

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, FEBRUARY 23, 2018 ~ VOL. CCLXXI NO. 44

WSJ.com

★★★★ \$4.00

DJIA 24962.48 ▲ 164.70 0.7%

NASDAQ 7210.09 ▼ 0.1%

STOXX 600 380.34 ▼ 0.2%

10-YR. TREAS. ▲ 7/32, yield 2.917%

OIL \$62.77 ▲ \$1.09

GOLD \$1,330.60 ▲ \$0.60

EURO \$1.2332

YEN 106.75

What's News

Business & Finance

Initial coin offerings are on pace to top last year's sales despite the recent plunge in bitcoin and other cryptocurrencies. A1

◆ **China's insurance regulator** took control of Waldorf owner Anbang. A1

◆ **The New York Fed chief** warned of "speculative mania" in cryptocurrencies. A2

◆ **Securities regulators** plan to pare back requirements that mutual funds disclose large holdings of hard-to-sell assets. B1

◆ **The SEC is weighing a move** to let all firms hold private talks with investors before announcing IPOs. B1

◆ **Trump ex-adviser Powell** is talking to Goldman about returning to the firm. B1

◆ **Goldman said** it raised \$2.5 billion to buy stakes in private-equity firms. B10

◆ **J.C. Flowers** and Cerberus agreed to buy German lender HSH Nordbank for up to \$1.2 billion. B10

◆ **The Dow and S&P 500** rose as concerns eased over the pace of rate increases. The industrials gained 164.70 points to 24962.48. B11

◆ **MiMedx hasn't reported** to the government payments that the tissue-graft company made to doctors. B5

◆ **Ford named** a new North American chief after Nair resigned due to misconduct allegations. B3

◆ **SpaceX launched** a payload with prototypes of its communications satellites. B3

◆ **CBS named** veteran journalist Brennan as new anchor of "Face the Nation." B3

World-Wide

◆ **Trump's call** for changes to gun laws in the wake of the Florida school shooting, including expanding background checks and arming teachers, pushes Congress toward a new politically fraught debate. A1, A4

◆ **Mueller's office** obtained new tax and bank fraud charges against Manafort and Gates, adding pressure on Trump's former campaign manager and his deputy. A2

◆ **Medicare recipients** with high incomes will be required to pay a greater percentage of their medical costs beginning next year. A3

◆ **North Korea is sending** a general tied to attacks on Seoul forces to the Olympics closing ceremony, posing a quandary for the U.S. A7

◆ **Merkel urged** Russia and Iran to rein in a Syrian regime offensive against a rebel-held suburb of Damascus, calling it a massacre. A16

◆ **A Latvian bank** targeted by the U.S. for alleged money laundering is seeking government bailout money. A7

◆ **Missouri's governor** was charged with invasion of privacy stemming from an extramarital affair. A3

◆ **Trump's ex-nominee** to lead the Indian Health Service said he was forced under duress to withdraw. A6

◆ **GOP lawmakers** filed suit to block a new congressional map for Pennsylvania. A2

◆ **Neanderthals created** cave paintings long before modern humans arrived, scientists reported. A16

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Syria Pounds Rebel-Held Area on Outskirts of Damascus



DIGGING OUT: A man assesses damage from Syrian government bombardments in the besieged Eastern Ghouta area outside Damascus. German Chancellor Angela Merkel urged Russia and Iran to rein in Syria's offensive, calling the attacks a massacre. A16

Russia Bypassed Facebook Filters

The tech company's systems can't detect misinformation from doctored photos

A decade ago, at a pro-immigration march on the steps of the Capitol building in Little Rock, Ark., community organizer Randi Romo saw a woman carrying a sign that read "no human being is illegal." She took a photograph and sent it to an activist group, which uploaded it to photo-sharing site Flickr.

Last August, the same im-

age—digitally altered so the sign read "give me more free shit"—appeared on a Facebook page, Secured Borders, which called for the deportation of undocumented immigrants. The image was liked or shared hundreds of times, according to cached versions of the page.

This use of doctored images was a crucial and deceptively simple technique used by Russian propagandists to spread fabricated information during the 2016 election, one that exposes a loophole in tech company defenses. Facebook Inc. and Alphabet Inc.'s Google have traps to detect misinfor-

By Georgia Wells,
Shelby Holliday
and Deepa
Seetharaman

mation, but struggle—then and now—to identify falsehoods posted directly on their platforms, in particular through pictures.

Facebook disclosed last fall that Secured Borders was one of 290 Facebook and Instagram pages created and run by Russia-backed accounts that sought to amplify divisive social issues, including immigration. Last week's indictment

secured by special counsel Robert Mueller cited the Secured Borders page as an example of how Russians invented fake personas in an effort to "sow discord in the U.S. political system."

The campaigns conducted by some of those accounts, according to a Wall Street Journal review, often relied on images that were doctored or taken out of context.

Algorithms designed by big technology companies are years away from being able to accurately interpret the content of many images and de-

Please see FAKE page A8

Bitcoin Dive Fails to Halt 'ICO' Boom

BY PAUL VIGNA

The price of bitcoin and many of its peers has tumbled in recent months from highs reached in December. But that hasn't dented the popularity of one crypto-fundraising method: initial coin offerings.

Sales of digital tokens through initial offerings have raised about \$1.66 billion so far this year, according to research and data firm Token Report. About 480 have been launched in 2018 and only 126 of those have closed to new investors. That puts the market on pace to top last year's total of \$6.5 billion raised in initial coin offerings, or ICOs, according to the firm.

The price of bitcoin, by contrast, has fallen about 45% since hitting a record \$19,783 in mid-December.

Pretty Penny

Largest ICOs by year

| COIN | YEAR | OFFERING |
|-----------|----------|---------------|
| Block.one | 2017-18* | \$1.5 billion |
| Telegram | 2018† | 850 million |
| Filecoin | 2017 | 262 million |
| The DAO | 2016 | 152 million |
| Augur | 2015 | 5.1 million |
| Ethereum | 2014 | 18.4 million |

*ICO still open †To date

Source: CoinDesk

THE WALL STREET JOURNAL.

"ICOs are still not slowing down any time soon," wrote Galen Moore in the most recent Token Report newsletter.

Moreover, Token Report's fundraising tally includes only "closed" offerings. That means two of the largest aren't in-

cluded: Telegram Group Inc. and Block.one. Together, those two offerings have already raised more than \$2 billion.

Telegram is a private company that runs a popular online messaging app. It has raised \$850 million as part of its to-

ken offering, according to a filing with the Securities and Exchange Commission.

Block.one began its token sale last summer, and the offering runs through June. It has collected more than \$1.5 billion, according to CEO Brendan Blumer.

For all their popularity, coin offerings remain controversial. It isn't clear if some of the sales could at some point be deemed securities offerings by regulators. Plus, many of the businesses conducting offerings don't have a working product or service; they are often just concepts.

In many cases, the tokens

Please see COINS page A2

◆ **New York Fed chief warns** investors on bitcoin A2
◆ **Cryptocurrency fight comes** to a close B10

China Takes Over Owner of Waldorf

BY JAMES T. AREDDY

SHANGHAI—China's insurance regulatory agency Friday took control of hard-charging, acquisitive Anbang Insurance Group Co., saying the action is needed to avoid collapse of the firm following suspected illegal activity and the downfall of its once-highflying chairman.

Anbang was among a handful of privately run, fast-growing Chinese firms that appeared to enjoy unusual levels of political support to borrow money and build global footprints. For instance, it owns New York's Waldorf Astoria Hotel. Many of those companies are now in retreat, including airline-turned-conglomerate HNA Group Co. which has been selling assets.

The China Insurance Regulatory Commission published a letter to Anbang management saying duties of the

board and management will now be overseen by a working group of regulators from various agencies for one year. "All transactions of your company, asset trading, information dissemination, contract signing other than traditional insurance business are subject to the consent of the working group," said the statement dated Feb. 12.

Separately, Wu Xiaohui, who led Anbang until he was detained eight months ago, has been indicted on charges of fraudulent fundraising and abusing his position, according to a one-sentence notice by prosecutors in Shanghai on Friday. The insurance regulator's statement refers to Mr. Wu as Anbang's former chairman.

An Anbang spokesman in Hong Kong declined to comment.

Just two years ago Anbang

Please see CHINA page A6

Curling's Confusing—To Scientists

* * *

On ice, the sport's stone doesn't behave as expected

BY JUSTIN LAHART
AND JIM CHAIRUSMI

In an upset win over Canada in the men's Olympic curling semifinal on Thursday, U.S. captain John Shuster glided across the ice pushing 42 pounds of Scottish granite.

He gave the curling stone a clockwise turn that made it curve slightly right as it slid toward its target, the curl the sport is named for. As the stone traveled, two teammates raced in front, furiously scrubbing the ice in its path with brooms.

This is a puzzling sport to play—and so far impossible for scientists to explain.

Please see CURL page A8

INSIDE



HIRING YOUR KID AS A REALTOR

MANSION, MI

REDEMPTION FOR WOMEN'S HOCKEY TEAM

OLYMPICS, A11

Tomorrow
Transform Your Tomorrow

Discover the new mattress and sleep system by the world's leading sleep experts at Serta Simmons Bedding.

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|---------------------------------|------------------------------------|---------------------------|-------------------------------------|
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U.S. NEWS

Manafort and Gates Face New Charges

By ARUNA VISWANATHA

Special counsel Robert Mueller's office obtained new tax and bank-fraud charges against Paul Manafort and Richard Gates on Thursday, adding pressure on the former Trump campaign manager and his longtime deputy, who have been fighting the case.

The new indictment, obtained from a federal grand jury in Virginia, alleges the pair engaged in an extensive scheme to defraud multiple lenders and obtain more than \$20 million in loans between 2015 and January 2017, including through doctoring statements to show millions of dollars in income they didn't in fact earn.

The new charges come as the special counsel's office continues to pursue a wide-ranging

probe into Russia's meddling in the 2016 election. They come two days after an attorney pleaded guilty to lying about his contact with Mr. Gates.

"Paul Manafort is innocent of the allegations set out in the newly filed indictments and he is confident that he will be acquitted of all charges," said Jason Maloni, a spokesman for Mr. Manafort. "The new allegations against Mr. Manafort, once again, have nothing to do with Russia and 2016 election interference/collusion."

Representatives for Mr. Gates couldn't immediately be reached for comment. A new lawyer for Mr. Gates entered an appearance in court on Thursday while his old lawyers are withdrawing, a sign that he may be planning to change his legal strategy.

Thursday's charges raise

questions about whether Mr. Gates is poised to reach an imminent plea deal with Mr. Mueller, as some recent developments had suggested. They follow the basic outline of some of the earlier charges against Messrs. Manafort and Gates but add details and turn up the pressure considerably on the pair, suggesting Mr. Mueller is pursuing them aggressively.

Mr. Manafort, a former chairman of the Trump campaign who did extensive work in Ukraine, appears to be a particular target of Mr. Mueller. Mr. Gates served as Mr. Manafort's "right-hand man" in his business endeavors, the new indictment said, and accompanied him to the Trump campaign.

The new charges add to an October indictment against

Messrs. Gates and Manafort,

obtained in Washington, D.C., that accused the pair of laundering millions of dollars and failing to file reports on foreign bank accounts and lobbying work. It relates to their work for the Ukrainian government, which predicated the campaign. The two men have pleaded not guilty in that case.

Like the previous charges, the new indictment doesn't allege any offenses connected to the Trump campaign, but rather focuses on Mr. Manafort's business dealings.

The new indictment is filed in Virginia, where Messrs. Manafort and Gates prepared their tax returns, while the earlier charges are being handled in Washington, D.C. Prosecutors said they sought a consolidated case, but that the defendants refused.

The new indictment charges Mr. Manafort and Mr. Gates with lying on their tax returns between 2010 and 2014. The two generated "tens of millions of dollars in income" through their work for the government of Ukraine and former President Viktor Yanukovych between 2006 and 2015, and didn't properly report it, prosecutors said.

The October indictment described an alleged scheme to bring millions of dollars of foreign income into the U.S. to pay for a "lavish lifestyle" including pricey rugs, cars and clothing.

On Thursday, Mr. Mueller's office outlined a separate alleged scheme, between 2015 through "at least January 2017"—a period that includes the pair's time in the Trump campaign—in which the two used Mr. Manafort's properties

as collateral to "fraudulently" obtain more than \$20 million in loans by falsely inflating Mr. Manafort's and his company's income.

They "submitted fabricated profit and loss statements," the indictment said, charging both with eight new counts of bank fraud and bank-fraud conspiracy charges.

They began fabricating documents in the U.S., the indictment said, around 2015, because their Ukraine income dwindled after Mr. Yanukovych fled to Russia. In order to sustain their lifestyle, they sought to take out mortgages on U.S. properties but had to fraudulently inflate Mr. Manafort's income to secure those loans from U.S. financial institutions, according to the new charges.

Flooding Forces Evacuations in Michigan



FORCED OUT: Comstock, Mich., residents leave their homes as the Kalamazoo River was expected to rise until Saturday night.

COINS

Continued from Page One

being sold don't confer any ownership rights in the company selling them. Instead, they will offer a holder the ability to buy the company's product or service, if it is ever launched.

Nevertheless, investors have forked over billions of dollars to take part in these offerings. Some hope the companies raising funds will prove to be the next hot thing in technology. Others hope to find the next bit-coin-like investment and view the coins as a speculative bet.

Whatever their motive, coin-offering investors have created some of the best-capitalized startups in incredibly short periods. The \$1.5 billion raised by Block.one in less than a year is equal to the amount raised by Twitter Inc. between 2007 and 2011 across nine separate funding rounds. Only four initial public offerings in 2017 and 2018 raised more than the amount Block.one has attracted, according to data provider Dealogic.

"We could have never predicted this level of success," Block.one's Mr. Blumer said.

Attracting such funding gives companies the ability to quickly branch out.

Block.one plans to use the \$1.5 billion to invest in businesses that will build services on top of EOS, a bitcoin-like operating platform, akin to Google's Android, for hosting a variety of applications.

The company formed a partnership with Galaxy Digital, a "crypto merchant bank" founded by Michael Novogratz, to fund startups building EOS-based projects. One of its first deals was a \$30 million investment in a company called Everipedia, which is building an alternative version of Wikipedia.

Telegram, founded in 2013 and based in the British Virgin Islands, is owned by a Russian national named Pavel Durov. Telegram says it will build a network, called the Telegram Open Network, that can process "millions of transactions per second," according to its white paper, and host a variety of services like micropayments and file storage, which would be accessed via a new token called TON.

In essence, this would transform Telegram from a platform

for online chats into a general-purpose hosting service like Ethereum. Mr. Durov didn't reply to requests for comment.

Even companies that haven't raised such large amounts of money are finding coin offerings can pay in other ways. Two companies with well-known brands but faded glory, Eastman Kodak Co. and Atari SA, both recently licensed their names for coin offerings. Stocks of both companies surged after the announcements.

The continued success of coin offerings is even more remarkable given heightened regulatory scrutiny globally of cryptocurrencies and the sales of digital tokens.

In the U.S., the SEC and Commodity Futures Trading Commission have heightened oversight of the coin-offering market. The CFTC recently issued a customer advisory in which it warned about potential "pump-and-dump" schemes and offered whistleblowers a monetary reward in the case of

successful enforcement actions. The SEC has brought enforcement actions against several ICOs.

That pressure may have led to something of a bifurcation in the market for coin offerings. While large, widely publicized projects like Block.one and Telegram have no problem raising money, others have struggled to meet fundraising goals.

Researchers at Ernst & Young found that less than 25% of the ICOs last November hit their goals, down from 93% in June. Token Report said the median amount raised by ICOs this year is about \$12 million.

Valuing coin offerings can be tricky, too. Most of the projects are only in the planning stages; it may take a year or more for an actual product to be released.

"Current token valuation is more like a gold valuation or a fashion item in high season when a limited supply cannot meet high demand," the Ernst & Young researchers wrote in a paper.



Telegram aims to expand into a general-purpose hosting service.

For privately issued digital money, "it's essentially what people think it's worth, which seems to me somewhat dangerous," Mr. Dudley said. He spoke at a press briefing on the progress of recovery efforts in Puerto Rico and the U.S. Virgin Islands since last year's destructive hurricanes. He was responding to a question about cryptocurrency advocates setting up shop in Puerto Rico's economy.

Mr. Dudley appeared to ramp up central bankers' warnings on the issue, after months of heavy volatility and frenzied activity throughout the young world of these unregulated digital currencies. Digital currencies exist exclusively in electronic form, and aren't connected to govern-

Fed's Dudley Warns on Mania Around Cryptocurrencies

By MICHAEL S. DERBY

Federal Reserve Bank of New York President William Dudley warned that investing in privately issued digital money such as bitcoin could end in big financial losses for those involved.

"There is a bit of a, I would say, speculative mania around cryptocurrencies in terms of their valuations, which I view as pretty dangerous, because I don't really see what the actual true underlying value of some of these cryptocurrencies actually is in practice," Mr. Dudley said Thursday in New York.

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Mr. Dudley appeared to ramp up central bankers' warnings on the issue, after months of heavy volatility and frenzied activity throughout the young world of these unregulated digital currencies. Digital currencies exist exclusively in electronic form, and aren't connected to govern-

ment and their policy decisions.

European Central Bank President Mario Draghi earlier this month warned that digital currencies should be regarded as "very risky assets."

Bank of England Governor Mark Carney on Monday said bitcoin had "pretty much failed thus far" as a form of money, Reuters reported.

Bitcoin's ride has been a wild one. Over the past year, its price has ranged from a low of \$945.59 on March 20, 2017, to the Dec. 18 high of \$19,501.03, and it has plummeted since to just under \$10,000.

While Mr. Dudley warned about potentially serious con-

sequences for individual investors, Fed officials have largely shrugged off the tumult as no danger to the financial system.

The Fed's vice chairman for supervision, Randal Quarles, said in November, "While these digital currencies may not pose major concerns at their current levels of use, more serious financial-stability issues may result if they achieve wide-scale usage."

According to the website CoinMarketCap, all private digital currencies now total just under \$450 billion, compared with Fed data that says there is around \$1.6 trillion in U.S. currency now circulating.

Digital currency supporters have touted the virtual money as a way to sidestep what they see as too much state control of economies. They also see private digital money as a way to enhance privacy and make the payment system more efficient.

But Fed officials have signaled doubts about the benefits. Central bankers have said repeatedly the U.S. dollar is largely stable and universally accepted.

Bert Ely, a banking consultant, said Mr. Dudley is "dead on target" with his warning. Mr. Ely pointed to evidence that many cryptocurrency investors have been borrowing to buy digital money. That means that as losses pile up, these people are likely to suffer real financial pain.

CORRECTIONS & AMPLIFICATIONS

Robert Weaver is a licensed insurance broker. A U.S. News article Thursday about Mr. Weaver's withdrawal as the nominee to lead the Indian Health Service incorrectly said he was a former insurance broker.

The 10-year Treasury yield closed at 2.943% Wednesday, up from 2.895% Tuesday. In some editions Thursday, a Page One article about the Federal Reserve incorrectly

said the rate change represented a decline.

The Art Institute of Chicago offers free admission to children under 14; Illinois teachers; LINK and WIC cardholders; Illinois residents on Thursdays from 5 p.m.-8 p.m. and some winter weekdays; active-duty military and their families from Memorial Day-Labor Day; and some other groups. A graphic showing museum admissions prices in

Tuesday's Journal Report omitted that information.

George Papadopoulos, a former adviser to President Donald Trump, pleaded guilty last year to lying to the FBI about meetings with Russians he believed to have connections with Russian officials. A U.S. News article on Feb. 5 about the House Intelligence Committee incorrectly said the plea involved meetings with Russian officials.

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

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U.S. NEWS

Governor Accused of Invasion Of Privacy

BY SHAYNDI RAICE

Missouri Gov. Eric Greitens was indicted by a St. Louis grand jury Thursday for invasion of privacy stemming from a 2015 extramarital affair.

The indictment, announced by City of St. Louis Circuit Attorney Kimberly Gardner, came amid an investigation launched by her office after reports that the Republican governor had threatened to release nude photos of a former mistress if she publicly spoke about their affair.

Mr. Greitens's attorney didn't immediately return a call seeking comment, but told local media that the charges were "baseless and unfounded."

Mr. Greitens, a former Navy SEAL, admitted earlier this year to cheating on his wife after a local news station released recordings of the woman describing a sexual relationship with the governor.

The indictment states that Mr. Greitens knowingly photographed the unnamed victim in partial or full nudity without her knowledge and consent. He then transmitted the image to a computer, according to the indictment.

Ms. Gardner, the circuit attorney, said in a statement that "it is essential for residents of the City of St. Louis and our state to have confidence in their leaders" and know that her office "will hold public officials accountable." She added that the investigation is ongoing.

After the indictment was announced, the Democratic Governors Association called on Mr. Greitens to step down immedi-

Greitens is accused of taking explicit photos of a woman without her consent.



ALEX BRANDON/ASSOCIATED PRESS

Metro System Seeks \$500 Million

Washington transit authority says it needs funds for upgrades to win back riders

By SCOTT CALVERT

Washington, D.C.'s troubled Metro subway system needs a big cash infusion to help it win back riders and put high-profile safety problems behind it, officials say.

The general manager of the Washington Metropolitan Area Transit Authority, as Metro is formally known, is seeking \$500 million a year in new capital funding from Maryland, Virginia and the District of Columbia.

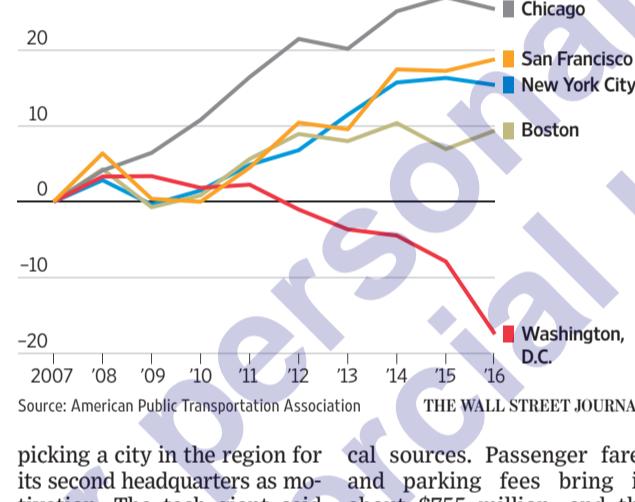
Elected officials in the region are considering the request, which would be in addition to the hundreds of millions that area governments annually already give the agency, whose slogan is Back2Good. Virginia's House and Senate have passed separate bills, and legislation is pending in both Maryland's General Assembly and Washington's City Council.

Virginia's annual session ends March 10. According to the legislation there and in Maryland, their respective funding is contingent on the others ponying up their shares.

Lawmakers are citing the prospect of Amazon.com Inc.

Mind the Drop

Change in ridership since 2007 for the most heavily used subway and light rail systems



Source: American Public Transportation Association

picking a city in the region for its second headquarters as motivation. The tech giant said last month that Washington, Northern Virginia and Montgomery County, Md., were on the list of 20 finalists.

Washington's traffic is infamous. Drivers spent 63 hours on average last year in congestion during peak hours—the sixth-longest in the U.S., according to Inrix, a company that provides real-time traffic information.

About \$1.8 billion of Metro's combined \$3.1 billion operating and capital budget in 2018, including for bus service, comes from state and lo-

cal sources. Passenger fares and parking fees bring in about \$755 million, and the federal government provides about \$460 million. Other sources such as advertising account for the rest.

The proposed regional effort in the Washington area has bipartisan support, at least in principle, from Maryland Gov. Larry Hogan, a Republican, and his Democratic counterparts, Virginia Gov. Ralph Northam and Washington Mayor Muriel Bowser. Mr. Hogan also has called for increased federal funding, and a bill in Congress would provide that financing. Measures in both states

would require certain changes to Metro's governance structure to address concerns about the agency's management and oversight.

Virginia's House of Delegates passed legislation on Feb. 13 that would give Metro \$105 million annually, while the Senate approved a \$154 million package. Steve Newman, Republican president pro tempore of the Virginia Senate, predicted the GOP-led Virginia General Assembly likely would agree to the larger amount before adjourning on March 10.

However, he said he opposes the tax increases in the Senate measure, even though only

Northern Virginia residents would pay.

Maryland, meanwhile, would commit \$125 million a year under a legislative proposal. A Washington spokeswoman said it is too early to quantify the city's pledge, which likely would need to be more than \$220 million a year to hit Metro's \$500 million target.

"It's really critical the elected leaders use this moment to address Metro. It's critical to our region," said Jason Miller, chief executive of the Greater Washington Partnership, an alliance of area chief executives.

Medicare Costs Set to Rise for Wealthy

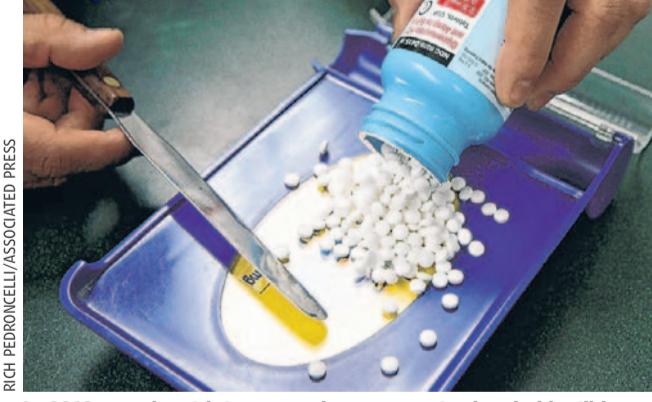
By ANNE TERGESEN

A new tier of high-income Medicare recipients next year will have to pay a greater percentage of their medical costs, the latest move to shift more of the federal program's tab onto the wealthiest beneficiaries.

Starting in 2019, individuals with incomes of \$500,000 or more and couples earning \$750,000 or more will be broken out of the current top bracket and required to pay 85% of the cost of their Medicare parts B and D benefits, up from 80% now. (In contrast, Medicare beneficiaries with incomes of \$85,000 or less—or \$170,000 or less for couples—pay only 25% of the cost of their benefits.)

For higher-income beneficiaries, this increased premium surcharge comes on the heels of a separate increase that went into effect on Jan. 1. Under that increase, Medicare beneficiaries with incomes of \$133,501 to \$160,000 (or \$267,001 to \$320,000 for couples) now must pay 65% of the cost of their parts B and D benefits, up from 50% before Jan. 1. And beneficiaries with incomes between \$160,001 and \$214,000 (or \$320,001 and \$428,000 for couples) were shifted from a 65% surcharge into the highest income group that currently pays 80% of the cost of their benefits.

Taken together, the moves—the latest of which was included



In 2019, people with incomes above a certain threshold will be required to pay more for their Medicare parts B and D benefits.

within a two-year budget deal signed earlier this month—accentuate a trend to require those with the highest incomes to bear a greater share of Medicare costs, said Juliette Cubanski, an associate director of the Henry J. Kaiser Family Foundation's program on Medicare policy.

Because the income thresholds at which higher premium surcharges kick in haven't been adjusted for inflation since 2011, they are also catching more people, Ms. Cubanski said.

In 2015, Kaiser estimated that 5.7% of Medicare recipients paid more than the standard premium amount for Part B, which pays for doctor visits and other types of outpatient care—a number the nonprofit group said would reach 8.3% by 2019. While Kaiser hasn't updated

those projections, Ms. Cubanski said she believes they are still accurate.

Starting in 2020, the income thresholds are slated to be adjusted for inflation.

If the new 85% cost-sharing requirement were in effect this year, those who qualify would pay \$321 on top of the standard Part B premium, which is currently \$134 per person, according to Michael Kitces, director of wealth management at Pinnacle Advisory Group Inc. in Columbia, Md. In contrast, the extra cost for those paying 80% of the share of the costs today is currently \$294.60, on top of the standard Part B premium of \$134. The numbers for next year are likely to be slightly higher because of factors including an inflation adjustment, Mr. Kitces said.

Under Medicare Part D, which covers prescription-drug plans, premium surcharges currently range from \$13 to \$74.80 a month and are imposed on top of each plan's regular monthly charge, which varies from plan to plan, said Ms. Cubanski. (The income ranges at which the higher surcharges apply for parts B and D are the same.)

The law also closes the Medicare Part D coverage gap, known as the doughnut hole, in 2019—one year sooner than planned. Part D prescription-drug plans typically cover 75% of the cost of medication, leaving the participant to pick up 25%. But after the total cost of a participant's drugs reaches a set amount per year—\$3,750 in 2018—he or she falls into the doughnut hole. Once there, the participant is currently on the hook for 35% of the cost of his or her brand-name medications, up to \$5,000 in total out-of-pocket costs, said Ms. Cubanski. At that point, catastrophic coverage kicks in, limiting participants' outlays, typically to 5%.

Next year, when the doughnut hole disappears, Part D beneficiaries will pay 25% of their total costs until the catastrophic coverage kicks in.

An estimated 30% of Medicare Part D participants fell into the doughnut hole in 2015, the most recent data available, said Ms. Cubanski.

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U.S. NEWS

Some Teachers Are Already Armed

At least eight states allow faculty to carry weapons; critics say that policy is dangerous

BY TAWNELL D. HOBBS
AND LESLIE BRODY

As President Donald Trump calls for teachers to carry guns to protect children, some districts already have gun-toting teachers in schools, though the identity of those carrying weapons is kept a secret.

Last week's shooting at a Parkland, Fla., high school that left 17 dead has kicked off an intense discussion about arming teachers, escalated by Mr. Trump, who is calling for having "weapons talented teachers" armed in the schools to deter would-be shooters.

School districts with armed teachers said it is an extra security measure that can provide an immediate response when a shooter is on campus.

"The faster we can respond, the more of our babies that are saved," said Christopher Burrows, superintendent in Georgetown Exempted Village Schools, a 1,060-student district in Georgetown, Ohio, where some school employees carry guns. "Those folks that are armed are part of our safety team."

Many teachers unions and educators have come out strongly against the GOP president's proposal, saying it would make schools more dangerous. Teachers aren't trained law-enforcement officers and have enough to do educating students, they said.

"That's a recipe for disaster," said Shanna Peeples, a former Texas English teacher who was named the 2015 National Teacher of the Year. "I can't imagine having to add weapons training on top of what I already do."

At least eight states already allow teachers in some capacity to carry guns on K-12 school grounds, including Kansas, South Dakota, Oklahoma, Texas and Wyoming, according to the Education Commission of the States, which tracks legislation.

So far in 2018, at least six states—Florida, Alabama, Mississippi, Missouri, Maryland, and Oklahoma—have introduced legislation that would make it easier to have school personnel carry firearms on school property, according to the commission.

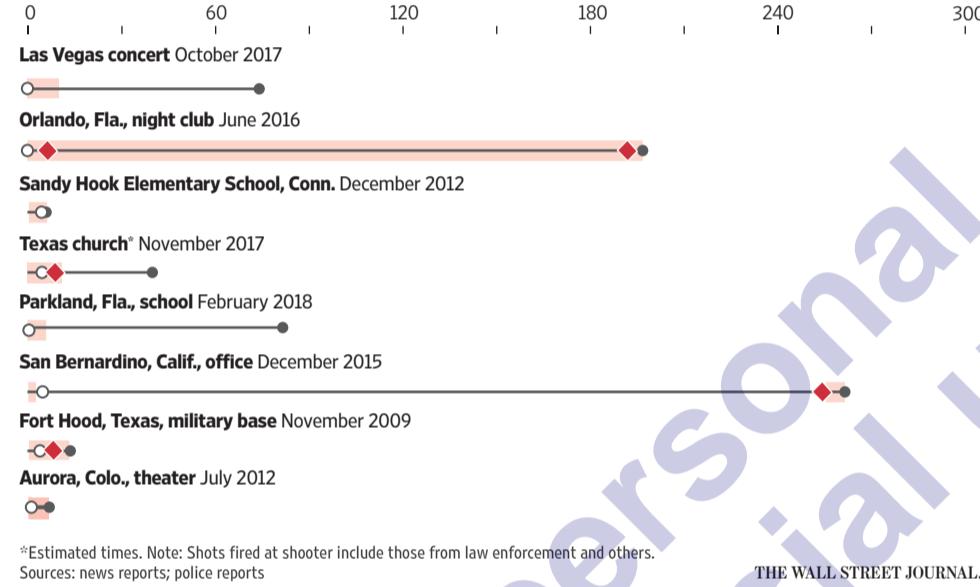
It is unknown how many teachers are carrying guns in schools because there is no official national tally. While some school districts have publicly announced their armed-employee programs, they won't say who is carrying them and typically won't divulge the number of armed staff members. The armed



Ohio teachers, above, participate in a weapons training session in 2013. President Trump called on teachers this week to carry guns.

Response Time

In some recent high-profile shootings, even when officers arrived almost immediately, more than an hour passed before the suspect was apprehended or confirmed dead:



*Estimated times. Note: Shots fired at shooter include those from law enforcement and others.

Sources: news reports; police reports

programs usually require educators to own their own weapons; the school districts provide training.

Several school districts in Ohio and Texas with armed staff said Thursday they haven't had any incidents involving guns accidentally going off or being shot unnecessarily, a concern by some who don't want teachers armed.

Still, accidents have happened. A sixth-grade teacher was injured in 2014 when she discharged her gun by mistake while using the toilet in a faculty rest room in Taylorsville, Utah. She had the concealed gun legally. A spokesman for

the Granite School District said state law requires permit holders to keep their guns with them.

"Police determined she had the weapon on her lap and it slipped and she reached to grab it and pulled the trigger," said a district spokesman. "The front of the toilet blew off and it blew a porcelain fragment in to the back of her leg."

Kevin Dyes, superintendent in the Holliday Independent School District in the small community of Holliday, Texas, said arming employees was needed for safety because the schools had a large number of access points. Employees re-

ceive training and their weapons—typically high-quality semiautomatic handguns—are approved by the local police chief, he said.

"We're not carrying a Saturday night special," Dr. Dyes said. "We also have training requirements where they have to shoot every so often."

David Thweatt, superintendent in the Harrold Independent School District in Harrold, Texas, said his district began allowing armed teachers in 2007, paying them an undisclosed stipend. The district's decision to use armed educators was based on the closest sheriff being about

30 minutes from the school—too long to wait during a shooter situation.

"We cannot hope for the best. You cannot hide in a closet for 30 minutes," Mr. Thweatt said.

Randi Weingarten, president of the American Federation of Teachers, participated in a telephone town hall meeting with 60,000 educators this week. "The response was universal, even from educators who are gun owners: Teachers don't want to be armed, we want to teach."

Mr. Trump also wants to stop designating schools "gun free" zones so that properly trained educators can carry concealed weapons and fire back at a school shooter.

Kenneth Trump, a consultant who is president of National School Safety and Security Services, said in states that allow teachers to carry guns, very few districts use the option. "Most school boards, superintendents and teachers say thanks but no thanks," he said.

Mr. Trump, who is no relation to the president, said there could be a host of responsibilities with arming teachers, including weapon inspections, certification and storing guns. Armed teachers also could present confusion during a live shooter incident, he said.

"You arrive at the scene and you have seven people coming out with firearms in their hands," he said. The idea of arming teachers "sounds good, it feels good, but the devil is in the details of implementation."

Vermont Governor Changes Gun View

BY JENNIFER LEVITZ

Vermont's Republican Gov. Phil Scott has had an about-face on gun control.

On Thursday, Mr. Scott, who said he previously believed Vermont's laws were adequate, pressed for new gun rules, a dramatic shift in a state known for some of the most permissive gun policies in the nation.

"I've evolved on this," Mr. Scott said at a news conference. "Where I was a week or two ago has changed completely."

Mr. Scott said he is now open to extending background checks to private gun sales, raising the legal age for buying a gun to 21, with certain exceptions, and adding restrictions on high-capacity ammunition magazines. State Democratic leaders, who control the legislature, also are calling for new gun-control measures.

The first-term governor said he was shaken by a "near tragedy" last week in Vermont, where police said they thwarted a potential attack and arrested an 18-year-old after getting credible information that he planned to "shoot up" a high school. The arrest came a day after a 19-year-old killed 17 people at a high school in Parkland, Fla.

"That has a way of rocking your very core, and for that I had to do some reflecting, some soul searching myself to determine what we can do to protect our most precious resource, which is our kids," Mr. Scott said.

Vermont, a largely rural state with a high rate of gun ownership, has few gun regulations on the books and past efforts to pass gun-control laws haven't gained traction, said Eric Davis, a professor emeritus of political science at Middlebury College.

"So this is a big change," Mr. Davis said.

Gun policies have rapidly moved to the top of the agenda in statehouses across the country in recent days. Democratic governors from Connecticut, New Jersey, New York and Rhode Island on Thursday joined forces to stem the movement of illegal guns between states.

At the Vermont news conference, Mr. Scott said he doesn't support arming teachers to protect students, an idea repeated by President Donald Trump on Thursday.

"I just don't think that's a solution that is viable," Mr. Scott said.

GUNS

Continued from Page One
sponse, but he said that only highly trained people would carry weapons in school.

The comments came eight days after a 19-year-old shooter at a Parkland, Fla., high school killed 17 people, the latest in a series of school shootings in recent years.

Any debate on gun measures will add complexity to a legislative agenda that already includes proposals to overhaul immigration, which also carry political risks for members of both parties just as the midterm primary season is about to begin in March.

Most of Mr. Trump's ideas for deterring gun violence don't have a direct path to becoming law. The prospect of any gun-control bill making it through Capitol Hill is likely tied to how much he keeps the issue in the spotlight, putting pressure on Republicans, congressional aides said.

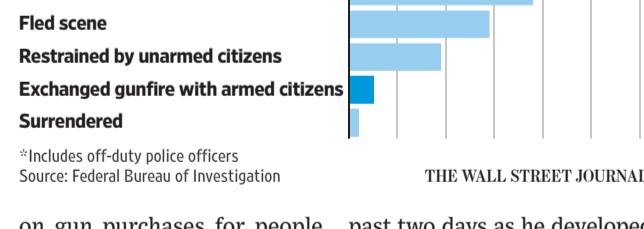
Mr. Trump ran on a gun-rights platform, but a few of his proposals mark a modest step toward gun-control advocates. On Thursday, he reiterated his proposals to improve gun-purchaser background checks, limit access to firearms by people with mental illnesses and ban devices that allow certain firearms to mimic automatic weapons. He also called for raising the minimum age for some gun purchases to 21.

The NRA, the nation's largest gun-rights group, has in the past opposed restrictions

Suspects' Final Moments

An FBI case study of 160 shootings in the U.S. between 2000 and 2013 tracked what happened to the shooters following the incidents.

The shooter...



*Includes off-duty police officers

Source: Federal Bureau of Investigation

on gun purchases for people under 21, as well as proposals to expand background checks. A representative didn't return a request for comment.

Opponents of arming certain teachers in schools say the move would distract from the educational mission and increase the risk of accidental shootings. The heads of the National Education Association and the American Federation of Teachers both dismissed the idea. "Anyone who pushes arming teachers doesn't understand teachers and doesn't understand our schools," said AFT President Randi Weingarten.

At a conservative conference on Thursday in Oxon Hill, Md., NRA Chief Executive Wayne LaPierre emphasized security, also saying policy makers needed to "harden" schools. He proposed the hiring of armed guards to protect students, but made no mention of arming teachers.

In his comments Thursday, Mr. Trump praised the NRA and said he had spoken with top NRA officials "often" in the

past two days as he developed proposals to address school shootings. He played down potential policy differences with the group, which spent more than \$30 million helping him win the 2016 election.

Mr. Trump also said he had called many lawmakers in recent days. "They're into doing background checks that maybe they wouldn't be thinking about" a few weeks ago, he said.

Mr. Trump spoke late last week with Sen. John Cornyn (R., Texas) about his bipartisan gun bill, backed by Sen. Chris Murphy (D., Conn.), that would encourage states and federal agencies to submit records to the national background-check network. Their bill would provide incentives for states to upload conviction records into the National Instant Criminal Background Check System. Those records already are required to be uploaded, but can slip through cracks.

The Cornyn bill, known as the "Fix NICS," has passed the House, but only coupled with legislation that would enable

Armed Officer Didn't Confront Shooter

The sheriff's deputy who was assigned to the Florida school where a gunman killed 17 people last week has left the force after evidence showed he stood outside the building where the shooting occurred rather than going in, Sheriff Scott Israel said Thursday.

"He never went in," Sheriff Israel said, describing video footage of the scene he had watched.

Asked what school resource officer Scot Peterson, who was the only armed security guard at the school, should have done, the sheriff said he should have gone into

the building, "addressed the killer, killed the killer."

This is the latest in a series of lost opportunities to stop Nikolas Cruz, the accused gunman at Marjory Stoneman Douglas High School in Parkland, Fla., either before or during the attack. The Federal Bureau of Investigation last week

said a specific tip identifying Mr. Cruz's threat in January fell through the cracks.

Two unnamed Broward County deputies also have been placed on restricted duty while the department explores what could have, or should have, been done when police responded to calls regarding Mr. Cruz before the shooting, Sheriff Israel said.

The sheriff said Mr. Peterson arrived about a minute and

a half into the six-minute shooting and stood outside for "upwards of four minutes."

"What matters is that when we in law enforcement arrive at an active shooter, we go in and address the target. And that's what should have been done," the sheriff said.

The video hasn't been released publicly.

When asked about how he felt about the issue, "devastated, sick to my stomach," Sheriff Israel said. "There are no words."

Mr. Peterson resigned after Sheriff Israel suspended him without pay pending an internal investigation, the sheriff said, speaking at a news conference.

Mr. Peterson couldn't be reached on Thursday.

—Jon Kamp

Trump wants to focus on improving the information already required to be entered into the database, as the Cornyn bill seeks to do.

Separately, lawmakers from both parties in both chambers have introduced legislation to ban "bump stocks," devices that enable semiautomatic firearms to mimic fully automatic weapons.

The strictest gun-control measures—including a revival of the Clinton-era ban on certain semiautomatic rifles that are often called assault weapons, which lapsed in 2004, as well as measures curtailing the sale and possession of high-capacity ammunition magazines—have little chance of passing in the GOP-controlled House and Senate.

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U.S. NEWS

Digital Poised to Fuel Productivity

By HARRIET TORY

Weak productivity growth has been a head-scratcher for economists in recent years, but a new study argues the tide is poised to turn, and the next wave will be driven by digitization.

The diffusion of new technologies into everyday use holds promise for bringing back the kinds of annual 2% productivity growth seen in the past. But digitization is still at an early stage in many industries, according to the latest study from the McKinsey Global Institute.

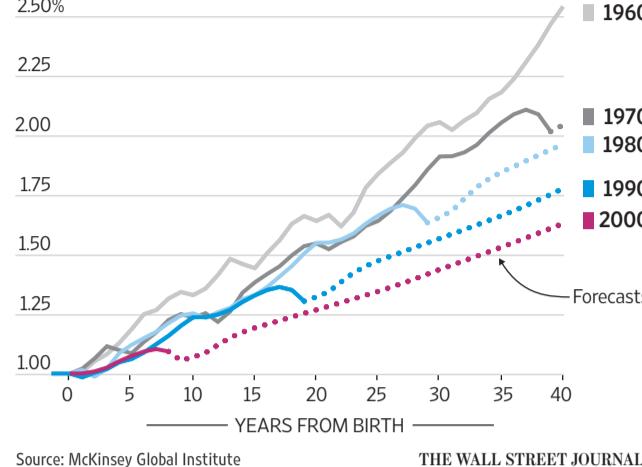
Looking at the past half-century, it estimates the time from commercial availability of new technologies to 90% adoption ranges from about eight to 28 years.

U.S. worker productivity grew below its long-run average for the seventh straight year in 2017, advancing a meager 1.2% last year from 2016.

Declining Standard of Living

Without higher productivity, younger generations will experience slower increases in their standard of living.

Improvement in per capita GDP, by year of birth



Source: McKinsey Global Institute

THE WALL STREET JOURNAL.

Labor productivity—real economic output divided by the numbers of hours worked—is key for economies to grow, im-

prove living standards and keep inflation in check. Yet with labor-supply growth projected to stall in coming decades given

the aging population, U.S. productivity growth would need to increase 44% over the next half-century to sustain past rates of economic growth, McKinsey projects.

The study puts productivity's poor performance in recent years on three factors. First, a productivity boom that began in the 1990s petered out after about a decade. Then major economies faced weak demand due to the 2007-09 recession, and now they are grappling with digitization.

The waning of the 1990s productivity boom and the aftereffects of the financial crisis dragged down productivity growth by 1.9 percentage points on average across countries since the mid-2000s, according to the study, which focused on France, Germany, Italy, Spain, Sweden, the U.K. and the U.S.

The study adds a further voice to economists' call to be patient when it comes to productivity.

IHS Ex-Nominee Says He Felt Duress

By CHRISTOPHER WEAVER
AND DAN FROSCH

Robert Weaver, President Donald Trump's former nominee to lead the Indian Health Service, said in a letter circulated to some tribal leaders and lobbyists Thursday that he was forced under duress to withdraw from consideration late last week.

Mr. Weaver, an insurance broker and member of the Quapaw tribe of Oklahoma, said in the letter that he was contacted by an official in the U.S. Department of Health and Human Services at 4:30 p.m. last Friday.

The official gave him two minutes "to decide to withdraw or to face the public humiliation of having the White House withdraw my nomination," according to the letter, which was reviewed by The

Wall Street Journal. It said that Mr. Weaver asked why, and was given no reply.

An HHS spokeswoman didn't respond to a request for comment on Mr. Weaver's letter late Thursday.

Mr. Weaver had faced growing scrutiny from members of the U.S. Senate, who would have had to confirm him in the job, after a series of reports in the Journal about his qualifications.

In his letter Thursday, Mr. Weaver described what he said were "slanderous reports" in the news media, but didn't mention the Journal articles. Mr. Weaver didn't respond to repeated requests for comment about his nomination or those allegations from the Journal beginning in mid-December. He didn't respond to requests for comment Thursday.

CHINA

Continued from Page One was among China's fastest-growing financial companies, as well as one of its boldest global investors with acquisitions including the Waldorf Astoria and insurers in Europe and Asia. Chinese authorities last year put the brakes on the company's expansion over questions about the sustainability of a business model that relied on the sale of short-term investment products and expansion beyond insurance.

In June, authorities detained then-Chairman Mr. Wu, who hasn't been heard from since. It isn't known if he has a lawyer. Anbang has previously said he was unable to discharge his duties. Friday's statement from the insurance regulator referred to him briefly saying, "Wu Xiaohui, former chairman and general manager of your company, was prosecuted according to law on suspicion of economic crimes."

The woes at Anbang raised questions over the supervision of China's private financial conglomerates, which have operations in sectors such as insurance and banking. The head of the insurance commission, who had championed a relaxation in regulation, was cashiered last April and placed under investigation by an antigrant watchdog agency.

The government is now working on new regulations aimed at improving oversight of such entities, according to people familiar with the matter.

An official task force that includes insurance regulators had already been monitoring



At the Waldorf Astoria in Manhattan, construction has been under way to remodel the hotel's interior in accordance with Anbang's plans for the iconic hotel.

the company's operations since Mr. Wu's detention last year. Anbang in recent months has been instructed to sell shares it held in some banks as regulators seek to slim it down.

The regulator's statement said outside investors would be invited into the restructuring of Anbang. It said the company would remain a private insurer. It didn't elaborate but said the one-year pe-

riod could be extended for another year.

Ivan Shi, research director at consultancy Z-Ben Advisors, said he doesn't think authorities will break up the company. "I think their goal is probably ensuring the stability of the company," he said. "It's such a big company with so many clients that I think it will cause more problems for them to break it up."

The regulatory takeover

could accelerate efforts by Anbang to sell some of its overseas assets. For months, investment bankers and private-equity firms have been ruminating over what properties or assets the insurer could offload, but there has been little deal activity so far.

Inside the Waldorf Astoria in Manhattan, construction has been under way to remodel the hotel's interior in accordance with the Chinese

insurer's plans. Last week, Christopher Nassetta, chief executive of Hilton Worldwide Holdings Inc., which has a long-term contract to operate the hotel, told investors that "Anbang has been moving forward" with its development plan for the hotel and said there was "heavy demolition" work going on.

Mr. Nassetta said on a conference call that his understanding from Anbang was

that the Waldorf wasn't one of the assets the company was selling, but he didn't rule out a future sale.

While many of China's largest companies are government-controlled, an announced takeover of management by a regulatory agency is unusual.

—Lingling Wei, Chao Deng, Grace Zhu and Julie Steinberg contributed to this article.

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WEST VIRGINIA

Teachers Go on Strike Statewide

Public-school teachers in West Virginia went on strike Thursday, shutting schools across the state, as unions rejected pay and benefits proposals by state lawmakers.

The walkouts affected some 270,000 students, according to the latest enrollment figures from the state Education Department. The department had announced school closures for all 55 counties in the state Wednesday night.

A second day of walkouts was planned for Friday. The strike appeared to be the most widespread in the state's history. In 1990, a walkout shut schools in 47 counties for 11 days.

The state's two main teachers unions have rejected pay increases proposed by the state legislature. A House bill passed this week would grant the state's teachers a 2% raise this year and a 1% increase in each of the next two years.

"The problem is it's only a one-year fix," said Dale Lee, president of the West Virginia Education Association. "It doesn't address the real issue, which is continued cost increases and continuing to fund it on the backs of the employees."

Republican House Speaker Tim Armstead said the pay increase was the largest teachers had seen in decades.

—Kris Maher

ECONOMY

Jobless Claims Fall

The number of Americans filing applications for new unemployment benefits fell last week for the third time in the past four weeks.

Initial jobless claims, a proxy for layoffs across the U.S., declined by 7,000 to a seasonally adjusted 222,000 in the week ended Feb. 17, the Labor Department said Thursday.

Jobless claims have fallen three out of the past four weeks after hitting a nearly 45-year low in January, signaling the labor market's tightness.

—Sharon Nunn

KIPP CHARTER SCHOOLS

Leader Is Fired Over Misconduct Claims

KIPP, the powerhouse charter-school network, fired its co-founder Mike Feinberg on Thursday following an investigation into allegations of sexual misconduct.

Mr. Feinberg couldn't be reached for comment, but a news release from the charter stated that he "categorically denies any wrongdoing."

KIPP officials said in a statement that "credible evidence" was found to merit terminating Mr. Feinberg.

An investigation into Mr. Feinberg's conduct was triggered last spring following an allegation that he sexually abused a stu-

dent in the late 1990s, according to the statement from KIPP Foundation CEO Richard Barth and KIPP Houston Superintendent Sehba Ali.

Also, in the course of the investigation, the charter's external counsel presented evidence of sexual harassment by Mr. Feinberg involving an adult KIPP alumna who was employed by the charter's Houston operation in 2004, which led to a financial settlement at the time, according to the statement.

—Tawnell D. Hobbs

TEXAS

Governor Spares Killer on Death Row

Texas Gov. Greg Abbott on Thursday spared the life of a convicted killer shortly before the man's scheduled execution for masterminding the fatal shootings of his mother and brother.

In sparing the life of Thomas "Bart" Whitaker, Mr. Abbott accepted the state parole board's rare clemency recommendation. Mr. Whitaker's father, Kent, also was shot in the 2003 plot at the family's suburban Houston home but survived and led the effort to save his son from execution. Mr. Abbott commuted the sentence to life without parole.

It was only the fourth time since the state resumed executions in 1982 that the parole board has recommended clemency within days of an inmate's scheduled execution.

—Associated Press

WORLD NEWS

Embattled Latvian Bank Seeks a Bailout

ABLV, targeted by U.S. over alleged money laundering, asks for as much as \$590 million

By DREW HINSHAW

RIGA, Latvia—A Latvian bank threatened with U.S. sanctions for allegedly conducting a global money-laundering scheme, including for companies connected to North Korea's missile program, is seeking more than a half-billion dollars in government bailout money in an effort to stay afloat.

The accusations against **ABLV Bank** by the U.S. Treasury Department have ignited one of Europe's biggest money-laundering scandals in years and are shining a spotlight on Washington's efforts to go after Eastern European banks it says have ties to Russian money laundering.

The case has also sparked

criticism of the European Central Bank, which has supervised the largest banks in the eurozone since 2014. The ECB defended its oversight on Thursday, saying it isn't granted the investigative powers to uncover illegal activities.

ABLV says it isn't guilty of money laundering, but conceded at a news conference that it suffered compliance issues big enough to merit disciplinary actions in the past.

The bank is requesting as much as €480 million (\$590 million) from the Latvian central bank, which uses the euro and is an ECB member, to survive proposed U.S. sanctions, it said.

"We are doing everything we can to ensure the stability of the bank," said ABLV's chairman and chief executive, Ernests Bernis, who added he had accepted the resignation of his compliance officer.

The country's banking regulator said it was examining the request. The central bank



Riga-based ABLV Bank is one of Latvia's biggest taxpayers.

didn't comment.

Legislators widely ruled out any parliament-approved bailout: "If it comes from taxpayers, forget it," said Ainars Latkovskis, a member of parliament's defense committee.

ABLV is one of the country's biggest taxpayers, and its loss would be a big one for a government that depends on banking to pay the salaries of lawmakers and banking regulators.

Such a bailout would be a huge and politically fraught undertaking for Latvia, a tiny country on Europe's increasingly restive Russian border. Many Latvians view it as a possible bailout for the wealthy Russians who do business at ABLV as tensions with Moscow mount.

U.S. Deputy Secretary of State John Sullivan said on a visit to Latvia's capital on

Thursday that Washington would take a harder line against Russian money laundering in Europe, stepping in where regulators have been politically or legally constrained from cracking down on their own banks.

The U.S. has deployed several hundred troops and a small deployment of tanks in Latvia since last year, in part to check what they say is a growing effort by Russia to antagonize a swath of Europe it once governed over centuries.

Latvia's government and military have gone along with that approach, boosting defense spending and policing its internet for alleged Russian propaganda. On Thursday, Latvia's parliament voted to restrict the use of Russian in public schools, a divisive issue in a country with a sizable Russian-speaking minority.

Roughly half of the deposits in the country's banks come from abroad, particularly Rus-

sia. It is a lucrative business that has helped turned the country into an improbable banking center for Russians looking to convert their money into euros, away from Russian tax authorities.

For years, U.S. regulators have warned European counterparts that the nation of two million was turning a blind eye to billions of dollars that slip from rogue states, internationally sanctioned oligarchs, and Russian organized crime, via local banks, then into Europe's wealthiest economies.

European regulators have warned Latvia that its government lacks the staff and capability to monitor those financial flows. This week, the ECB froze all payments by ABLV.

The ECB said on Thursday that under EU law only national anti-money-laundering authorities can investigate their banks.

—Patricia Kowsmann
in Frankfurt
contributed to this article.

WORLD WATCH

AUSTRALIA

Deputy PM Resigns Over Harass Claim

Australia's beleaguered deputy prime minister has resigned from the cabinet over allegations that he sexually harassed a woman.

Barnaby Joyce said Friday that while he will exit the cabinet, he won't resign from Parliament. That ensures Prime Minister Malcolm Turnbull's single-seat majority in the House of Representatives is maintained.

The woman who accused Mr. Joyce hasn't been identified. The allegation adds to scrutiny Mr. Joyce has faced since news broke earlier this month that he and his former media secretary are expecting a baby. Mr. Joyce said his Nationals party, the junior partner in the ruling coalition, will pick a new leader Monday.

—Associated Press

EUROPEAN CENTRAL BANK

ECB May Soon Signal Fate of Bond Program

European Central Bank policy makers could signal early this year that the bank's €2.5 trillion (\$3.1 trillion) bond-buying program will be phased out as the eurozone economy picks up, according to minutes of the ECB's January policy meeting.

Investors are watching for a sign the ECB will phase out its purchases, known as quantitative easing, this year. The QE program, credited with supporting the region's broadening economic recovery, is currently due to run at €30 billion a month at least through September.

—Tom Fairless

North Korea Delegation Puts U.S. in a Bind

By JONATHAN CHENG

GANGNEUNG, South Korea—Pyongyang's plan to have an army general tied to two attacks on South Korean forces lead North Korea's delegation to the Winter Olympics' Closing Ceremony this weekend presents a diplomatic quandary for U.S. presidential adviser Ivanka Trump, who is also set to attend.

The potential for an encounter between the two comes weeks after U.S. Vice President Mike Pence pointedly ignored North Korean envoys, including the sister of leader Kim Jong Un, at the opening of the Games in the South Korean ski resort of Pyeongchang.

The U.S. later said a meeting between Mr. Pence and the North Koreans had been planned, but that Pyongyang canceled at the last minute.

The U.S. delegation this weekend will need to decide how to treat the presence of the general, Kim Yong Chol, on whom Seoul has imposed sanctions for his alleged role in the 2010 sinking of a South Korean warship, which killed 46 sailors, and the bombardment of a South Korean island the same year.

Seoul's Ministry of Unification on Thursday said it had agreed to Gen. Kim's visit in order to further its goals of improving inter-Korean relations and pursuing denuclearization.

Pyongyang said it would send Gen. Kim hours after the White House said it would send Ms. Trump, the daughter of President Donald Trump, to



Seoul has imposed sanctions on Gen. Kim Yong Chol, center, who will lead the North Korean delegation to the Games' Closing Ceremony.

Pyeongchang. In addition to Ms. Trump, White House press secretary Sarah Huckabee Sanders and Republican Sen. James Risch of Idaho are set to attend.

White House officials said Ms. Trump has no plans to interact with any North Korean officials, and there were no private negotiations under way to arrange a meeting during her

three-day visit. She also won't meet with any North Korean defectors, as Mr. Pence did.

Ms. Trump has been briefed on Korean politics, and is prepared to discuss the president's strategy of maximum pressure on North Korea. But her plans were to attend the closing ceremonies, cheer on U.S. athletes, and reaffirm the U.S.-South Korea alliance, offi-

cials said.

Ms. Trump also is scheduled to dine with South Korean President Moon Jae-in at the Blue House on Friday and will spend the remainder of weekend watching the Games, the officials said. The plan to have Ms. Trump attend the Olympics came out of conversations between Messrs. Moon and Trump.

Unlike with the Opening Ceremony, where South Korean officials appeared to encourage Washington and Pyongyang to engage, officials said only that a meeting between the U.S. and North Korean delegation this time around "looks unlikely."

—Michael C. Bender
in Washington
contributed to this article.

China to Spend Less on Next Olympics

By DOMINIQUE FONG

CHONGLI, China—A decade ago, China pulled out all the stops in an effort to dazzle the world for the Beijing Summer Olympics, spending an estimated \$42 billion and building showcase projects such as the "Bird's Nest" stadium that sits mostly empty now.

But the government is taking a different approach in advance of the 2022 Winter Olympics. In this town about a three-hour drive from Beijing that will host the main skiing and snowboarding events, the vision is relatively modest: lift the region's economy in a sustainable way.

After President Xi Jinping toured a Chongli ski resort in January 2017, local officials scaled back development plans for Olympic venues, cutting the number of planned ski resorts from more than 20 to eight, according to two people briefed on Mr. Xi's visit.

"Chongli is Chongli," Mr. Xi said, according to Zhang Li, a Tsinghua University architecture professor who presented the master plan for the events in Chongli to the president. The message, Mr. Zhang said: "It's not by any means supposed to be a world city."

Two months after Mr. Xi's visit, Chongli imposed property controls to cool a Olympics-driven home-buying fever fueled by out-of-towners. Home prices have doubled



The Cuiyunshan Galaxy Ski Resort is being built in Chongli, China, for the 2022 Winter Games.

since Beijing won the bid in 2015.

"This is a skiing town, for people to enjoy. The main focus isn't real-estate development," said Zhang Yongquan, a deputy general manager at Hebei Tourism Investment Group Co., a state-owned developer that is building a ski resort in Chongli.

The Beijing Olympics Com-

mittee didn't respond to calls requesting comment.

China is still pursuing am-

bitious development projects.

A few hours south of Chongli, builders are transforming farmland into a new megacity.

Also, Beijing is spending

money on infrastructure for

the Olympics, including a new

\$9.3 billion high-speed railway scheduled to open next year that will reduce the trip from Beijing to just under an hour.

Still, instead of splashing out on lavish new sports arenas, Beijing plans to adapt 11

of 12 facilities from the Summer Olympics for 2022 events taking place in the capital, the official Xinhua News Agency has said. In Chongli, building heights have been set at a maximum of 30 meters (98 feet) to prevent skyscrapers being built, according to the architecture professor Mr. Zhang.

Plans for longer-term regional development include a local energy grid based on wind and solar farms.

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IN DEPTH

FAKE

Continued from Page One

tect indications they might have been distorted or taken out of context. Facebook says detecting even text-based content that violates its standards is still too difficult to automate exclusively. Facebook and Google continue to rely heavily on users to flag posts that contain potentially false information. On Wednesday, for example, YouTube said it mistakenly promoted a conspiratorial video falsely accusing a teenage witness in last week's Florida school shooting of being an actor.

Automated systems are generally set up to suppress links to fake news articles. Falsehoods posted directly, such as within status updates, images and videos, escape scrutiny. Moreover, the companies are generally reluctant to remove content that is said to be false, to avoid refereeing the truth.

Users, meanwhile, are less likely to doubt the legitimacy of images, making distorted pictures unusually effective weapons in misinformation

campaigns, says Claire Wardle, a research fellow and expert in social media and user-generated content at Harvard University's Shorenstein Center.

Last week's indictment described how a Russian organization called the Internet Research Agency issued guidance to its workers on ratios of texts in their posts and how to use graphics and videos.

"I created all these pictures and posts, and the Americans believed that it was written by their people," one of the co-conspirators emailed a relative in September, the indictment said.

The Russian entities often added small icons known as watermarks to the corners of their doctored photos, which branded their impostor social-media accounts and lent an air of authenticity to the pictures.

"In a world where we're kind of scrolling through on these small smartphone screens, images are incredibly powerful because we're a lot less likely to stop and think, 'does this look real?'" said Dr. Wardle, who also leads First Draft News, a nonprofit dedicated to fighting digital misinformation that works with tech companies on some projects.

Facebook is working to fix its platform and prevent further manipulation ahead of the U.S. midterm elections in November—an effort Facebook leaders have described as urgent. The company, along with Google and Twitter Inc., has been under fire from lawmakers and other critics over the handling of Russian meddling in the presidential election.

"It's abhorrent to us that a nation-state used our platform to wage a cyberwar intended to divide society," Facebook executive Samidh Chakrabarti said in a blog last month, adding that the company should have done more to prevent it. "Now we're making up for lost time."

Facebook is refocusing to become what it calls "video first" and expects video will dominate its news feed within a few years, which suggests its challenges will only intensify.

Suppressing links

The company plans to expand its program for tracking and suppressing links to fake news articles to include doctored images and videos, according to a Facebook spokesman. Facebook discussed the idea earlier this month with fact-checking groups it has been working with to check news stories, along with plans to build more tools to help identify when photos are taken out of context.

People tend to share images and videos more than plain text. During three months around the U.S. presidential election, tweets that included photos were nearly twice as likely to be retweeted than text-only tweets, according to researchers at Syracuse University studying how information spreads on social networks.

On April 17, University of Southern California student Tiana Lowe spotted a racist sign hanging in front of a student housing complex near campus. On a piece of cardboard, the words "No Black People Allowed" appeared next to a drawing of the Con-



RANDI ROMO



A photo taken at a pro-immigration rally by community organizer Randi Romo, top, and the altered image as it appeared on a Russia-linked Facebook page, Secured Borders.

federate flag and the hashtag #MAGA, for President Donald Trump's campaign slogan.

Ms. Lowe snapped a photo on her iPhone. In a story that day for the campus news site, The Tab, she questioned whether the incident was a hoax, writing that the sign had been hung by a black neighbor who was unaffiliated with the university following a dispute with the housing complex's residents. USC's Department of Public Safety said the man admitted to placing the sign. (The Tab, an independent campus news site, is partially funded by News Corp, owner of the Journal.)

The following day, a modified version of the photo appeared on a popular Facebook page, Blacktivist. The image was cropped, altered and watermarked with a Blacktivist logo, and the #MAGA hashtag was digitally removed. Information that could be used to identify the house, such as the phone number for the property's leasing office, was cut out.

The Blacktivist page, which last Friday's indictment said was controlled by Russian entities, cast the significance of the photo in a different light. The caption next to the photo made no mention of a hoax, instead portraying it as a racist act.

"Why racial intolerance still has a place in our country?" it read. "Racially-charged incidents continue to happen and it must receive national attention." The Blacktivist page had more than 300,000 followers at the time.

"It had clearly been framed and repackaged as an act of white supremacy rather than a hate-crime hoax," says Ms. Lowe. She became aware of the reuse of her photo two days later when a conservative college news site, the College Fix, picked up the Blacktivist post.

days later when a conservative college news site, the College Fix, picked up the Blacktivist post.

Ms. Lowe says she wrote a comment on the Blacktivist post saying the information had been taken out of context, and she tweeted a screenshot of the post calling Blacktivist "fake news." She didn't file a formal complaint with Facebook and didn't learn more about Blacktivist until Facebook revealed months later it was linked to Russia.

Facebook is working to fix its platform ahead of the U.S. midterm elections.

Tech companies can detect exact or near-exact copies of images, videos and audio for copyright enforcement. Spotting doctored photos or videos is a different challenge because tracking those changes requires keeping tabs on the original image, which isn't always available, says Krishna Bharat, who helped create Google News and now advises and invests in startups. Running a comparative analysis can be expensive, and there are legitimate reasons someone might crop, touch-up or add a new element to a photo.

Around the time last summer that Secured Borders posted Ms. Romo's photo of the mother supposedly asking for handouts, the group also posted a meme that suggested millions of illegal immigrants may have voted in the 2008 election. It depicted a man who appeared to be Hispanic holding a document, implying

that he had illegally voted.

The image originated in a newscast two years earlier on Los Angeles television station KTLA about a state program to provide driver's licenses to illegal immigrants. A KTLA executive said he wasn't aware that Secured Borders had used an image from the newscast.

Flagged content

When misleading content is flagged, tech companies wrestle with what to do next. Facebook, Twitter and Alphabet's YouTube say they only remove content that violates their standards, such as promoting hate speech, spam or distributing child pornography. Misinformation by itself doesn't count. Doctored images or status updates containing falsehoods can remain up if the posts don't otherwise violate their policies.

When Facebook in September removed the 290 Russia-backed pages on Facebook and its photo-sharing platform Instagram, it said it did so because the accounts misrepresented their identity, not because of the veracity of the content.

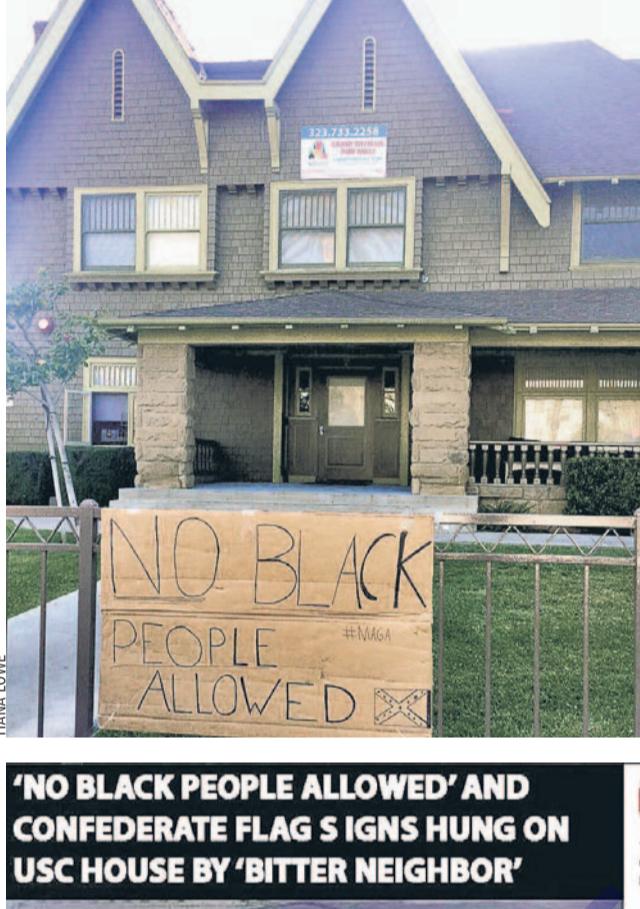
One of the misleading photos disseminated by a Russia-backed page has remained on social media because Instagram said it doesn't violate its content policies.

BlackMattersUS, a Russia-backed page purporting to promote the black community, posted a misleading photo that was reshared on Instagram as recently as January 2017. It shows a young black boy with overlaid text saying that, because of homicide, suicide and incarceration, "the black male is effectively dying at the rate of an endangered species." The BlackMattersUS account was taken down by Instagram, but because the image was shared by other legitimate accounts, the post remained online as of mid-February.

The meme—a photo with text on top, which is tougher for software to read than plain text—includes no citation of research or statistics. The image's claim that black adult females greatly outnumber black adult males is false, census data indicate.

The authentic photo was part of a 2013 series on "dambe" boxers in northern Nigeria by Nigerian photographer August Udo. Who wasn't aware his work was used by BlackMattersUS. "The thing is, the message itself is not even related to the image," says Mr. Udo. "How do you put those two together and make propaganda out of it? It's crazy."

Ms. Romo, the photographer of the pro-immigration march, says she discovered her photo had been manipulated by the Russia-backed account only when she got a call from a Journal reporter. "We are living in the greatest era of information access," she says. "People will watch cat videos endlessly, but they won't take a minute to ascertain whether what they are being told is true or not."



'NO BLACK PEOPLE ALLOWED' AND CONFEDERATE FLAG SIGNS HUNG ON USC HOUSE BY 'BITTER NEIGHBOR'



CURL

Continued from Page One

Spin an overturned glass clockwise on a smooth countertop and it drifts to the left. Spin it counterclockwise and it drifts to the right. A curling stone in play does the opposite. Spin that glass harder and it makes a sharper turn. In curling, the faster the stone spins, the more straight it goes.

"We have no idea why a rock curls," says U.S. women's curling team captain Nina Roth.

Neither do scientists, who have been stumped for close to a century. "Anything unusual gets us excited, and a curling rock has that," says Ray Penner, an astrophysicist at Vancouver Island University, who also studied the physics of golf. He took up curling and got hooked on finding an explanation.

The curling stone is completely smooth except for a raised ring on the bottom called the running band. That is where the mystery's rubber hits the road.

The earliest known theory to explain the stone's apparent misbehavior surfaced in 1924, the year of the first Winter Olympics, held in Chamonix, France.

University of Saskatchewan physicist Ertle Harrington at-

tributed it to friction differences between the stone's right and left sides as it moved on ice.

Writing in the journal Nature in 1930, researchers William Macauley and G.E. Smith said the friction differences were actually between the stone's front and back.

Mr. Harrington responded that their idea was "nonconcordant with the known behavior of curling stones." You get the drift.

University of Northern British Columbia physicist Mark Shegelski recently teamed up with Edward Lozowski, an emeritus professor at the University of Alberta, to arrive at the stick-slip friction theory.

Curling's playing surface is pebbled with droplets of frozen water that get their tops flattened by a machine called a nipper, making a tiny landscape of miniature buttes.

Messrs. Shegelski and Lozowski say parts of a stone's running band briefly stick—for billions of a second—to the pebbles. But the right side of a clockwise turning stone is a bit stickier than the left. Going back to the overturned glass, it is as if the right side of the rim gets stuck on a bit of jam on the table; the glass would rotate around the sticky spot to the right.

In the mathematical model Messrs. Shegelski and Lozowski developed to describe this action, slow and fast spin-

ning rocks curl the same amount.

The stick-slip friction theory hasn't gained traction with some scientists. Former aerospace engineer Mark Denny says the model doesn't properly account for how the theory would work in practice. If stick-slip was really happening, he said, a faster spinning stone would curl more.

"I have come up with similar curling theories and they have fallen down for similar reasons," he says.

Mr. Denny and Mr. Shegelski have been dueling in scientific papers over curling theories since the late 1990s, around the time curling officially joined the Olympics program in the Winter Games in Nagano, Japan.

The inquiries have since spread among scientists in Scotland, Japan and Russia. Harald Nyberg was doing graduate work on industrial friction at Uppsala University in Sweden when a World Curling Association ice expert introduced him to the puzzle.

Mr. Nyberg, who now conducts research on friction for parts used by heavy-duty truck maker Scania, says he and his grad-school colleagues "got stuck on this question." The problem with Mr. Shegelski's theories, including the latest one, he says, is that "they are nice and accurate math models for how a rock would move, but never really

get into where those forces come from."

Solving that question led to Mr. Nyberg's own *aha!* moment. He and his team found that curling stones left tiny scratches on the ice pebbles.

Those scratches cause the curl, the Swedish researchers say. Here's how: The leading edge of a rotating stone engravings curved scratches on the ice. As the back edge passes over the scratches, the etched grooves gently push the stone in the direction it is rotating.

Imagine the grooves in a vinyl record. If you lightly dragged a finger tip across the record's surface, it would be pulled in the direction of the grooves.

Not surprisingly, Messrs. Shegelski and Lozowski have problems with the scratch theory. First, they say, the Swedish researchers haven't presented a formal mathematical model to explain it. And wouldn't scratches on the ice left by previous stones affect the ones that follow?

"It would seem to me it would get kind of confusing for the rocks," Mr. Lozowski says.

The Swedish theory may have contributed to a minor scandal—dubbed, not surprisingly, Broomgate. Not long after their research was published in 2013, curling team sweepers started using brooms that scratched the ice, giving more control over the

Curling's Conundrum

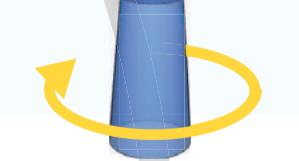
Scientists for nearly a century have failed to explain why a curling stone moves the way it does.



Spin the curling stone clockwise and it will curve right.



The faster the stone spins, the straighter it will go.



Set a glass upside down on a counter and spin it clockwise. It will curve to the left.



The harder the glass spins, the more its path will curve.

Sources: Nina Roth, U.S. women's Olympic curling; Mark Shegelski, University of Northern British Columbia
THE WALL STREET JOURNAL.

"How you sweep can definitely affect the rock in a pretty amazing way," says Mr. Shuster, the U.S. men's team skipper, who won a bronze medal in 2006 and is competing in his fourth Olympics.

For athletes, the why of it all seems best left to scientists or theologians. "I don't know," Mr. Shuster says. "I just throw the rocks, man."

GREATER NEW YORK

States Join to Tackle Gun Problem

New York, New Jersey Connecticut and Rhode Island to form task force and share info

By KATE KING

Democratic governors from four Northeastern states joined forces Thursday to restrict the movement of illegal guns among their states and share information about residents who have been banned from owning firearms.

A memorandum of under-

standing signed by the governors of Connecticut, New Jersey, New York and Rhode Island creates a task force to analyze and share information on guns purchased outside of the region that were involved in crimes in the hopes of intercepting people suspected of illegally bringing guns across the states' borders.

The agreement allows the states to share information from their mental-health registries, which aren't included in the National Instant Criminal Background Check System.

New York's database, for example, lists more than 70,000

people who are prohibited from possessing firearms because mental-health professionals have diagnosed them as likely to hurt themselves or others.

"All of our states are already ahead of the federal government when it comes to laws on this issue," New York Gov. Andrew Cuomo said during a joint conference call with the other governors. "Change comes when people demand change."

New York and Connecticut strengthened gun-control measures after the 2012 shooting at Sandy Hook Elementary School in Newtown, Conn., that killed

26, and New Jersey and Rhode Island also have strict firearm laws. The governors said they can better protect the region by sharing information and through closer cooperation by their law enforcement agencies.

"We can't wait for the federal government to act," Connecticut Gov. Dannel Malloy said. "The states that have done something and want to do more are coming together."

Many guns used in crimes in Connecticut were purchased out of state, Mr. Malloy said.

The four states all have centralized crime and intelligence

databases that were expanded after the Sept. 11, 2001, terrorist attacks, so sharing the information isn't difficult from a technological standpoint, said Mr. Cuomo's chief counsel, Alfonso David.

The steps follow last week's shooting at a Florida high school that killed 17 and sparked calls for new measures to protect schools. President Donald Trump has proposed allowing teachers to have guns on campus, raising the legal age to 21 for ownership of certain guns and banning "bump stock" firearm accessories.



Connecticut Gov. Dannel Malloy

Governor Presses for \$4 Billion I-95 Plan

By JOSEPH DE AVILA

Connecticut Gov. Dannel Malloy on Thursday revisited a proposal he says would jump-start the state's economy: Widening sections of Interstate 95.

The project, which would cost \$4.2 billion, could trim travel time from the New York border to Bridgeport, Conn., by about 22 minutes, a new state analysis found. It is 26.7 miles from Bridgeport to New York.

There is one hitch: The state has no way to pay for it. Mr. Malloy, a Democrat, last month suspended \$4.3 billion in transportation projects due to a lack of funds and this project would face the same hurdle. "We need to address the transportation funding issue in Connecticut," Mr. Malloy said at a news conference. "Anyone that has traveled I-95 during rush hour knows that action is needed."

Democrats have a narrow edge in the state Legislature, and any efforts to raise taxes or institute tolls to pay for transportation projects would be controversial, especially in an election year. That means it will be very difficult for the state to pay for any major infrastructure projects.

Connecticut's special transportation fund is in crisis. The fund, which pays for debt service on transportation-related bonds and operations for the Transportation Department, is projected to fall into deficit in the fiscal year that begins in July, according to the governor's budget office.

At the same time, the state is facing a budget hole of about \$200 million for the current fiscal year. The non-partisan Office of Fiscal Analysis estimates that the state's deficit would grow to \$1.88 billion in fiscal 2020.

Mr. Malloy has proposed implementing highway tolls and other measures to boost funding for transportation projects. Republican state lawmakers oppose imposing highway tolls or raising taxes for transportation.

If approved and funded, construction could begin in 2022 and be carried out in phases through 2030, said Department of Transportation Commissioner James Redeker,

noting that I-95 congestion costs the state about \$1.2 billion annually in lost time.

Apartment Boom Stokes an Amenities War

By JOSH BARBANEL

In search of an affordable apartment near her Midtown office, Lauren Dana found an embarrassment of riches in Long Island City.

The once-rundown industrial area is in the midst of a transformation into a residential destination.

The problem for developers—and the opportunity for renters—is that supply, especially for luxury rentals, is beginning to outpace demand.

Developers have gone on a building binge in recent years, putting up nearly 3,000 new units in 2017 alone, from soaring glass towers 56 stories tall to a low-slung industrial-style building, according to data from rental market consultant Nancy Packes Inc. More than 3,000 additional units are expected to come to market in each of the next two years, according to Ms. Packes.

Swelling supply is forcing some developers to trim rents and agree to other concessions, even as they roll out upgraded finishes, with washers and dryers even in small studios, and a smorgasbord of amenities from swimming pools and gardens to basketball courts and game rooms.

"People are being overwhelmed by the choices," said Patrick W. Smith, a broker at Stribling & Associates who specializes in Long Island City. "I see a lot of great options in the buildings that are coming online now. There is an amenities war going on."

Median rents in new buildings in Long Island City and nearby neighborhoods in northwest Queens reached a peak of \$3,365 a month in July, after accounting for landlord concessions, and have slid each month since, according to Jonathan Miller, an appraiser and president of Miller Samuel Inc. In January, the median rent was \$2,765 a month, down nearly 18% from the peak.

The concessions typically include owner-paid brokerage fees and one or more months of free rent on a one-year lease. In January, the median rent for apartments in new developments in the area fell 13.5% from January 2017, after accounting for concessions.



Developers are cutting rents and offering more concessions as supply outpaces demand for luxury apartments in Long Island City in Queens.



Developers of the latest group of luxury rental buildings say they are satisfied with the pace of leasing so far, and that the competition is actually helping.

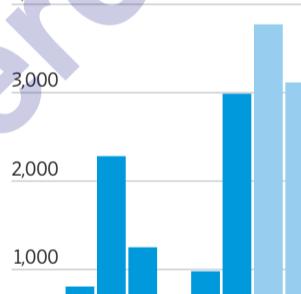
The activity is exposing more potential renters to the advantages of the neighborhood: excellent transportation, lower rents than comparable buildings in Brooklyn and Manhattan, and new retail ventures, from restaurants to coffee

shops and a new bookstore.

Jackson Park LIC, a new complex of three high-rise towers along Jackson Avenue and adjacent to Long Island Rail Road tracks, will have 1,871 apartment units. Erik Rose, a managing director at the developer, Tishman Speyer, said he was pleased with "velocity and pricing" since the first building, a 44-story tower, began leasing in November. The complex has

Open House

New rental units in Long Island City



*Projections

Source: Nancy Packes Data Services

THE WALL STREET JOURNAL.

stopped, there is a huge demand," he said.

Part of that demand is the rent advantage. The median rent for a new-development apartment is \$2,765 a month in Queens, compared with \$3,103 in Brooklyn and \$4,750 in Manhattan, according to Miller Samuel data.

For Ms. Dana, it was the convenience of her commute to Manhattan that persuaded her to try Long Island City. A lower rent lured her to Hayden, where she is due to move in soon.

Ms. Dana was temporarily living with her parents in Montclair, N.J., while commuting to a job at Pandora Media Inc., near Grand Central Terminal in East Midtown. When she moves in a few days, her commute will be three subway stops, about 10 minutes, she said.

She had looked at several Long Island City high-rises, and found that they were very similar. The Hayden didn't have a pool, but it offered two months free rent, as well as a year of free internet and cable, and free use of the gym for a year, bringing her costs down.

"I didn't need a pool, I needed a more comfortable month-to-month rent," she said.

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GREATER NEW YORK

Will Audiences Toast 'Margaritaville'?

Show featuring Jimmy Buffett's songs is latest in long line of jukebox musicals to hit Broadway

BY CHARLES PASSY

There aren't many Broadway musicals that all but encourage the audience to sing along with the cast. Or to mimic the movement of a shark, for that matter.

Suffice it to say, "Escape to Margaritaville" isn't your typical musical.

Instead, it is an attempt by Jimmy Buffett and a group of veteran theater and film producers to take the singer-songwriter's platinum-selling tropic-minded formula and translate it for the Broadway market.

"Escape to Margaritaville," which started previews last weekend at the Marquis Theatre and opens on March 15, is the latest in a long line of jukebox musicals. It adheres to the genre's formula of tying together hit after hit with a narrative—in this case, a story that revolves around a carefree singer-songwriter who could serve as a stand-in for a younger Mr. Buffett.

But the show, which includes favorites like "Volcano," "Fins" and, yes, "Margaritaville," aims for something beyond that: It is not so much a celebration of Mr. Buffett's easy-on-the-ears music, as it is the beach-bum



Eric Petersen, Paul Alexander Nolan and Rema Webb in 'Escape to Margaritaville,' which opens March 15 at the Marquis Theatre.

lifestyle the artist champions. The idea is to create a party worthy of the Parrotheads, as Mr. Buffett's legions of fans are known.

The musical comes with a \$15 million price tag—Mr. Buffett is among the investors—and has been in development for years. Before making it to New York, it already played in four cities, including an opening run at

California's La Jolla Playhouse in 2017, followed by stops in New Orleans, Houston and Chicago.

The show's producers and creative team, which includes the Tony Award-winning director Christopher Ashley ("Come From Away"), say the musical has a leg up, in part, because of its incubation period.

"We did 88 performances

in front of people," said Mindy Rich, whose Rich Entertainment Group is one of the show's lead producers.

Also key: finding a pair of book writers—TV veterans Greg Garcia and Mike O'Malley—who, in Mr. Buffett's words, were "more than casual fans" of his music. The thought was that only a Parrothead could talk to a fellow Parrothead.

Not that the show is trying to limit itself to that audience. Mr. Ashley points to the fact that the musical numbers go well beyond the obvious hits.

"There are these songs with incredible soul and sadness in them," he said. The end result, he added, is a show "that really appeals to a longtime theatergoer who wants a good story well-told."

MTA Vote on Station Upgrades Raises Conflict Concern

BY PAUL BERGER

The Metropolitan Transportation Authority on Thursday approved more than \$200 million to upgrade eight subway stations, including two at 34th Street-Penn Station. In the process, it highlighted a potential conflict of interest for MTA Chairman Joe Lhota, who is a director of the company that runs Madison Square Garden.

Mr. Lhota voted to approve

the spending on the stations that are directly below the arena.

Speaking after the MTA board vote, Mr. Lhota said he was careful to avoid even an appearance of a conflict of interest. He said Madison Square Garden didn't benefit financially or otherwise from the subway-station improvements, which are "a block away."

The authority's general counsel, Thomas Quigley, said

that he and the MTA's chief ethics officer believed there was no conflict of interest.

Mr. Lhota's dual role as MTA chairman and Madison Square Garden board member was recently the subject of a conflict-of-interest complaint. The arena sits above Penn Station, where several subway lines connect with a terminus for one of the MTA's commuter rail lines, the Long Island Rail Road.

John Kaehny, director of the

watchdog group Reinvent Albany, filed a complaint this month with a state regulator, the Authorities Budget Office, contending that Mr. Lhota's position at Madison Square Garden Co. poses a conflict of interest with his role at the MTA.

"The simple answer is that there are no clear bright lines between Penn Station and Madison Square Garden's interests," said Mr. Kaehny on Thursday.

Jeffrey Pearlman, the direc-

tor of the Authorities Budget Office, a state watchdog, confirmed that his unit received the complaint. Citing office policy, he declined to comment whether an investigation will be conducted.

Madison Square Garden Co., which is publicly traded, has a board of 15 members. "We believe Joe is a valued independent member of our board who acts with the highest integrity," a company spokeswoman said.

—Associated Press

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LIFE & ARTS

TELEVISION REVIEW

By Dorothy Rabinowitz

Crime Catches Up



Aleksey Serebryakov and James Norton

AT THE BEGINNING of the unfortunately titled "McMafia," a saga about global crime kingpins, one of the most important and dangerous of the players is set up for a devastating hit—an action carried out with such silken aplomb it's clear we're about to enter high-level thriller territory. As in fact we do in this eight-episode series brimming with wildly suspenseful chases, stalkings in dark places, and assassins posing as charming new friends prepared to carry out a hit as soon as the text message ordering it arrives. There could, on the other hand, be a last-minute cancellation just before the trigger is pulled—we get to see one of those here, and it's a remarkable scene.

All that's in addition to a narrative that takes us hopscotching around to gorgeous seaside resorts and gleaming capitals where, it's suggested, much of the world's money-laundering, heroin-smuggling arrangements and similar lawless deals are plotted. It's an impoverished neighborhood in India, though, that's the setting for one of the most electrifying sequences—a sustained, fevered battle to hack into a computer and thus enable the theft of a huge shipment of smuggled cargo.

It's a testament to this series (created by Hossein Amini and James Watkins, and inspired by Misha Glenny's book of the same name) that its seductions succeed as well as they do in overcoming its flaws. Among which we can count a pervasive tendency to moralizing babble bearing small resemblance to human discourse. The first whiff of this comes when the story's ostensible hero, Alex Godman (James Norton), a hedge-fund manager in financial trouble not of his making, is lectured by his girlfriend and expected fiancée. Rebecca (Juliet Rylance) seethes with rage over Alex's decision to seek investment from a questionable source. She's shattered by what she sees as Alex's abandonment of the high principles the two supposedly held dear.

There's no more telling symbol of the price of abandoned principles than the instrument used to kill a member of Alex's family. The Godmans, exiles from Russia with a tangled history of unsavory financial enterprises, had arrived in London led by Alex's father, Dmitri (Aleksey Serebryakov), a man determined to leave that past behind and start a new, upstanding life. It was the reason Alex had been sent to an expensive public school from which he emerged a young English gentleman, and then to Harvard Business School. But there remained one family member willing to continue his highly profitable connections with Russian criminal elements, all of which ended with his well-planned murder in the midst of an otherwise convivial lunch featuring bottomless supplies of Beluga.

Please see *MCMAFIA* page A10

THEATER REVIEW

THE REST OF THE STORY

New York

EDWARD ALBEE hit the theatrical jackpot on his first try with "The Zoo Story," a two-man, one-act play that opened off Broadway in 1960, ran for a year and a half, and made its 32-year-old author famous overnight. But Albee was never quite satisfied with it, and in 2004 he wrote "Homelife," a "prequel" to "The Zoo Story," later deciding that the two plays could henceforth be produced only together with the omnibus title of "At Home at the Zoo." First seen in New York in 2007, "At Home at the Zoo" is back in town again, this time at the Signature Theatre, which has a long history of distinguished Albee

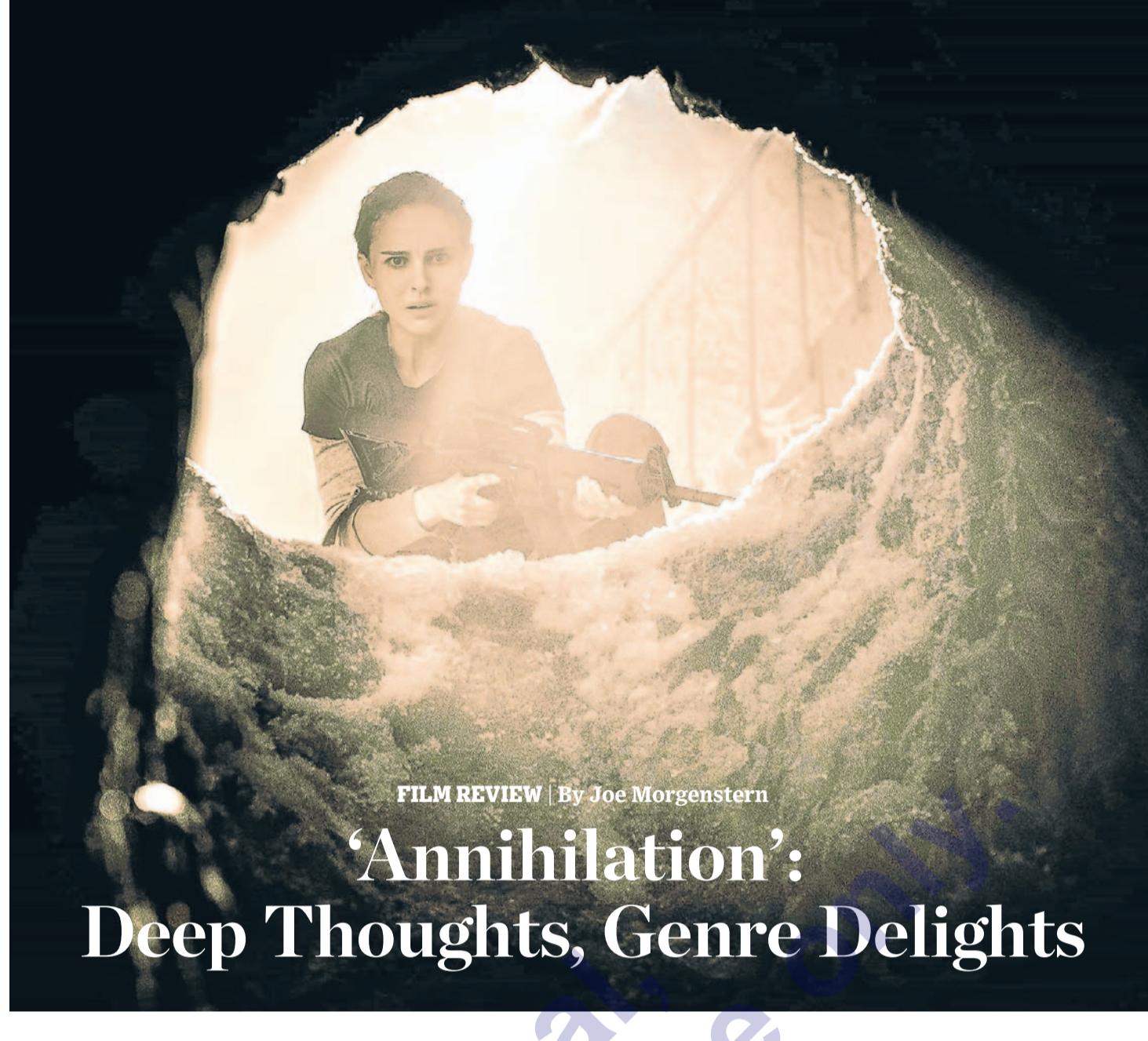
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Part of the enduring power of "The Zoo Story" lies in the fact that it is simultaneously clear and mysterious. The lights go up on a youngish man named Peter (Robert Sean Leonard) who is sitting on a bench in New York's Central Park, reading a book. He is accosted by Jerry (Paul Sparks,

Please see *ZOO* page A10



Katie Finneran and Robert Sean Leonard in 'Edward Albee's At Home at the Zoo'



FILM REVIEW | By Joe Morgenstern

'Annihilation': Deep Thoughts, Genre Delights

Natalie Portman, above, and Oscar Isaac, left, in Alex Garland's adaptation of Jeff VanderMeer's novel



'SOMETHING HERE is making giant waves in the gene pool," says Natalie Portman's Lena, a cell biologist and ex-soldier investigating weird events in "Annihilation." To say the least. Plants have taken on human forms, crystal trees are growing in swamps, delicate prancing fawns have sprouted blossoms on their antlers, and mutant monsters are licking their hideous chops at the sight of Lena and her fellow explorers. They are five resolute women, all with specialized skills, and they've plunged into the Shimmer, a sort of land-based Bermuda Triangle on the Florida coast that has devoured male soldiers before them, and suddenly threatens to devour the whole world.

Alex Garland's film is a mutant in its own right, a cross between classic creature features and the classic Lewis Thomas book "The Lives Of A Cell," along with spawn of "Alien," shades of "The Twilight Zone," traces of "Ghostbusters" and philosophical ruminations that evoke "2001: A Space Odyssey" minus the trippiness. The result is daringly original and frequently beautiful, a shimmering treat from a singular intelligence.

It comes as no secret that Mr. Garland is smart. He has science in his genes, thanks to his maternal grandfather, Peter Medawar, who won the Nobel Prize for medicine in 1960. His previous film, the 2015 "Ex Machina," explored artificial intelligence and genuine sexuality through the presence of Ava, a beautiful robot played by Alicia Vikander. (You may remember being transfixed, as I was, by the robo-erotic spectacle of Ava removing her leg warmers ever so slowly from her high-tech legs.) But "Ex Machina" was tightly constructed and elegantly wrought, while his new film is, literally and figuratively, all over the place. (And elegantly wrought in a looser way. Rob Hardy was the cinematographer. Mark Digby designed the stunning production. Geoff Barrow and Ben Salisbury composed the music.)

"Annihilation," which the filmmaker adapted freely from the novel of the same

name by Jeff VanderMeer, starts superseriously with lots of show-and-tell, via electron microscopy, about cells—how they divide and how they, i.e. we, may have started with a single cell four billion years ago. This is followed by a slow, fragmented setup that visualizes the Shimmer as a pulsing curtain with opalescent colors, and that centers on Lena's husband, Kane, a special-ops soldier played by Oscar Isaac (who played a tech mogul in "Ex Machina"). Kane has managed to escape from the Shimmer after a long mission to a location called Area X, but on his return he's beset by organ failure and, in a deep sense, is not himself.

That's when Lena, determined to find out what happened to him, goes into the Shimmer with a paramilitary group commanded by Jennifer Jason Leigh's Dr. Ventress, a psychologist who talks in furtive murmurs. (The other members are played by Gina Rodriguez, Tessa Thompson and Tuva Novotny.) And that's when "Annihilation" turns plainly, unrestrainedly enjoyable.

It's the film's roots that make it so: genre with a gender twist. There they are, five women with checkered histories—"we're all damaged goods here," one of them says—who, notwithstanding the damage, march through the thick vegetation of theme-parky precincts with heavy packs on their backs

and heavy weapons at the ready. (When monsters attack, Lena proves to be the sharpest shooter of them all.) It isn't clear why their navigation aids are useless, or why they fall to fighting among themselves, though both results may spring from the same vague cause—the Shimmer being a prism that refracts everything from radio waves to brain cells.

But Mr. Garland's goal isn't clarity; it's allusiveness, and a style of entertainment that swings freely

between adventure, some of it silly, and serious mystery. He's an artist who prefers posing questions to providing answers. What

happened to the men who were lost in the Shimmer? How and why did Lena's husband make it out? We see what the women see when they come upon revealing pieces of evidence, but the meaning remains ambiguous—and scary. Perhaps the clearest indication of the filmmaker's artistry is that he conveys his revelations most eloquently through haunting music and surreal dance.

Other questions pose themselves, almost unbidden. What does the universe want of us? Maybe nothing, which isn't necessarily great news; we might feel better with clearly written roles. Does God make mistakes? (During a lighthearted moment seen in flashback, Kane thinks yes, his proof being that the moon sometimes shines in broad daylight.) Above all else, what does the Shimmer stand for, or mean? It may well be of alien origin, but what do the aliens want? To annihilate our species? The closest thing to an answer lies in a sense of implacable change, from the cellular level on up. Everything changes, the story seems to

say—not for the better or worse, but for the different, the unavoidably new. "Annihilation" is new. It wants us to think, and feel, while we're having fun.

THEATER REVIEW

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LIFE & ARTS

FILM REVIEW

By Joe Morgenstern

No Worse Than the Disease

ONCE A ZOMBIE not always a zombie is the premise of "The Cured," an incurably complicated slobberfest set in Ireland. How complex can a zombie movie be, you might ask; it's either flee, fight or be lunch, with little nuance in between. Yes, but in this case 75% of those carrying a zombie virus have been cured—the film is strong on epidemiological stats—and they remember being zombies. That's a pretty good notion, though nothing comes of it because the first-time filmmaker, David Freyne, has so many undigested ideas on his plate—guilt, innocence, bigotry, forgiveness, atonement and, if you please, a replaying of IRA strife.

The mostly Irish cast is headed

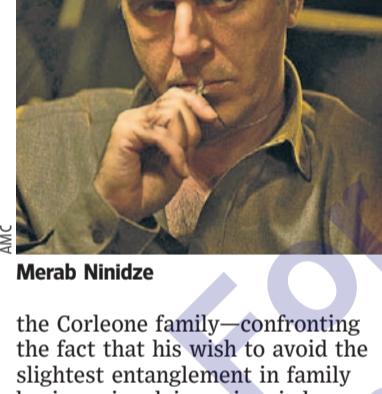


Ellen Page, above, and Sam Keeley and Tom Vaughan-Lawlor, below

by Ellen Page. She plays Abbie, an American TV reporter whose Irish husband died during the height of the plague. The last person to see him was her brother-in-law, Senan (Sam Keeley). He was infected but has just come out of quarantine and is now among the cured. Or among the presumably cured, because certain questions hang in the air after Abbie takes him in and gives him a new home. Is Senan's appetite under control? If so, how much can he

be blamed for the dreadful things he did under the influence of the virus, things that keep turning up in fragmentary flashbacks and interrupting the already disjointed narrative? If not, what's to become of good, liberal Abbie, who believes in rehabilitation?

There's more to the story than that, as I've suggested: a government-sponsored plan to kill the unfortunate 25% who remain infected and can't be cured; a terrorist campaign mounted in response by Conor (Tom Vaughan-Lawlor), a malign friend of Senan's from quarantine; a love affair between a female physician who claims to have found the definitive cure and her only patient, a madwoman eager to munch anyone she can get her chops into. (Did I ever say the movie makes sense?) The most notable scene, though, comes at almost exactly the film's midpoint, when Senan takes Abbie's young son to school on a bicycle and wobbles the handlebars to have a little fun. It's the only moment free of dread, and one that's ostensibly superfluous to the action, except that it isn't. Rather, it's a grace note that rings soft and true.



the Corleone family—confronting the fact that his wish to avoid the slightest entanglement in family business involving crime is less and less possible.

A widower, Vadim's strongest emotional connection is with a beloved daughter, Natasha, who in one memorable if slightly hilarious scene watches her father—athletic, shirtless, commanding—swinging

his ax as he chops logs for firewood. No one will miss the unmistakable image of Vladimir Putin, merged here with Vadim.

There's otherwise little levity in any scene involving the lethal Vadim, the most interesting and complex character in "McMafia." Runners up include a corrupt member of the Israeli Knesset, the cultivated Semion Kleiman, a highly improbable character whose criminal activities include brutal kidnapping of young Russian women to serve as charming company when Semion entertains important business associates in Israel—no sex required. All credit to David Strathairn for informing this strained creation with humanity and depth. Joseph, Semion's bodyguard, who ends up coming to London to work for Alex, is portrayed by Oshri Cohen, who steals every scene he's in without uttering a word.

McMafia

Begins Monday, 10 p.m., AMC

McMAFIA

Continued from page A9

The murder instrument—a caviar knife. A more obvious, appropriate punishment for the corrupt rich is hard to imagine.

The murder is a signal that the Godman family is far from safe in London—old ties with a long reach remain in Russia. They're enemies with a grudge, the most lethal of whom is Vadim Kalyagin (a subtle and haunting portrayal Merab Ninidze)—a former KGB officer, now head of a large criminal enterprise, who has protectors in the Russian state. Unappeasable in his fury at anyone he thinks has crossed him, he has become the Godman family's most implacable enemy. His family life isn't as complicated as that of the Godmans, a stew involving adultery, family head Dmitri in a steady alcoholic stupor, and son Alex—much like Michael, ambitious college student scion of

Continued from page A9

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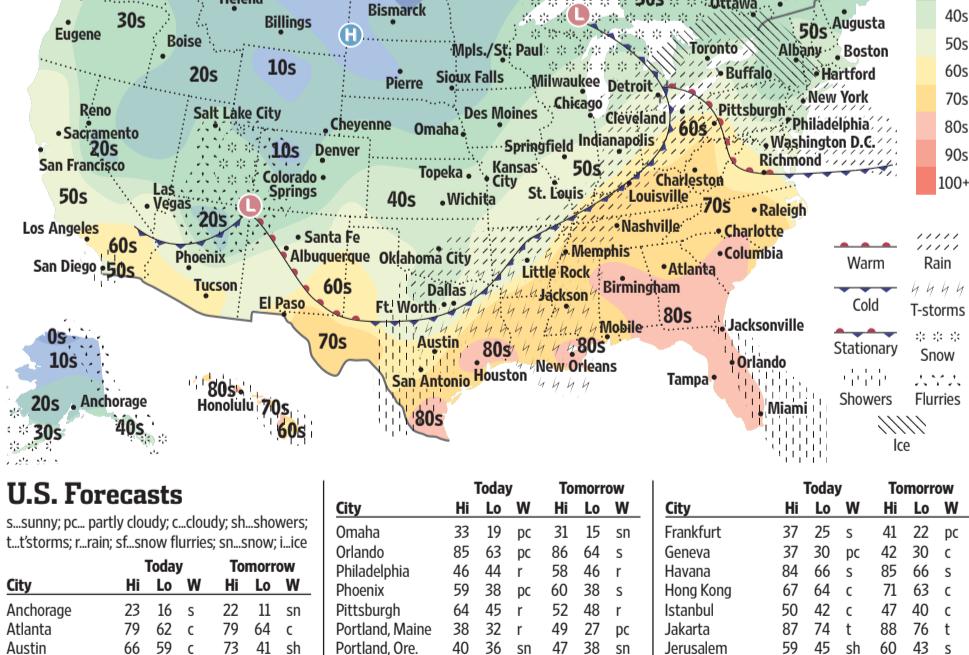
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McMafia

Begins Monday, 10 p.m., AMC

Weather



U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

International

Today Hi Lo W Tomorrow Hi Lo W

The WSJ Daily Crossword | Edited by Mike Shenk



Puzzle Contest

31 Franco's farewell
32 Freshman, typically
33 Course pro?
34 Eisenberg of "Law & Order: SVU"
35 Vein extractions
36 Served with tomatoes and olives
40 German count's start
43 Cathedral designed by Christopher Wren
45 Part of RSVP
47 Mineo of movies
50 Image Awards awardee
51 Groundbreaking 1988 anime film
52 C. Montgomery Burns, for one
54 Goblet part
55 Baht spender
56 Goes astray
57 Winter coaster
59 Pilots' guesstimates
60 Subtle attention-getter
63 Frodo's friend
64 Quarterback Manning

WHAT'S THE DIFFERENCE? By Marie Kelly

The answer to this week's contest crossword is a six-letter adjective.

Across

- 1 Battlefield bellow
- 6 Minister to
- 10 Dress
- 14 Napoleonic fate
- 15 Eva Marie
- 16 Perry Square setting
- 17 *Nonsense
- 19 Rat's challenge
- 20 Homer's lament
- 21 *One might be hatched by a jailbird
- 23 Lessening of hostilities
- 26 Former sister
- 27 Building with prominent eaves
- 29 Splash gently against
- 33 *Was soon to capture
- 37 Went aboard
- 38 Chewie's pal
- 39 Exclusive circle
- 41 Fabrication
- 42 There are ten in a microjoule
- 43 *Neither a win nor a loss for a starting pitcher
- 44 *Neither a win nor a loss for a starting pitcher
- 45 Rank between viscount and marquess
- 46 Drastic diets

Down

- 4 Thunder, before 2008
- 49 Onetime "Experience makes the difference" advertiser
- 53 Archipelago unit
- 54 *Catch one's steady by surprise
- 58 Sales team staffer
- 61 In and out, in brief
- 62 *Critics' preferences, perhaps
- 63 Bee follower
- 64 Lipton line
- 65 Bring out
- 66 Rechargeable battery type
- 67 Lanternfish's home
- 68 Crusades participant
- 69 Spoken
- 70 Sphinx's spot
- 71 Spotted
- 72 Like many patches
- 73 Snaky swimmer
- 74 Isn't lacking
- 75 Eldest of the Baldwin brothers
- 76 Samantha's aunt on "Bewitched"
- 77 Yugoslav hero
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- 82 Copoke crony
- 83 Central part
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PYEONGCHANG 2018



The U.S. women's hockey team defeated Canada in a shootout Thursday, winning gold for the first time since 1998.

DAVID MCINTYRE/ZUMA PRESS

ICE HOCKEY

Team USA Finds Golden Redemption

GANGNEUNG, South Korea—When the U.S. women's hockey team stunned Canada in a shootout Thursday, it not only gave the team its first gold in the sport since 1998. It also crowned a 24-hour, badly needed American run of eight medals at these Winter Olympics.

By Jim Chaisurmi,
Rachel Bachman
and Jonathan Cheng

Jocelyne Lamoureux-Davidson scored on a sixth-round shootout attempt and U.S. goalie Maddie Rooney stopped Canada's final shot to spark pandemonium on the ice and living-room celebrations in the U.S., where the game ended well past midnight in most time zones.

It had been a long windup. After the first 10 days of the Olympics the U.S. had collected a mere 10 medals, distantly trailing No. 1 Norway with 28. Several favorites had failed to deliver, and the Norwegians were skiing and ski-jumping circles around the competition.

But Team USA began maneuvering up the medal table late Wednesday with the first-ever U.S. gold medal in cross-country skiing, delivered by Kikkan Randall and Jessie Diggins. Male support staff sobbed in relief and elation, and Diggins and Randall celebrated in true American style: by chest-bumping on the podium.

U.S. women's hockey team leads American push up the medal standings

Then the U.S. speedskating team of Heather Bergsma, Brittany Bowe and Mia Manganello captured bronze in the women's team pursuit, ending an eight-year U.S. medal drought in long-track. A few minutes after that, the U.S. women's team of Elana Meyers Taylor and Lauren Gibbs won silver in the two-man bobsled.

On Thursday morning, the medals continued to flow when Jamie Anderson, already a gold medalist in women's snowboard slopestyle, added a silver in the debut of the Olympics' big air event—one big jump in which to showcase a primo trick. In the ski halfpipe event, David Wise defended his gold medal from Sochi while Alex Ferreira grabbed silver—the second event at these Games in which the U.S. took multiple podium spots.

Then came a highly anticipated showdown between American stars Mikaela Shiffrin and Lindsey Vonn in the Alpine combined ski race. Vonn led after the downhill run but straddled a gate and failed to finish the slalom. Shiffrin, however, claimed a silver medal to go with the gold she won earlier in the Games in the giant slalom.

The climax came in the afternoon with a dramatic U.S. win in the women's hockey title game

that brought the U.S. medal total to 21—good enough for fourth place but still well behind leader Norway's 35 medals as of early Friday morning.

Four years ago in Sochi, the Americans were 54.6 seconds away from victory, before Canada's late third-period equalizer and subsequent overtime goal ripped the hopes of Team USA and left players sobbing as they settled for silver.

This time around, the U.S. out-hustled the Canadians through three periods and a grueling 20-minute overtime, outshooting them 42-31, before Lamoureux-Davidson scored the decisive goal prior to the game-winning save by Rooney that sealed Canada's fate.

"We had 10 players who knew how it felt in Sochi," said U.S. coach Robb Stauber after the game. "Glad to see they were on the opposite end today."

For Team USA, the come-from-behind win, which came on the anniversary of the "Miracle on Ice" U.S. victory over the Soviet Union in 1980, was the first women's hockey gold since the 1998 Winter Games in Nagano, and the first time any non-Canadian team (male or female) has won a hockey gold since 2006 in Turin.

"This is our Stanley Cup. This is

our Super Bowl. To reach the pinnacle here is unbelievable," U.S. defenseman Sidney Morin said after as she clutched the medal around her neck.

The first period saw few chances for either side before American Hilary Knight redirected a shot by Morin into the net on the power play with seconds remaining before the first intermission.

Goals by Canada's Haley Irwin and Marie-Philip Poulin in the second period gave them the lead, but the Americans caught the Canadians on a line change and tied the game with 6:21 left in the third period.

On the play, Kelly Pannek gained control of the puck in front of the U.S. bench and deftly slid it to forward Monique Lamoureux-Morando at the blue line.

Lamoureux-Morando found herself alone on a breakaway and slapped a shot past the glove hand of Canadian goalie Shannon Szabados for the equalizer.

The U.S. survived a late Canada power play in the 20-minute sudden-death overtime, setting up the shootout. Poulin, who had scored two goals in each of Canada's gold-medal victories over the U.S. in Vancouver in 2010 and Sochi in 2014, had a chance to repeat her

heroics in Pyeongchang. But Poulin was denied in the shootout, and Rooney's final stop led to an outpouring of emotion from both sides.

"You never want to miss but the goalie did really well," Poulin said. "They played great. We played great. Women's hockey is growing."

The 20-year-old Rooney said there was never any panic as she stood in the net: "I was confident in my team. I knew I needed to stay calm. Pressure is power."

For Canada, the loss was a rare setback for a team that has dominated Olympic women's hockey since its 1998 inception, winning all 23 Olympic matches it has played against teams other than the U.S.

The Americans have been nearly as dominant as their neighbors to the north, with only one loss during that same span to a team other than Canada (Sweden in 2006)—outscoring foes in those games by 171 to 14.

Standing with a gold medal around her neck after the game, U.S. captain Meghan Duggan spoke about what the gold medal win meant to her. "When you step back and think about who you are representing, everyone behind you back home, people you don't know who love [that you are representing America], there is much pride in that. We're waving our flags high."

—Louise Radnofsky contributed to this article.

ALPINE SKIING

VONN PASSES THE TORCH TO SHIFFRIN

BY RACHEL BACHMAN

JEONGSEON, South Korea—Lindsey Vonn plunged down her last career Olympic run Thursday in the lead, built on the strength of her best event, the downhill. She was racing the Alpine combined, her third and final event of these Winter Games, and wanted badly to add to her bronze medal in the downhill earned a day before.

But Vonn was racing slalom, which she hardly ever races anymore, and her lack of training did her in. High on the course she mis-calculated and straddled a gate, ending her run and likely her Olympic career at age 33.

Waiting at the bottom of the hill was U.S. teammate Mikaela Shiffrin, the 22-year-old slalom master who has become much more than that. Vonn's miscue sealed the silver medal in the Alpine combined for Shiffrin. It also firmly planted the hopes of American Alpine skiing on Shiffrin's shoulders.

Shiffrin has three medals in two Winter Games, including a giant slalom gold from these Games and slalom gold from Sochi. That's as many as Vonn amassed in four Olympics. That Shiffrin owns medals in three events attests to her expanding dominance.

That Shiffrin owns medals in three different events attests to her expanding dominance.

Two things got in her way. First, the winds that battered the schedule, repositioning every event she raced in. A ski schedule that started out 12 days long with at least one or two or three rest days between events ended up eight days long, with the slalom/giant slalom and downhill/combi each on back-to-back days.

Right from the start, Shiffrin's gold medal in the giant slalom turned into a late night at a medals ceremony before the slalom start. She finished fourth.

The second thing that got in her way: Shiffrin. Nerves before the slalom brought back an old impulse—vomiting before the race—and seemed to torment her. The day after the race Shiffrin sent a series of ruminating tweets, beginning with, "I've gone over it a thousand times

A miscue on the slalom by Lindsey Vonn, right, sealed the silver medal in the Alpine combined for Mikaela Shiffrin.



in my head, and I don't think I could have done it differently even if I got a second chance."

Shiffrin has spoken of seeing a sports psychologist for anxiety in the past, and it seemed the stress of these Olympics—being a face of NBC's coverage, of her sponsors, of the U.S. Ski Team—re-lived that issue.

After the slalom disappointment, and largely owing to schedule changes, Shiffrin opted out of the Super G, then the downhill.

"Especially after the schedule changes on the front end and then having the combined being pushed forward, it was like someone was playing a game of Ping Pong in my brain for these whole Games," Shiffrin said. Later, she described these Olympics as "a mental roller coaster."

Emerging from these Olympics with three career medals—and such a range of achievements—despite those struggles shows just how well she can do when she's brimming with confidence.

Besides Shiffrin, U.S. Alpine skiing isn't showing much of a future. Ted Ligety finished 15th in the giant slalom, a race he used to dominate, and at age 33 is a long shot to reach another Olympics.

No U.S. men won an Alpine medal at the Games for the first time since 1998. The highest-ranked American woman on the World Cup Alpine circuit besides Shiffrin and Vonn is Jackie Wiles, at 40th. She was injured in a race earlier this month and missed the Olympics.

Vonn will keep competing after the Olympics. She has 81 World Cup victories, and is aiming for

Swedish man Ingemar Stenmark's all-time record of 86. Sometime after that, she'll retire.

And Shiffrin, most likely, will in 2022 try to achieve a never-done-before feat.

"I think that competing in all the events is something super-attractive to her," Day said.

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PYEONGCHANG 2018

FIGURE SKATING

Skating's Most Trusted News Source

By day, Jackie Wong is a management consultant. But by night, he's a blogger, prolific tweeter and authority on figure skating.

BY BEN COHEN

Gangneung, South Korea
THE FIGURE skating press corps was confused. As reporters at the Olympics waited in the mixed zone for an interview with Adam Rippon, they quickly needed to clarify a point that only a technical specialist or judge could explain. They looked down at their phones and refreshed Twitter instead.

"What does Jackie say?" one whispered.

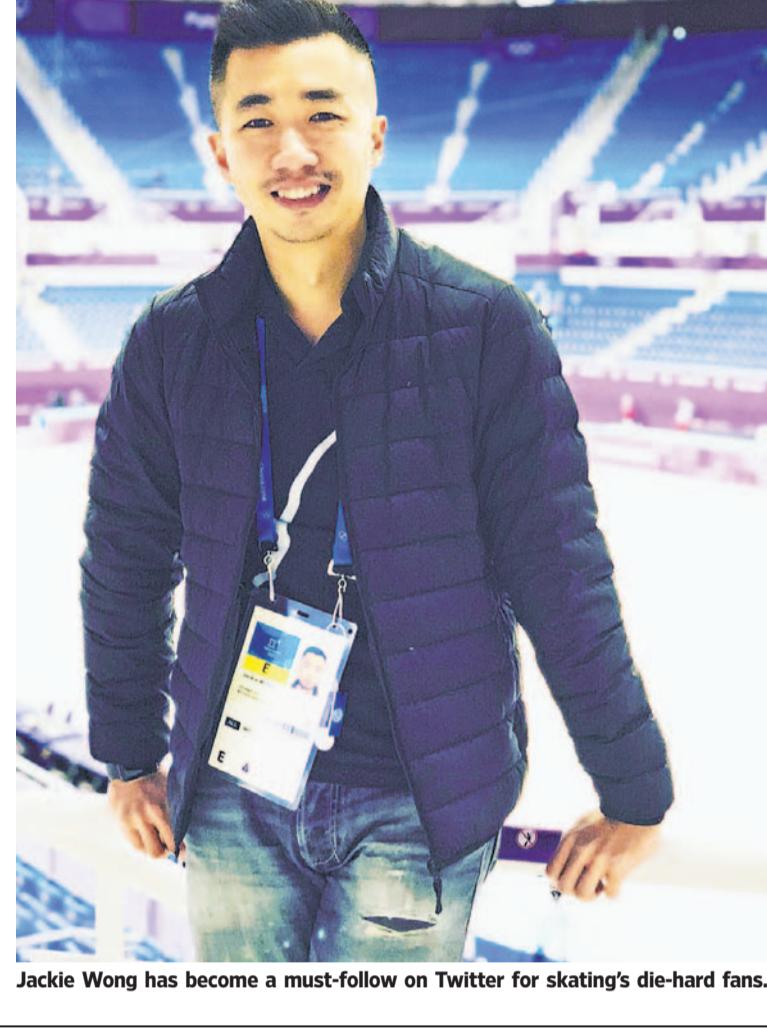
Jackie's name is Jackie Wong. His name on Twitter is @Rocker-Skating. But around the sport he's simply known as Jackie, the blogger, podcaster and prolific tweeter who has become the most authoritative figure in skating among its die-hard fans.

If you're watching skating on NBC, you get Tara and Johnny. If you're in the arena or following on Twitter, you get Jackie.

Except this isn't Jackie's real job. He's a management consultant by day and skating guru by night.

The guy whose website is such an invaluable resource in figure skating that he could probably charge for a monthly subscription funds his trips to skating competitions around the world with the points and miles he stashes while traveling every week for McKinsey & Co.

It's still a little surreal to Wong. Before he was a consul-



Jackie Wong has become a must-follow on Twitter for skating's die-hard fans.

tant, he was an architect. And while he was an architect, he was so busy that he could barely follow his favorite sport.

"And now it's my life," Wong said. "Or my second life."

Wong puts in the work, and everyone in figure skating pays attention.

Nathan Chen says he "fills such an important niche." Meagan Duhamel wants to sit with him at competitions. Maia Shibutani has worn Rocker Skating hoodies, and Chris Knierim has anointed Wong "the best in the biz."

"OMG Jackie!" Rippon recently tweeted back at him. "Why are you so smart?"

How did someone who was tweeting from his couch at home during Sochi become a voice of the sport in Pyeongchang?

"I don't know!" says the 35-year-old Wong. "I frankly don't know."

But of course he does. Jackie Wong knows everything.

After falling in love with figure skating around the 1992 world championships, Wong did just about everything you could do in the sport: skating, coaching, choreographing and judging. Wong started writing in 2009 during the recession, and his life changed when he started a Twitter account in 2010 and became the source of real-time news, detailed notes and accurate information for skating obsessives.

Only when he went to business school did Wong turn all his tweets

and takes into something more ambitious. The final project for one of his classes about social media was to create a website. Wong created the website that would become Rocker Skating. He got an A.

Wong couldn't have picked a better time to start writing seriously about figure skating. The sport had begun shifting in a dramatic way, the result of a significant change in the points system, and it needed to be explained by someone who could analyze numbers in addition to interpreting artistic choices.

This architect-turned-consultant who happens to be funny on Twitter and fluent in GIFs and emojis took advantage of the sport's evolution.

Wong still lives the itinerant existence of a consultant—on the road Monday through Thursday before taking the Amtrak from New York to his office in Philadelphia on Friday and staying up late at night to stream international competitions—but he says his side job wouldn't be possible without his day job. His entire trip to the U.S. championships last month was paid with hotel points, and his firm encourages its employees to "recharge, go on vacation, do whatever you want to do," he said.

He's taking that time to work.

"To basically spend 18 hours in a rink," Wong said. "But that's what I do."

—Louise Radnofsky contributed to this article.

SPEEDSKATING

MASS START INJECTS A DASH OF CHAOS

BY JOSHUA ROBINSON

Gangneung, South Korea
FOR A SPORT that hands out more medals than any other at the Winter Olympics, long-track speedskating has one glaring flaw. It can be a little boring.

Fine, it can be a lot boring.

The Games have 12 different speedskating events that feature nothing more than skaters going off in pairs in a procession that excites the Netherlands, South Korea, and maybe six other points around the globe. They battle through 400-meter laps, racing against the clock, not each other. Whoever posts the fastest time wins. Even the pros admit it isn't exactly a Vegas prize fight.

That's why Pyeongchang Olympics organizers added an event that looks nothing like the rest of long-track speedskating. Dubbed the mass start, it does exactly what the name promises. Everyone skates at the same time. The idea is to inject the most regimented sport at the Games with some chaos.

"There's no guarantees in that race for anyone," U.S. speedskater Brian Hansen said.

There are no guarantees that everyone will even finish. There are up to 24 skaters in the field.

Without lanes to separate them, they spend the race's 16 laps jockeying for the same strip of ice on the inside of the oval. Wipeouts happen all the time. Half the battle is staying on your skates and keeping away from everyone else's.

"Most of the time, you have to avoid making mistakes to win it," the Dutch speedskating team's technical director Arie Koops said. "Even the best may not ever win."

Ask anyone in the sport of speedskating to explain why the mass start is such a free-for-all and they reach for different sports altogether. American skater Joey Mantia compared it to Nascar. Koops went for bicycle racing. At least the Netherlands' Anouk van der Weijden picked something that involved ice. She went for long-track speedskating's more frantic cousin, short-track. Bizarrely, Koops's analogy comes closest.

Mass start tactics are heavily inspired by cycling, a sport that many speedskaters are secretly obsessed with. Even the terminology is more Tour de France than Gangneung Oval. The skaters start most of the 16 laps bunched together in a peloton, with the occasional attack from one or two trying to form a breakaway. But the advantage is usually with the pack, who can draft off each other and take



Where there are 24 skaters in a mass-start race, there are no guarantees everyone will finish.

shorter turns in front.

The main difference is that controlling the pack is much trickier with only one or two skaters from each country. So they sometimes form alliances of convenience, agreeing to work together to keep the bunch motoring.

Then, about a lap from the end, the race catches fire. The most common occurrence is a bunch sprint—a mad dash to the finish that kicks off in the final 100 or 200 meters. Anyone lucky enough to have a teammate in the race may use them as a leadout to launch them into the sprint, but organized approaches

tend to be the exception.

"The last two times I did the mass start, I crashed," said van der Weijden, who also happens to be the Dutch national mass start skating champion. "You have to be very alert."

Mass start has a long history, particularly in the U.S. and in the Netherlands. For Americans, it was the default format for speedskating in the early 20th century and appeared on the program of the 1932 Winter Games in Lake Placid.

For the Dutch, it is closer to the speedskating marathons that are common across certain regions or

the famous Elfstedentocht, a mass-participation race over the frozen canals between 11 cities.

For the U.S., the race represents one final chance to win a first long-track gold medal since the Vancouver Games in 2010. Mantia, who learned to navigate crowded fields as an in-line roller skater, is among the favorites. Unlike everything else in long-track speedskating, there's no waiting around for anyone else to race.

"You get instant gratification knowing who's won as soon as you cross the line," he said.

In other words, it's never boring.

FIGURE SKATING

ZAGITOVA OUTDUELS MEDVEDEVA FOR GOLD

BY LOUISE RADNOFSKY

Gangneung, South Korea
Alina Zagitova, a 15-year-old Russian, upended her compatriot, training mate and back-to-back world champion Evgenia Medvedeva to take gold in women's figure skating with feats of endurance thought impossible just four years ago.

Zagitova landed all 10 of her triple jumps in the second halves of her short and long programs,

including seven in her "Don Quixote" free skate, to score a 10% bonus.

That was enough to put her ahead of 18-year-old Medvedeva, who spread seven impeccably executed triple jumps across a flawless long program to "Anna Karina."

Kaetlyn Osmond of Canada, who performed powerful jumps in a smooth program to "Swan Lake" maintained her grip on a bronze medal over Satoko Miyahara of Japan.

Medvedeva and Zagitova are

part of an intensely talented micro generation of female skaters in Russia, surpassing the gold medalists of the 2014 Olympics, the 2015 world champion, the 2015 world bronze medalist and the 2016 world bronze medalist to reach here.

In the last four skating seasons, 10 Russia women have won almost 60% of the major international medals.

Snapping at the heels of Medvedeva and Zagitova are talented juniors including one who has attempted a quadruple jump in competition.

The conveyer belt is likely to continue unbroken, though the third Russian to compete here, Maria Sotskova, had a disappointing short program that ended the prospect of a Russian sweep. She pulled up several places after a strong free skate to "Clair de Lune."

American women, by contrast, have struggled in the 12 years since Sasha Cohen won the country's last Olympic medal in Turin. Ashley Wagner's 2016 silver medal



at the world championships in Boston broke a 10-year drought in major international competition, but her success has not been repeated by other skaters who have subsequently placed ahead of her in the U.S.

Mirai Nagasu, a tenacious competitor for most of those 12 years, landed a clean triple axel in the team event to clinch a bronze

medal for the U.S. there. But she over-rotated the jump in the short program of the individual event and saw her chance of a medal slip away, and was unable to get the jump around in the free skate.

Both Karen Chen, the 2017 national champion, and Bradie Tennell, the 2018 national champion, struggled in the second half of their free skates.



Austria's Anna Gasser wins gold in women's big air.

Medal Count

| COUNTRY | G | S | B | TOTAL |
|---------|----|----|----|-------|
| Norway | 13 | 12 | 10 | 35 |
| Canada | 10 | 8 | 9 | 27 |
| Germany | 13 | 7 | 5 | 25 |
| U.S. | 8 | 7 | 6 | 21 |
| Neth. | 7 | 6 | 4 | 17 |
| France | 5 | 4 | 6 | 15 |
| OAR* | 1 | 5 | 8 | 14 |
| Austria | 5 | 2 | 6 | 13 |
| Switz. | 3 | 6 | 3 | 12 |
| S.Korea | 4 | 4 | 3 | 11 |
| Japan | 3 | 5 | 3 | 11 |

*Olympic Athletes from Russia

Updated: 12 a.m. ET

FOR THE LATEST COUNT GO TO WSJ.com/Olympics

LARS BARON/GETTY IMAGES

OPINION

The GOP's Gun Temptation

POTOMAC WATCH
By Kimberley A. Strassel

Republicans have held the political high ground on gun rights for decades, and they've done it by sticking together and sticking to the facts. Nothing will lose them credibility faster than if they jump on the false-hope bandwagon.

The Parkland, Fla., school shooting is rightly causing a new national debate. With astounding cynicism, Democrats rushed to capitalize on dead teens, while ineffectually dragging out the same fatigued arguments they've been making since the Clinton era. They are back again with the "assault weapons" cry—calling for an arbitrary ban on a handful of scary-looking guns, when millions of other firearms can kill just as efficiently. (The 1994 assault-weapon ban was still in effect at the time of the 1999 Columbine massacre.) They are back again with confiscation, even though they know it's a nonstarter with the Supreme Court and the public. The Parkland community deserves real policy proposals, not more empty posturing.

The GOP has excelled in recent decades in pointing out the barrenness of this gun-control agenda with statistics and common sense. And they've pointed out the unifying thread behind these

mass-shooting events: mental illness. Former Pennsylvania Rep. Tim Murphy spent three years pushing legislation to overhaul and bring accountability to federal mental-health programs, and President Obama finally signed it in December 2016.

The Murphy bill was the product of a methodical and thoughtful effort to reform a system that wasn't working. Such deliberateness is in contrast with the half-baked proposals now emanating from President Trump and Sen. Marco Rubio. Both men have said they favor banning adults under 21 from buying rifles. Mr. Trump is also talking about training and arming schoolteachers, and Mr. Rubio is latching on to restrictions on the size of magazines.

This is the politics of false-hope—Democrat-lite. Age limits may sound good, but most teenage violent criminals steal firearms from adults. An age limit wouldn't have stopped Adam Lanza in Sandy Hook (who used his mother's guns) or the Columbine killers (who obtained their guns from adult friends). It wouldn't have stopped the Virginia Tech shooter or the Umpqua Community College shooter in Oregon, who were 23 and 26, respectively. An age limit is as empty a gesture as a ban on so-called assault weapons. As is a call for a large-capacity magazine ban, which is easily circumvented by reloading quickly. Arming teachers is an interesting idea, but it

still doesn't get to the root of the problem—stopping insane people from getting guns.

The Trump-Rubio proposals stem from that fatal Washington compulsion: a need to be seen as doing something. What's odd is that it is unnecessary. There's plenty Republicans could do in Parkland's wake that is far more sensible, and would do far more good.

In Parkland's wake, Trump and Rubio flirt with feel-good but ineffective solutions.

House and Senate committees could investigate the FBI's failure to respond to warnings about the Parkland killer. This doesn't need to be a bash-the-FBI episode, but law-enforcement failure has—along with mental health—become a defining feature of many mass shootings.

Republicans can also quickly pass the Fix NICS Act, which would fill holes in the background-check system—holes that we know led directly to mass-shooter firearm purchases that should have been barred. Some House Republicans demand that Fix NICS be combined in a single bill with a measure compelling states to recognize one another's concealed-carry permits. That's an invitation to the left to

portray them as obstructionist. Instead, the House should pass each bill separately and let red-state Senate Democrats face the consequences for killing a gun-rights priority.

The biggest favor the GOP can do is to tackle the mental-health question in all its thorny complexity. The public understands the problem here. A recent Washington Post-ABC poll found that nearly 8 in 10 voters believe more-effective mental health screening and treatment would have prevented Parkland. That's far more than favor most gun-control measures.

Some politicians are broaching the question of how to ensure the severely mentally ill don't have access to guns. That would require a rewrite of federal health-privacy law, which currently makes it all but impossible to monitor the severely mentally ill. Rep. Murphy's bill originally proposed revisions, but Democrats stripped them out at the behest of advocacy groups. Even most Republicans are too timid to venture into this civil-liberties space, since it requires a frank discussion about state commitment laws, court orders and appropriate protections.

But if the GOP wants to keep the public trust, it needs to lead that discussion, be straight with the facts, and force Democrats to justify inaction. Age limits and gun restrictions aren't an answer. They're a sideshow.

Write to kim@wsj.com.

Billy Graham Bore Witness for 99 Years

HOUSES OF WORSHIP By Russell Moore

I remember the scene well: Years ago I was sitting in the pews of an almost-empty church listening to an Episcopal bishop discuss why Billy Graham was irrelevant. The prelate insisted that Graham was not the problem. No one could question his sincerity or integrity—only his message.

"Modern people simply cannot accept the supernatural basis of Billy Graham's gospel," I recall the bishop saying. "Billy Graham should change his gospel or he will never reach our world as it is." A man sitting next to me turned and said, "There are 40 people here, and four million listened to Billy Graham in a crusade last night."

Graham, who died Wednesday at 99, was perhaps the most significant Christian evangelist since the Apostle Paul. This wasn't because of his media savvy or political influence. He transcended all of that with an obvious belief in the gospel he preached—obvious even to those watching on television or sitting in a stadium's nosebleed seats. Graham did not think the brave new world needed anything other than an old-time gospel.

This was more unusual than one might think. In the early 20th century, the Graham-skeptical bishop's view gained influence. Christianity

could compete with rationalism and secularism, many theologians assumed, only by playing down or discarding the supernatural: virgin births and empty tombs. Graham rejected this path, insisting over and over again, "The Bible says . . ."

At the same time, some anti-modernist Christians held on to the ancient truths of historical Christianity but added to them fights over less fundamental issues. Which Bible translation was better? Which specific scenarios will play out with the end times?

Others tied themselves rigidly to political or cultural movements. Still others suggested that Christianity would succeed by focusing on the practical value of faith in congregants' finances, marriages and political lives. Graham returned again and again to John 3:16. He understood that no matter what we tell ourselves, we know we are sinners and we are hiding from what we most desperately need: peace with God.

Graham filled stadiums in major cities and used emerging media to spread his message. While he was an innovative communicator, his message was the undiluted core of Christianity. Even the music of Graham crusades demonstrated this. His most famous invitation hymn, "Just as I Am," focused on blood atonement and the exclusivity of Christ for salvation—topics that should have been

off-putting to modern America. Yet that hymn also emphasized that the gospel is not for those who are smug in their morality, or who know all the shibboleths of Christian America.

The good news of the Gospels is that God desires reconciliation with you, through the blood of the cross, whatever your background, whatever your sins. Graham was credible when he said that he was offering peace with God to you just as you are.

He was perhaps the most significant evangelist since the Apostle Paul.

Graham's personal conviction about this historic gospel is what led him to desegregate his crusades in 1953, despite the hate this stirred up among Southern segregationists. If there were no separation ropes at the cross or in heaven, there should be none at his crusades. Graham's dislike of division led him to regret his closeness to President Richard Nixon, which was revealed in conversations between the two men recorded on the Watergate tapes. He spent the rest of his life emphasizing, and personally demonstrating, that the kingdom of God transcends any partisan political agenda.

Whenever scandals blew up—think famous preachers caught in financial or sexual indiscretions—many assumed that such was confirmation that evangelical Christians were all frauds. Graham never had that problem. His personal integrity, though, was not about him but about his message. Graham protected his morality because he really believed that there was a judgment to come. He believed so much in the power of the gospel that he put the safeguards in place to protect himself from becoming one more caricature of a preaching hypocrite.

The world listened to Graham not despite his supernatural, otherworldly message but because of it. He wasn't selling something. He was bearing witness. That's why so many unbelievers, even those who ridiculed Christianity, respected him. They knew he believed behind closed doors what he preached in open-air arenas. And those of us who are born-again Christians trusted Graham precisely because he never demanded our trust. He simply asked us to trust Christ. We loved Billy Graham because he told us the truth: The world is fallen, Christ is alive, and Jesus loves us—just as we are.

Mr. Moore is president of the Ethics and Religious Liberty Commission of the Southern Baptist Convention.

The Hardest Letter of Recommendation

By David P. Deavel

It's spring semester, and students will soon be asking professors like me to recommend them for scholarships, jobs and graduate programs. It can be difficult to write letters of recommendation for students who have mixed records or are applying for seemingly ill-suited jobs. But the hardest cases are the outstanding students who want to get their doctorates and become professors.

These star students have given me plenty of memorable anecdotes—the key to successful recommendation letters. They have aced difficult exams, written original papers, asked clever questions, and started meaningful classroom conversations. I can easily vouch for their talents. But before I agree to recommend them for a grad program, we have to have The Talk. It usually goes something like this:

"Yes!"
"Don't!"
"Right. Wait, what?"
"OK, you really want a Ph.D.?"
"Um . . . yes."

"OK, I will write this letter for you under the following three conditions: First, you will not go to any program that wants to charge you tuition.

I'll vouch for an aspiring academic who has talent—but only after The Talk.

Ideally, you will be offered some sort of assistantship so that you won't have to look for other jobs to make money. Then you also can put on your CV that you've been a teaching or research assistant.

Second, you will go with the goal of being the best and

most productive graduate student in your class. This means that you will have to start presenting at academic conferences and publishing articles as soon as possible. You will apply for fellowships and grants. You will finish your doctorate as quickly as you can and try to get some teaching experience.

And third, you will go understanding that even if you do all this, you still quite likely will not become a professor and will have to do something else for work.

The students often think I'm joking, but anybody in or around higher education knows the score. What clouds the future of academia is a perfect storm: too many doctorates and too few jobs, shrinking undergraduate enrollment, the increasing use of adjuncts, technological disruption.

Yet students continue to go to grad school. It isn't only the foolish optimism of youth. It isn't that they're particularly susceptible to romantic

visions of academic life—tweed, pipe and spire. They're simply in love with searching out truth.

I recently received a Facebook message from an alumna of my school's master's program in Catholic studies. A successful shipping company engineer, she wants a doctorate "because a deep intellectual engagement with the theology and history of the Faith is something that truly enriches my own faith." She already has heard The Talk in various settings and explained that she also plans to study data administration as a career backstop. She thinks it is "no exaggeration to say that I feel called to make this move."

She hasn't asked yet, but in this case I'll be happy to write a letter.

Mr. Deavel, editor of Logos: A Journal of Catholic Thought and Culture, is a visiting assistant professor of Catholic studies at the University of St. Thomas in St. Paul, Minn.

BOOKSHELF | By Steven Poole

Onward And Upward

The Future of Humanity

By Michio Kaku
(Doubleday, 339 pages, \$29.95)

The wide popular interest in Elon Musk's recent launch of one of his own Tesla cars into space, complete with a "Starman" mannequin at the wheel, shows the extent to which space travel has again become mass entertainment as well as, perhaps, mass aspiration. It is good timing, then, for a book by the theoretical physicist Michio Kaku on the possible paths to our future as a galaxy-trotting species.

The basic motivation for getting off Earth, Mr. Kaku points out, is that the planet won't sustain us forever. If we don't make it uninhabitable through nuclear war or runaway global warming, we will still be at the mercy of massive asteroid strikes, or the next ice age, or the inevitable death of the sun, which will incinerate the Earth. If humanity is to endure, we need a backup. "Either we must leave the Earth or we will perish," Mr. Kaku writes. "There is no other way."

The early parts of "The Future of Humanity" involve getting out further into the solar system. (Mr. Musk has already announced his determination to found a colony on Mars.) With admirable clarity and ease, Mr. Kaku rehearses the history of rocketry and the formation of the planets, and explains how we might colonize not only Mars but some of the rocky moons of the gas giants Jupiter and Saturn. The grunt work of making another such world habitable could, he explains, be performed by self-replicating robots, able to build innumerable copies of themselves from whatever stuff lies to hand. Crops could be bioengineered to thrive in different atmospheres. And water could be released from Mars's polar ice caps, Mr. Musk has suggested, simply by nuking them.

Readers may be surprised how much of the know-how for such projects already exists. It's clear how we might mine asteroids for the rare-earth metals that are crucial to the electronics industry, and it is pleasing to learn that people have already figured out what to build a moon base with: "Experiments have shown that lunar soil, when heated by microwaves, can be melted and fused to make rock-hard ceramic bricks, which could be the basic building blocks for the entire moon base." It sounds a bit like lunar Lego.

Once humans have safely spread out within the solar system, it will surely be tempting to try to go interstellar. For that we're going to need a bigger boat. Mr. Kaku explains various plausible options for a starship's engines, the most exciting of which is very like the warp drive in "Star Trek." Thus equipped, humans might indeed radiate out into a vast cosmic diaspora. But eventually, in many billions of years, we'll face the same problem we did on Earth: the destruc-

tion of our habitat, only this time the habitat will be everything. The entire universe, current thinking suggests, is doomed to end up in total disorder and darkness, making the continuation of life impossible. Mr. Kaku dreams that we might even try to escape this fate by sneaking through a wormhole into a fresh, new universe.

The book has an infectious, can-do enthusiasm and is occasionally even a little silly. (One interlude warns us that low-gravity sports will be very different from the familiar Olympics.) But since the author covers so much ground—appropriately enough for a book about traveling the universe—no subject can be treated in great depth. A short chapter on artificial intelligence and the possible rise of "superintelligent" machines, for example, can't compete with the definitive book-length investigations of the topic, Nick Bostrom's "Superintelligence" and Max Tegmark's "Life 3.0."

What, meanwhile, does a highly speculative work of popular science such as this one do that a well-researched work of science fiction doesn't? Mr. Kaku understands SF's attractions—he introduces chapter topics by mentioning movies (such as "Interstellar") or novels (such as Isaac Asimov's "Foundation" series). But a lot of modern science fiction is richer than Mr. Kaku's treatments of his subjects in technical detail as well as in emotional heft.

The kind of planetary emergency that motivates humans to get off Earth as quickly as possible is superbly dramatized in Neal Stephenson's novel "Seveneves." The challenges of terraforming other planets, to make them Earthlike and habitable, are explored deeply in Kim Stanley Robinson's Mars novel sequence. And when Mr. Kaku wonders whether alien races would be benign, and whether we should even be broadcasting our existence to them, one wants to point to the epic treatment of such questions in the best-selling "Three-Body Problem" trilogy by the Chinese master Cixin Liu.

At one point, Mr. Kaku suggests that future humans might encode their "connectome" (essentially, their consciousness) into laser beams, to indulge in space tourism at the speed of light. He acknowledges the engineering problems involved in such a project—which include building way-stations along the path to re-amplify the laser signal—but he doesn't mention the severe conceptual problems. If a copy of my consciousness is uploaded into a traveling laser beam, but I remain on Earth, how do I enjoy this experience myself? Or if my own consciousness is transferred to the laser beam, what happens to my body? Is it destroyed? Isn't that a little bit like killing me? Such questions have long been asked both in science fiction and in philosophy, and they show that the future of humanity is always about more than physics alone.

Mr. Poole is the author of "Rethink: The Surprising History of New Ideas."

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OPINION

REVIEW & OUTLOOK

Public Unions vs. the First Amendment

The Supreme Court on Monday will hear the landmark First Amendment case *Janus v. Afscme* that challenges whether public employees can be compelled to subsidize union advocacy. As Thomas Jefferson once wrote, requiring "a man to furnish contributions of money for the propagation of opinions which he disbelieves, is sinful and tyrannical"—and unconstitutional.

Janus gives the Supreme Court another crack at its flawed *Abood* (1977) precedent that let governments force nonunion public employees to pay "agency fees." A 4-4 Court split in *Friedrichs v. CTA* (2016) after Justice Antonin Scalia's death left *Abood* standing, but perhaps not for long.

In 2015 Illinois Gov. Bruce Rauner sued to overturn a state agency-fee law. Child support specialist Mark Janus and two other state workers later joined the case, arguing that they shouldn't be required to support collective-bargaining positions with which they disagree. Mr. Janus must fork over \$44.58 of each paycheck to the American Federation of State, County and Municipal Employees (Afscme).

In *Abood*, the Supreme Court mistakenly concluded that there's no practical difference between collective bargaining by public and private unions since both negotiate over wages, pensions and work conditions. But collective bargaining in government is intrinsically different because it implicates public policy and political issues.

For example, Afscme wanted Mr. Rauner to agree to support a tax hike in contract negotiations. The Chicago Teachers Union in 2012 opposed a contract requiring longer school days, rigorous teacher evaluations and merit pay. Even bread-and-butter issues like wages, pensions and health benefits are a matter of public debate. Some government workers like Mr. Janus may object to policies advocated by unions at the bargaining table.

Unions also blur the distinction between political advocacy and collective bargaining. While they are required to notify agency-fee payers of "chargeable expenses" related to collective bargaining, their disclosures are usually vague. Afscme's "Fair Share Notice" to nonunion workers included charges for membership meetings, internal communications, organizing, litigation, lobbying, recreation and benefits for union officers and employees.

Lobbying certainly sounds political, as does organizing. Litigation may be politically motivated. Union newsletters address politically charged topics and legislation. While workers can contest fees, the time and expense of doing so exceeds the benefits even if they win.

Unlike their private counterparts, government unions also sit on both sides of the bargaining table. Recall former New Jersey Gov. Jon Corzine's declaration at a union rally that "We're gonna fight for a fair contract." Yet as

The Supreme Court has a chance to correct a 40-year-old mistake.

the Supreme Court ruled in *U.S. v. United Foods* (2001), "First Amendment values are at serious risk [when] the government can compel a particular citizen, or a discrete group of citizens, to pay special subsidies for speech on the side that it favors."

Abood also glossed over a critical distinction: Government employers unlike businesses are bound by the First Amendment, which protects freedom of speech and association. Public employers thus must demonstrate that any infringement of these fundamental rights is the least restrictive way to achieve a compelling government interest.

Government unions can't meet this exacting standard. The "free-rider" problem—that is, employees benefitting from collective bargaining without paying dues—is a red herring since unions typically insist on exclusive representation. This helps recruit members and gives them more control over the workplace. Many nonunion workers would prefer to negotiate and arbitrate grievances individually.

The Supreme Court has been chipping away at *Abood* for some time. In *Knox v. SEIU, Local 1000* (2012), the Court declared that, "Because a public-sector union takes many positions during collective bargaining that have powerful political and civic consequences, . . . compulsory fees constitute a form of compelled speech and association that imposes a 'significant impingement on First Amendment rights.'"

Two years later, Justice Samuel Alito wrote an excellent majority opinion in *Harris v. Quinn* dissecting *Abood*'s "questionable" analysis, noting its failure "to appreciate the distinction between core union speech in the public sector and core union speech in the private sector." But overturning *Abood* wasn't necessary to decide the case.

* * *

Reversing *Abood* wouldn't be a death blow to government unions, though they might have to prioritize resources and reduce political spending. After Michigan passed its right-to-work law in 2012, the state teachers union lost about a quarter of its members. Public unions exist in the 28 states with right-to-work laws, but without monopoly power they must work harder to recruit members.

Unions in most states will also still benefit from myriad government privileges including exclusive representation, access to employee information and paid "release time" for labor leaders. California teacher Rebecca Friedrichs argues persuasively that the Court should require that governments receive affirmative consent to deduct union dues. Otherwise, governments may concoct bureaucratic obstacles to workers who want to opt out of unions that burden First Amendment rights.

Correcting *Abood*'s 40-year-old mistake is long overdue and would protect both workers and taxpayers from coercive government-union monopolies.

Putin's U.N. Cover for Assad

As the carnage in Syria continues, the United Nations is rousing its feeble outrage. But that is no match for Vladimir Putin's determination to protect his client Bashar Assad.

The Security Council met Thursday to debate a Swedish and Kuwaiti proposal for a 30-day Syrian cease-fire to stop Assad forces that are pounding rebel strongholds in Eastern Ghouta with an extermination-level bombing campaign. The U.N. resolution would allow the delivery of humanitarian aid and medical evacuations for the grievously injured, who include women and children.

The U.N. was supposed to vote Thursday on the resolution, which has been under discussion for weeks. But Russia stonewalled by pro-

posing last-minute changes. Foreign Minister Sergei Lavrov doesn't want Islamic State or al Qaeda groups covered in the text, but that's a loophole to allow Assad to bomb anyone in the opposition and call them terrorists.

So the U.N. powers are left with the choice of voting to approve a measure that won't stop the bombing or risk a Russian veto. Over Syria's seven-year civil war, the Russians have blocked 11 resolutions related to Assad's regime, including a measure in November to renew the mandate of a U.N. panel that investigated Assad's chemical-weapons violations.

Mark this latest fiasco as another case study in what Barack Obama liked to call "collective security," which at the U.N. typically means no security at all.

Venezuela's 'Crypto' Con

Venezuela launched what it called its very own "cryptocurrency" this week, and on day one of pre-sales raised \$735 million—or so President Nicolás Maduro claims. But like all of the regime's attempts at economic alchemy, there is no way to verify that figure. You have to take the word of the government that produced the highest inflation rate in the world in 2017.

The first thing to note about "the petro" is that it isn't really a cryptocurrency. The most famous digital money is Bitcoin, and it and its newer cousins like Ethereum are digitally scarce instruments that trade on a network no one owns. Government isn't the monopoly producer of the unit of value like it is when central banks create fiat money. Instead "miners" develop the blockchain currency in a complex model by verifying transactions.

The petro is more like an oil exchange-traded fund, or ETF, backed by Venezuelan crude. The digital platform can guarantee you are getting a petro and verify how many petros exist, so you can tell if it is being debased.

But the token itself is guaranteed by the Venezuelan government, which means it is ultimately a promise from Señor Maduro. In most cryptocurrency token offerings, the underlying blockchain ledger could be used to verify the volume of the transactions. In the petro's case, because the placement was done privately, this information isn't available.

Has Maduro got a currency deal for you.

It's baffling why anyone in the civilized world would buy the petro since there are already multiple ways to speculate on oil prices using reliable securities. Venezuela didn't help its credibility when it announced a plan to use the Ethereum platform but at the pre-sale on Tuesday switched to the smaller New Economy Movement platform. Even blockchain wonks were confused.

The motive for this crypto-con is to skirt financial sanctions. In the real world if Caracas wanted to sell an ETF it would go to international capital markets. But last year the Trump Administration imposed sanctions that bar banks from transactions with Venezuela's government and the state-run oil company. The White House said the goal is to deny Venezuela "a critical source of financing to maintain its illegitimate rule, protect the United States financial system from complicity in Venezuela's corruption and in the impoverishment of the Venezuelan people, and allow for humanitarian assistance."

Mr. Maduro thinks he can use the petro to scare up capital, but his announcement on Wednesday that Venezuela will soon launch another token backed by gold suggests that the first one is coming up short. Even if he does reach his goal, he still has to convert his digital money into hard currency or find dealers who will take it as payment. The challenge for civilization is to check him at the on- and off-ramps of the international financial system.

LETTERS TO THE EDITOR

Immigrant 'Privilege' vs. the Black Struggle

In her Feb. 16 op-ed Angela Rocco DeCarlo asks the question: "Did My Mother Have 'White Privilege'?" In short, Ms. DeCarlo, the answer is yes. How so? Very simply, between 1911 when your mother arrived and 1920, 80 black Americans were lynched in the city of Chicago. And while your ancestors worked hard and faced levels of discrimination as you mention, at least they were alive to share their lives with you. The scores of black Americans who were lynched weren't so fortunate.

TIM SMITH
Cincinnati

My mother's family came from Southern Italy about a decade before Ms. DeCarlo's. There were 14 of them, and they were uneducated. Neither of my parents got beyond the second grade, but of the males, including those who married my mother's sisters, seven of 10 successfully started or bought businesses with their savings. Discrimination? My father extended his successful business to Blackwell, Okla., where a Ku Klux Klan cross was burned in front of our house.

HARRY R. CLEMENTS
Wichita, Kan.

Ms. DeCarlo's Italian mother, like my Eastern European great-grandparents, fought hard against many obstacles to gain a toehold in American society. Why can't we honor their struggles, without diminishing the reality that American blacks—even those who, like my own black daughter, enjoy substantial social and economic advantages—face racial discrimination on every street they walk down, every institution they enter and every screen they peer at? Why can't we abhor this discrimination and yet still love our country?

PETER MOSTOW
Mercer Island, Wash.

Ms. DeCarlo questions whether her mother benefited from "white privilege" when in 1918 at age 14 she dropped out of school and went to work in a Chicago coat factory because her family needed the income.

Would a poor, black 14-year-old girl in the same situation have been able to get a similar job in that factory? I don't know the answer, but if not, why wouldn't Ms. DeCarlo think that her mother benefitted from "white privilege"?

JEFFREY I. ZUCKERMAN
Silver Spring, Md.

Any ATC Reform Must Protect Non-Airlines

Regarding your editorial "Private Jet-Setters Against Better Air Travel" (Feb. 15): You support a proposal to essentially give away the American taxpayers' air-traffic control (ATC) system to the big airlines. You suggest that small communities won't be harmed by this proposal. More than 100 mayors in every state, along with rural groups, airport organizations, chambers of commerce and others understand that under this highly controversial proposal, congressional oversight of the nation's aviation system would be transferred to a private board effectively dominated by the airlines, and unaccountable to Congress. The group would have the authority to target funds and other resources toward the large airline hubs, and make self-serving decisions about access to airports and airspace.

Of course these are the same airlines that have dramatically cut service to small towns, which are responsible for the vast majority of their own flight delays and whose consumer treatment prompts one eye-popping news story after another.

The airline-takeover plan the Journal supports has prompted concern or outright opposition from a bipartisan group of congressional lawmakers, think tanks on the left and right, the

Trump's Real Objective Is About Winning for the U.S.

If you view the U.S. economy as a closed system, then many of the worrying trends of government deficits indicated in "Capital Account: Trump's Real Object: Spending, Not Deficits" (U.S. News, Feb. 15) are accurate. The U.S., however, is a nation of immigrants. What has made our country so creative, powerful and successful—while propelling the nation to vastly outperform the rest of the world for two centuries—is the fact that we aren't a closed system. We are a free society where opportunity is available. Therefore, we are an attraction to outsiders that in many cases is irresistible. If we were to open our gates to legal, high-quality candidates, based on merit, we easily could import enough resources. People are the ultimate resource, and their productivity and interdependent tax receipts and correspondent GDP growth would completely overpower the deficits cited in the article.

By cutting the tax and regulatory burden, the current administration has made this country even more attractive to these very people. I realize that it appears to be against the policy choice of expanding immigration, but President Trump is a pragmatist and a businessman. If shown the facts, he, too, could be convinced to override the nativist, xenophobic instincts of his party. Ultimately, he wants to win—period.

ROB MEDWAY
New York

The commercialization of air-traffic control has destroyed nearly all private aviation in the world. Your prescription for aviation in the U.S. will destroy general aviation in the U.S. as it has in Germany, the U.K., Canada and France. The U.S. is the last place where an average person can purchase and learn to fly an aircraft and fly it almost as unencumbered as he could drive an automobile. Your ideas would destroy this last bright spot of aviation freedom.

LIONEL D. ALFORD JR.
Wichita, Kan.

While most U.S. air passengers fly on airlines, the majority of flights are made by private citizens in their own airplanes. They have found efficient personal transportation in unpretentious aircraft. Ceding control of the public airspace to a group dominated by commercial interests would be like turning the U.S. highway system over to bus and trucking companies.

FRED STADLER
Oshkosh, Wis.

The proposal would not reduce flight delays and allow planes to take off and land in more efficient patterns and fly more direct routes. Almost all delays are caused by weather or a lack of concrete. Privatizing ATC can't possibly change the weather, and it's possible to safely operate only so many airplanes from an airport. Major terminals in the U.S. are already at capacity, especially at prime travel times. The vast majority of delays aren't caused in the air, but on the ground.

The next time you are sitting on a delayed flight at any hub airport, look out the window. You will see a long line of airliners all scheduled to depart at the same time, but probably no business jets.

W.T. MCSWAIN
Williamsburg, Va.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Don't make me take to Twitter."

We Can Drill Our Way Free

Regarding your editorial "Drilled, Baby, Drilled" (Feb. 2): Google "we can't drill our way to lower gas prices" and enjoy the many articles and videos of President Obama's brilliant pronouncement. And President Trump is an embarrassment?

DAVID BROSNAN
Denver

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

OPINION

Trump and Canada May Chill a Nafta Deal

By F.H. Buckley

If there were ever a no-brainer in international trade, it would be free trade between the U.S. and Canada. The two countries are the closest of friends and allies, and their economies are so tightly linked that trade barriers with Canada could put eight million Americans out of work. And if you're the sort who worries about trade deficits, the U.S. runs a \$12.5 billion surplus with Canada in goods and services. Despite these benefits, however, the current renegotiation of the North American Free Trade Agreement may result in a breakup between the two trading partners.

Trudeau's politically correct demands only heighten antagonism with the president.

Part of the blame is owed a White House that is reflexively suspicious of international trade. At a small White House meeting on trade I attended, President Trump spent five minutes critiquing China before launching into a 20-minute attack on Canadian trade policies. It was "Blame Canada," right out of "South Park."

Another problem is Americans' utter lack of interest in the Great White North. One poll showed that 92% of Americans expressed a favorable view of Canada when prompted. But Canada doesn't much impinge

on American consciousness. It's what Poland was in the Alfred Jarry play "Ubu Roi": "The action takes place in Poland, that is to say nowhere."

The biggest obstacle to renegotiating Nafta, however, comes from Canada—a combination of sins of commission and of omission.

The sin of commission is Canada's attempt to force political correctness into the trade deal by requesting new chapters on gender and indigenous groups. With the move, Prime Minister Justin Trudeau intends to signal his antagonism toward the famously politically incorrect Mr. Trump. Provoking Mr. Trump may be a popular move among Canadian voters, who have an increasingly unfavorable view of the U.S. But the distraction caused by the dispute between the two leaders could threaten the broader negotiation.

The rising tensions between the U.S. and Canada represent a drastically different starting point for bilateral negotiations from the climate in recent years. It used to be a tradition for newly elected American presidents to select Canada for their first diplomatic visit. It is already too late for Mr. Trump to do the same, and I would be surprised to see him visit Ottawa at any point in his remaining term. What would he gain other than public abuse?

In President Obama's last visit to Canada's House of Commons, in June



might have amounted to a few million dollars ballooned to \$500 million after a jury, wrongly permitted to hear biasing evidence, awarded damages to the claimant for emotional distress. The decision was reviewed by a Nafta-chartered panel including a member of the British House of Lords and a former chief justice of Australia, who concluded that the case had been an example of Third World justice. But in the end, the American member of the panel persuaded his peers to uphold the award on technical grounds.

Now here's what's really surprising. In the midst of the Nafta renegotiation, Canada has managed to broker a trade deal with the European Union and join the Trans-Pacific Partnership. One wonders why the Trudeau government so avidly pursues trade deals with everyone except the U.S. Could the prime minister's ingratiating manner mask a deeper disdain for his country's greatest trading partner?

If it all falls apart and the U.S. is seen as hostile to free trade, the big winner will be China, with its eager search for new markets for its goods.

Mr. Buckley teaches at Scalia Law School and is author of "The Republic of Virtue: How We Tried to Ban Corruption, Failed, and What We Can Do About It."

2016, members of Parliament banged their desks and shouted, "Four More Years!" It was a lovefest. As deliriously joyful as that was, a visit by Mr. Trump would be the opposite: a hatefest.

Mr. Trudeau's sins of omission present an even greater concern. The Canadian government hasn't done enough to sell the deal. It could have promoted the importance of Nafta with a full-frontal campaign: meeting with editorial boards to massage the media, taking out full-page ads in major newspapers, and sponsoring conferences at which academics would discuss how many American jobs would disappear if the deal were abandoned.

Most important, the Canadians

could have explained the need for a dispute-resolution mechanism in which a panel of experts would be empowered to rule on the tricks the two countries allege each other to have played in their trade dealings. This provision is a must-have for Canadians, but they've not bothered to make the case.

Those who prioritize American sovereignty—who think that the U.S. should never subject itself to binding binational arbitration—might think twice if they recall how we've given cause for other countries to distrust us. Consider Canada's Loewen Group, a funeral conglomerate that was taken to the cleaners in 1995 by Mississippi trial lawyers. A contract claim against Loewen that

WORLD NEWS

German Government Hinges on Party Tally

Rank-and-file vote among wounded Social Democrats to decide fate of coalition

BY BOJAN PANCEVSKI

BERLIN—Germany's political future is staked on a ballot among the fractious rank-and-file of a once-mighty party that is still reeling months after its worst electoral showing since World War II.

Some 460,000 members of the ailing Social Democratic Party will decide by the end of next week whether to renew its unloved coalition with the conservative Christian Democratic Union of Chancellor Angela Merkel or go into opposition, a choice that would push Europe's largest economy into uncharted political territory.

Six months after an inconclusive general election that has yet to produce a stable government, the European Union's pre-eminent member and longtime anchor of political stability has stumbled into the kind of chronic uncertainty long associated with smaller members of the bloc.

That shakiness, unprecedented in the country's modern history, is a result of an accelerating fragmentation of the political center that could have detrimental impact on much-awaited domestic reforms and the governance of the EU.

It has taken hold despite Germany's economic prowess, which long insulated it from the surge of outsider movements that have disrupted the establishment across the West.

"From an Italian point of view, we are concerned," said Wolf Piccoli, an Italian economist and political analyst. "If investors see instability in core Europe, they will worry about weaker links such as Italy."

Germany's apparent immunity to nationalist challenges ended in September when a far-right antiestablishment party, the Alternative for Germany, or AfD, entered parlia-



Andrea Nahles, the SPD's parliamentary group leader, in a heated discussion with party members on Sunday in Kamen, Germany.

tering another alliance with Ms. Merkel's conservatives would merely drive away more voters.

"The way the SPD is at the moment, it doesn't have much of a future," said Kevin Kühnert, the 28-year-old head of the SPD youth wing and one of the leading voices in the anti-coalition campaign told journalists this week.

Contributing to the trepidation, polls suggest support for the SPD has continued to collapse after it scored a historical low of 20.5% at the election. An INSA poll for the Bild daily last week gave it 15.5% of votes—less than the AfD. And since the party's chairman resigned after the completion of the coalition talks, it is now effectively leaderless.

Squeezed between the radical Left Party and a CDU that has moved to the center under Ms. Merkel, the SPD had less and less to offer voters, said Thorsten Benner, a Berlin-based political scientist.

Adding to this, social democracy in Germany and Europe as a whole is suffering from a deeper tension between its socially conservative working-class voters and urban left-leaning professionals with more liberal views on migration, according to Matthew Goodwin, a British political scientist monitoring the rise of populism in Europe.

"There is nothing the German mainstream can do now: From the perspective of populist voters they made a mistake in the refugee crisis, and another grand coalition will only make things worse," he said.

That shakiness, unprecedented in the country's modern history, is a result of an accelerating fragmentation of the political center that could have detrimental impact on much-awaited domestic reforms and the governance of the EU.

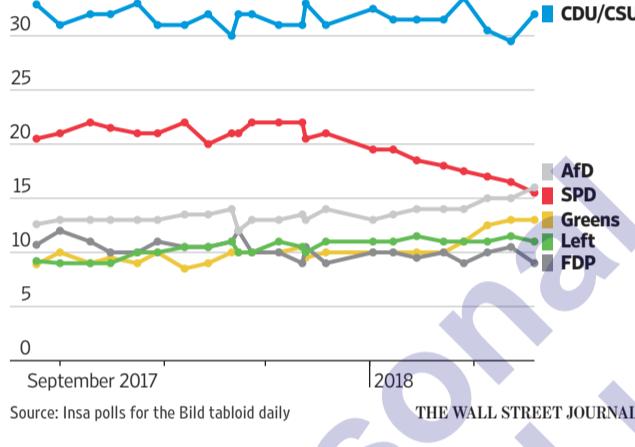
Exposing the chaotic incongruity of the situation, the mass-circulation newspaper Bild registered a dog called Lima as a new SPD member simply by filling out an online form. Unwitting party officials promptly sent Lima a ballot, along with messages from party grandees welcoming the canine newcomer.

While SPD members have been asked to endorse coalitions in the past, opposition to the deal is rife in the party, making this particular ballot a cliffhanger. Opponents say en-

"If the mainstream parties don't cover key subjects such as security and migration," he said, "they will be captured by radicals from both the left and the right."

Losing Ground

Germany's SPD, which is weighing a new alliance with Angela Merkel's CDU, has seen its support sink further since September elections, bringing the share of German voters backing the parties in the last coalition under 50%.



Source: Insa polls for the Bild tabloid daily

THE WALL STREET JOURNAL

luctant SPD, tempted by the prospect of a rejuvenating spell in opposition after losing half of its voters in the past 15 years, agreed to talk only if its members had a final say in approving the pact.

With the alliance sealed by

May's Tailor-Made Brexit Goals Raise Security Issues

BY STEPHEN FIDLER

British Prime Minister Theresa May has long said she wants Britain to have a "bespoke" agreement with the European Union after Brexit.

One area where she has the best hope of getting a tailor-made deal is over law enforcement and counterterrorism.

In a speech in Munich over the weekend, she laid out her case for a very close British relationship in internal security matters with the EU that no other non-EU country enjoys. If that doesn't happen, she suggested, both sides will be losers.

National cooperation among EU countries has intensified over the past 20 years. EU nations share unprecedented amounts of information through six databases covering criminal records, vehicle registration, DNA, passenger-name

records and much else.

They have developed Europol, which runs a database and coordinates EU-wide operations dealing with serious crime and terrorism. They have launched programs such as the European Arrest Warrant, which speeds extradition within the EU, and the European Investigation Order that expedites cross-border sharing of information from criminal inquiries.

For the U.K., losing access to all this and other programs could have important consequences. In Europol, for example, EU member states—except for Denmark, which opted out—can directly access Europol's database. Non-EU countries, even those with strong ties to Europol such as the U.S., must specifically request information.

Leaving Europol, said Rob Wainwright, the British director of Europol, would result in a strategic loss because the



Theresa May addressed the Munich Security Conference on Saturday.

U.K. would no longer be sitting at the decision makers' table. It would mean "a loss of visibility and instantaneous access" to the Europol database, he said in an interview in January.

A British government paper published in September pointed out that "real-time or very rapid responses" to database requests "make a significant difference to

the value of the information to operational partners."

The European Arrest Warrant speeds extradition based on mutual recognition of judicial procedures in other member states, avoiding lengthy litigation. If the U.K. isn't part of that program, without it the U.K. would likely have to revert to a 1957 convention

where applications are made through diplomatic channels and can be refused.

Each warrant is also transmitted as an alert through the largest security database in Europe: the Schengen Information System, of which the U.K. is part even though it is outside the Schengen passport-free travel zone. That means an extradition request doesn't have to be targeted at a specific country.

Mrs. May laid out why the EU might be interested in a special deal on security. She pointed out that for every person arrested on a European Arrest Warrant issued by the U.K., the U.K. arrests eight on warrants issued by other EU member states. Extradition otherwise could cost four times as much and take three times as long, she said.

The U.K. is one of the largest contributors of data, information and expertise to Europol. On the Schengen Information

System, around a fifth of alerts related to missing persons, wanted criminals and suspected terrorists and the like are circulated by the U.K.

The prime minister made clear that the U.K. wants to be part of these structures, but typically didn't make clear how.

Mrs. May's appeal puts the EU in a quandary. It has so far rejected the idea that the U.K. can "cherry-pick" the bits of the EU it likes and ignore those it doesn't.

However, there is risk for EU governments in pushing Britain away from the EU in security matters: It could make their citizens less safe.

Yet if EU governments do allow cherry-picking in law enforcement and counterterrorism, they risk creating a precedent for the bespoke deal on post-Brexit trade and economic relations that Mrs. May also says she wants and which they have forcefully rejected.

Merkel Urges Iran, Russia to Rein In Syria

BY LAURENCE NORMAN

German Chancellor Angela Merkel urged Russia and Iran to rein in a Syrian government offensive against a rebel-held suburb of Damascus, calling the attacks a massacre.

The comments on Thursday came hours before a possible vote by the United Nations Security Council on a resolution for a 30-day cease-fire in Syria to allow for the delivery of humanitarian aid, an end to sieges and attacks against civilians in Syria.

According to the White Helmets, a civil-defense group operating in opposition-held areas, at least 250 people have been killed in recent days in Eastern Ghouta, a suburb of the capital that is home to about 400,000 people and has been under siege for five years. The forces of President Bashar al-Assad, backed by Russian warplanes, are seeking to restore control of Syria after a seven-year war.

"The regime is not fighting against terrorists, but against its own people, killing chil-



Syrian bombing of opposition-held Eastern Ghouta has left at least 250 people dead in recent days.

dren, destroying hospitals, and this is a massacre to be condemned," Ms. Merkel said in Germany's parliament.

She said that Iran and Rus-

sia, the Assad regime's main backers, have a particular re-

sponsibility for the situation.

Moscow and Damascus deny targeting civilians and civilian infrastructure and say they are focused only on rebels fighting the government.

European Union leaders are

Neanderthals Were Creative, Studies Show

BY ROBERT LEE HOTZ

Neanderthals, once considered the lowbrows of human evolution, may have been among the world's first artists, creating cave paintings long before modern humanity arrived on the scene, scientists reported in two new studies.

Although these primitive cousins of humankind mastered fire and made tools, most archaeologists have assumed that they lacked the cognitive capacity for artistic expression, unlike early humans who painted vivid images of lions, rhinos and other animals on cave walls.

In the new studies of paintings in three Spanish caves, archaeologists used a sensitive dating technique to measure minerals that had slowly built up as water dripped onto the paintings over time. It revealed that these prehistoric images had been painted at least 64,000 years ago—when Neanderthals were the only hominids inhabiting Western

Europe, the scientists said.

"We conclude that this cave art has to be made by Neanderthals," said physicist Dirk Hoffmann at the Max Planck Institute for Evolutionary Anthropology in Leipzig, who led researchers from 15 centers in Germany, the U.K., Portugal and Spain. They published their findings in the journals *Science* and *Science Advances*.

The researchers studied caves at La Pasiega in north-eastern Spain, Maltravieso in western Spain, and Ardales in south-western Spain.

These caverns are decorated with images of hands, animals, dots and geometric shapes, daubed in red ochre that until recently was impossible to date accurately.

"We have shown from the point of view of cognition, that Neanderthals are indistinguishable from humans," said archaeologist João Zilhão from the Catalan Institution for Research and Advanced Studies in Barcelona, who was involved in both studies.

TECHNOLOGY: 'ANGRY BIRDS' MAKER'S STOCK DROPS 50% B4

BUSINESS & FINANCE

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SEC plans to roll back Obama-era rule that compels disclosure of various asset types

By DAVE MICHAELS

WASHINGTON—Securities regulators plan to pare back Obama-era requirements that would require mutual funds to tell shareholders about large holdings of hard-to-sell assets, in what would be a significant concession to the industry.

The Securities and Exchange Commission had planned to propose rolling back the disclosures, set to go into effect in 2019, on Wednesday. But it postponed the action because commissioners have splintered over

the scope of the rollback, people familiar with the matter said. The SEC said in a notice posted Thursday that it anticipates holding a vote in the future.

The revisions would represent the first time a major securities rule passed during the Obama administration has come under the knife of Trump administration appointees at the commission. The SEC finished the measure toward the end of the Obama presidency, following the meltdown of a \$789 million mutual fund with a high concentration of holdings in junk bonds and distressed debt.

The SEC is preparing to allow funds to keep private their quarterly estimates of how much of their portfolio includes hard-to-sell debt or

other securities, these people said. The data would still have to be shared with regulators.

The disclosures mandated by the SEC would tally fund assets into four buckets, ranging from stocks and bonds that are easy to sell, to ones that can't be quickly unloaded without crushing the price.

An SEC spokesman declined to comment.

The mutual-fund industry has panned what some analysts called the "bucketing" requirement, saying it requires them to make imperfect judgments about liquidity that could expose them to second-guessing by regulators and influential fund analysts such as Morningstar Inc.

"It is the industry's single greatest concern with the rule," said John Baker, a law-

yer specializing in mutual funds at Stradley Ronon Stevens & Young LLP in Washington. "It's very difficult to implement, it's consuming a disproportionately large

pone the deadline for compliance with a related rule.

The delay gives funds another six months—until June 2019—to implement the liquidity-scoring system. The SEC cited concerns that mutual funds will rely on outside analysts to help assess the liquidity of certain bonds and derivatives, and the analysts' models aren't ready.

The Trump administration, in an October deregulatory report, said the SEC's approach to judging liquidity was too rigid and called on the SEC to postpone the requirements. The Treasury Department's report called on the SEC to give mutual funds more flexibility to judge liquidity, which it said was more fluid and subjective than the SEC's rule rec-

Please see RULES page B2

Goldman Alumna Considers A Return

By LIZ HOFFMAN

Dina Powell, who until recently served as a top national-security adviser in the White House, is talking to Goldman Sachs Group Inc. about returning to the firm, according to people familiar with the matter.

Ms. Powell spent a decade at Goldman before joining the Trump administration last year, and in recent weeks has discussed coming back, the people said. She is unlikely to resume her old job running Goldman's philanthropic arm and its community-development investing business, but rather is discussing a broader global role at the firm, the people said. Talks are ongoing, though, and may not result in an agreement.

Ms. Powell joined the Trump administration last year as an economic policy aide and later served as a top deputy to national security adviser H.R. McMaster. She was close to the president's daughter, Ivanka Trump, and son-in-law, Jared Kushner. Ms. Powell worked with the latter on a project to reduce government bureaucracy, and at one point was considered as a potential replacement for then-Chief of Staff Reince Priebus.

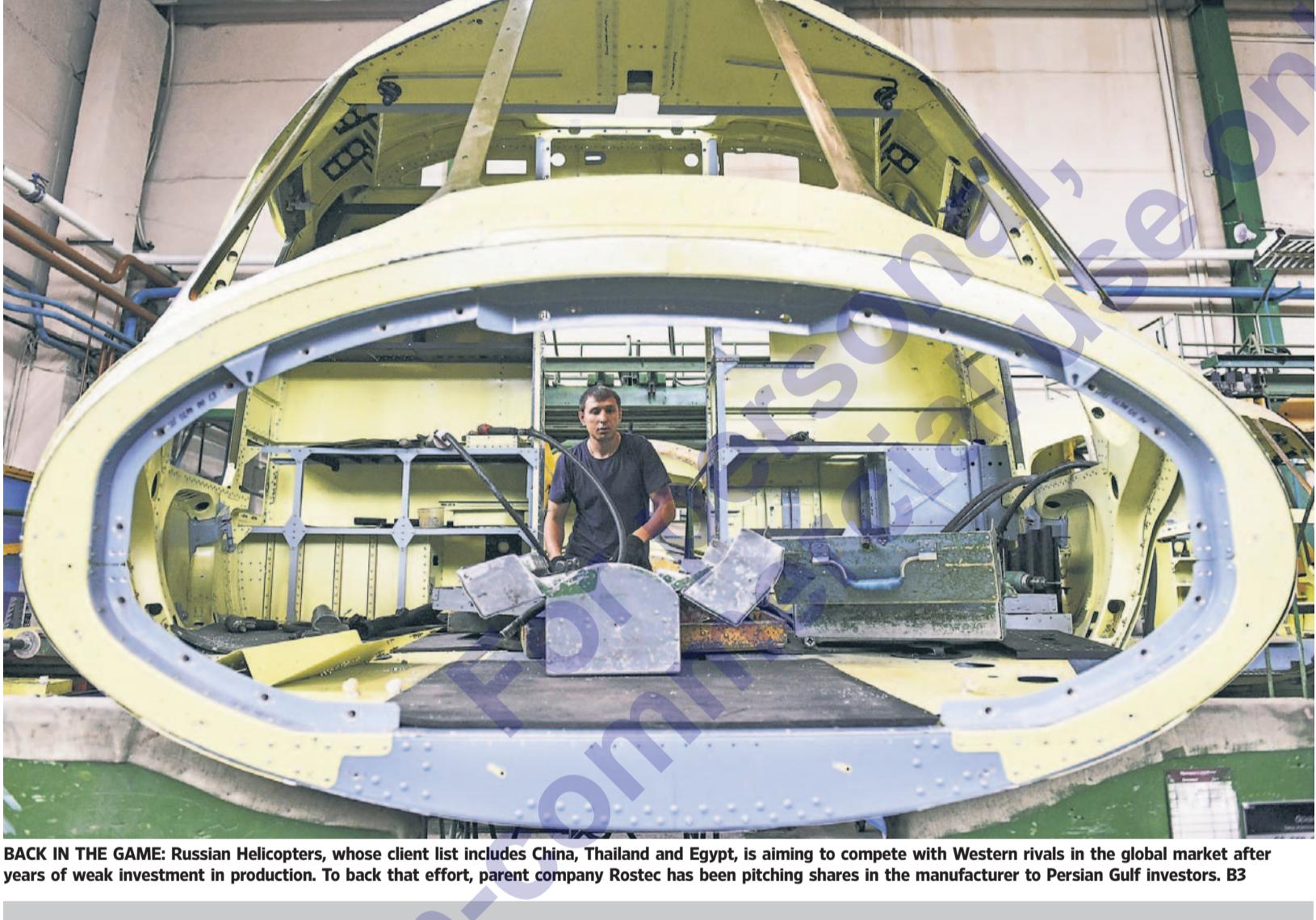
The White House in December said Ms. Powell would leave her post early this year.

Egyptian-born and fluent in Arabic, Ms. Powell is discussing a position that would apply her foreign-policy experience to Goldman's operations and global client relationships, including sovereign-wealth funds, the people said. Executives have discussed giving Ms. Powell a seat on its management committee of about 30 executives from different parts of the firm, some of the people said.

Ms. Powell was one of several Goldman alumni to hold high-profile positions in the Trump administration. Gary Cohn, the firm's former No. 2 executive, is a top economic adviser, and Steven Mnuchin, a former Goldman trading partner, is Treasury Secretary.

◆ Goldman Sachs draws a bead on private equity..... B10

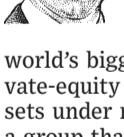
Russian Helicopter Maker Cultivates Foreign Customers



BACK IN THE GAME: Russian Helicopters, whose client list includes China, Thailand and Egypt, is aiming to compete with Western rivals in the global market after years of weak investment in production. To back that effort, parent company Rostec has been pitching shares in the manufacturer to Persian Gulf investors. B3

HEARD ON THE STREET | By Paul J. Davies

The Real Risk in Private Equity Is Size



Stephen Schwarzman has a simple mission for Blackstone Group, the world's biggest listed private-equity group: double assets under management. For a group that already has \$434 billion up from less than \$100 billion a decade ago, that sounds ambitious, but Blackstone isn't alone.

The biggest private-equity firms are in a fundraising frenzy, fed by insurers' and pension funds' hunt for yield and a conviction that private markets will produce better returns than highly liquid and efficient public markets.

Across the entire private equity, hedge fund and alternatives industry globally, assets under management are forecast to more than double to \$21 trillion by 2025, according to consultants PwC. That would include \$10.2 trillion in private equity—or enough money to buy half of the \$22 trillion of stocks listed on the New York Stock Exchange today or every stock in mainland China.

Apollo Global Management, Blackstone, Carlyle Group and KKR increased their assets by a mind-boggling \$247 billion between them just last year—and they all have plans to raise billions more.

The question is whether

Financing Frenzy

Total assets under management

\$20 trillion

15

10

5

0

2007

12

16

'20*

'25

Private equity

Commodities

Real estate

Infrastructure

Hedge funds

THE WALL STREET JOURNAL

the biggest firms, which have attracted a growing share of the money, can keep finding the returns that have made them such money magnets. The industry built its reputation on being the most active of managers; that trick will be tough to repeat on an ever larger scale.

Part of their answer is to move away from classic private equity into other areas. First that was private credit, where they double up on their existing skills by buying and lending to the same or similar companies. That is a smart synergy in good times, but means they can be twice exposed when companies hit trouble.

More recently they increasingly moved beyond their core skills into infrastructure, real estate and

other assets sometimes targeting lower returns and tying up money for longer.

Blackstone alone took in \$108 billion of new assets last year, but just 12% of that was in private-equity funds, while more than half, or \$59 billion, was raised in its credit business, and of that nearly \$23 billion was in insurance-company assets.

Blackstone is following Apollo's example, which already manages \$85 billion for insurance companies it built.

The point of all this is to generate streams of management fees, which are predictable, steady and valued by public shareholders. On many of their funds, firms collect management fees of 1% to 2% of assets before doing anything. They can then

get 20% of the profits as performance fees.

They are tying up investor funds for longer by running listed vehicles that never have to return capital, such as in business development companies, and striking strategic partnerships where investors' money is tied up for 15 years, instead of the customary eight to 10 years. Scott Nuttall, co-president of KKR, told a conference in December that the firm has good sight of its revenues out to 2035. "And yes, I meant to say 2035," he added.

When the industry has \$1.6 trillion of uninvested money to deploy, \$1 trillion of which is in private equity, it is going to be ever harder to find good deals. Valuations on buyout deals, for instance, have risen steadily since the crisis and are now higher at 10.5 times underlying earnings than they were in 2007.

The previous fundraising boom led to some of the most troubled deals ever done by private equity: think of Chrysler, or TXU, or Caesars Entertainment. Since the crisis, returns for the industry have been in the low-to-mid teens rather than the 20%-plus levels it built its reputation on.

The more money that floods in, the greater the likelihood of disappointment.

INSIDE



SPACEX PUTS SATELLITES IN CYBERSPACE

COMMUNICATIONS, B3



OIL SURGES ON SURPRISE DROP IN STOCKPILES

COMMODITIES, B11

A Taxing Choice For Firms: S or C?

By RUTH SIMON

As business owners pore through the new U.S. tax law, many are asking themselves a fundamental question: Will changing how their company is structured cut their tax bills?

"This is one of the most pressing issues for taxpayers and business owners," said Mark Everson, vice chairman of tax-consulting firm Alliant-group LP. "They are looking carefully now at how they are legally organized."

The big question for many entrepreneurs is whether to operate as a C corporation, which pays its own taxes to the Internal Revenue Service, or as

a pass-through company, which pays taxes through the individual returns of its owners rather than corporate returns. Pass-through businesses include S corporations, sole proprietorships and limited liability companies.

The clock is ticking. Many business owners have until March 15 to make an election that would be retroactive to the beginning of 2018.

The rethinking of corporate structures is one byproduct of the new tax code, which cuts the corporate tax rate to 21% from a top rate of 35%, though owners of C corporations pay a second tax on profits distributed.

Please see TAXES page B6

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RULES

Continued from the prior page ognized. Regulators have said the liquidity estimates will help them detect areas of emerging risks. The SEC has long lacked standardized information about funds' investments, including how readily they can convert securities into cash to meet redemptions.

"Many of our current reporting requirements...have not been substantially changed in decades," former SEC Chairman Mary Jo White said in October 2016 when the commission approved the rules.

More broadly, the reporting seeks to address worries that mutual funds could suffer destabilizing runs if shareholders demand their money back faster than funds can sell underlying assets. Some financial-stability watchdogs have raised alarms that funds have piled into less-liquid bonds during an extended era of low interest rates, which could make it harder to exit those positions in stressed markets.

The Investment Company Institute, the trade group representing mutual funds, has said the worry is overblown. It has said that outside of a few spectacular fund blowups, there is no history of wide-

spread problems meeting withdrawal demands.

The SEC acknowledged in 2016 that disclosing too much information about funds' investments could be counterproductive. Predatory traders could, for instance, sell short the securities owned by funds experiencing big outflows, knowing they could buy back

Regulators say liquidity estimates will help them detect areas of risk.

the assets at a steep discount as the fund is forced to sell.

As a compromise, the SEC in 2016 only required funds to disclose the liquidity of assets by aggregating them into four classes, instead of listing how long it would take to sell every position they hold. It completed the requirement over the industry's objections in 2016, when the commission had three commissioners, two short of the number stipulated by law.

All three members—a political independent, a Republican and a Democrat—backed the move without raising concerns about disclosing the liquidity scores to shareholders.

Coupling that with confi-

dential submissions could go a long way toward getting bigger companies to go out and start the process," said Kevin Kennedy, a Palo Alto, Calif.-based partner at **Simpson Thacher & Bartlett LLP** who advises companies on IPOs.

Regulators don't view testing the waters as a panacea for the diminished appeal of going public. The growth of venture capital, buyout firms and other private funding channels have allowed many startups to defer IPOs for years.

Companies and investment funds now raise more money privately from wealthy institutions and rich individuals than through debt and stock sold to the public. Firms raised about \$1.7 trillion through private offers of debt and equity in 2016, compared with about \$1.5 trillion through public sales of debt and equity, ac-

cording to an August report from SEC economists.

The SEC is reviewing how to make the change to permit private talks, which officials preliminarily think could be done through their own authority, the people said. The SEC has broad power to exempt firms from specific investor-protection measures, including the law that prohibits selling shares before providing investors with required financial disclosures.

About one-quarter of "emerging-growth" companies that went public in 2016 and were eligible to test the waters took advantage of the benefit, according to **Proskauer Rose LLP**.

Such meetings typically involve sharing details about revenue sources, corporate strategy, and the background of top management, said Joel Trotter, a partner at **Latham & Watkins LLP** who advised Con-

gress on the 2012 legislation.

Many health-care firms that have used testing the waters didn't have sales yet, according to Proskauer, and some deals priced below the range forecast by their underwriters. But the tactic has become a standard part of the IPO playbook in Silicon Valley, including for tech firms with a more developed business, said Alan Denenberg, head of **Davis Polk & Wardwell LLP**'s northern California office.

SEC officials think such moves could help modernize the paperwork-laden processes put in place long before the internet allowed rumors about IPOs and valuations to boom around the market.

"If we can be successful in reducing the burdens associated with joining the public capital markets, we think we will get companies to join us at an earlier stage," SEC Corporation Finance Director William Hinman said at a legal conference sponsored by Northwestern University in January.

Other changes under review at the SEC include exempting smaller public companies from rules that require auditors to opine on their "internal controls," the systems and policies intended to prevent accounting errors or fraud, the people said. Critics such as the U.S. Chamber of Commerce say the Sarbanes-Oxley Act requirement adds costs that might deter some small companies from going public. Supporters say those firms are precisely the companies more likely to have weak controls.

Takata Settles With States Over Air Bags

BY MIKE SPECTOR

Takata Corp. agreed to pay a \$650 million civil penalty to wrap up an investigation by the attorneys general of 44 U.S. states into whether the parts supplier concealed problems with rupture-prone air bags, the latest legal sanction in the safety crisis that led to the largest automotive recall in U.S. history.

Takata's U.S. business agreed to settle the joint investigation being conducted by the states and the District of Columbia, according to law-enforcement officials. A Takata spokeswoman didn't immediately respond to a request for comment.

The attorneys general said they wouldn't require payment of the penalty, to clear the way for victims awaiting compensation related to deaths and injuries caused by the Takata air bags.

The Japanese company filed for bankruptcy protection in the U.S. and Japan last year amid mushrooming liabilities stemming from its air bags, now linked to 22 deaths and more than 180 injuries globally. The air bags risk exploding during collisions because a chemical propellant can destabilize

over time when exposed to high heat and humidity.

The latest settlement has been presented to a federal bankruptcy judge in Delaware for approval. Last week, a judge approved Takata's reorganization plan in the U.S., which calls for the sale of most of its assets to a rival and for some products to a competitor to compensate auto makers

and agreed to pay roughly \$1 billion in penalties, including \$850 million to auto makers and \$125 million to consumers harmed or yet to be affected by its air bags.

Takata pleaded guilty to criminal wire fraud last year

ers shouldering recall costs. Auto makers in the U.S. alone are currently recalling 37 million vehicles with 50 million rupture-prone Takata air bags. The total number of recalled air bags is expected to rise as high as 70 million, according to regulators.

Takata pleaded guilty to criminal wire fraud last year



A recalled Takata air-bag inflator. The Japanese company filed for bankruptcy protection last year.

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PUBLIC NOTICES

THE HIGH COURT OF IRELAND COMMERCIAL Record No. 2017/401 COS

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 1141 OF THE COMPANIES ACT 2014 AND IN THE MATTER OF ACCENTURE PLC AND ACCENTURE HOLDINGS PLC

NOTICE IS HEREBY GIVEN that an Originating Notice of Motion issued out of the High Court of Ireland on 14 February 2018, seeking an order pursuant to Section 1141 of the Companies Act 2014 (the "Act") confirming the proposed merger by acquisition of Accenture plc and Accenture Holdings plc (the "Applicants") under Chapter 16 of Part 17 of the Act, pursuant to which Accenture Holdings plc will merge with and into Accenture plc (the "Merger"), and an order confirming the fairness of the terms and conditions of the Merger (both procedurally and substantively) to all persons to whom it is proposed to issue shares of Accenture plc in connection therewith, is directed to be heard in the Commercial List of the High Court of Ireland, sitting at the Four Courts, Inns Quay, Dublin 7, Ireland, at 2 p.m. (Irish time) on 12 March 2018 (the "Hearing").

Any interested party who wishes to appear to support or oppose the making of any order at the Hearing (an "Interested Party") that wishes to obtain a copy of the Originating Notice of Motion and grounding affidavit should contact the Solicitors for the Applicants at the address below. Any Interested Party may appear at the Hearing personally or be represented by a solicitor or by counsel. Any Interested Party intending to so appear should give notice in writing to the Solicitors for the Applicants by no later than 5:30 p.m. (Irish time) on 9 March 2018, and any affidavit or support of any such appearance should be filed with the Central Office of the High Court of Ireland, and served on the Solicitors for the Applicants, by no later than 5:30 p.m. (Irish time) on 9 March 2018.

23 February 2018

ARTHUR COX

Solicitors for the Applicants
Ten Earlsfort Terrace
Dublin 2
D02 T380
Ref: M2C/DTB

BUSINESS NEWS

Ford Moves Quickly To Fill Vacancy

BY MIKE COLIAS AND AUSTEN HUFFORD

Ford Motor Co. has named a new North America chief following the abrupt departure of Raj Nair because of misconduct allegations, a move that is part of a broader shuffling of operations amid investor concern about the company's ability to keep up with Detroit rivals.

The Dearborn, Mich., auto maker on Thursday appointed Kumar Galhotra, 52 years old, to lead a unit that accounts for the bulk of Ford's profit but faces increased pressure. Mr. Galhotra, who has been with the company for 30 years, has been running marketing and the Lincoln brand, a once-dominant U.S. luxury entry that has gained momentum in China.

Mr. Galhotra's appointment leads a series of top personnel changes implemented by Chief Executive Jim Hackett in the wake of disclosures about Mr. Nair's alleged breach of company standards. Mr. Nair's exit, which was announced late Wednesday, likely affected the timing of some of those changes.

Mr. Hackett, who is less than a year into his tenure running Ford, has pursued a

Defense opens a door to foreign investors as Kremlin boosts ties to Mideast and Asia

BY THOMAS GROVE

ULAN-UDE, Russia—This country's tightly controlled defense industry is usually off limits for foreign investors. But the Kremlin has offered up shares in its top helicopter manufacturer to Persian Gulf investors, placing the company at the forefront of efforts to boost political and economic ties with the Middle East and Asia.

Last year, state arms giant Rostec, the owner of Russian Helicopters, said it sold a 12% stake in the chopper manufacturer for \$300 million to a consortium of Arab investors and a Russian state fund. A further 13% is on the block this year, Rostec said. Russian Helicopters is looking to complete a billion-dollar contract with arms-hungry India to add to a client list that already includes China, Thailand and Egypt.

"We see meaningful perspective for growth for Russian Helicopters' sale in Arab countries and in India," said Kirill Dmitriev, head of Russia's Direct Investment Fund, a state fund that co-invested in Russian Helicopters alongside the Gulf funds, whose identity wasn't disclosed. The ties with the regions may grow further: Russian officials have suggested that India or Gulf states could buy into the second share sale.

The moves come as Russia is seeking to tap bulging defense budgets in the Middle East and Asia to increase government revenues crimped by weak prices for oil, Russia's main export. The company

Russia Offers Up Copter Stock



A Ka-226T made by Russian Helicopters at an aviation show last year. The manufacturer expects to sell the model to India.

said it wants to reduce its reliance on Russian military orders, which eventually will taper off after a large rearmament program in the early years of this decade.

Russian Helicopters once had its sights on Western markets. The company had planned to list its shares in London in 2011, and even took out an ad in a British newspaper wishing Prince Harry a happy birthday. But the sale was pulled, like several other Russian planned offerings around that time, due to little interest. A planned sale of helicopters to Afghanistan, funded by the U.S., was canceled after Washington sanctioned the company in 2015 over Russia's military interventions in Ukraine.

Soviet helicopters used to hold their own against U.S. rivals, but weak investment in the years after the fall of the Soviet Union means the plant here on Russia's southern border with Mongolia is hardly state of the art. Much work is still done by hand. The company museum boasts Soviet-era posters praising labor dynasties: families of ultraefficient workers vaunted by the state.

But that doesn't concern many of the buyers from the factory in Ulan-Ude who aren't looking for top-of-the-line gear, analysts say. Plants like this one churn out workhorse helicopters prized for their durability and low price.

"Russian Helicopters is like a Kalashnikov. Not the most

technically advanced, but dependable until the end," said Ruslan Pukhov, head of Moscow-based defense think tank CAST.

Russian Helicopters said more than one in 10 helicopters in use world-wide was made at one of its plants. The company in its current form was created in 2007 to unite the country's various Soviet-era helicopter factories. The company posted revenue of about \$1.6 billion in the first half of last year.

In the 1990s and early 2000s, Russian Helicopters fell behind in research and development, according to industry analysts. Competitors like Lockheed Martin Corp.—the producer of Sikorsky helicopters—and Boeing Co. pulled

away fast, snatching up global market share.

But the company has come back with new modifications on its older models, while the expected deal with India for 200 Ka-226T light helicopters, which will be produced at the Ulan-Ude plant, has provided an impulse to revitalized and carry out overdue renovations.

Sergei Solomin, the factory's chief engineer, said he hopes to digitize the bulk of the factory's production processes for that helicopter in the next three to five years to bring them in line with those of American competitors. Still, he praised the factory.

"A helicopter is not a motherboard or a computer chip," he said. "You can't make it on an assembly line."

Kumar Galhotra becomes Ford's new North America chief after an abrupt departure by his predecessor.

variety of management changes and cost cuts. He is rushing to make Ford a more efficiently run company while also hammering out a longer-term response to the emergence of driverless cars, ride-sharing services and electric vehicles.

Ford is heavily dependent on sales of trucks and sport-utility vehicles for its automotive profit. That strategy is threatened as U.S. market growth stalls and competitors, including GM, launch revamped full-size pickups.

Mr. Nair, 53, was ousted after an internal review based on an anonymous tip led to findings of "inappropriate behavior," the company said, without elaborating on the misconduct. Ford's one-time global product chief, who had spent his career at the company, in a statement Wednesday acknowledged "regret" over his behavior.

On Thursday, Ford indicated that Mr. Nair will lose access to potentially millions of dollars of equity-based awards and bonuses, but will keep his retirement benefits and health-care package.

The departure of Mr. Nair removes a rising star and respected car-engineering expert from Mr. Hackett's management bench. An important initiative Ford needs to accelerate is entering the electric-vehicle market with a more compelling answer to Tesla Inc.'s products and GM's Chevrolet Bolt.

Mr. Hackett took over from Mark Fields about nine months ago, handing out new assignments to several lieutenants including Mr. Nair. The company has seen a handful of high-profile exits, however, including a former head of strategy and a China executive. Mr. Hackett shuffled senior ranks as recently as October.

"It's been a revolving door at the top of Ford for the last year," Edmunds analyst Jessica Caldwell said. "The company really needs consistent leadership in order to deliver the results Wall Street is demanding."

Ford said Thursday Stuart Rowley would be chief operating officer at Ford North America; Joy Falotico will become Ford's chief marketing officer; and David McClelland will become chief executive of Ford Credit, succeeding Ms. Falotico. John Lawler has been appointed vice president of strategy, succeeding Mr. Rowley; and Cathy O'Callaghan was named corporate controller for Ford and financial chief for global markets.



Liftoff of the company's Falcon 9 rocket at Vandenberg Air Force Base, on California's central coast.

SpaceX Launches Payload With Prototype Satellites

BY ANDY PASZTOR

SpaceX successfully launched its 18th consecutive commercial payload into orbit, but this time two of the company's prototype communications satellites went along for the ride.

And minutes after blastoff, Space Exploration Technologies Corp., the formal name of billionaire Elon Musk's company, came close to pulling off another engineering coup: using a specially outfitted boat to "catch" part of the rocket's returning nose cone.

In a message on Twitter, Mr. Musk said that using a larger parachute in the future to slow the descent should allow SpaceX to land the nose cone directly in the boat's netting, which he called a giant-size version of a baseball catcher's mitt.

The main mission, blasting a Spanish radar-imaging satellite into a 320-mile-high orbit, went off without a hitch as the Falcon 9 rocket lifted off at 6:17 a.m. local time from Vandenberg Air Force Base on California's central coast. Bright orange exhaust plumes produced a light show in the dawn sky, before the nine main engines shut off as planned, about 2½ minutes into the flight.

The pair of much smaller experimental satellites, which

piggybacked on the launch, could be seen attached to the primary payload as it deployed. SpaceX plans to test their antennas and other systems. The demonstration satellites are intended to pave the way for an eventual constellation of thousands of similar internet-via-space satellites SpaceX hopes to deploy in coming years.

Thursday's mission also was unusual because it marked the first attempt by

4,400
Number of communications satellites SpaceX plans to launch

the closely held Southern California company to use a boat equipped with a large V-shaped net on its deck to catch at least part of its Falcon 9 nose cone returning from space. The nose cone, or fairing, is attached to the upper stage and protects payloads during ascent. It separates into two parts and is jettisoned once the proper orbit is reached.

As part of the company's drive to maximize Falcon 9 reusability, Mr. Musk's team aims to recover and then re-

launch fairings, which have their own thrusters and guidance systems to steer them toward the boat. Reusing the parts could save SpaceX millions of dollars per mission, and avoid production roadblocks that could hamper boosting launch rates. No other major space-transportation company reuses fairings.

Before the attempted recovery, Mr. Musk said on Instagram that the fairing would be falling back to Earth "about eight times the speed of sound." After touchdown, he said on social media that half the nose cone hit the water a few hundred yards from its intended target.

Until early this week, SpaceX press officials didn't confirm the two prototype satellites would be on board. But on Twitter after the launch, Mr. Musk wrote that both were "deployed and communicating to Earth stations."

In documents previously filed with federal regulators, SpaceX laid out a phased plan to launch some 4,400 satellites, each weighing hundreds of pounds and orbiting at altitudes up to roughly 800 miles. The company has said that would be followed by deployment of more than 7,000 additional satellites operating at lower altitudes.

It isn't clear when initial operations would commence.

CBS News Names Brennan as Anchor Of 'Face the Nation'

BY AUSTEN HUFFORD

CBS News named Margaret Brennan as the new moderator for the Washington-based Sunday show "Face the Nation," putting a journalist with expertise in politics, international affairs and business in one of its most prominent anchor slots.

Ms. Brennan, who joined CBS News in 2012, will continue as senior foreign affairs correspondent as she takes on the new role. She has also covered the White House for CBS.

CBS News President David Rhodes said she was a strong fit for the show, which for decades has been a venue for policy makers and journalists to hash out the issues of the week in the news.

"Her curiosity extends from politics to business and financial markets, positioning her to moderate a conversation

each Sunday on any topic consuming Washington and the world," Mr. Rhodes said in a memo to staff.

CBS said that the executive producer of the show, Mary Hager, would continue in that role.

John Dickerson, who was the previous "Face the Nation" anchor, was appointed co-host of "CBS This Morning" last month. He succeeded Charlie Rose, who was fired in November after allegations of sexual misconduct.

In her latest role, Ms. Brennan has reported on the Trump administration and before that the Obama administration. Earlier, she covered the State Department, including stories such as nuclear negotiations with Iran and tensions with North Korea. She also has reported on finance and markets in previous stints at Bloomberg and CNBC.

BUSINESS WATCH

BAE SYSTEMS

Net Profit Falls 6.5% At Defense Company

BAE Systems PLC said

Thursday that net profit fell 6.5% in 2017, as it guided for 2018 underlying earnings in line with those of last year.

The British defense company made a net profit of £854 million (\$1.19 billion), down from £913 million in 2016, it said. Net profit was forecast at £1.1 billion, according to a consensus based on estimates by 11 analysts polled by FactSet.

Pretax profit was £1.13 billion, slightly below £1.15 billion a year earlier. Earnings before interest, taxes and amortization—the company's preferred profit measure—rose 6.8% on year to £2.02 billion.

BAE's revenue increased by 3% to £18.32 billion, from £17.79 billion in the prior year, the company said.

The company's order backlog fell to £41.2 billion from £42.0 billion in 2017. On a constant-currency basis, the order book was unchanged, BAE said.

However, the company expects underlying earnings per share for 2018 to be in line with

that of 2017—42.1 pence a share—reflecting the impact of the adoption of accounting standard IFRS 15.

—Adria Calatayud

TEMPUR SEALY

North America Sales Fail to Offset Decline

Tempur Sealy International Inc. posted a decline in profit in its latest quarter despite reporting growth in Tempur Pedic sales in North America.

The Lexington, Ky.-based bedding manufacturer earned \$49.7 million, or 91 cents a share, in the fourth quarter, compared with \$52.9 million, or 94 cents a share, in the year-earlier period. Excluding one-time items, Tempur Sealy reported a per-share profit of 79 cents a share.

Revenue fell 16% to \$648.2 million, reflecting the termination of contracts with Mattress Firm Inc., a subsidiary of Steinhoff International Holdings NV, in the second quarter of 2017. Excluding Mattress Firm sales in the prior year, Tempur Sealy said North American net sales rose 4%. International sales rose 10% to \$162.7 million.

—Bowdyea Teweh

TECHNOLOGY

WSJ.com/Tech

CHINA CIRCUIT | By Li Yuan

Online Fashion Brand Chases Offline Growth



In the prospectus for its mammoth 2014 stock listing, Alibaba Group

Holding highlighted online-only women's fashion brand Inman as a success story in China's e-commerce world.

Inman, which specializes in cotton and linen apparel, was one of the first flagship stores when Alibaba launched its business-to-consumer platform Tmall in 2008, according to the prospectus, and it became one of Tmall's best-selling female fashion brands.

Since mid-2015, Inman founder Fang Jianhua has made a surprising choice. He's abandoned the online-only model to open physical stores. So far, Inman has opened 450 stores, mostly in China's smaller cities.

Last year, while Inman's online sales rose about 39%, its offline business, which is newer and smaller, grew 300%, to 330 million yuan (\$52 million), and reached 35% of total revenue.

Mr. Fang expects the online-offline breakdown to be 40%-60% in the future.

"Many people said my offline push was doomed," says Mr. Fang, chairman of Inman's owner, the Guangzhou Huimeifashion Group Co. "But the fact is, unlike the U.S., where traditional retail is very developed, retail is relatively new in China so there are many opportunities."

Going "brick and mortar"



Pedestrians pass an ad in a Shanghai shopping district. Online retailers are adding physical stores.

is a hot trend in China's internet industry, and Inman is a pioneer.

In changing strategy, Inman had spotted long-term problems. Online sales growth for brands such as Inman is slowing as China's e-commerce market becomes more competitive, with megabrand such as Uniqlo making big online drives. Meanwhile, the costs of online advertising are rising.

China is home to the world's biggest e-commerce market and has the highest

online penetration as a percentage of total retail. In 2017, China's 533 million online shoppers bought 5.5 trillion yuan (\$865.8 billion) worth of food, apparel and other consumer products, or 15% of total retail sales of consumer goods, according to the government. New online users are getting harder to come by, with growth having slipped to 5.6% last year from 6.2% the previous year.

Many analysts expect e-commerce to record a few more brisk years of growth.

Improved logistics are creating greater efficiencies.

A certainty is that the line between online and offline retail is blurring.

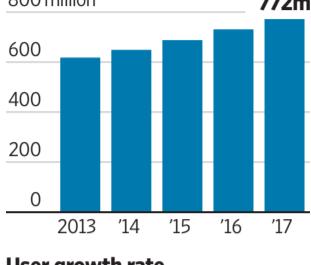
Alibaba and its archrival, the internet giant **Tencent Holdings**, are buying and investing in department-store and supermarket chains.

A competitive advantage that companies gain in navigating both online and offline retail is access to more consumers and better data about them. With the easy growth behind them, online

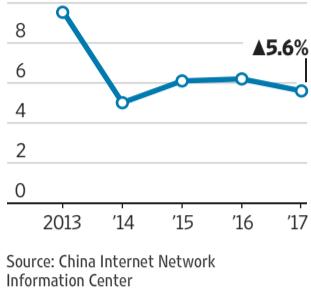
Slowing Down

More Chinese are getting online, though the growth has slowed.

Online users in China



User growth rate



Source: China Internet Network Information Center

THE WALL STREET JOURNAL.

stated cotton and linen clothes, so no need for stores there.

Inman would charge no franchise fee, take back unsold inventories, charge the same prices online and offline and provide store software-management systems.

Initially, Inman had no brand recognition in the offline world of shopping-mall operators. Yan Yaling, a yoga teacher who wanted to open an Inman store in the southern city of Nanchang, recalls getting turned down repeatedly before a mall full of empty space said "yes."

While that mall struggled, Ms. Yan says, her store is often crowded because customers can try on clothes and know the offline and online prices are the same.

About 80% of Inman customers pay with Tencent's WeChat electronic-payment service in stores, says Mr. Fang. These shoppers get updates on products and promotions via WeChat, bringing them back to the stores.

Last year, Inman started attaching radio-frequency identification chips to all products, feeding information to the company's headquarters in Guangzhou about when a product is sold or when it isn't doing well. That information helps Inman reduce inventories. "The question is not whether a fashion brand needs to be both online and offline," says Mr. Fang. "The question is how big you want to be in the two worlds."

Rovio's Shares Sink as Game Users Play Hard to Get

BY DOMINIC CHOPPING

as the revenue shortfall took investors by surprise.

Rovio is a small player in the global videogaming industry but, nonetheless, was a trailblazer in mobile gaming. It quickly built a gaming and licensing empire around its first big hit, "Angry Birds," and has been an industry bellwether ever since.

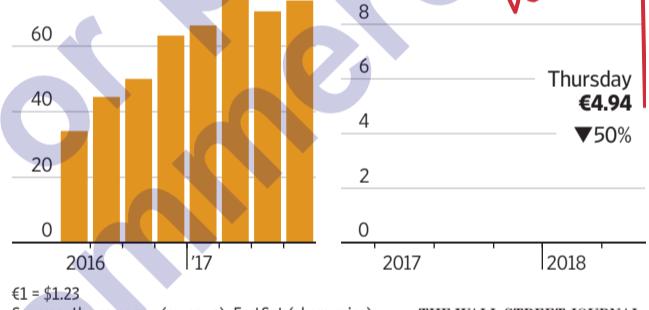
Like other mobile-gaming luminaries, such as Zynga Inc., which makes "Words with Friends," and "Clash of Clans" developer Supercell, Rovio has found it difficult to sustain revenue and profit by rolling out new games. As with Hollywood, big hits are hard to predict for a sometimes-fickle audience.

Earlier this month, Supercell reported a second consecutive decline in annual revenue. The company, which is majority owned by a group of investors led by China's Tencent Holdings Ltd., noted that it hadn't rolled out a new

Grounded

Rovio Entertainment's shares fell 50% after the 'Angry Birds' maker reported lower-than-expected quarterly sales.

Revenue



Share price since IPO

€1 = \$1.23 Sources: the company (revenue); FactSet (share price)

about \$1 billion, far short of the \$2 billion underwriters had hoped to hit.

Rovio's biggest revenue drivers continue to be iterations of its original "Angry Birds" game. Absent any recent big hits, its core gaming business has resorted to heavy spending to attract players.

Rovio said it would use about 30% of gaming revenue this year on user acquisition, essentially ads and other marketing to bring in new players and keep them playing and spending on in-game features. Its cost per acquired user has risen significantly, the company said, though it didn't give figures.

User-acquisition investment in the fourth quarter more than doubled, to €15.9 million (\$19.6 million). That represented 24% of games-segment revenue, compared with 16.5% in the year-earlier period.

Rovio posted sales of €73.9 million, up from €63.2 million,

lion. Analysts polled by FactSet had expected €79.1 million for the latest quarter.

The company is set to report full-year 2017 results early next month.

For 2018, Rovio said it expects group revenue of between €260 million and €300 million, compared with €297 million in 2017. Profitability as measured by earnings before interest and tax, excluding items affecting comparability, is expected to be 9% to 11%, compared with 10.6% in 2017. Rovio didn't provide net income guidance.

Dedicated players continued to be profitable. Gaming firms have come to rely on this small group of high-spending players, who shell out money on in-game features. Rovio said its average revenue per daily active user doubled to 8 European cents in the quarter. The same measure for its top five games also doubled to 14 cents.

game in the year.

Rovio's stock-market listing in September—planned when "Angry Birds" was thriving and the company had mapped out a strategy to diversify into

movies and licensing deals—had been scaled back sharply. Instead of listing in New York, the company chose the local Nasdaq Helsinki market. Investors valued the company at

€12 a share Thursday, down from €11.50 at its initial public offering in April.

Analysts polled by FactSet had expected a closing price of \$1.23.

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Tesla's acceptance of more orders suggests production at its assembly plant is picking up steam.

Tesla Advances Model 3 Orders

BY TIM HIGGINS

Tesla Inc. for the first time is notifying some reservation holders new to the electric-car brand that they can begin configuring and ordering their Model 3 sedan.

The milestone suggests production of the vehicle at Tesla's assembly plant is picking up steam after a turbulent beginning in July. Previously, the Silicon Valley auto maker had limited opening orders to reservation holders who were employees or previous Tesla customers. The Model 3 represents a key part of Chief Executive

Elon Musk's strategy to remake Tesla from niche luxury-car company into a mainstream player that sells electric vehicles, solar panels and storage batteries.

Tesla confirmed a small group of customers received notifications Thursday based on when they placed their reservations.

The company traditionally has rolled out invitations in small groups and over time aligned them to production rates.

Tesla has received about 500,000 reservations for the Model 3 since unveiling the sedan in 2016.

The company expects that

customers invited to complete their design will receive their cars about four weeks after placing their order.

Production on the Model 3 began in July last year, and Tesla has struggled to meet its ambitious goals.

In January, the company reported delivering about 1,600 Model 3 vehicles during the final three months of 2017—well below its goal of a build rate of 5,000 Model 3s weekly.

Tesla pushed back that goal until the end of the first half. A rate of 5,000 vehicles a week would equal about 250,000 cars a year.

Airbnb Aims To Broaden Its Offerings

BY GREG BENINGER

SAN FRANCISCO—Airbnb Inc., looking to solidify sales ahead of an initial public offering of stock expected as soon as next year, is adding more hotels to its site, along with a loyalty program and new tiers of listings that include luxury and more-budget-friendly offerings.

The home-rental site, valued by investors at \$31 billion, announced the changes at an event here on Thursday featuring Chief Executive Brian Chesky and hundreds of hosts. Airbnb also said it would begin certifying some homes with a service called Plus that will evaluate more than 100 features, including design, accessibility and comfort.

The company is grappling with limited inventory in some popular destinations and has struggled to branch out beyond its core business. Airbnb grew into one of the world's most highly valued startups by persuading travelers to rent a room in other people's homes, but it is working to make the booking service appeal to business travelers, families and others to compete with Expedia Inc. and others.

"Airbnb is still not for everyone, until today," Mr. Chesky said at the event.

BUSINESS NEWS

MiMedx Didn't Report Payments to Doctors

Medical firm says it has 'very few' agreements with physicians, isn't required to report them

BY GRETCHEN MORGENSEN

MiMedx Group Inc., a fast-growing tissue-graft developer, has financial ties to more than 20 doctors, according to review of doctors' disclosures by The Wall Street Journal, but the company hasn't reported these payments to the government under a 2013 law.

The company says its products, made from donated placental tissue, aren't among those that require a disclosure of doctor payments. At least one of MiMedx's direct competitors, Osiris Therapeutics Inc., regularly provides information on its ties to doctors and reported \$1.03 million in such payments in 2016.

Separately, MiMedx said Tuesday that its board had engaged independent advisers to review its sales practices. News of the review, and that MiMedx was delaying the release of its 2017 financial results, caused the company's shares to fall 40% in one trading day.

Short sellers have accused MiMedx of engaging in improper sales tactics to meet quarterly earnings forecasts, allegations the company has repeatedly denied. MiMedx, whose products are used in wound care and surgical procedures, was named the fifth-fastest-growing public company in the country by Fortune magazine late last year.

Before the disclosure of the sales-practice review, MiMedx shares had been up more than 70% over the past 52 weeks. Now they are roughly flat for the period, giving the company a market capitalization of around \$1 billion.

Since 2013, most biotechs, drug and medical-device makers have been required to disclose payments or gifts they make annually to doctors and teaching hospitals, under the Physician Payments Sunshine Act. The law aims to educate patients about financial ties between doctors and drug companies and to "stop dishonest influence on research, education, and clinical decision-making," according to the Centers for Medicare and Medicaid Services, the government agency that oversees the program.

Every June, CMS publishes data detailing the prior year's payments to doctors for consulting fees, as well as for entertainment, research, speaking fees and travel costs. The most recent data, from 2016, shows that manufacturers made \$8.19 billion in such payments.

The CMS website shows no record of stock grants, speakers' fees and research support provided by MiMedx to doctors and their hospitals in recent years, though its financial relationships with at least 20 doctors appear in public disclosures that were reviewed by the Journal.

Executives at MiMedx contend the company doesn't have to report its payments to physicians because its products are classified as tissues under Section 361 of the Pub-



lic Health Service Act and it is therefore not a "applicable manufacturer."

MiMedx's website states that it has "received an opinion from CMS which confirms that MiMedx does not have a need to report at this time."

But Tony Salters, a CMS spokesman, said the agency doesn't provide such opinions. Outside of a compliance action, he said in an email, the agency doesn't give individual determinations, in writing or otherwise; rather, it provides general guidance that companies can consider.

Asked how MiMedx could have received an opinion from an agency that says it doesn't provide them, Parker H. "Pete" Petit, MiMedx's chief executive, referred questions to Andy Ruskin, at Morgan, Lewis & Bockius in

Washington, D.C., MiMedx's regulatory lawyer.

Mr. Ruskin declined to discuss specifics about MiMedx's discussions with CMS. In general, he said, "how you act on the feedback you are getting from the government is going to be the same irrespective of whether the government labels what they issue an opinion or labels it as guidance or does not provide any label whatsoever."

A company that knowingly fails to report doctor or hospital payments can face a maximum penalty of \$1 million a year.

Asked about MiMedx's payments, Mr. Petit said, "We have very few agreements with doctors."

However, details of financial relationships between MiMedx and at least 20 doc-

tors appear in public disclosures required by medical associations, including the North American Spine Society and the American Urological Association, when doctors appear on panels, publish papers or make presentations at conferences.

Doctors' disclosures to the spine society show MiMedx paid the Hospital for Special Surgery in New York City as much as \$500,000 in 2017 for research conducted by Alexander P. Hughes, a spinal surgeon, and Andrew A. Sama, an associate attending orthopedic surgeon. In 2015 and 2016, MiMedx made payments of as much as \$70,000 to the hospital. The payments, disclosed in ranges rather than precise amounts, support research using a MiMedx product in spinal surgery to see if it de-

creases the need for subsequent operations.

A hospital spokeswoman said the project is ongoing and declined to comment on the payments. She declined to make the doctors available.

Lee C. Rogers, managing partner of Amputation Prevention Experts Health Network, began receiving hourly consulting payments from MiMedx around 2013, he said in an interview, adding that he stopped working for MiMedx in 2015 because his practice changed.

In 2014, Dr. Rogers ran unsuccessfully for Congress in California. Federal Election Commission records show Mr. Petit, MiMedx's founder, and his wife, Janet, contributed \$5,200 to the Rogers campaign. Both Dr. Rogers and Mr. Petit confirmed the donation.

When the Physician Payments Sunshine Act went into effect in 2013, Dr. Rogers criticized its disclosure requirements in a post on a podiatry website. The law, he said, would have a "tragic" impact on industry conferences because it could reduce "sponsorships from drug and device companies." He declined to provide his current views.

Others praise the Sunshine law, however. Adriane Fugh-Berman, a professor of pharmacology and physiology at Georgetown University Medical Center, said: "Being able to see how much money your doctor is getting from whom for promoting what drugs may make a difference in your choice of physicians or your trust in physician recommendations."

Greek Parliament Approves Bribery and Price Fix Inquiry on Novartis

BY NEKTARIA STAMOULI

ATHENS—Greece's Parliament will investigate whether senior political leaders took bribes from Swiss pharmaceutical company **Novartis AG** to fix drug prices and boost its sales to public hospitals.

Lawmakers voted on Thursday to investigate 10 current and previous politicians on allegations including bribery and money laundering. These include two former prime ministers, Antonis Samaras and Panagiotis Pikrammenos, as well as the European Union's

current migration commissioner, Dimitris Avramopoulos, and Greece's central-bank governor, Yannis Stournaras.

All of the officials have denied wrongdoing. Opposition parties accused the government of stoking the scandal for political gain.

Earlier this month, Greek anticorruption prosecutors alleged that Novartis officials paid tens of millions of euros to politicians and 4,500 doctors to fix the price of its drugs at artificially high prices and build a dominant position in the country's health market.

Under Greek law, Parliament is the only institution that can investigate politicians and lift their immunity if it finds evidence of criminal activity. Prosecutors referred their investigation to Parliament this month.

According to the prosecutors, the activity occurred be-

tween 2006 and 2015.

Novartis has said that if any wrongdoing is found it will take "fast and decisive action and do everything possible to prevent future misconduct." The company has been cooperating with Greek authorities and is conducting its own internal probe.

✓ Yes

✓ Yes

✗ No

✓ Yes

✓ Yes

✓ Yes

✓ Yes

✓ Yes

✓ Yes

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BUSINESS NEWS

Newell Brands Taps Three New Directors

BY SHARON TERLEP

BOCA RATON, Fla.—**Newell Brands** Inc., a conglomerate that makes everything from Elmer's glue to Mr. Coffee machines, is adding three new board members ahead of a proxy fight with an activist investor seeking to oust the entire board and chief executive.

The announcement Thursday comes as Newell grapples with a sharp sales slowdown. The company was forced to lower forecasts several times in 2017 and its shares are about 40% lower than a year ago, giving it market value of about \$14 billion. Earlier this month, activist investor **Star-**

The conglomerate is poised for a proxy fight as Starboard tries to oust board and CEO.

board LP launched a proxy fight, blaming Newell management for the slump. Two Newell directors who resigned last month have joined with Starboard.

Newell CEO Mike Polk said in an interview that the new directors, all former chief executives, aren't a direct response to Starboard's offensive. He said the company had been in talks with potential board nominees for months as part of a larger effort to create a more diverse board with deeper operating expertise.

Mr. Polk said the new directors, two of whom led consumer-products companies, will help carry out a restructuring plan to address the decline of brick-and-mortar retailers that drive the vast majority of Newell's sales. Part of the plan is to unload brands and shed half the group's factories to help profitability, while substantially bolstering

online sales.

"It's really important to re-establish the credibility that we built over the prior 25 quarters and the way to do that is to consistently do what you say," he said. "We have a clear plan to win in what is a very volatile environment."

James Craigie, former CEO of **Church & Dwight** Co., maker of Arm & Hammer products; and Debra Crew, former CEO of tobacco company **Reynolds American** Inc. will join the Newell board immediately, the company said.

Judith Sprrieser, former CEO of technology software and services company **Transsora** Inc., is set to join after shareholders vote on competing director slates at the annual shareholder meeting in the spring. Starboard has announced plans to put forward a slate of 10 directors to replace the current board.

Among the criticisms of the Starboard team is that the company's board lacks a director with experience heading a company, according to people familiar with the situation.

Two of the directors who resigned were former CEOs.

Newell relies heavily on its retail partners, many of them specialty or mall-based, to sell its wide portfolio of products ranging from Graco baby strollers to Yankee candles. Those retailers were hit especially hard in a year that saw the closing of a record number of retailers. Especially painful has been the **Toys "R" Us** Inc. bankruptcy, which hurt sales in its baby business, and inventory reductions by office superstores that hurt the writing unit.

"There clearly were some things we could have done differently," Mr. Polk said. "I personally could have anticipated some of the retail shifts that were happening earlier than I did. We would have not gotten as overextended on our growth expectations."

TAXES

Continued from page B1
uted as dividends.

"We are telling people that it makes sense to reconsider doors that have historically been closed," said David H. Kirk, a partner with Ernst & Young LLP.

The top individual tax rate has been lowered to 37% from 39.6%. In addition, owners of many pass-through businesses can deduct 20% of pass-through income, reducing the top effective rate to 29.6%, though not all qualify for that deduction.

Pride Resource Partners, a two-year-old project-management consulting firm based in San Diego, soon will operate as a C corporation instead of a limited liability company. "If we incorporate [as a C corporation], our tax burden is only 21%," said Chief Executive Joe Maak, whose 30-person firm oversees projects for utilities. "We are going to do it very quickly."

Brian Reardon, president of the S Corporation Association, which lobbied for favorable tax treatment for pass-throughs, said: "Every member we have is right now working the numbers."

Some individuals also are looking at whether they should set up a new business entity for tax reasons.

Business owners filed 35.3 million pass-through returns in 2015, according to Congress's Joint Committee on Taxation. An additional 1.6 million returns were filed by C corporations. Pass-through companies have become more common since Congress lowered individual tax rates in 1986.

The moves are going in both directions and the calculations are complicated and company-specific.

Cindy and Peter Kahl switched their business, a German restaurant called Speisekammer in Alameda, Calif., to an S corporation in January to take advantage of the new pass-through deduction.

The Kahls, who have 40 employees, opted for C corporation status when they opened the restaurant 15 years ago,



Cooks at Speisekammer, a German restaurant in Alameda, Calif., that switched to an S corporation.

BRIAN FLAHERTY FOR THE WALL STREET JOURNAL

Shifting Landscape

Many business owners can deduct 20% of pass-through income, though not all qualify for that deduction.

20% of pass-through income can be deducted. After taking the deduction, tax rates of **up to 37%** then apply.

Up to \$157,500
individual income
(or up to \$315,000 married)

No change; eligible
for full deduction

Individual income
above \$157,500
(or above \$315,000 married)

Deduction is phased out for law,
consulting and other service
businesses. For other businesses,
the **maximum 20% deduction** is
limited to greater of...

50% of
wages paid

25% of wages paid plus
2.5% of business's tangible,
depreciable property; this
provision benefits real estate
investors

Source: WSJ analysis of the Tax Cuts and Jobs Act

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figuring they might sell stock. But with those plans on hold, the Kahls want to avoid paying a second tax on profits distributed as dividends.

"We will save a lot of money because of the double taxation," said Ms. Kahl. "It just

simplifies things."

Mr. Maak of Pride Resource Partners said he is making the shift because his company won't qualify for the 20% pass-through deduction due to limits on service businesses. In addition, with a pass-through he

would be limited to a \$10,000 deduction for state and local taxes, while as a C corporation the company will be able to deduct all its California taxes.

Many companies are taking longer to decide because the calculations are complicated, said Milwaukee tax attorney Thomas Nichols. The answers turn on the size of dividend payouts, when the owners might sell their business, expectations for what Congress will do and other factors.

Brian Durst, chief executive of natural-foods company **Tribe 9 Foods** LLC, thinks a shift to C corporation status could be a plus. "We will be investing a lot of our profits back into the business both in terms of capital projects and key talent and marketing initiatives," said Mr. Durst, whose company makes fresh pasta, nut butters and grain-free cookies and bars.

Moreover, while it's fairly easy to switch to a C corporation, switching back is harder.

Businesses switching from an S corporation to a C corporation must wait until the fifth year if they elect to revert to an S corporation again. For five years after the switch back to S corporation status, gains tied to the C corporation's assets are taxed twice upon sale—at the corporate and individual levels.



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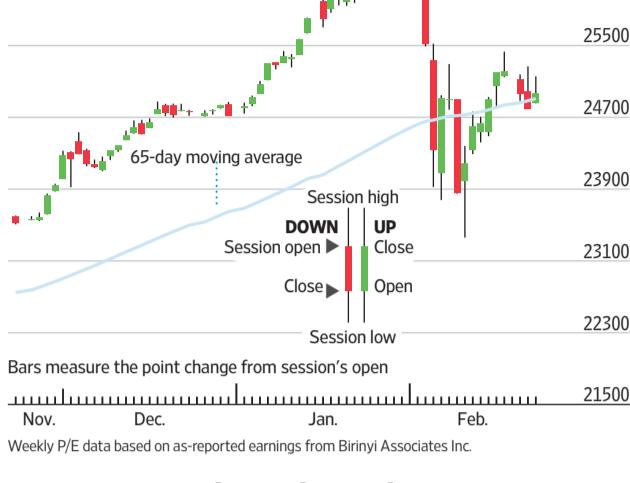
MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24962.48 ▲164.70, or 0.66%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.11 21.18
 P/E estimate * 17.30 17.67
 Dividend yield 2.12 2.30
 All-time high 26616.71, 01/26/18



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

2703.96 ▲2.63, or 0.10%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 19.17 24.67
 P/E estimate * 17.25 18.05
 Dividend yield 1.91 2.02
 All-time high: 2872.87, 01/26/18



Nov. Dec. Jan. Feb. 2450

Nasdaq Composite Index

7210.09 ▼8.14, or 0.11%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 26.21 25.35
 P/E estimate * 19.78 19.85
 Dividend yield 1.03 1.15
 All-time high: 7505.77, 01/26/18



Nov. Dec. Jan. Feb. 6300

Major U.S. Stock-Market Indexes

| | Latest | | 52-Week | | YTD % chg | 3-yr. ann. |
|--------------------|----------|----------|-----------------|---------|-----------------------------------------|-------------------|
| | High | Low | Close | Net chg | % chg | |
| Dow Jones | | | | | | |
| Industrial Average | 25156.72 | 24854.83 | 24962.48 | 164.70 | 0.66 | 26.11 21.18 |
| Transportation Avg | 10548.12 | 10406.01 | 10428.87 | 56.81 | 0.55 | 17.30 17.67 |
| Utility Average | 673.28 | 664.41 | 668.20 | 3.38 | 0.51 | 774.47 647.90 |
| Total Stock Market | 28211.24 | 27872.20 | 27929.63 | 12.99 | 0.05 | 29630.47 24125.20 |
| Barron's 400 | 722.20 | 713.91 | 714.65 | -3.47 | -0.48 | 757.37 610.89 |

Nasdaq Stock Market

Nasdaq Composite

Nasdaq 100

S&P

500 Index

MidCap 400

SmallCap 600

Other Indexes

Russell 2000

NYSE Composite

Value Line

NYSE Arca Biotech

NYSE Arca Pharma

KBW Bank

PHLX® Gold/Silver

PHLX® Oil Service

PHLX® Semiconductor

Cboe Volatility

\$ Nasdaq PHLX

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 | 10,885.8 | 271.07 | 0.67 | 0.25 | 271.80 | 270.04 |
| Banco Bilbao Vizcaya ADR | BBVA | 7,916.2 | 8.49 | ... | unch. | 8.53 | 8.48 |
| Bank of America | BAC | 6,086.9 | 31.77 | 0.08 | 0.25 | 31.95 | 31.69 |
| Utilities Sel Sector SPDR | XLU | 3,721.1 | 49.15 | 0.08 | 0.16 | 49.15 | 49.03 |
| PwrShrs QQQ Tr Series 1 | QQQ | 2,727.6 | 165.36 | 0.56 | 0.34 | 166.16 | 164.80 |
| Synchrony Financial | SYF | 2,585.0 | 36.55 | 0.22 | 0.61 | 36.55 | 36.33 |
| Hewlett Packard Ent | HPE | 2,532.5 | 18.25 | 1.84 | -11.21 | 19.69 | 16.38 |
| Microsoft | MSFT | 2,511.1 | 91.73 | ... | unch. | 92.54 | 91.69 |

Percentage gainers...

| | | | | | | | |
|------------------------|------|---------|--------|--------|-----------------------------------------|--------|--------|
| Immersion | IMMR | 86.2 | 12.30 | 1.82 | 17.37 | 12.65 | 10.48 |
| Trade Desk Cl A | TTD | 309.8 | 55.38 | 6.98 | 14.42 | 55.50 | 45.60 |
| BJ's Restaurants | BJRI | 10.5 | 43.35 | 4.65 | 12.02 | 43.35 | 38.70 |
| Hewlett Packard Ent | HPE | 2,532.5 | 18.25 | 1.84 | -11.21 | 19.69 | 16.38 |
| Planet Fitness Cl A | PLNT | 204.6 | 35.70 | 2.91 | 8.87 | 35.99 | 32.70 |
| ...And losers | | | | | | | |
| Universal Display | OLED | 497.7 | 133.86 | -21.05 | -13.59 | 160.00 | 132.10 |
| Windstop | WING | 94.6 | 41.78 | -5.00 | -10.69 | 47.49 | 40.75 |
| Acacia Communications | ACIA | 75.2 | 37.40 | -4.44 | -10.61 | 42.41 | 35.00 |
| Zoe's Kitchen | ZOES | 32.1 | 12.80 | -1.47 | -10.30 | 14.70 | 12.52 |
| Adamas Pharmaceuticals | ADMS | 50.9 | 25.00 | -2.41 | -8.79 | 27.41 | 24.98 |

*Primary market NYSE, NYSE American, NYSE Arca only. **TRIN comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

Sources: SIX Financial Information; WSJ Market Data Group

Source: SIX Financial Information; WSJ Market Data Group

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

| | Contract | Open | High | Low | Settle | Chg | Open interest | |
|-------------------------------------------------------|----------|----------|----------|----------|--------|---------|---------------|--|
| Copper-High (CMX)-25,000 lbs.; \$ per lb. | 3.235 | 3.1785 | 3.1785 | 3.2375 | 0.0260 | 393 | | |
| Feb | 3.1785 | 3.235 | 3.1785 | 3.2375 | 0.0260 | 393 | | |
| May | 3.225 | 3.265 | 3.1750 | 3.2615 | 0.0245 | 112,074 | | |
| Gold (CMX)-100 troy oz.; \$ per troy oz. | 1,107 | 1,122.00 | 1,131.40 | 1,130.60 | 0.60 | 1,107 | | |
| Feb | 1,122.00 | 1,131.40 | 1,132.90 | 1,132.70 | 0.60 | 357,067 | | |
| April | 1,136.20 | 1,134.40 | 1,139.50 | 1,138.10 | 0.60 | 87,415 | | |
| June | 1,132.30 | 1,134.40 | 1,134.40 | 1,134.60 | 0.60 | 25,441 | | |
| Aug | 1,135.50 | 1,134.40 | 1,134.30 | 1,134.80 | 0.60 | 5,363 | | |
| Oct | 1,142.70 | 1,139.70 | 1,140.50 | 1,140.40 | 0.60 | 1,107 | | |
| Dec | 1,151.20 | 1,155.90 | 1,146.10 | 1,155.40 | 0.60 | 36,414 | | |
| Palladium (NYM)-50 troy oz.; \$ per troy oz. | 1,107 | 1,106.95 | 1,103.55 | 1,102.00 | 103.50 | 11.00 | 10,269 | |
| March | 1,106.95 | 1,101.40 | 1,098.70 | 1,099.40 | 2.80 | -1 | | |
| April | 1,105.15 | 1,083.60 | 1,011.15 | 1,032.60 | 11.15 | 17,284 | | |
| Sept | 1,021.35 | 1,026.10 | 1,020.75 | 1,026.90 | 11.25 | 613 | | |
| Platinum (NYM)-50 troy oz.; \$ per troy oz. | 1,107 | 994.40 | 998.00 | 994.40 | 2.80 | -1 | | |
| Feb | 992.10 | 1,001.40 | 987.30 | 999.40 | 2.80 | 76,944 | | |
| Silver (CMX)-5,000 troy oz.; \$ per troy oz. | 1,107 | 1,165.70 | 1,165.70 | 1,165.70 | -0.025 | 76 | | |
| Feb | 1,165.70 | 1,167.10 | 1,164.20 | 1,166.38 | -0.040 | 113,012 | | |
| May | 1,165.10 | 1,167.10 | 1,164.20 | 1,166.38 | -0.040 | 113,012 | | |
| Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl. | 1,107 | 61.34 | 63.09 | 60.75 | 62.77 | 1.09 | 495,317 | |
| April | 61.17 | 62.87 | 60.61 | 62.60 | 60.75 | 207,166 | | |
| June | 60.87 | 61.43 | 61.91 | 59.92 | 61.78 | 1.00 | 143,933 | |
| July | 60.43 | 61.91 | 59.92 | 61.78 | 59.27 | 0.80 | 237,318 | |
| Dec | 58.10 | 59.45 | 57.76 | 59.27 | 0.80 | 1,107 | | |
| Dec'19 | 54.37 | 55.41 | 54.37 | 55.24 | 0.37 | 115,650 | | |
| NY Harbor ULS (NYM)-42,000 gal.; \$ per gal. | 1,107 | 1,193.07 | 1,191.64 | 1,195.27 | 0.024 | 44,288 | | |
| March | 1,193.07 | 1,197.59 | 1,191.64 | 1,195.27 | 0.024 | 44,288 | | |
| April | 1,192.02 | 1,195.86 | 1,191.62 | 1,195.36 | 0.025 | 122,678 | | |
| Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal. | 1,107 | 1,193.80 | 1,196.96 | 1,192.53 | 1.96 | 1,161 | 122,766 | |
| March | 1,193.80 | 1,197.16 | 1,197.31 | 1,196.07 | 1.96 | 1,161 | 122,766 | |
| Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu. | 1,107 | 2,657 | 2,670 | 2,634 | -0.25 | 36,367 | | |
| April | 2,679 | 2,696 | 2,652 | 2,676 | -0.005 | 308,750 | | |
| May | 2,700 | 2,720 | 2,680 | 2,704 | -0.002 | 196,226 | | |
| June | 2,733 | 2,748 | 2,715 | 2,737 | -0.002 | 81,757 | | |
| July | 2,775 | 2,790 | 2,757 | 2,778 | -0.002 | 99,192 | | |
| Oct | 2,780 | 2,805 | 2,770 | 2,790 | -0.003 | 116,062 | | |

Agriculture Futures

| Corn (CBT)-5,000 bu.; cents per bu. | 365.50 | 367.00 | 364.25 | 366.75 | 1.00 | 324,234 |
|--------------------------------------------------|-----------|-----------|------------|-------------|--------|---------|
| March | 365.50 | 367.00 | 364.25 | 366.75 | 1.00 | 324,234 |
| May | 373.75 | 375.25 | 372.50 | 374.75 | .75 | 582,858 |
| Oats (CBT)-5,000 bu.; cents per bu. | 258.00 | 264.50 | 256.75 | 257.75 | -50 | 780 |
| March | 258.25 | 264.75 | 258.00 | 260.75 | 1.25 | 4,312 |
| Soybeans (CBT)-5,000 bu.; cents per bu. | 1034.00 | 1037.00 | 1027.25 | 1032.00 | -225 | 150,687 |
| May | 1045.00 | 1048.25 | 1038.25 | 1043.25 | -2.25 | 308,481 |
| Soybean Meal (CBT)-100 tons; \$ per ton. | 378.00 | 378.60 | 375.10 | 376.90 | -110 | 62,800 |
| March | 381.50 | 381.50 | 378.00 | 379.60 | -140 | 214,211 |
| Soybean Oil (CBT)-60,000 lbs.; cents per lb. | 32.09 | 32.18 | 31.90 | 32.04 | -03 | 63,077 |
| May | 32.28 | 32.39 | 32.10 | 32.25 | -03 | 223,501 |
| Rough Rice (CBT)-2,000 cwt.; \$ per cwt. | 1,107.00 | 1,120.00 | 1,120.00 | 1,120.00 | -225 | 150,687 |
| March | 1,119.00 | 1,120.00 | 1,119.00 | 1,120.00 | 6.00 | 4,086 |
| May | 1,121.00 | 1,127.50 | 1,121.50 | 1,125.50 | 10.00 | 4,116 |
| Wheat (CBT)-5,000 bu.; cents per bu. | 447.75 | 452.00 | 444.75 | 451.25 | 4.00 | 78,384 |
| May | 446.25 | 456.00 | 457.00 | 464.25 | 4.75 | 208,606 |
| Wheat (KC)-5,000 bu.; cents per bu. | 446.50 | 471.25 | 460.00 | 470.75 | 5.00 | 34,530 |
| May | 483.25 | 486.75 | 475.75 | 486.25 | 4.50 | 120,810 |
| Wheat (MPLS)-5,000 bu.; cents per bu. | 248.00 | 264.50 | 256.75 | 257.75 | -50 | 780 |
| March | 258.00 | 264.50 | 256.75 | 258.00 | 1.25 | 4,312 |
| Cattle-Feeder (CME)-50,000 lbs.; cents per lb. | 1,107.00 | 1,120.00 | 1,120.00 | 1,120.00 | -225 | 150,687 |
| March | 1,146.375 | 1,146.850 | 1,145.750 | 1,146.000 | -650 | 17,831 |
| April | 1,148.825 | 1,149.800 | 1,147.900 | 1,148.075 | -1,025 | 16,375 |
| Cattle-Live (CME)-40,000 lbs.; cents per lb. | 1,107.00 | 1,129.00 | 1,128.75 | 1,128.350 | -1,300 | 4,546 |
| Feb | 1,129.00 | 1,129.150 | 1,128.075 | 1,128.350 | -1,300 | 4,546 |
| April | 1,125.825 | 1,126.125 | 1,124.925 | 1,125.375 | -850 | 143,633 |
| Hogs-Lean (CME)-40,000 lbs.; cents per lb. | 1,107.00 | 1,107.00 | 1,107.00 | 1,107.00 | -1,000 | 1,107 |
| April | 69.825 | 71.550 | 69.475 | 71.275 | 1.375 | 91,618 |
| June | 81.400 | 83.175 | 81.000 | 82.950 | 1,650 | 47,452 |
| Lumber (CME)-110,000 bd ft.; \$ per 1,000 bd ft. | 1,107.00 | 1,148.500 | 1,147.900 | 1,148.075 | -1,025 | 16,375 |
| March | 1,148.500 | 1,149.800 | 1,147.900 | 1,148.075 | -1,025 | 16,375 |
| April | 1,148.825 | 1,149.800 | 1,147.900 | 1,148.075 | -1,025 | 16,375 |
| May | 1,151.000 | 1,152.000 | 1,151.000 | 1,152.000 | -1,000 | 1,107 |
| Residual fuel oil | 372 | 4082 | 4292 | 4139 | 3,727 | |
| Propane/propylene | 1,651 | 1,540 | 1,218 | 1,682 | ... | |
| Other oils | 3,447 | 3,551 | 4,132 | 3,827 | ... | |
| Net crude, petroleum products, incl. SPR | 1,863,748 | ... | 1,872,2044 | 1,870,1,894 | 2,185 | ... |

Currency Futures

| Japanese Yen (CME)-¥125,000,000 \$ per 100Y | March | 9.203 | 9.294 | 9.390 | .0098 | 267,984 |
|-----------------------------------------------|-------|-------|-------|-------|-------|---------|
| | June | 9.255 | 9.451 | 9.353 | .0098 | 2,609 |
| Canadian Dollar (CME)-CAD 100,000; \$ per CAD | March | .7879 | .7895 | .7889 | .002 | 139,251 |
| | June | | | | | |

BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American 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.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

A B C

ABB **ABB** 25.00 0.07

AES **AES** 10.30 0.07

Aflac **AFL** 88.53 -0.35

AGNC Inv. **AGNC** 18.60 -0.11

ANGL Homes **ANGL** 14.97 -0.09

Ansys **ANSYS** 160.94 -2.40

ASML **ASML** 193.29 -1.12

AT&T **T** 36.47 -0.01

AbbottLabs **ABT** 58.99 -0.01

AbbVie **ABBV** 117.56 -0.35

Albomed **ALB** 265.97 -4.28

Accenture **ACN** 160.32 -0.14

ActivisionVis **ATVI** 69.49 -0.73

AcuityBrands **AVY** 146.30 -1.28

Adient **ADT** 63.40 -0.07

AdobeSystems **ADBE** 202.61 -0.51

AdvanceTech **ADV** 110.49 -3.51

AdMicroDevices **AMDI** 118.84 -0.21

AdvSemEgg **ASX** 6.80 -0.09

Aegon **AEG** 6.81 -0.11

AerCap **AER** 51.20 -0.29

Aetna **AET** 175.06 -0.71

AffiliatedMng **AMG** 186.83 -2.20

AgilentTechs **AAI** 70.68 -0.51

AgnicoEagle **AGN** 40.25 -0.19

AllyFinancial **ALLY** 27.89 -0.52

AlnylamPharm **ALNY** 119.84 -0.68

AlkamataTech **ALK** 66.25 -0.07

AlaskaAir **ALK** 61.47 -0.52

Albermarle **ALB** 113.46 -0.67

Alcoa **AA** 48.04 -0.01

AlexanderRest **ANR** 119.97 -1.54

AlexionPharm **ALXN** 114.59 -2.51

Alibaba **BABA** 188.75 -0.07

AlignTech **ALGN** 259.64 -0.70

Alkermes **ALKS** 56.55 -6.64

Allegany **ALY** 6.06 -0.47

Allegion **ALN** 86.04 -0.68

Allergan **AGN** 150.49 -0.01

AllianceData **ADS** 238.82 -0.77

AllianzEnergy **LNT** 38.60 -0.02

Allstate **ALE** 112.80 -0.61

Ally **ALLY** 27.89 -0.52

AlnylamPharm **ALNY** 119.84 -0.68

Alpharetta **AT** 66.25 -0.07

Altronix **ALTR** 16.24 -0.24

Alvheim **ALV** 6.82 -0.01

Almecore **ALM** 97.35 -0.15

Almetek **ALM** 76.47 -0.12

BANKING & FINANCE



The lender HSH Nordbank has been facing liquidation after it suffered huge losses on nonperforming shipping loans. A port in South Korea.

Goldman Takes Aim At Private Equity

By DAWN LIM
AND LAURA KREUTZER

Goldman Sachs Group Inc. said it raised \$2.5 billion to buy minority stakes in private-equity firms, betting on an industry that is commanding increasing influence as more businesses choose to stay private longer.

Petershill, a group within Goldman's asset-management arm, originally had targeted \$2 billion for the fund.

Goldman is zeroing in on an industry that has secured a record amount of dollars from pensions and endowments in recent years to buy and lend money to businesses. U.S. private-equity firms raised over \$362 billion in 2017, the most money in a year since 2007, according to LP Source, a data provider owned by Dow Jones & Co., publisher of The Wall Street Journal.

These firms can be attractive targets for investors who want to hold long-term stakes, as the firms' funds typically lock up the money of major institutions for at least a decade, earning fees and a cut of profits along the way. The investment pool Goldman raised for the strategy, which includes Petershill Private Equity LP and other related funds, channels the approach of Warren Buffett's **Berkshire Hathaway Inc.**, in that it doesn't set deadlines to exit its bets.

Over time, Goldman could cash in on the positions by selling stakes to investment managers and other buyers. It also could take a portion of the portfolio public, making it available for individual investors and mutual funds to invest in. There is no guarantee Petershill will make these moves. If Goldman does list a pool of manager stakes, it

'We think there could be a potentially enthusiastic audience for a listing.'

would further open up a market that has largely been out of the reach of mom-and-pop investors. The majority of private-equity firms don't list their shares publicly, and their funds typically don't accept money from small investors. This means that only large institutions, such as pensions and endowments, as well as the ultrarich have broad exposure to the asset class.

"If you're a public investor, there are not a lot of ways to invest in private equity through the public markets," said Michael Brandmeyer, co-chief investment officer of Goldman's alternative investments and manager selection group, in which the Petershill unit is housed. "We think there could be a potentially enthusiastic audience for a listing."

Goldman already has put a chunk of its new fund to work, acquiring minority stakes in private-equity firms.

The fund generally will buy passive stakes in midsize firms with assets of \$5 billion to \$20 billion that Goldman believes have potential to expand.

The latest Petershill pool has taken stakes in technology-focused firm **Accel-KKR**, energy-infrastructure investor **ArcLight Capital Partners** and oil-and-gas manager **Riverstone Holdings**.

The first Petershill fund, which Goldman launched in 2007 to invest in hedge funds, delivered 2.5 times its investor money, even as many hedge funds across the industry delivered disappointing returns and bled investor money. Goldman exited all hedge-fund positions in that pool after it struck a deal to sell stakes in five managers to **Affiliated Managers Group Inc.** for about \$800 million in 2016.

Goldman continues to manage a pool of hedge-fund interests from another \$1.5 billion Petershill fund, taking the view that sound firms can deliver returns even as the industry faces challenges.

J.C. Flowers, Cerberus to Buy HSH Nordbank

By COSTAS PARIS

U.S. private-equity firms **J.C. Flowers & Co.** and **Cerberus Capital Management LP** have agreed to buy German lender **HSH Nordbank** for as much as €1 billion (\$1.23 billion) in a deal to be announced as early as next week, people involved in the matter said.

The bank, owned by the German states of Schleswig-Holstein and Hamburg, is racing to find a buyer by the end of February or face liquidation, after suffering huge losses on nonperforming shipping loans. J.C. Flowers al-

ready owns about 5% of HSH. Up until six months ago, the bank's owners were expecting a sales price of a maximum €200 million, but a gradual recovery in shipping, higher earnings expectations and a substantial reduction in bad shipping loans made the struggling lender more attractive.

A person familiar with the matter said the deal is likely to be announced as early as next week, but cautioned it could still fall through.

HSH became the world's biggest ship financier in the 2000s when its balance sheet grew to more than €200 bil-

lion as it aggressively expanded its shipping portfolio. But it was badly bruised by the 2009 financial crisis that dealt a serious blow to global trade and shipping companies, some of which ran out of money and couldn't pay back their loans.

HSH's core portfolio includes infrastructure, renewable energy, commercial real estate, logistics and shipping. It cut its balance sheet to about €72 billion at the end of last year from €84 billion in 2016, with its ship portfolio standing at €5.5 billion. Its nonperforming loans are

around €7 billion, less than half of the amount at the end of 2016.

The bank is expected to more than double its 2017 pretax profit to around €290 million, the people involved said, and the new owners plan to sell all of the sour loans to other investors.

HSH will announce its full-year earnings in March.

One person familiar with the matter said HSH would keep a shipping portfolio valued at between €5 billion and €6 billion and do business primarily with Greek, U.S. and Asian shipowners. Operators

are looking to renew their fleets and return to profitability as the shipping sector recovers, the person added.

The bank has plans to cut its staff of 1,900 to 1,600 by 2019, while the new owners are looking at total staff cuts of about 30%. Private-equity investors aggressively cut costs at acquired companies, in a move to turn them around and sell them for a profit.

HSH Chief Executive Stefan Ermisch will likely keep his job under the new ownership, the people said. His plan is to cut the bank's balance sheet to €55 billion by 2022.

Despite Loss, Barclays Chief Is Optimistic

By MAX COLCHESTER

LONDON—**Barclays PLC** Chief Executive Jes Staley pledged to more than double dividends at the money-losing British bank, as the U.S. executive looks to appease disgruntled shareholders.

The bank reported a £1.9 billion (\$2.64 billion) net loss for 2017, compared with a £1.6 billion profit the prior year, hit by a charge related to the U.S. tax overhaul and poor returns at its investment bank's trading unit.

However, Mr. Staley said his turnaround plan is about to pay off and that the return of volatility to markets was helping boost trading revenue at the investment bank. "For the first time in five years, the bank begins 2018 with a clear operating model," he said.

Barclays said it would raise its dividend from 3 pence a share to 6.5 pence this year, back to where it was two years ago when it was cut to fund a restructuring at the group. Its shares rose 4.4% in London.

After more than two years of restructuring, Mr. Staley has now completed his reshaping of the lender into a universal bank with major operations in the U.S. and U.K. However, Barclays was one of the worst-performing European bank stocks last year, with shareholders questioning Mr. Staley's decision to continue backing the battered trading unit. Investors want to see how the businesses—stretching from credit cards to equity derivatives—click together.

Sustained profits still look a way off. The bank said on Thursday that it would meet its cost of equity, around 10%, only by 2020.



Arthur and Kathleen Breitman started Tezos to address governance issues around cryptocurrencies.

'We think there could be a potentially enthusiastic audience for a listing.'

Fight Over \$232 Million Ends at Digital Coin Project

By PAUL VIGNA

A monthslong battle for control of \$232 million raised in an initial coin offering has come to an end.

For months, the husband-and-wife team behind a cryptocurrency project known as Tezos has been locked in a battle for control of the funds with the head of the board of a nonprofit foundation that sold the digital coins. More than 30,000 participants in that coin offering, one of the biggest of 2017, were in limbo while the two sides duked it out.

Now, the head of the nonprofit foundation, Johann Gevers, has said he would step down. This clears the way for new leadership at the foundation, opening up the \$232 million to be used by Arthur and Kathleen Breitman to develop the Tezos project.

"I'm extremely happy about this," Mr. Gevers said, adding the environment in recent months around the project had been "extremely difficult." He declined to comment further due to continuing litigation related to the coin offering.

Thursday's news is a good thing for investors in the coins sold by Tezos and for developers who have been unable to tap the funds, said Kathleen Breitman. "Arthur and I embrace the change in leadership and look forward to working with the foundation," she said.

Neither side disclosed details of the fight's resolution.

The Breitmans began Tezos,

which is a software platform, four years ago in a bid to address some of the governance issues that have surrounded other cryptocurrencies such as bitcoin. They launched the coin offering for Tezos last July, selling digital tokens through a Switzerland-based foundation. The ensuing dispute over control of the \$232 million the offering raised highlighted some of the many risks facing investors who participate in coin offerings.

The head of the foundation will leave, clearing the way for use of the funds.

Although initial coin offerings, or ICOs, have raised more than \$8 billion since the start of 2017, they generally aren't regulated. Authorities in a number of countries are still grappling with how or whether to oversee them, or if the token sales should qualify as offerings of securities.

The coins being sold typically don't offer ownership rights to a company, either. They usually give a holder the right at some future point to purchase a good or service, if the company selling the tokens produces one. Many don't even have a working product or service. In some cases, they are simply concepts.

What's more, many of the entities selling coins are struggling with the best ways to structure the offerings and the projects themselves.

The Breitmans formed a nonprofit to handle the money raised through the offering and oversee development of the project, naming Mr. Gevers president of the foundation board.

Shortly after forming the **Tezos Foundation**, a power struggle erupted, with Mr. Gevers claiming the Breitmans were trying to exert control. The fight effectively froze the project, with the offering money tied up, while competitors raced ahead with their own projects.

Originally, a beta launch for Tezos was expected within a few months of the offering. That launch remains delayed, and Ms. Breitman said there isn't a date for it.

Additionally, distribution of the Tezos tokens sold through the offering was tied to the platform's launch. That means investors have yet to receive the tokens they purchased.

In a brief statement on Thursday, the Tezos Foundation said that Mr. Gevers would be succeeded at the foundation by Ryan Jespersen.

He is a Utah resident and Tezos investor who spearheaded a rival nonprofit foundation, called the T2 Foundation, that was created to exert pressure on the first foundation.

Mr. Jespersen wasn't available for comment.



Jes Staley, shown in Switzerland last month, says dividends will jump.

MARKETS

STREETWISE | By James Mackintosh

Bonus in Higher Bond Yields



Little matters more to shareholders now than interpreting the message from the bond markets. After the scare at the start of the month that knocked 10% off U.S. stocks, there are indications of possible good news hidden in rising bond yields. Yet, the danger remains that massive tax cuts will push up yields to the point where they become bad for shares—and identifying that point is one of the big challenges for investors.

Start with the potential good news: Bond investors seem finally to be anticipating stronger growth in the real economy and a better long-term outlook, a sharp change from the previous assumption that the main effect of U.S. tax cuts would be to boost inflation.

Investors have pushed up real 10-year Treasury yields this month, while inflation expectations finally stopped rising. Bond markets appear to be anticipating more productivity-boosting investment, which would make the tight jobs market less likely to spark inflation.

Even better, real yields on 30-year Treasury inflation-protected securities, the longest-dated U.S. bonds, have also been rising, reversing a decline that set in last summer. Investors are pricing in a better long-term outlook, which would make higher Federal Reserve interest rates possible without damaging the economy—or stock prices.

This good news comes with caveats. It is never a good idea to read too much into a three-week move, even one that has pushed 30-year yields almost all the way back up to where they stood in July. The bond market believing in a better economy doesn't make it so, either. Finally, the move can be interpreted a different way, as a reward for rising uncertainty about where long-run interest rates will eventually land. If rising yields reflect doubts about secular stagnation, that

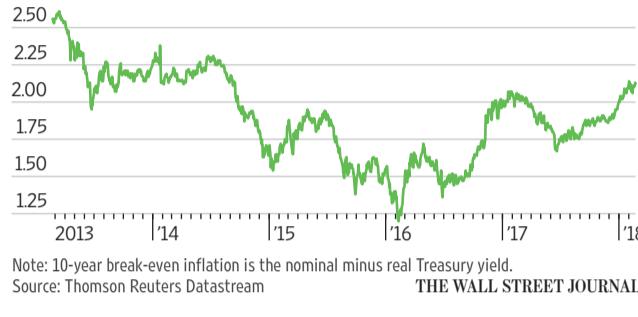
A Real Rate Rise

Since the equity wobble three weeks ago, inflation-adjusted bond yields have been rising while bond-market-implied inflation has stabilized.

Yield on 10-year Treasury inflation-protected securities



10-year break-even inflation



Note: 10-year break-even inflation is the nominal minus real Treasury yield.

Source: Thomson Reuters Datastream

THE WALL STREET JOURNAL

isn't nearly as good for stocks as the belief that the postcrisis economic torpor is finally in the past.

Certainly economists are treating White House forecasts of a productivity renaissance with skepticism. Nathan Sheets, chief economist at PGIM Fixed Income and a former Treasury official, expects the Trump tax cuts to boost economic growth by 0.5 percentage point or a little more for each of the next two years. But he predicts only an annual 0.1 point extra on long-run potential growth, resulting from higher corporate investment.

The huge federal deficits likely to be incurred in the latest U.S. budget come at a time when the jobs market is already tight and there are signs that wage rises may finally be accelerating.

The tax cuts add fiscal fuel only poured in this amount into a late-cycle economy twice since World War II, according to Gerard Minack, of Sydney-based Mi-

nack Advisors: the Vietnam War spending of the late 1960s and the 1986 Reagan tax cut. In both periods, bond yields rose sharply as inflation picked up, while stocks soared, plunged and then soared again before the eventual recession.

The problem for shareholders watching the bond market is that rising inflation expectations are good for stocks until they are bad. One theory for why is simple enough:

When investors are worried about deflation, higher inflation reduces the danger and so helps stocks even as it pushes up bond yields. Deflation fears have now gone away, so the question is at what point inflation fears will take over, and rising bond yields will be bad for stocks.

One answer is when yields reach the point that they anticipate the Fed actively trying to slow the economy. Higher yields will no longer mean higher profits, leaving nothing to offset the hit to valuations that comes with a higher discount rate.

In economic terms this

means bonds being priced for an interest rate above the so-called neutral rate, either because inflation is getting out of hand or because the Fed has made a mistake; either would be bad for both shares and bonds. Fed policy makers estimate the long-run neutral fed-funds rate is 2.8%, about where the 10-year currently stands, but bonds typically offer extra yield to compensate for uncertainty over their term.

Credit Suisse's chief U.S. equity strategist, Jonathan Golub, thinks the switch happens at a 10-year yield of 3.5% above which further rises start to be progressively worse for stocks. He derives the number by looking at how stocks performed just on days when yields rose, with a strong relationship since 2014 showing stocks gained less the higher yields were.

In the past the number was much higher, averaging above 7% since 1980, but Mr. Golub says it has dropped because investors, like the Fed, think a weaker economy can't cope with such high rates as it once could.

Bank of America Merrill Lynch analysts say the "sweet spot" for shares is a 10-year Treasury yield between 1% and 3%, with stocks more likely to fret about rises above that.

Investors shouldn't get hung up on any precise number, as the turning point is inherently uncertain and shifts with changing beliefs about the economy.

What is more certain is that there is a regime shift under way. In the past few years, investors justified buying shares at very high valuations because bonds looked even worse. As Treasury yields rise, expensive shares will look less attractive—so companies will need the prospect of big rises in profits to maintain their appeal. The more it is real rather than nominal bond yields rising, the better for shareholders.

Oil Surges on Bullish U.S. Inventory Data

By STEPHANIE YANG

Oil prices rose after government data showed an unexpected decline in U.S. crude stockpiles amid steady production and rising exports.

L i g h t , C O M M O D I T I E S sweet crude for April delivery advanced \$1.09, or 1.8%, to \$62.77 a barrel on the New York Mercantile Exchange, closing at a two-week high.

Brent, the global benchmark, gained 97 cents, or 1.5%, to \$66.39 a barrel.

The U.S. Energy Information Administration on Thursday reported that the amount of crude in storage fell by 1.6 million barrels in the week ended Feb. 16. Analysts surveyed by The Wall Street Journal expected stockpiles to rise by 1.9 million barrels last week.

Gasoline stockpiles rose by 300,000 barrels, and stocks of distillates declined by 2.4 million barrels. Weekly U.S. production fell by 1,000 barrels from a record.

"We think that stocks could rebound in the coming weeks, which coupled with further growth in U.S. production should pull oil prices down," said Capital Economics analysts in a note.

Gasoline futures rose 0.5% to \$1.7657 a gallon, and diesel futures rose 1.1% to \$1.9527 a gallon.

last week, closing in on a record reached in October.

"Crude-oil inventories will not increase as they have done historically, because of our ability to export crude oil from an ever increasing variety of locations on the Gulf Coast," said Andy Lipow, president of Lipow Oil Associates.

Last week, the Louisiana Offshore Oil Port, a major import terminal, announced a test to load crude onto a supertanker in an attempt to send more oil to overseas markets.

Mr. Lipow said strong economic growth also has helped boost oil consumption in the U.S. "We're still seeing very good demand for gasoline and diesel fuel," he said.

Many market participants anticipated a build in stockpiles, with refiners running at lower utilization rates and U.S. producers ramping up activity. Oil prices have come under pressure in recent weeks in tandem with a broader market sell-off, along with investor anxiety over growing output from U.S. shale.

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The Nasdaq, which is down 0.4% for the week so far, has posted losses for four consecutive days, its longest losing streak since November 2016.

All three indexes remain on pace for their worst month since January 2016.

Energy companies were among the best-performing stocks Thursday, with those companies in the S&P 500 rising 1.1%, while U.S. crude for April delivery settled up 1.8% at \$62.77 barrel.

Chesapeake Energy contributed to the rise after the natural-gas company beat analysts' expectations on earnings and revenue to send its shares up 57 cents, or 22%, to \$3.20.

Among the Dow industrials,

United Technologies climbed 4.32, or 3.3%, to 133.58, contributing roughly 30 points to the blue-chip index's gain. The company's chief executive said

That would mark the third quarter in four in which companies have reported profit growth of 10% or more.

Nearly three-quarters of reporting companies have topped analysts' estimates, above the five-year average of 69%, according to FactSet. And firms are expected to have grown their top-line sales numbers by a beefy 8.1% last quarter.

What's more, executives are excited about profit growth in future quarters due to an accelerating economy and the recent tax-overhaul law, which cuts the corporate rate to 21% from 35%. It is expected to boost the profitability of many sectors, particu-

larly companies with mostly domestic operations that pay a high effective tax rate as a result.

"The net effect of the new law is that it is tremendously beneficial to customers and our economy," said Thomas Fanning, chief executive of utilities firm Southern Co., in a call with analysts after its earnings results Wednesday.

That said, the S&P 500 is down about 2.4% since earnings season kicked off in mid-January with results for financial firms.

In recent quarters, investors haven't been as quick to push up the stock prices of those companies that top earnings estimates.

Stocks already trade at a relatively high level compared with expected earnings. The S&P 500's price/earnings ratio for the next 12 months was at more than 17 this week, down a bit after recent market volatility, but well above the 10-year average of 14.3.

That ratio could change, of course, if there is a further downdraft in stock prices or the tax overhaul boosts profits more than analysts expect. And many executives are excited about the earnings outlook going forward.

Investors, however, may need some convincing.

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—Ben Eisen

Good Profit Growth Is Likely Priced In

Executives are as excited about corporate earnings as they have ever been, but that optimism may already be priced into the stock market.

S&P 500 companies are expected to have posted per-share profit growth of 15% in the final three months of the year compared with a year earlier, according to FactSet, which blends results for the companies that have reported and estimates for the 15% that haven't yet.

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<p

MARKETS

Treasurys Swing Higher Following Selloff

BY AKANE OTANI

U.S. Treasurys rallied a day after a wave of selling sent yields to fresh multiyear highs, marking the latest swing for a market that has been rattled this year as investors have questioned whether long-stagnant inflation is picking up.

The day's moves gave the bond market some reprieve after investors dumped both stocks and Treasurys late Wednesday, citing renewed fears around the Federal Reserve's pace of interest-rate increases.

To some, the Fed meeting's minutes—which showed that several officials in January were increasingly confident that inflation would move toward the central bank's 2% target—suggested the Fed could consider raising short-term interest rates more times than it has signaled. Others feared the Fed could be in danger of allowing the economy to overheat if it lets inflation accelerate without bumping up its pace of rate increases.

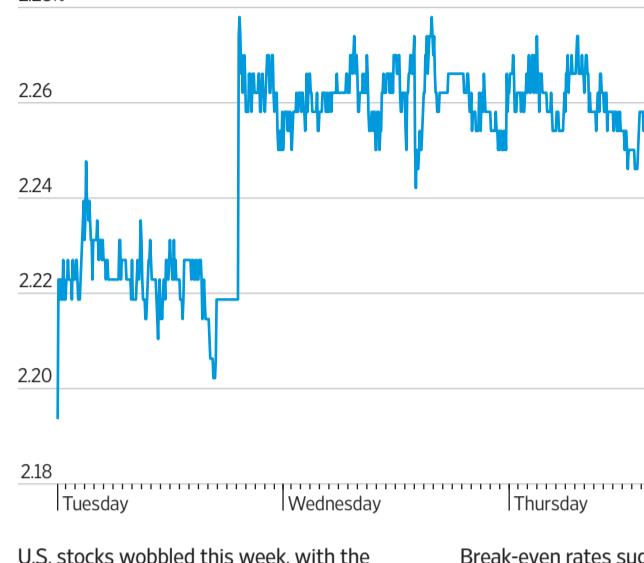
Yet by Thursday, both bond prices and major U.S. stock indexes bounced higher, suggesting to some investors and analysts that Wednesday's selling was a knee-jerk reaction, and not a potential return to the declines that pressured global markets at the start of the month.

"There's the initial gut reaction, and then when you dive into the data, things calm down a bit," said Eric Souza, senior portfolio manager at SVB Asset Management.

Mr. Souza, along with some other investors, remains skeptical that the recent streak of data on wage growth, consumer prices and producer prices points to a rapid acceleration in inflation. At the start of last year, for instance, the Labor Department's readings on consumer prices suggested that after years of stagnant growth, inflation was starting to near the Fed's 2%

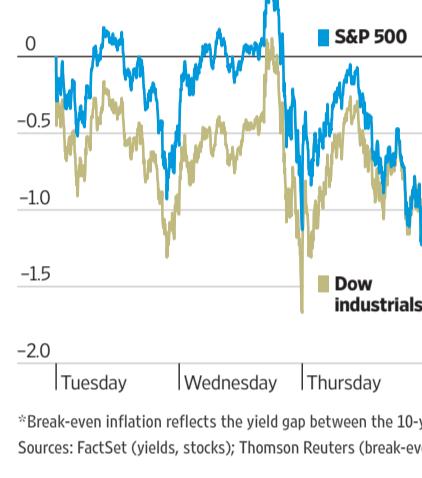
U.S. government bonds came under pressure Wednesday as Federal Reserve minutes renewed questions about the pace of rate increases. Yields on the 10-year Treasury note, which fall as prices rise, slid Thursday, but are on course for a weekly advance.

Two-year note, in five-minute intervals



U.S. stocks wobbled this week, with the S&P 500 and Dow Jones Industrial Average on track to post weekly losses.

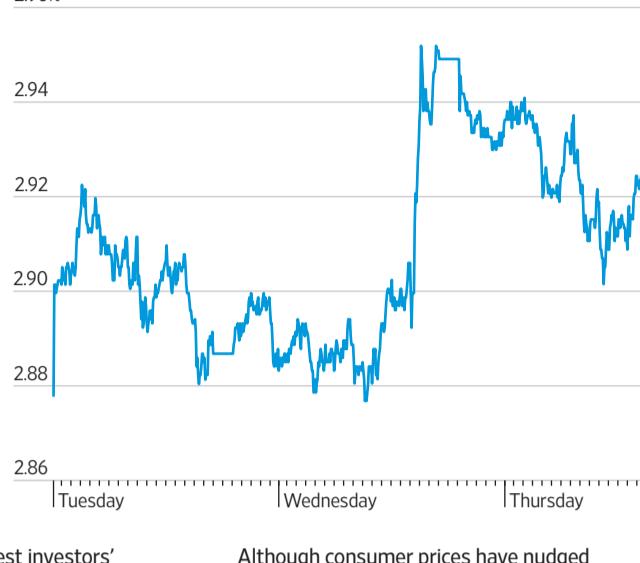
Index performance, minute by minute



*Break-even inflation reflects the yield gap between the 10-year Treasury note and the comparable inflation-protected security.

Sources: FactSet (yields, stocks); Thomson Reuters (break-even inflation); Labor Department (CPI)

Ten-year note, in five-minute intervals

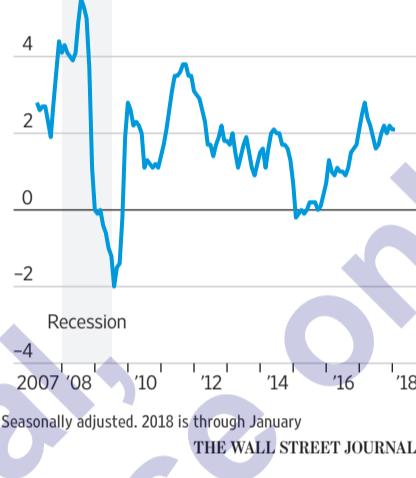


Break-even rates suggest investors' inflation expectations have generally risen since the start of the year.

Ten-year break-even inflation rate*



Although consumer prices have nudged higher recently, the pace of increases remains well off highs in previous years.

Consumer-price index, change from a year earlier[†]

[†]Seasonally adjusted. 2018 is through January

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parture from 2017, when bond yields largely traded in a narrow range as a mixed batch of data on inflation perplexed Fed officials, who had expected strong economic growth and low unemployment to help lift prices. The 10-year note's yield closed 2017 at 2.409%, off from 2.446% at the end of 2016.

This year, however, a series of data releases on wage growth, consumer prices and producer prices have led some investors to believe inflation could finally be firming. Some investors also have worried that a wave of additional debt coming onto the market as the government expands the federal budget deficit could put additional pressure on bonds.

Still, lingering skepticism over whether inflation is picking up could help cap the rise in bond yields, investors say.

The Fed's minutes, for instance, reflected the central bank's thinking before data released in February showed spending at U.S. retailers dropped in January at the fastest pace in 11 months. Other data could prove to be disappointing, casting doubt on whether prices are picking up at a pace that warrants a faster pace of rate increases.

"We might well be witnessing the peak of Fed optimism alongside the height of market sentiment," Ian Lyngen, head of U.S. rates strategy at BMO Capital Markets, wrote in a research note.

—Daniel Kruger

contributed to this article.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

SEVEN-YEAR NOTES

| | \$79,215,135,200 |
|---------------------------------|------------------|
| Applications | \$36,070,110,200 |
| Accepted bids | \$19,592,300 |
| *noncompetitively | \$0 |
| *foreign noncompetitively | 99,438,993 |
| Auction price (rate) | (2.83%) |
| Interest rate | 2.75% |
| Bids at clearing yield accepted | 94.15% |
| Cusip number | 91282832 |

The notes, dated Feb. 28, 2018, mature on Feb. 28, 2025.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Two Deals Could Hinge on Ruling



Judge Richard Leon, left, will hear the U.S. suit against AT&T's deal.

When U.S. District Judge Richard Leon hears the U.S. government's lawsuit to stop the merger of AT&T and Time Warner next month, he will be deciding not just one media deal but two. Not only can his decision allow one blockbuster merger, but it could lead to the unwinding of a second.

After the president of the U.S. and the chief executive of AT&T, the person who will most closely watch the case will be Brian Roberts, CEO of Comcast. If Judge Leon approves the deal, Mr. Roberts will likely lob in another bid for the assets that 21st Century Fox agreed to sell to Walt Disney Co.

Though Comcast bid higher than Disney, it was turned down. Analysts say one reason was regulatory concerns.

A Comcast acquisition would add more cable TV channels to a company that is a powerhouse in channel distribution, making it a vertical merger of the sort AT&T is pursuing with Time Warner. (Disney's acquisition

would be horizontal, combining similar businesses in film and TV content.) That means that if Judge Leon approves AT&T's acquisition of Time Warner, he may open the door for a Comcast-Fox deal.

"Legally, it's easy to argue that each case should be viewed on its own merit, but this certainly gives Judge Leon something to think about," said Craig Moffett of MoffettNathanson.

Judge Leon in 2011 approved Comcast's buy of NBCUniversal, another vertical merger, but only after Comcast agreed to strict conditions to protect consumers.

In other words, the judge is clearly sensitive to the issues surrounding vertical integration.

And by disclosing that it is considering reviving its pursuit of Fox, as it did last week, Comcast has effec-

tively put him on notice that it will take that pursuit to the next level if he approves the AT&T-Time Warner deal. That isn't great news for AT&T.

As Mr. Moffett points out, the Justice Department already had misgivings about Comcast's merger with NBC. "It's hard to imagine that they would look kindly on another transaction that makes Comcast even bigger," he said.

If AT&T does triumph and Comcast makes another bid, Rupert Murdoch, CEO of Fox, will have a difficult choice, especially because Donald Trump is such a friend of Fox and has been so critical of NBC, comparing the network with CNN.

Even if Mr. Murdoch wants to avoid inviting the kind of presidential disapproval that has plagued AT&T's deal with Time Warner, he may as well encourage a bidding war. If Disney sees those Fox assets slipping away, it might just up its offer.

—Elizabeth Winkler

OVERHEARD

When a stock trounces even the most optimistic expectations, it is like raw meat for short sellers.

Roku, the maker of TV streaming boxes went public in September and was an immediate hit. Its first quarterly report as a public company sent the stock into the stratosphere. Roku's share price more than doubled and closed out the year above \$50; it had listed for \$14.

Dangerous ground, as it turned out. Roku's stock price was well above the \$28 median price target set by analysts, most of whom are employed by the banks who underwrote the IPO. Short sellers pounced. Prior to the company's fourth-quarter results Wednesday, more than one-third of Roku's public float had been sold short—making it one of the most heavily shorted stocks. The shares thus fell sharply Thursday following Roku's latest report, which contained a first-quarter revenue outlook that was below what Wall Street expected.

Don't Get Comfortable On Wayfair

Investors have been feverishly pushing up Wayfair Inc.'s stock despite the company's growing losses, worsening free cash flow and surging marketing spending. That run may finally be coming to an end.

On Thursday, the company reported fourth-quarter earnings that sent the stock tumbling more than 20%.

Though revenue came in at \$1.44 billion, beating estimates of \$1.36 billion, Wayfair posted an adjusted loss of 58 cents a share, falling short of the expected 52-cent-a-share loss, and worse than last year's 34-cent loss.

More troubling was the decline in free cash flow for the fiscal year from negative \$65.3 million in 2016 to negative \$113.3 million in 2017. Wayfair is burning that cash to buy growth. New customers for the quarter were up 18% year over year, but ad spending was up even more, by 43% year over year.

The company has repeatedly raised cash to offset its losses, selling stock twice in the past two years followed by a convertible-bond offering.

Early investors got out quickly, suggesting they perceived serious flaws. **T.**

Rowe Price Group sold two million shares after the company's IPO in October 2014.

As outsiders wise up to the company's underlying problems, raising more cash may be a struggle.

Unless Wayfair is snapped up by a larger retailer—say **Target**—investors who bet on it becoming the **Amazon.com** of furniture will be disappointed. Without a deal, bad news will beget more bad news for Wayfair, giving short sellers something to celebrate.

—Elizabeth Winkler

Chinese Consumer Confidence Is Strong, but Danger Lurks

Feeling Rich

China's consumer-confidence index



Source: Nielsen

Macau have placed 27% more bets in 2017 than a year ago. China's box office for the seven-day Lunar New Year holiday this year has surged more than 60% year over year, according to online

ticketing platform Maoyan.

Beijing's nationwide anti-corruption drive, which drove luxury spending to a halt just three years ago, has faded. That coincided with a rebound in property prices, Chinese consumers' main source of wealth. According to Deutsche Bank, the housing boom has added 86 trillion yuan (\$13.5 trillion) to the total value of residential properties in the past two years. And unlike previous cycles, the gains aren't concentrated in the biggest cities such as Shanghai and Beijing, but have spread to smaller cities. People in these so-called tier-two and tier-three cities have made

more money from their houses on paper last year than from their wages, according to Deutsche.

That brings risks. While the government is unlikely to let the property market crash, it needs to let steam out of the market, given the worryingly high level of debt linked to the real-estate sector. Another risk: Higher rates in the U.S. could spark outflows from China's economy again, necessitating a renewed clampdown on moving money across borders.

Who among the luxury-industrial complex is most vulnerable? Casino operators in Macau, especially those that rely on high-spending VIPs

such as Wynn Macau. Any efforts by Beijing to clamp down on money outflows to the gambling hub, which sits outside the mainland's capital controls, could deal a blow to those operators.

Investors may do better to stick with companies that cater to China's rising middle class, instead of the ultrarich—such as **Brilliance China**, an auto maker that sells BMW cars in the country, or South Korea's **Amorepacific**, which owns cosmetics brands that are popular in China.

The health of the Chinese consumer is strong. That is a good thing. But a complicated one.

—Jacky Wong

Before the sale closed, a shaman came to clean M8



MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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'Perhaps it takes courage to raise children.'
—John Steinbeck, 'East of Eden'

Friday, February 23, 2018 | M1

Toughest Customers: Mom and Dad

It can boost your child's career, but hiring junior as your real-estate agent requires dealing with a minefield of emotional attachments; surviving Thanksgiving.



MIAMI BEACH Marco Iacovelli with wife Carol and daughter Alexa, who co-listed her childhood home for \$65 million, making it one of the priciest homes in Miami-Dade County.



SOUTH CAROLINA Philip Vineyard with wife Sandra and daughter Sarah, who listed their Kiawah Island home for \$5.195 million. It has since been reduced to \$4.895 million.



LOS ANGELES Mauricio Umansky with wife Kyle Richards and stepdaughter Farrah Aldjufrie, one of the agents listing their Bel-Air home for \$6.229 million.



BIG BREAK Alexa Iacovelli was in the process of getting her real-estate license in 2016 when her father gave her the listing for her childhood home: a roughly 20,000-square-foot Miami Beach mansion.

BY CANDACE TAYLOR

WHEN RHODE ISLAND real-estate agent Benjamin Thomas was offered the chance to list a \$3.25 million house, his first reaction was dismay rather than elation: The seller was his mother, and the listing was the beloved waterfront home that had been in his family for about 60 years.

When selling a home, it can seem like a no-brainer to choose a real-estate agent who also happens to be the owner's child. By hiring their

child to market a pricey home, parents can boost the agent's career and provide financial help in the form of a hefty commission. But agents caution that selling a parent's home requires navigating a minefield of emotional attachments and family dynamics.

"I knew if I messed up the transaction, I would have to hear about it at every Thanksgiving and Christmas for the rest of my life," said 32-year-old Los Angeles real-estate agent Kaitlyn Benson of Sotheby's International Realty, who had been in the business for less than a year before snagging

her first listing—her childhood home in Bel-Air for \$5.499 million. "Everybody was counting on me to deliver." The home closed for \$4.72 million a year after listing.

In Mr. Thomas's case, the home took six years, several price reductions and about 60 showings before selling for \$2.5 million a few weeks ago. After each showing, he would report the feedback to his mother, doing his best to relay information without hurting her feelings. Meanwhile, Mr. Thomas fielded endless questions from siblings

Please turn to page M14

VAUNTED STATUS—AND PRICES—FOR STAFF QUARTERS

British estate cottages command premium prices thanks to their beautiful locations and historic architecture.

BY RUTH BLOOMFIELD

IT IS PRIVATE, picturesque and petite. And Nottingham Cottage, where Prince Harry and Meghan Markle are spending the run-up to their May wedding, is also a perfect example of an unlikely genre of prime British property.



Before becoming a crash pad for young royals, the two-bedroom, one-bathroom Nottingham Cottage has been home to a succession of aides employed by the royal family, including Princess Diana's sister, Lady Jane Fellowes, and brother-in-law, Sir Robert Fellowes, a former private secretary to the queen.

William and Kate, the Duke and Duchess of Cambridge, lived in several estate cottages during their courtship and early mar-

Please turn to page M9



COTTAGE STYLE Druids, a 17th-century cottage in the village of Puttenham, above, is listed for \$1.89 million. Inset, Prince Harry and Meghan Markle currently live in Nottingham Cottage.

INSIDE



\$20 MILLION
Billionaire's ex buys in Beverly Hills M2



COOKIN' KITCHENS
It takes six ovens to get the job done M7

WINDSOR



10600 BARONS COURT

4 BEDROOMS 4 FULL AND 1 HALF BATHS \$2,450,000

Located on a prominent corner, the thoughtful design of this charming sideyard home takes complete advantage of its southern exposure. A series of light and airy rooms and outdoor spaces, that are both open and private to one another, offers flexibility of use and boundless opportunities for outdoor living.



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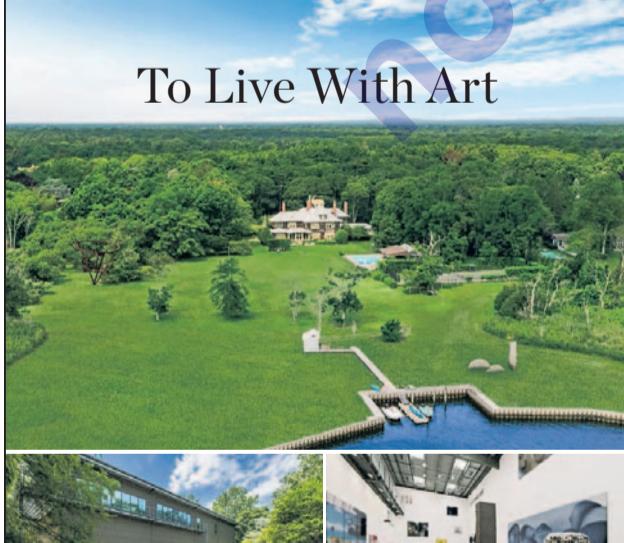


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COMING IN JUNE: LUXE COUNTRY HOME IN REDDING, CT!



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Tim Davis

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The Hamptons Luxury Market Leader
#1 Hamptons Agent:
The Wall Street Journal - June 2014 & 2015

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MANSION

PRIVATE PROPERTIES

Sue Gross to Buy in Beverly Hills



Sue Gross, ex-wife of money manager Bill Gross, is scheduled to close Friday on a Beverly Hills house for \$20 million.

"I had been looking in the Beverly Hills area for over a year, and this one was a good fit," she said.

On just over a half-acre, the roughly 6,700-square-foot home was designed by architect Hal Levitt and completed in 1970, said listing agent Josh Flagg of Rodeo Realty, Beverly Hills. He called the home, which was in original condition, "a magnificent time warp." Mr. Flagg said he priced the property at \$21.9 million but had not yet listed or advertised it.



In 2011, Ms. Gross and her then-husband bought a Hal Levitt house in another part of Beverly Hills from actress Jennifer Aniston, said John Nelson of Coldwell Banker Global Lux-

ury, who represented the couple in the purchase. They paid \$35 million and the house hasn't been sold since, according to public records.

In comparison to that home,

this one "has more privacy, a lushly landscaped street, and still has the terrific open view," said Ms. Gross. She plans to complete a renovation by next summer, she said.

Ms. Gross filed for divorce in 2016 after 31 years of marriage to Mr. Gross, co-founder of Pacific Investment Management, which he left in 2014 to join Janus Capital Group, now called Janus Henderson Group. She declined to discuss the divorce; Mr. Gross couldn't be reached for comment.

Mr. Nelson and Cat Moe of Coldwell Banker Global Luxury represented Ms. Gross.

—Katy McLaughlin

UNDER ARMOUR CEO'S HOME IS PRICIEST IN WASHINGTON, D.C.

Kevin Plank, CEO of sports-wear company Under Armour whose corporate focus has come under criticism, is listing his Washington, D.C., home for \$29.5 million.

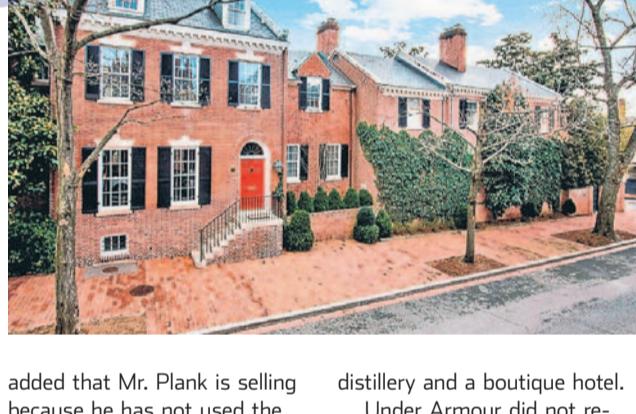
The Georgetown house is the most expensive home on the market in Washington, according to Thomas B. Anderson of Washington Fine Properties, which has the listing.

The Federal-style brick house was originally built around 200 years ago, Mr. Anderson said. It was purchased by Mr. Plank and his wife in 2013 for \$7.85 million, according to public records. The couple extensively renovated and expanded the house, adding an underground entertainment room with a cellar for storing wine and whiskey, according to Mr. Anderson. Mr. Plank's fam-

ily opened the Sagamore Spirit whiskey distillery in 2017.

Roughly 12,200 square feet, the house's seven bedrooms are each decorated in homage to an American politician, Mr. Anderson said. The master bedroom, referred to as the George Washington Suite, has a portrait of the former president and a gas fireplace with cannon balls instead of logs in a nod to President Washington's military service, Mr. Anderson said. The asking price includes most of the furnishings, according to Tom Geddes, who is CEO of Plank Industries, Mr. Plank's private investment firm, and a spokesman for the Plank family.

Mr. Plank lives primarily outside Baltimore, but used the Georgetown home as a pied-à-terre and for entertaining, according to Mr. Geddes. He



added that Mr. Plank is selling because he has not used the property as much as he had anticipated.

In 2017, Under Armour laid off nearly 300 employees, lost several top executives and was named one of the S&P 500's worst performing stocks of the year. With the company under pressure, Mr. Plank has faced criticism for his involvement in other ventures, like the whiskey

distillery and a boutique hotel.

Under Armour did not respond to a request for comment. Mr. Geddes said Mr. Plank is "entirely focused" on Under Armour, and the decision to sell the house has nothing to do with the company.

The listing agents are Nancy Taylor Bubes, Cailin Monahan and Jamie Peva of Washington Fine Properties.

—Candace Taylor

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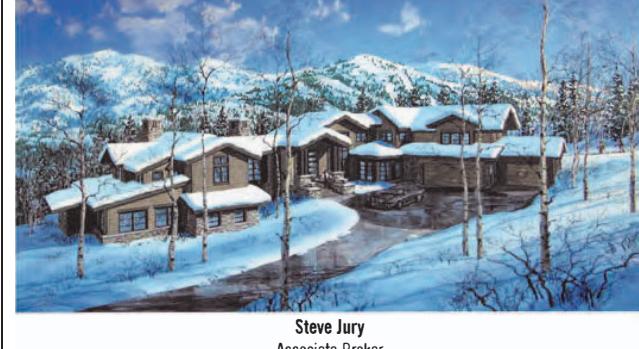
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REAL ESTATE REDUX | MARY BETH KLATT

A Denver Home's Silver Lining

The historic 19th-century home of George Schleier would be valued at about \$3.6 million in today's market

DENVER WENT FROM frontier town to mountain metropolis in the 1880s, as hopeful arrivals sought to profit from the booming mining industry.

The relatively stable silver industry offered the fortune-hunters wide opportunities. Those who succeeded settled in and hired architects to design homes that reflected their newfound wealth.

The architects put their own distinctive stamp on impressive

mansions, many of which were built in the city's exclusive Capitol Hill neighborhood.

One such architect was E.F. Edbrooke. He took classic Queen Anne architecture and turned it on its head for his client, real-estate developer George Schleier.

Edbrooke added an onion dome tower to Schleier's new three-story residence at 1665 N. Grant St. Shannon Schaefer, preservation coordinator with Historic Denver, a

local nonprofit preservation organization, estimated the mansion and an adjacent carriage house made of local sandstone were built for about \$20,000 in 1887.

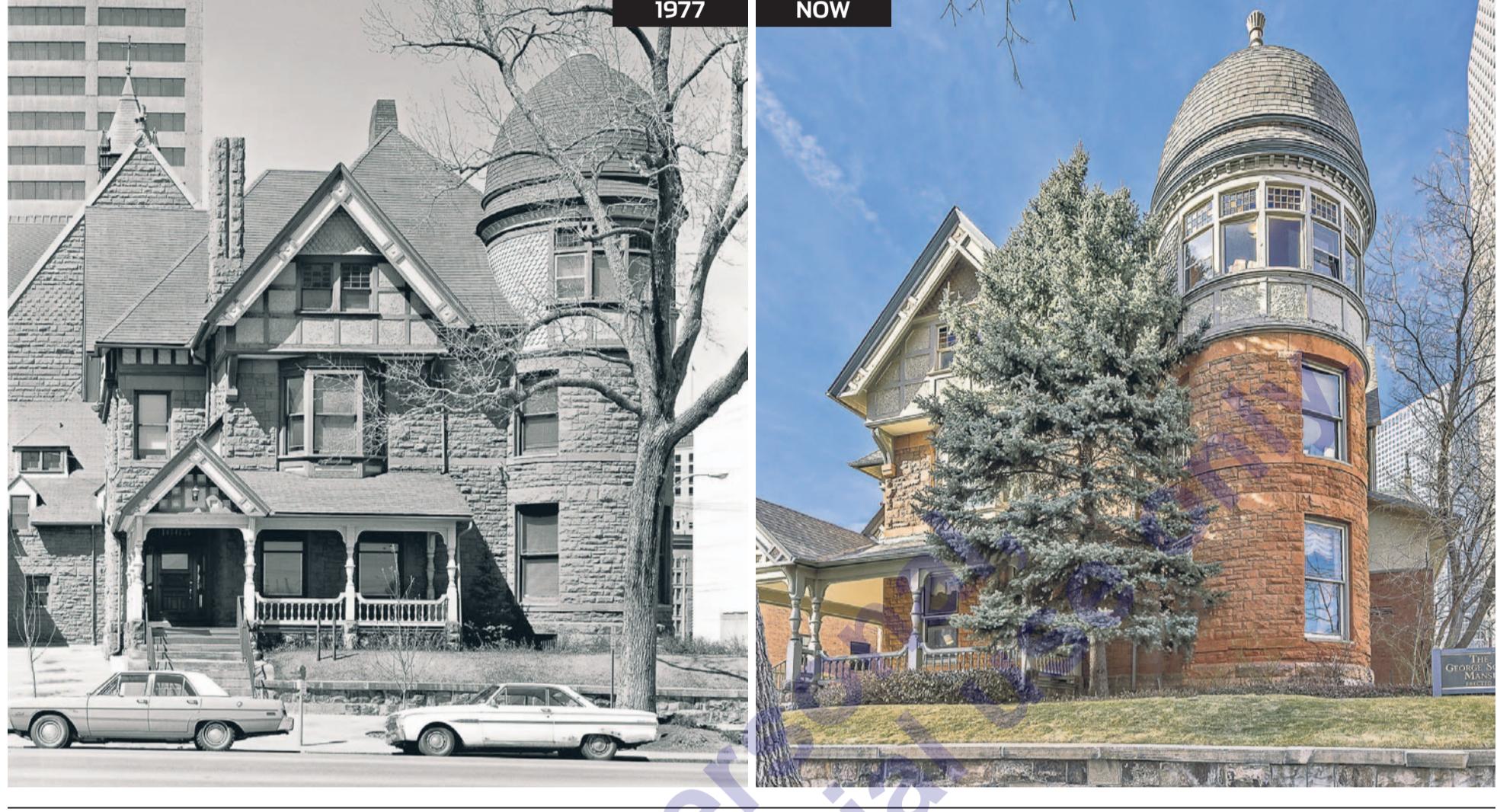
Today, skyscrapers are in view around the George Schleier mansion. And Capitol Hill is a hipster enclave filled with coffee shops and restaurants. It isn't clear when the home was converted to commercial office space, Ms. Schaefer said, but it was undergoing resto-

ration when it was listed on the National Register of Historic Places in 1977, so it retains many architectural details from its glorious past.

A third-floor ballroom, since converted to an office, has all of its original stained-glass windows and interior oak woodwork. The well-preserved woodwork includes a closed-string oak staircase that pays homage to Schleier's German heritage with gargoyles and Bavarian swans to symbolize good luck.

Seven of eight original fireplaces also still exist. An undated addition connects the house to the carriage house, which was converted into a 5,200-square-foot studio.

Mansion asked Dee Chirafisi, Founder/Broker Associate, Kentwood City Properties, to estimate the asking price of the home if it were to go on the market today as a single-family. She said it would be listed at about \$3.6 million, factoring in the need of a renovation.



HISTORIC AMERICAN BUILDINGS SURVEY/LIBRARY OF CONGRESS; TERI FOTHERINGHAM

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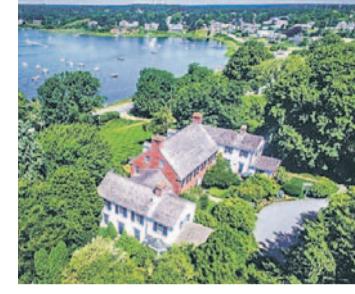
TOBERMORY, ONTARIO, CANADA
 3,277 acres adjacent to national park. 6 km of Georgian Bay waterfront, mixed forest, inland lakes, lodge, etc. \$20.6M Taylor, Gary. Web ID: 1711070856509968 garytaylor@bmts.com; www.garytaylor.ca

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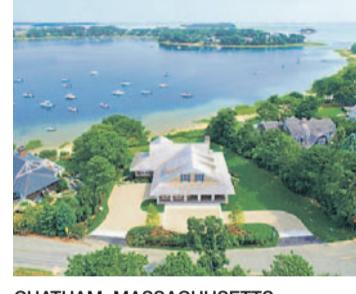
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CHARLESTON, SOUTH CAROLINA
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William Means Real Estate



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 New shingle-style 5-bed waterfront property on Crows Pond. Designed and built by Polhemus Savery and DaSilva. \$5.695M. Chris Rhinesmith. +1 508 945 1186

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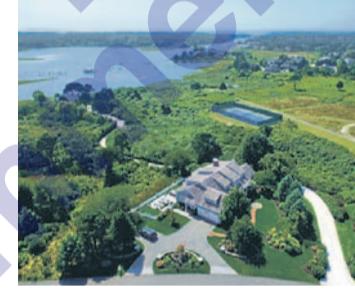
RANCHO MIRAGE, CALIFORNIA
 Thunderbird Heights. 1970s Steel Frame Architectural. \$2.995M. TTRepresents. +1 760 904 5234

HK Lane Real Estate



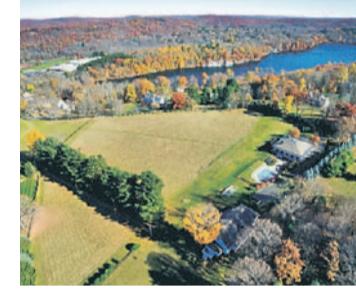
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HOUSE CALL | BARBARA TAYLOR BRADFORD

A Lifelong Ambition to Tell Stories

At 15, the novelist began in the typing pool of a British newspaper; today, a Park Avenue apartment

I saw my name in print for the first time when I was 10. My mother sent one of the little stories I had been writing to the Children's Magazine in London.

Six weeks passed when an envelope addressed to me arrived. I opened it and something fell out. The letter was from the editor, who liked the story—"The Girl Who Wanted a Pony"—and wanted to publish it. On the floor was a postal order for \$25 in today's dollars. From that moment on, I wanted to be a writer.

I grew up in Upper Armley in Yorkshire, England. Before World War II, the area was a bucolic suburb of Leeds. Our gray stone, two-story house on Town Street looked like many others along the road.

During the Blitz in 1940 and '41, we spent nights in an air-raid shelter at the bottom of our garden. My father, Winston, had an artificial leg, so he had an odd step.

Some evenings, he'd spend time in the pub with his mates. By the time he came home, my mother, Freda, and I were in the shelter waiting for him. I'd listen for his uneven step.

Inside our house, there was a tiny sitting room off the kitchen that had a small antique desk and chair. That's where I wrote. After my first story was published, my father bought me a typewriter.

I was a goody-two-shoes. I did my homework and didn't have to be pushed. I kept my room tidy, and when I returned home to my room, I'd turn on all my lamps. I loved light.



UPPER CASE Barbara Taylor Bradford in her Park Avenue apartment in Manhattan. Right, as a baby in Upper Armley in Yorkshire, England, where at about age 7, far right, she played a fairy in a church production.

In the summers, my mother and I traveled two hours every other weekend to Ripon, where she grew up. The highlight of our trip was spending time together at the deer park at Fountains Hall, an estate open to the public.

She taught me about art and furniture by taking me to different public stately homes. She said I had to learn all about those things.

In Ripon, my mother stayed with her half-cousins, and I often stayed with a distant relative, Marjorie Clarke, and her mother. Marjorie and I quickly became best friends, and we still talk today and see each other if I'm in Yorkshire.

Growing up, I didn't think of writing as glamorous. I just had a

compulsion to sit down and tell stories. At 15, I left school, which was fairly common then. College wasn't considered a necessity.

I wanted to be a reporter for the Yorkshire Evening Post, so I went off to private school to learn shorthand and typing. Women then always started in the typing pool, and that was true of me.

One of my responsibilities was to type up copy dictated to me over the phone by reporters in the field. I soon grew accustomed to the writing style for publication.

A female reporter at another newspaper befriended me and took me out on assignments. One day I told her about this strange woman who lived near my parents. She



looked poverty-stricken, and people called her a witch. She also happened to be the sister of one of the richest men in Leeds.

The reporter suggested I write a story about her. I did and dropped it off on the sub-editor's desk. It ran in the paper. The editor was

impressed. He said, "So, you want to be a journalist?" I said, "I don't want to be, sir, I'm going to be."

He eventually put me in the reporter's room. I was 16.

When I was 25, I was writing for a paper on London's Fleet Street when a man called. He was a film producer who lived in Los Angeles. A mutual friend of ours had suggested he ring me up when he was in London.

Robert Bradford took me to lunch and we fell in love. We were married on Christmas Eve in 1963, and I joined Bob in America. I began writing for several magazines in the States.

During the 1970s, when I was in my 30s, I decided to write a novel. I started four but stopped. Then at

39, I wrote my first, "A Woman of Substance." It was published in 1979.

Today, Bob and I live on New York's Upper East Side in an eight-room apartment. It's a charming space with fireplaces, and most rooms look out on Park Avenue.

My office is in our apartment's library. I write at my desk on a yellow pad. When I'm satisfied, I turn to a small table on my left.

There, I turn on my IBM Selectric and type up my handwritten pages. Old habits are tough to give up.

—As told to Marc Myers

Barbara Taylor Bradford, 84, is the author of 36 novels, including "A Woman of Substance." Her latest novel is "Secrets of Cavendon" (St. Martin's).

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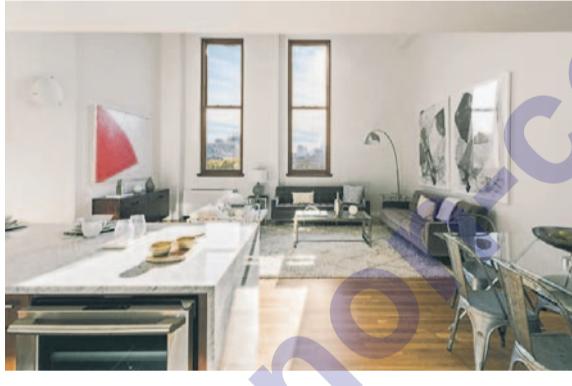
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Elegant Georgian Colonial country estate set on 2 acres with exquisite period details, 6 bedrooms, 11 fireplaces, 2-story great room, wide plank floors, and guest cottage. Price Upon Request

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Mid Century masterpiece by architect Keith Kroeger w/whimsical inlaid ceramic tile by Philip Mayberry. 8,000 s.f., 6 bedrooms, art gallery, sculpture gardens, pool, dock. \$4,395,000

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ALPINE, NEW JERSEY
This contemporary estate on resort-like grounds offers six bedrooms, eight full-and one half-baths and a bright and spacious open layout graced by walls of windows. \$4,188,888

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If the open design & glorious windows of this 4,150 SF duplex are not enough, then the rooftop deck with kitchen, large screen TV & NYC views will take your breath away! \$3,999,000

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CONCORD, MASSACHUSETTS
Well-priced, Magnificent French Country Estate on 5 acres offering tennis court, pool, carriage house, 7 bedrooms, chef's kitchen, soaring ceilings, and extensive detail. \$3,985,000

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DOVER, MASSACHUSETTS
Historic and distinctive 10+ acre Westerham Farm showcases a restored New England Colonial home, updated carriage house, 3-stall barn and tack room, 4-car garage, and pool. \$3,800,000

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Custom crafted home with extraordinary detail. Multi-tiered terrace with infinity pool, pond, spa, waterfalls & separate pool house/office. 5.9 breathtaking acres w/views! \$2,995,000

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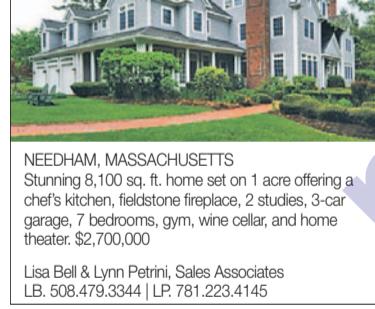
WESTON, CONNECTICUT
Flawless custom-built residence, 5 BR's, 7.2 BTH's, Gunite pool/spa, tennis, Par 3/putting green, pub room, elevator, gym, chef's kitchen, premium lower Weston cul-de-sac. \$2,995,000

Susan Seath & KMS Partners, Sales Associate
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SADDLE RIVER, NEW JERSEY
This expansive custom estate features an oversized gourmet kitchen, two-story great room, luxurious master suite and walkout lower level with movie theater and bar. \$2,888,888

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NEEDHAM, MASSACHUSETTS
Stunning 8,100 sq. ft. home set on 1 acre offering a chef's kitchen, fieldstone fireplace, 2 studies, 3-car garage, 7 bedrooms, gym, wine cellar, and home theater. \$2,700,000

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This country manor on over six private acres offers 5 bedrooms, 4.4 baths, spacious and flexible floor plan with custom details. Lush grounds feature pool and cabana. \$2,450,000

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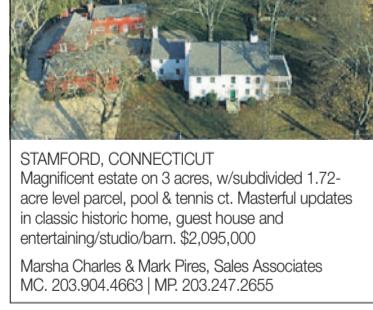
WESTON, MASSACHUSETTS
Spectacular Colonial home in Weston Golf Club area offering superb renovations, 4 bedrooms, custom kitchen, family room with seamless sunroom, large deck, tennis court. \$2,250,000

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SCOTCH PLAINS, NEW JERSEY
This five bedroom, six full and one-half bath custom Colonial offers luxurious amenities on 1.4 acres, including large master suite, home theater, and saltwater pool/spa. \$2,100,000

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CHESTNUT HILL, MASSACHUSETTS
Classic brick Colonial home w/ 3 levels, 2 fireplaces, mudroom, gourmet kitchen, 5 bedrooms, 4½ baths, & lower level recreation room. Lush grounds w/ unfinished charming cottage. \$2,075,000

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MANSION

ELEMENTS
HEAVEN FOR OVEN LOVERS

Kitchens equipped with appliances that bake, broil, steam, spin, microwave and warm; set-ups designed for chefs and catering teams

TOO MANY COOKS spoil the broth, but in a kitchen with six ovens—can you have too many cooks?

Chris Dahowski, an architect and builder, recently completed a Beverly Hills, Calif., kitchen with six ovens, plus a warming drawer—roughly \$30,000 worth of gear. Most estate jobs he works on these days entail at least four ovens, he said.

Buyers of these homes focus on entertaining and expect professional-grade appliances for

chefs and catering teams, designers say. But there's also a "cool toys" factor that is adding to the count: New-fangled ovens cook with steam, convection and microwave technology. "Some of the clients are big cooks," said Steven Cooper, owner of Cooper-Pacific Kitchens in Los Angeles.

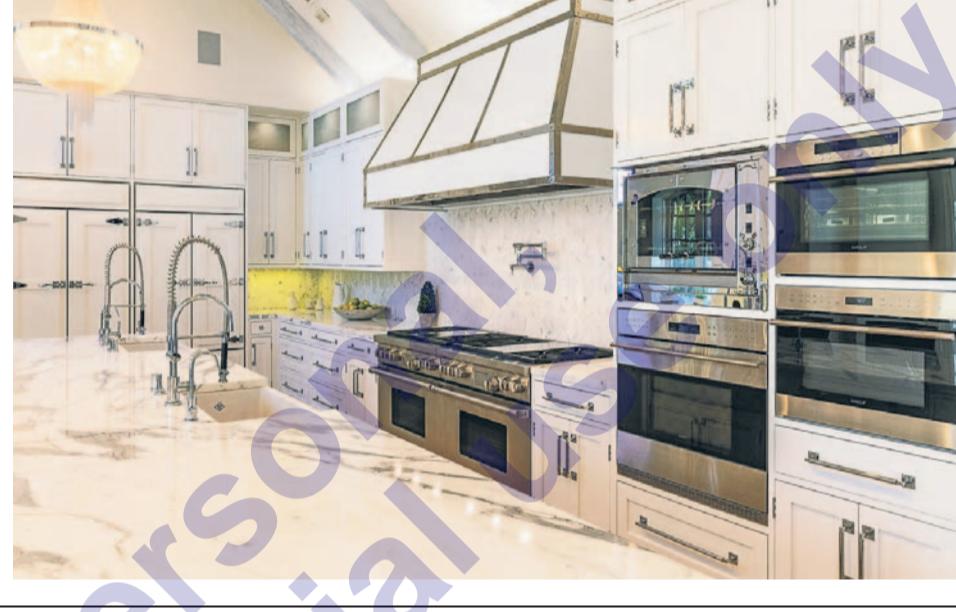
Here's a look at three kitchens with an abundance of ovens. Approximate prices do not include tax and installation.

—Katy McLaughlin

**SWEDISH SMORGASBORD**

This kitchen in Atherton, Calif., includes a 48-inch, six-burner Wolf range with two oven cavities, a Miele Combi-Steam oven, a Miele Speed oven and a Miele warming drawer "that also cooks at low temperature," said designer Ken Burghardt of Domicile in San Francisco. The kitchen was part of a whole-house "Swedish modern" remodel, he said.

Oven costs: \$21,000

**COOKING WITH GAS**

In this newly remodeled home, currently on the market for \$35 million, builder Chris Dahowski of Archonomy included two 36-inch Wolf gas ranges with ovens, a Wolf electric wall oven, a Wolf convection steam oven, a Wolf microwave, an Officine Gullo rotisserie and a Wolf warming drawer.

Oven costs: \$31,500

**RAGING INFERNO**

For a client in L.A.'s Bel-Air neighborhood, Steven Cooper, owner of Cooper-Pacific Kitchens, installed a 60-inch Wolf range, a La Cornue rotisserie, a Miele Speed oven, a Miele Combi-Steam oven and a Wolf warming drawer. But that wasn't enough: The client also wanted a BlueStar Salamander, a potent broiler typically found in restaurants.

Oven costs: \$42,000

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MANSION

IN THE TRENCHES

First, You Have to Check for Bad Vibes

Agents tell how far they've gone to appease clients: a praying shaman, testing for dinner-worthiness

BY CANDACE TAYLOR

Q: What are some of the craziest things you've seen on the job?

Josh Flagg, estates director, Rodeo Realty, Beverly Hills, Calif.

I had a house in escrow in Bel-Air. We removed contingencies, everything was set to close. The buyer is a famous musician, one of the top pop artists in Japan. A day before closing, his business manager called and said, "We need to bring a shaman over to the property to bless the land and make sure there's no evil spirits." I thought he was kidding. He said, "No, it's not a joke, the shaman's got to get rid of the evil spirits." We had to delay the closing because the shaman had to come from Mexico and his passport was expired. He had to sit on the land for six hours and pray. We actually had to pay for the extension because we had an agreement in the contract that if it didn't close by a certain date [my client would pay] a per diem of \$1,000 a day. It was an overall cost of about \$10,000 for 10 days of delay, plus what the shaman charged. We had to explain to the listing agent and the seller what was happening. They thought we were batshit crazy. He did find some evil spirits but luckily he was able to get rid of them. I don't think any spirit was evil



CRISTINA SPANO

enough to make a buyer walk away from his deposit—he would have lost \$300,000.

Michele Kleier, president, Kleier Residential, New York

There was one celebrity who will remain nameless.

If he liked an apartment, he wanted to order food and have a meal there. He wanted to feel how it would be to actually live there, not just walk through it. I would be there with him, and he would order in a full

meal from a nice restaurant—he wasn't a Chinese take-out kind of guy. [The meals] took a long time. It was always dinner. Thank god it wasn't a midnight snack! If he hadn't been well-known you couldn't

have talked [homeowners and brokers] into it. They were impressed that he was looking at their apartment. If it was some hedge-fund kind of guy they would have said, "the nerve!" But he was an actor and a

movie star, so they felt it was ok. I had to load the dishwasher, but he was charming and delightful—it was actually a lot of fun. He did buy [a home] eventually, so it made it all worthwhile.

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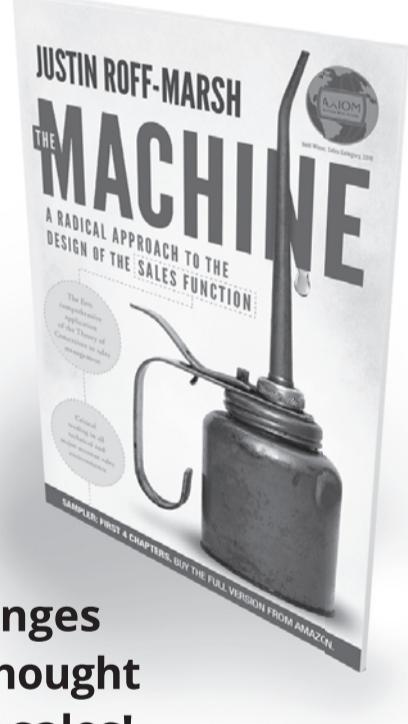
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c.516.779.0551



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SD #3. MLS# 2918869. \$2,650,000.
Christina F. (Christy) Porter, 516.759.4800 ext.142,
c.516.835.5512



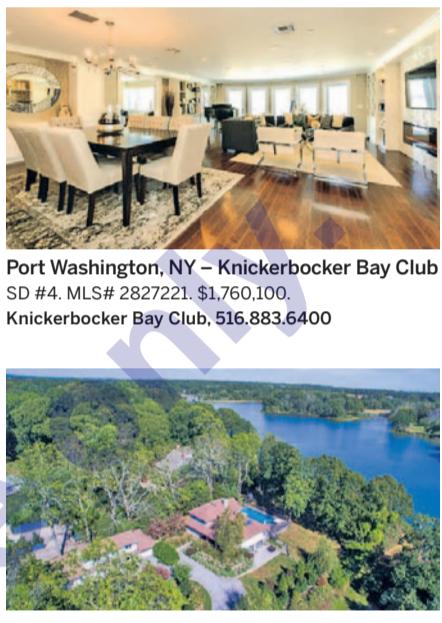
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SD #4. MLS# 2986259. \$3,890,000.
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SD #21. MLS# 3000019. \$955,000.
Rosemary Talkin, 516.678.1510, c.917.375.3024



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SD #4. MLS# 2827221. \$1,760,100.
Knickerbocker Bay Club, 516.883.6400



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Christopher Foglia, 631.288.1050 ext.38
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MANSION

BRITISH COTTAGES



FOR SALE
Druids, above and left, has four bedrooms and three baths but needs updating. Eagle Lodge in Wales, below, is listed for \$560,400.

bedroom thatched lodge house on the Wycombe Estate, Isle of Wight, for \$1,330 a month.

"Many of the tenants on the estate will have lived and worked on the estate for generations and so the area tends to have a lovely friendly atmosphere with a great community spirit so very attractive to people moving to a new area," said Carol Peett, managing director of West Wales Property Finders.

There are, of course, downsides to estate cottages. They're old and usually have small kitchens and low ceilings, which might seem pokey by North American standards. At Nottingham Cottage, the ceilings are said to be so low that Prince William had to stoop to avoid banging his head.

Also, estate cottages are usually sold on a leasehold basis, a British system in which the property is owned for a fixed period. After that term, the lease must be extended at considerable expense.

Mr. Williams said that there are often strict rules restricting owners' rights to extend or enhance a former estate cottage.

And there are sometimes unusual legal complications.

In some cases, said Mr. Williams, properties can only be rented or sold to people with connections to farming or forestry, while Ms. Peett said others share their access with noisy agricultural vehicles.

"Many of the properties on the bigger estates are only available to rent," said Mr. King. "These can often come with restrictions on tenants." For example, at Sandringham, the queen's country estate in Norfolk, "tenants are strictly not allowed any cats due to nesting birds on the estate."

cated in the village of Puttenham, Surrey, 35 miles southwest of London, the four-bedroom, three-bathroom, property comes with a backyard of about half an acre and a barn. Original features include beams, open fireplaces and casement windows, but the 2,232-square-foot property is in need of renovations, according to the listing agency, the Grantley Group.

A large estate might include a main house plus several dozen properties from cottages to converted barns—and in some cases entire small villages. These are either rented out (often, still, to staff) or sold.

Rental prices vary by location, but the National Trust, a charity that runs almost 500 historic properties and open spaces, regularly leases estate cottages across Britain. Right now it has a four-bedroom cottage on the Kingston Lacy Estate, in the southern coastal county of Dorset, for \$1,960 a month, as well as a two-

bedroom cottage on the estate's two-bedroom, one-bathroom stone cottage, called Eagle Lodge, is listed for \$560,400.

"Often the purchase of these properties will include access to parts of the grounds, fishing in the lakes, use of tennis courts and cricket clubs," Mr. King said. "To purchase a pretty house on an estate, set in acres of parkland is really a way to live in the most beautiful setting without having to pay for it and these positives can add a premium to the price."

A good example of the price differential between estate cottages and estates can be found 65 miles west of the Welsh capital, Cardiff.

There, the 659-acre Golden Grove Estate, complete with a ruined castle dating from the 1220s, is on the market for \$7 million. Simulta-

nously, the estate's two-

bedroom, one-bathroom stone cottage, called Eagle

Lodge, is listed for \$560,400.

"Buyers tend to get excited when estate cottages come up for sale because it is very rare for them to do so," said David Williams, director of the Grantley Group estate agents, who estimates the estate cottage premium at between 5% and 10% over a comparable home nearby.

Despite their humble origins, estate cottages can be stately and charming, said Rupert Sweeting, head of the national country house sales team at Knight Frank. "They are often in very lovely positions with good views of rolling countryside and are normally very pretty or handsome, built of local stone."

Currently for sale with a guide price of \$1.89 million is Druids, a part-timbered, 17th-century cottage with a clay-tiled roof, being sold on behalf of the Hampton Estate, a farming estate established in the mid-1700s. Lo-

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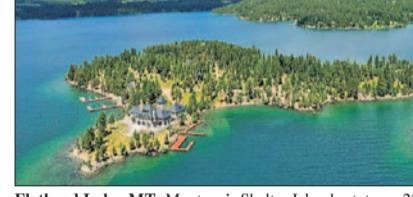
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Publish Date: April 13 | Close Date: March 30 | Section: Mansion

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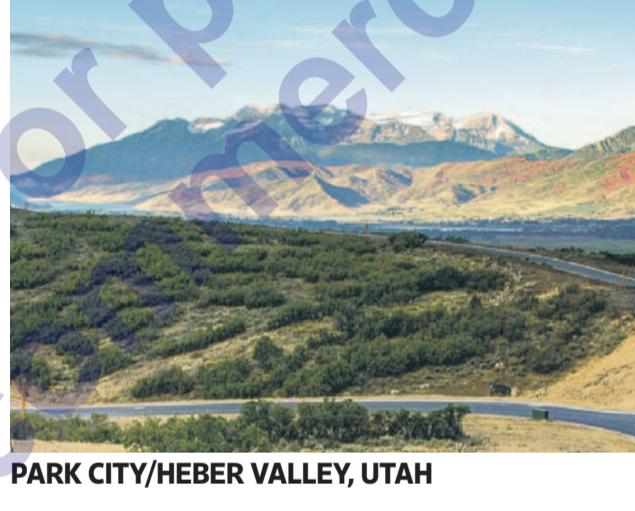
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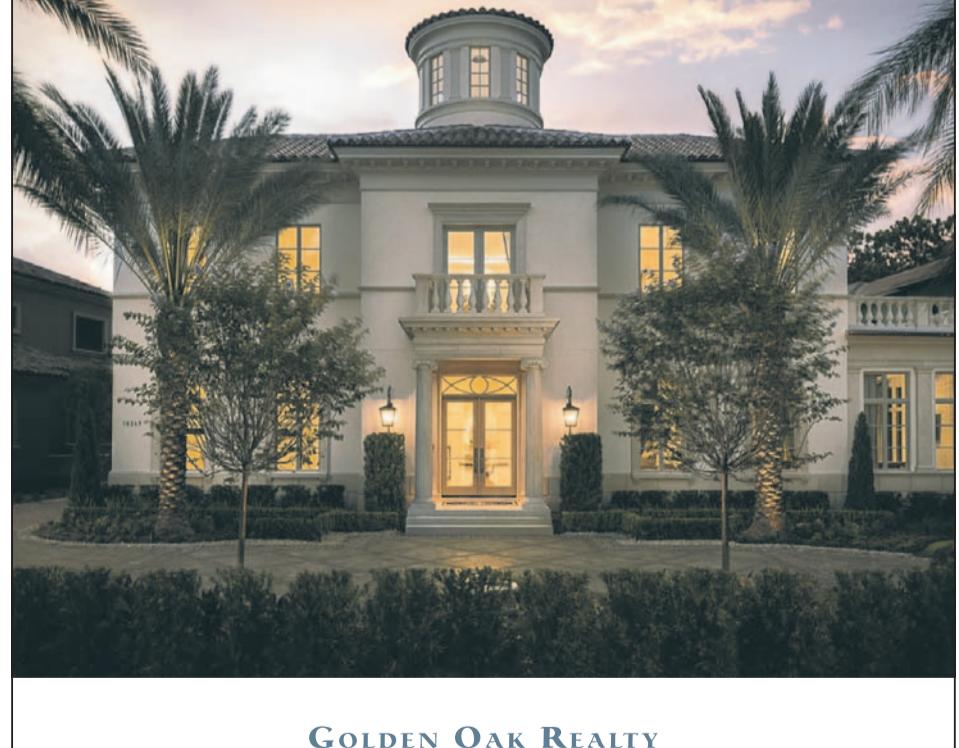
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A Street SE

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(L-R) TRISH HAMILTON (2); CHRIS ELLENBOGEN/HOMEVISIT (2)

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Agent: Michael Schaeffer, Coldwell Banker

\$1.225 million

Kentucky Avenue SE

Four bedrooms, two bathrooms, one half-bath

This row house, blocks from Lincoln Park, features a backyard deck and garden accessed from the kitchen. There is a wood-burning fireplace in the living room. The 2,100-square-foot home has a large dining room. The basement level has a family room with a wet bar and a guest bedroom. There is a one-car garage.
Agent: Libby Clarke, Compass

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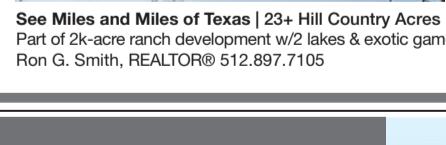
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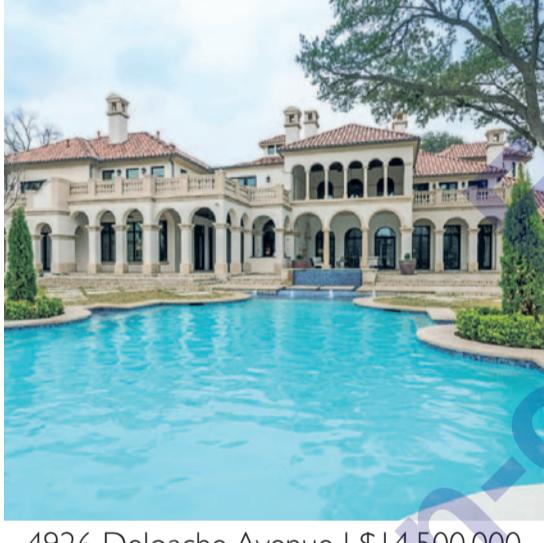
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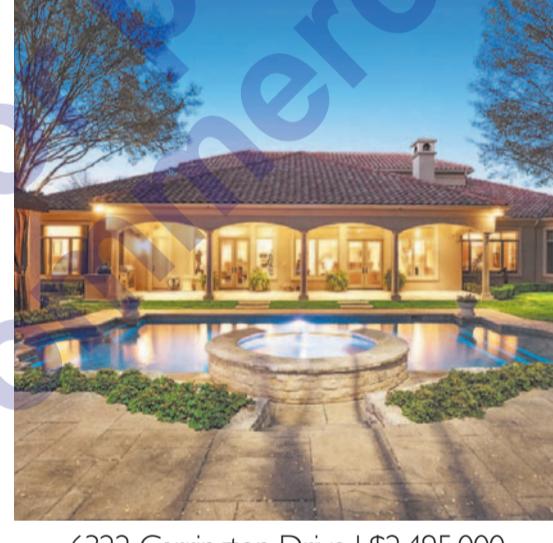
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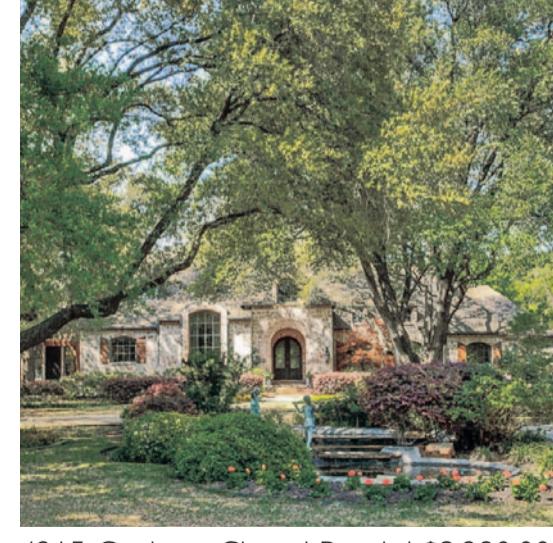
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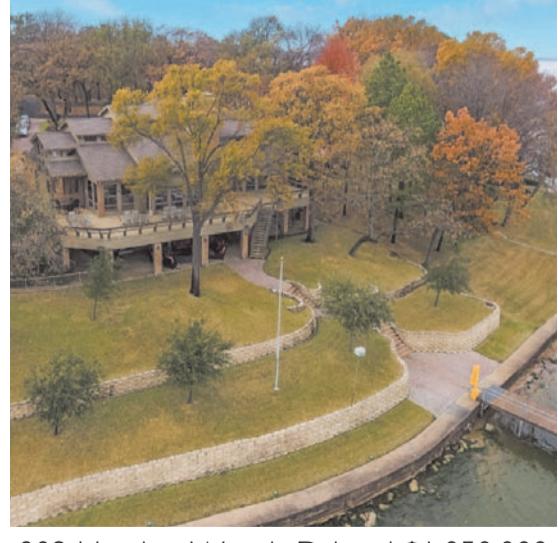
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Real Estate Trends



Tax Bill 101

Among the many topics of conversation at lunches and over cocktails during the past few weeks, the new tax bill has been a top one.

As the most significant tax code overhaul in years, the plan could lower income-tax bills in 2018 for a significant number of American households. In real estate circles, company managers — as well as agents and their clients — are poring over the legislation to learn precisely how it will affect housing.

Of particular interest are the specifics surrounding issues including mortgage-interest deductions, property taxes and capital gains on home sales.

Uncertainty and maybe even nervousness aside, here are a few items to be aware of as the bill unfolds.

In the past homeowners could deduct the interest on mortgages up to \$1 million, for a first and second home. The new bill, however, cuts that deduction to \$750,000 for future purchases. Current homeowners are not impacted by the change.

Additionally, homeowners will no longer be able to deduct the interest they pay on home-equity loans

through 2025.

The new overhaul will also curb how much homeowners can deduct for paying property taxes. Current law allows taxpayers deductions including state and local income, sales and property taxes. But, under the new bill, the amount that taxpayers may deduct per return for state income or sales taxes, as well as for property taxes, will be capped at \$10,000.

There has been a lot of talk about capital gains. It's important to note that, under the new legislation, one tax break that remains in place is a rule that allows homeowners to shield some of the profits they make from selling their home from capital-gains taxes. For individuals, the break applies to up to \$250,000 in profits on the sale of a principal residence. For married couples, that amount is up to \$500,000.

Study up: Without question, there is more than meets the eye in the new \$1.5 trillion bill.



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MANSION

TOUGHEST CUSTOMERS: MOM AND DAD

CLOCKWISE FROM TOP LEFT: KELLI BOYD FOR THE WALL STREET JOURNAL; LILA DELMAN REAL ESTATE; THE SALTY SHUTTERS



ALL IN THE FAMILY Philip Vineyard's daughter listed his home in South Carolina, left; Benjamin Thomas listed his family's Rhode Island home, above; Kaitlyn Benson listed her childhood home in Bel-Air, below.

Continued from page M1
and cousins at holiday dinners. "It's more of an emotional toll than I thought it was going to be," said Mr. Thomas, 39.

Susan Pendlebury, Mr. Thomas's mother, said she was just happy the commission, which she would have had to pay anyway, was going to her son.

When parents tap a child to list a high-priced property, it can supercharge a young agent's career. The child is entitled to a commission, usually 5 to 6% of the purchase price split with the other agents and firms in the deal. And scoring a big listing helps the agent gain visibility in the field, luring other wealthy clients.

In late 2016, Alexa Iacovelli was in the process of getting her real-estate license when her father Marco Iacovelli "called me and said, 'I want to list it, so you better get it done,'" she said.

"It" was Ms. Iacovelli's childhood home—a roughly 20,000-square-

foot mansion that went on the market for \$65 million, making it one of the priciest homes in Miami-Dade County. Ms. Iacovelli, 28, said representing the property helped her land a spot on the top-ranked Waterfront Team at One Sotheby's International Realty. A few months later, she snagged another big listing: an Indian Creek Island home for \$29.5 million.

Mr. Iacovelli, founder of automotive accessories company Rally Manufacturing, said he never had any doubt about hiring his daughter. "She's my family—why would I give it to someone else?" he said. The house hasn't yet sold.

In addition to the financial and professional boost, many parents said they trust their offspring to protect their interests, and find it easier to communicate with their child than with another real-estate agent.

Philip Vineyard, whose 36-year-old daughter Sarah has the listing for his home on South Carolina's Ki-



awah Island, said the arrangement is "a lot more informal, a lot more relaxing" than using another agent. "We talk about it at night or on the weekends. That part makes it much easier." Ms. Vineyard first listed the home about a year ago for \$5.195 million, and has since reduced the price to \$4.895 million.

But industry professionals said

parents should think carefully before trusting their child to market an expensive home. "You really need to make sure your house is being well-represented," said Los Angeles real-estate agent Mauricio Umansky of The Agency. If not, "you're better off just giving your kid a gift, because it could cost you way more in sale-ability than the

commission." Mr. Umansky said he has often been tapped to market properties after homeowners hired their child to list the home and it failed to sell.

Despite all that, this fall Mr. Umansky chose his 29-year-old step-daughter Farrah Aldjufrie to co-list his Bel-Air home, now priced at \$6.229 million. He said he has full confidence in her.

Patrick Miller, 33, of Compass represented his wife's family in the \$12.6 million sale of a Nantucket vacation home that had been in their family for generations. The sellers were Mr. Miller's mother-in-law and her three siblings, which made for some complex family dynamics and "angsty conference calls." "In the back of my mind I was worried I'd be shunned out of that side of the family," Mr. Miller said. After the off-market deal closed for \$12.6 million, "everyone was sad" that the house had sold, but luckily "there were never any hard feelings towards me."

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