on Tara and Johnny. And sharp technical analysis might not be what they expect to hear from such bubbly commentators.

But they believe criticism is a crucial part of the job. When he



ILLUSTRATION BY DALE STEPHANS

was competing, Weir said, he was frustrated by the focus on his flamboyance rather than his figure skating. He's trying to change that now that he has the chance. "For people to really get behind the sport, they have to understand what they're seeing and not focus on the fluff," he said.

'We're not going to pretend somebody is absolutely wonderful when they're not.'

NBC is counting on Tara and Johnny as much as anyone in Pyeongchang.

Between the 14-hour time difference and concerns about the extraordinary political climate, this was never going to be the breeziest Olympics, and that was before idle chatter of nuclear war engulfed the Games. After ratings declines in Sochi and Rio, the network is staring down its own unexpected drama in Pyeongchang. Matt Lauer won't be at the Olympics after he was fired for alleged sexual misconduct last year. Mike Tirico is making his debut in the host's chair, and there are so few recognizable faces that NBC signed Katie Couric to co-host its cover-

age of the opening ceremony.

And then there are Tara and Johnny. They have become the rare sports broadcasters who are more famous than the people they cover.

Tara and Johnny were an experiment in Sochi, where they called figure skating live on cable during the U.S. daytime before NBC aired the competitions on tape delay in primetime. "We went out there and said, 'Let's just see what happens,'" Lipinski said. What happened was beyond their wildest expectations. Once their broadcasts crackled with undeniable chemistry, NBC made it clear that Tara and Johnny were the future of its Olympic programming.

They replaced NBC fixture Scott Hamilton as the network's lead figure-skating analysts later that year. And soon they were everywhere: the Kentucky Derby, the National Dog Show, the Golden Globes. They have their own podcast, hundreds of thousands of followers on social media and even a shared Instagram account that gives viewers a behind-the-scenes peek at their preparation.

While their commentary is a reflection of their big personalities, it's also subtle in a way that NBC wants other broadcasters to emulate.

Tara and Johnny have "the ability to offer criticism without being a sharp stick in the eye," said NBC

Olympics executive producer Jim Bell. "I think Johnny and Tara are great examples of analysts who are able to say why something wasn't good without coming off as being harsh."

Like most commentators, they are former athletes. Lipinski won Olympic gold in 1998, and Weir is a three-time national champion and two-time Olympian perhaps best remembered for a costume he once described as "a Care Bear on acid."

Unlike most commentators, skating isn't overrun with conflicts to navigate. There are no future jobs to angle for or former teammates to protect.

"They're talking to their constituency—which is their audience," Bell said.

They balance their objective analysis by discussing more subjective topics like pressure and artistic interpretation. And they're not afraid to be ebullient when the situation warrants enthusiasm. At last year's U.S. championships, when Tara and Johnny helped anoint Olympic gold contender Nathan Chen as the next great American figure skater, all it took to understand his talent was their sheer wonder.

"Quad toe!" Lipinski said. "I can't."

"This is beyond wow," Weir said.

"Bow down to Nathan Chen,"

Lipinski said. "I have never seen a skater like him."

But their effusive praise was only credible because Johnny and Tara are critical when they have to be. Ashley Wagner being left off the Olympic team after the U.S. trials last month was a controversial decision, but anyone who listened to Tara and Johnny during her performance would have known there were problems with her program.

"There's not a whole lot more she could have done except that one bobble early," said Terry Gannon, the play-by-play announcer on their team.

"Well, Terry, there was," said Lipinski, who proceeded to explain what exactly it was.

"And the technical panel is saying that triple toe loop on that triple flip, triple toe loop combination was under-rotated," Weir said without missing a beat. "It was a difficult performance. You could see there were nerves. You could see her breathing heavily the whole way."

Weir admits that he's taken his criticism too far at times and has apologized to skaters afterward for his commentary on air. But to restrain themselves would be the least Tara and Johnny thing imaginable.

"It is probably a big change to have this honesty, and we're hoping the audience appreciates it," Lipinski said. "Fingers crossed."

THE OLYMPICS' MOST POLARIZING SPORT

the general population to watch the Olympics, and consequently are likelier to watch nearly every sport (except bobsled and other sliding sports, on which they're average). Other Democratic favorites include figure skating (18% likelier), snowboarding (16%) and men's hockey (12%).

The numbers come from an online survey of 1,027 adults representative of the U.S. population from Jan. 10 to 12. Deep Root Analytics, an audience segmentation firm that works in commercial and political advertising, conducted the poll for political campaigns aiming to target Olympic viewers ahead of the 2018 midterm elections.

Political candidates wanting to reach swing voters during the Olympics should avoid snowboarding, which the undecided are 17% less likely to tune into.

Instead, candidates might buy a commercial on a program swing voters are 13% more likely to watch: the closing ceremony.

—Rachel Bachman



Team USA's Megan Keller controls the puck against Canada's Rebecca Johnston.



Democrats are 29% more likely than the general population to watch women's hockey in the Winter Olympics. Republicans are 44% less likely to watch it.

Those are two findings of a poll by Deep Root Analytics into voters' Olympic viewing plans.

Republicans are about even with the general population in their likelihood to watch the Olympics overall, but are a whopping 37% likelier to watch the opening ceremony. They're 16% likelier to watch bobsled, luge and skeleton, and 29% less likely to watch curling.

Democrats are 21% likelier than

KYLE TERADA/REUTERS

PYEONGCHANG 2018



X Games Take Over Olympics

BY RACHEL BACHMAN
AND BRIAN COSTA

THE U.S. WANTED to add ski slopestyle to the 2014 Sochi Winter Olympics. The event features athletes performing tricks on a downhill obstacle course, and Americans were dominating it.

But to get the event, along with a likely boost to the U.S. medal count, American officials had to do something unusual. They had to collude with Russia.

"As we were pushing slopestyle, which the Russians were ambivalent about, they said, 'We'll take slopestyle but you have to give us parallel slalom snowboarding,'" says Luke Bodensteiner, executive vice president for athletics at U.S. Ski & Snowboard.

The International Olympic Committee approved adding both events. Russia won the gold in men's parallel slalom snowboarding—a second slalom event that existed only for those Games. The U.S. won four medals in ski slopestyle:

Devin Logan won the women's silver and the men swept the podium, only the third sweep in American Winter Olympics history.

That coup was part of a larger American effort to add to the Winter Olympics more of the X Games-type events that the U.S. invented or popularized. There is no question about the growing prominence of freestyle skiing and snowboarding athletes. In 1998, there were 24 medals up for grabs in those sports. In Pyeongchang, there are 60.

Americans' success at these new events has tilted Team USA's balance of power away from some traditional sports and toward these highflying spectacles. Snowboarders and freestyle skiers accounted for 12 of the world-best 28 medals won by the U.S. in Sochi in 2014. For comparison, U.S. alpine skiers won five medals, and short- and long-track speedskaters won a single silver in 20 events.

In Pyeongchang, Americans are among the favorites in another flipping-and-jumping event making its debut: snowboard big air. The

rise in extreme sports at the Olympics has stoked a friendly rivalry between the skintight-suit-wearing alpine racers and the baggy-pantsed daredevils on snowboards and freestyle skis.

"We sort of feel like the ugly stepchildren," said David Wise, an American who won gold in the 2014 debut of the men's ski half-

Americans' success at these new events has tilted Team USA's balance of power.

pipe event. "But when you're the ugly stepchildren that win the most medals, everyone's got to take notice."

The U.S. hasn't gotten better at snowboarding and freestyle skiing so much as it has lobbied to be better-rewarded for them. Over the past two decades, ski-resort

Extreme Success

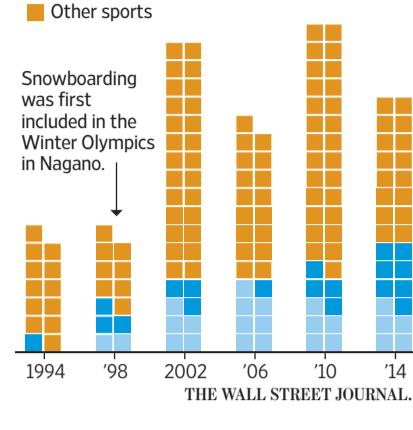
The number of extreme-sports events in the Winter Olympics has increased to 20 this year from four in 1994. The U.S. team has cashed in.

Percentage of freestyle skiing and snowboard events of overall Olympics events



Source: Olympedia.org

Number of U.S. medals in Winter Olympics



THE WALL STREET JOURNAL.



Nicholas Goepper, left, competes in the men's ski slopestyle. Above, racers in the FIS Freestyle World Cup parallel giant slalom men's final in 2017.

operators built or expanded terrain parks with snowy ramps and obstacles that made slopes resemble alpine skateboard parks. Terrain parks drew snowboarders and helped fuel a surge in freeskiing, an experimental style of skiing centered on doing tricks.

U.S. Ski and Snowboard aimed to harness the power of those skiers and riders. In summer 2010, the group sent word through the international ski federation, FIS, to the IOC, that it wanted to add two events for the Sochi Olympics: halfpipe skiing and snowboard slopestyle. The IOC responded with a question: How about ski slopestyle, too?

American officials were startled; the event was still developing internationally. Fresh off spectacular TV ratings for the men's snowboard halfpipe in Vancouver, "the IOC was being more aggressive than ever we were," said Bodensteiner, the U.S. Ski & Snowboard executive.

But the IOC was eager for change. It had a growing appetite for competitions that wouldn't require additional pricey facilities and that could grab young viewers. Olympic TV ratings, though still large, had begun to level off along with those of most broadcast programs.

After some more scrambling, the U.S. lobbying effort paid off: Eight freestyle skiing and snowboard events were added for 2014, four each for men and women. The U.S. won one-third of the new medals, including five golds.

Kit McConnell, IOC sports director, says the one-off snowboard slalom event in Russia was "part of

the flexibility we have with the program now, to find these balances."

The Russian Olympic Committee didn't respond to requests for comment.

McConnell raved about the photo and video images from slopestyle events in particular, saying "Having these events, I think, brought an additional attraction from the youth. Adding big air for Pyeongchang has continued that innovation."

Some traditionalists are less enthusiastic about the new events. Ahead of the Sochi Games, veteran NBC broadcaster Bob Costas called slopestyle "basically just 'Jackass' stuff that they invented and called Olympic sports," referring to the former MTV reality show. (Costas isn't part of the NBC broadcast team this year).

Likewise, some snowboarders are still ambivalent about the Olympics, viewing them as secondary to the X Games. "There's a big divide," says Todd Richards, a member of the 1998 U.S. halfpipe team. "There are people who could care less about the Olympics."

Nonetheless, extreme sports has overcome its doubters in the Olympic realm. Twenty years ago, when snowboarders first descended on the Winter Olympics in Nagano, it was as if they had landed from another planet. They stayed in their own hotel in the mountains of Japan, sequestered from the venerable Olympians, such as alpine skiers and figure skaters. "We were guinea pigs," Richards said. "It just kind of seemed like, 'Oh, these crazy kids. Let's see if this lasts.'"



Left, Poland's Kamil Stoch in the ski jump.
Right, Pita Taufatofua of Tonga is back...this time for a Winter Games.

There are worries about ticket sales and quiet arenas, like a Brooklyn Nets home game. These headaches aren't new to the Olympics—even London had attendance worries early on—but it's a problem. It's to the point where you can't even give the Winter Olympics away—the next winter host is Beijing, the host of the 2008 Summer Olympics. The IOC sounds eager to get back to the mountain hamlets of Europe, but Europe isn't so sure—Oslo and Stockholm bailed from the running for 2022, determining it just isn't worth the hassle.

I sound like I'm really railing on the Olympics, but I want to confess the truth: I'm really a sucker for the Games. This is my standard line: *Every day at the Olympics, you see the best day of someone's life.* (My editor, Jim Chairusmi, may be able to bet on curling, so it could be the best day of his life.) There are great U.S. team stories like the skater Nathan Chen and the snowboarder Chloe Kim, and

by the end of February, the Colorado-raised skier Mikaela Shiffrin should add to her legend. I'm excited to see the frenzy of short-track speedskating and if Shaun White can return to his Flying Tomato Tomato-ness. There are Olympians from that Chicago ski jumping club the Journal's Ben Cohen wrote about. You probably saw that the NHL isn't going to these Games, but phooey on the NHL. It's all about the U.S. women's hockey team this year, anyway.

And of course there's the Tongan athlete Pita Taufatofua, a martial

artist who became famous at the Rio Summer Games for strutting into the opening ceremonies without a shirt, and has now qualified for Pyeongchang as a cross-country skier. Pita's delightful, improbable story has been chronicled rigorously by the Journal; his name is in the paper more than Peggy Noonan's.

Pita is not going to win a thing, but I'm psyched for him. Who isn't psyched for Pita? Stories like his are what the Olympics are really about.

Still, I should mention a final issue with these Games—they're go-

ing to be cold. Daytime temperatures at Pyeongchang Olympic Stadium have been hovering in the single digits this week. What is this world coming to—cold weather at the Winter Olympics?

Is it wrong to say I kind of loved those 59-degree days in tropical Sochi? Or the sun and short-sleeve afternoons in Vancouver in 2010? I'm not saying I have to be able to barbecue and beach volleyball, but I just packed three pairs of long underwear and wool mittens. Mittens!

Talk about an Olympic scandal. See you in Pyeongchang.

L-R: KERSTIN JOENSSON/ASSOCIATED PRESS; KAI PFAFFENBACH/REUTERS

GAY

Continued from page R1
or OAR. I'm not making any of this up. It's super goofy. OAR! The other day, the global Court of Arbitration for Sport let some more Russian athletes in, so they're actually going to have pretty close to a full squad. If you're an athlete who's trying to compete clean, I wouldn't blame you for wanting to scream into your trapper hat.

But this is what the Olympics are in 2018: messy. You probably saw in the Journal that these Games in Pyeongchang are exactly the kind of Games the International Olympic Committee is wiggle itself out of—faraway, expensive, nonsensical for potential hosts. The Journal's Eun-Young Jeong has chronicled some of the logistical headaches facing Pyeongchang: its remoteness, transit issues and lack of accommodations.

L-R: KERSTIN JOENSSON/ASSOCIATED PRESS; KAI PFAFFENBACH/REUTERS

ing to be cold. Daytime temperatures at Pyeongchang Olympic Stadium have been hovering in the single digits this week. What is this world coming to—cold weather at the Winter Olympics?

Is it wrong to say I kind of loved those 59-degree days in tropical Sochi? Or the sun and short-sleeve afternoons in Vancouver in 2010? I'm not saying I have to be able to barbecue and beach volleyball, but I just packed three pairs of long underwear and wool mittens. Mittens!

Talk about an Olympic scandal. See you in Pyeongchang.

L-R: KERSTIN JOENSSON/ASSOCIATED PRESS; KAI PFAFFENBACH/REUTERS

PYEONGCHANG 2018

Jet Lag Is Awful. Or Is It?

BY BEN COHEN

You'd have to be a little out of your mind to believe that flinging yourself off a ginormous ramp and flying hundreds of yards wearing skis is a sensible idea. Which is precisely why the world's best ski jumpers plan to arrive in Pyeongchang only days before their events. They want to be a little out of their minds.

They competed in Germany on Sunday; started their journey across the world on Monday; touched down in Seoul on Tuesday; trained in Pyeongchang on Wednesday; and compete in Olympic qualifying on Thursday before Friday's opening ceremony and Saturday's first medal event.

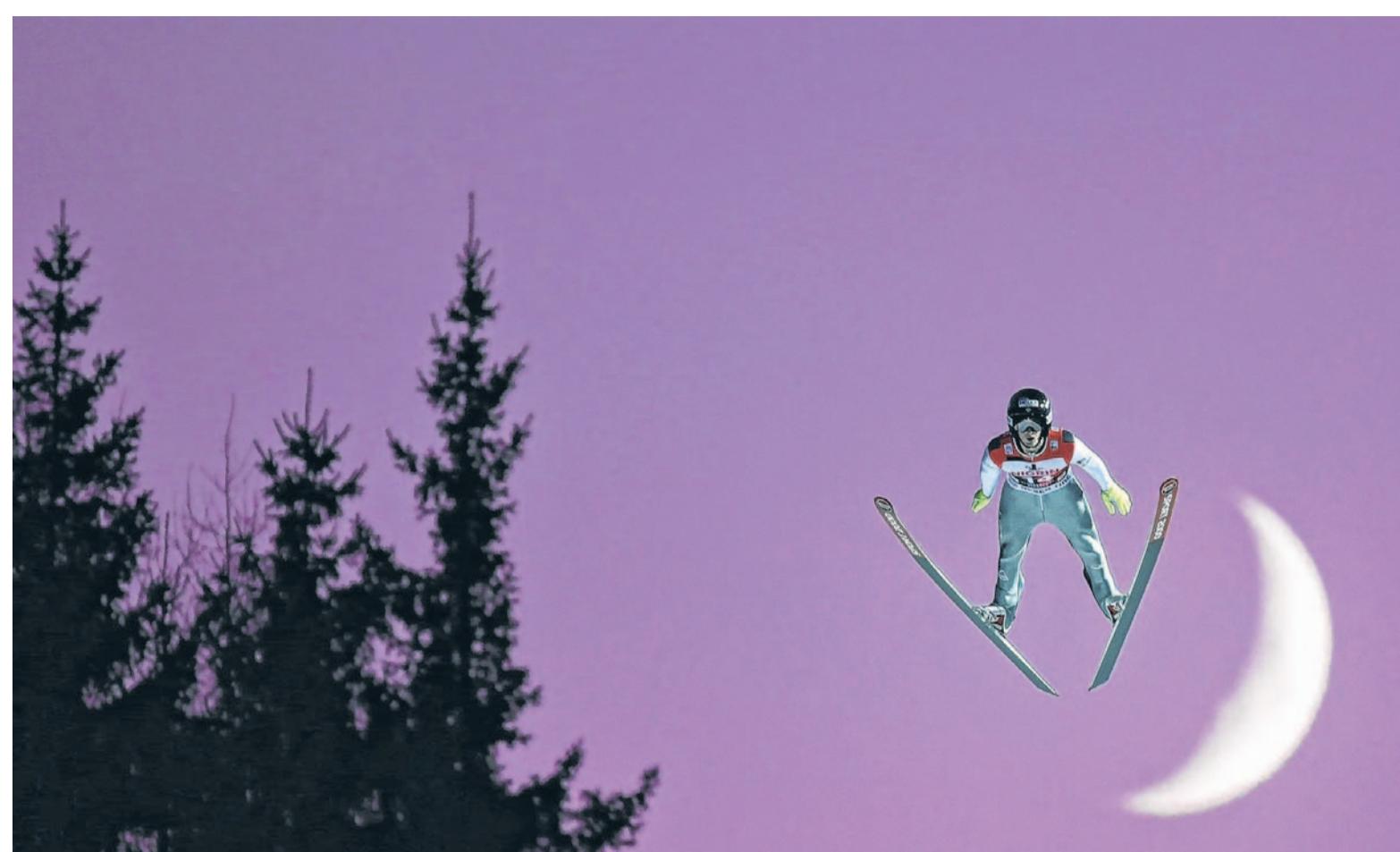
They're not trying to avoid jet lag. They're chasing jet lag.

This extremely unusual strategy, favored primarily by some members of the U.S. team, is at odds with popular ideas about the science of performance and the importance of sleep. It runs counter to the elaborate measures that professional sports teams have taken in recent years, and it sounds even more absurd for athletes who spend years practicing in obscurity and obsessing over how to peak during the Olympics.

In the months before Pyeongchang, which is 14 hours ahead of the U.S. East Coast, sleep was a point of emphasis for the Americans. The difference between ski-jumpers and other Winter Olympians is the value in *not* being sharp. Some would rather be slightly foggy. They believe it can actually help calm their nerves.

The most accomplished ski jumpers say their sport is far more taxing on their brains than their bodies. "The closest thing I can compare it to is golf," said NBC analyst Johnny Spillane. "It's very, very technical. And it's very, very mental."

Team USA ski jumper Kevin Bickner says the worst thing you can do before flying into the abyss is think too much. And it's almost impossible to think—let alone think too much—with your head in



HENDRIK SCHMID/EPA/SHUTTERSTOCK

U.S. ski jumper Kevin Bickner, a first-time Olympian, set the American record in his sport while exhausted at the end of the World Cup season.

the clouds. Which is exactly the point. "You let muscle memory take over," he said, "and sometimes that's better than thinking about what you need to do."

They have been encouraged to use jet lag to their unlikely advantage by USA Nordic Sport executive director Bill Demong. When he was still competing, the 2010 gold medalist in Nordic combined noticed something peculiar about his performance habits. "My experience was that if I left the U.S. on Wednesday night and arrived in Europe on Thursday that I would have my best competition of the trip on Saturday," Demong said.

He came to believe that he should tweak his travel plans to compete "off the plane," and he preached his unconventional

theory to anyone who would listen. "This isn't even a secret," he said. "I've told so many people, and no one else has the confidence to try it. People are scared to travel and compete right away." Demong tried convincing his coaches he was onto something. "I think they believed it," he said, "but they didn't believe it enough to make anybody else do it."

It's only anecdotal, Demong says. And it might not work for everyone. But if it worked for him, it might work for others.

"It's always been a fascinating thing to me," Demong said. "Is there something to this?"

The available scientific evidence suggests there is not. Most professional sports teams attempt everything in their power to minimize

circadian disruption. The NBA even baked in an extra day between Finals trips so players are the best versions of themselves in the biggest games of the year.

But the ski-jumping calendar wasn't so accommodating this time around. There was a World Cup event last weekend in Willingen, Germany, which is eight hours behind Pyeongchang, and the general rule is that every time zone crossed requires one day of physiological adjustment to no longer feel terrible.

That wasn't a problem. It was an opportunity. The jet lag would inhibit every part of the brain urging ski jumpers not to ski jump.

"Their minds aren't clear," Spillane said, "so they do what their bodies know what to do."

Bickner's coaches were intrigued when his top World Cup finish on the smaller Olympic hills—which, to be clear, are enormous—came last year in Sapporo, Japan. He wasn't surprised by his performance. As an American in a European sport, he's used to long travel days. He thought back to an event last season called Raw Air, a grueling trek across Norway with 10 consecutive days of competition that ended in a small town called Vikersund. Bickner was exhausted by the end of Raw Air. He barely had any idea where he was. He'd been in the same time zone for weeks and still felt jet lagged.

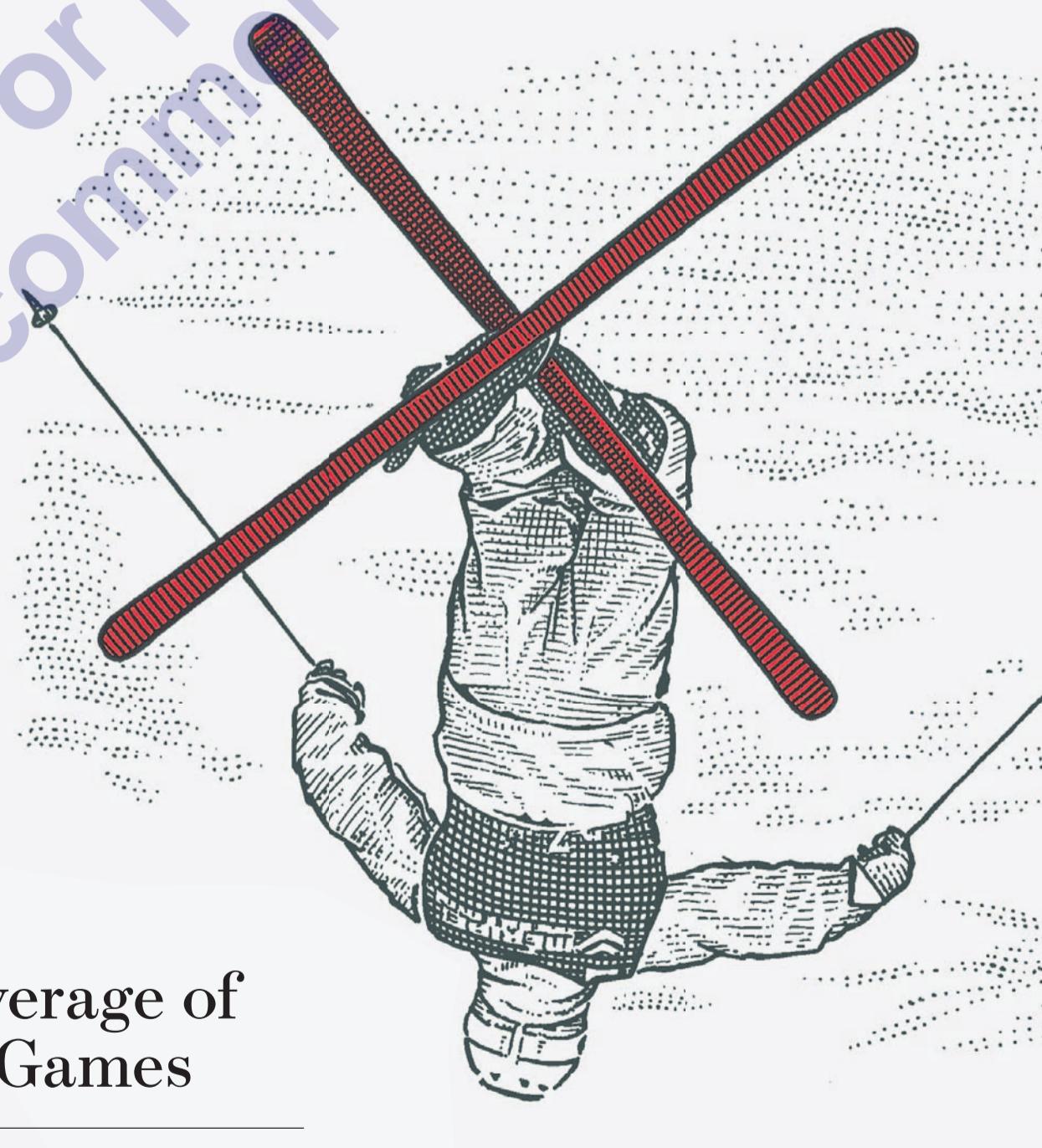
He was so fried on the very last day of competition that he set the record for the longest ski jump in U.S. history.

PYEONGCHANG
2018

Winning Coverage of the Olympic Games

A team of WSJ reporters, including columnist Jason Gay, are on the ground in South Korea covering the 2018 Winter Olympics. Follow our complete coverage of the Games and read the smartest insights from our reporters in Pyeongchang.

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