

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, FEBRUARY 9, 2018 ~ VOL. CCLXXI NO. 33

WSJ.com

★★★★ \$4.00

DJIA 23860.46 ▼ 1032.89 4.1%

NASDAQ 6777.16 ▼ 3.9%

STOXX 600 374.03 ▼ 1.6%

10-YR. TREAS. ▼ 6/32, yield 2.851%

OIL \$61.15 ▼ \$0.64

GOLD \$1,316.90 ▲ \$5.30

EURO \$1.2249

YEN 108.74

What's News

Business & Finance

The Dow and S&P 500 entered correction territory as concerns about rates and volatility continued to rattle markets. The blue chips plunged 1,032.89 points, or 4.1%, to 23860.46. **A1, B11-12**

◆ Some investors are shedding longer-term corporate bonds as rising yields expose them to a greater risk of losses. **B1**

◆ The Bank of England said it is likely to raise rates at a swifter pace than it expected to just several months ago. **A7**

◆ Twitter reported its first profitable quarter as a publicly traded company, cutting into expenses while breaking a revenue decline. **B1**

◆ Starboard Value is launching a proxy fight to oust the entire board and chief executive of Newell Brands. **B1**

◆ Qualcomm rejected Broadcom's sweetened bid of more than \$121 billion but opened the door to talks. **B4**

◆ Boeing is in talks to buy aerospace parts maker Woodward, underscoring its appetite for takeovers. **B3**

◆ Sprint and T-Mobile are signaling they will scale back discounting this year, after a failed bid to combine. **B2**

◆ Whole Foods is asking suppliers to pay higher fees for prime shelf space as it tries to boost profits. **B1**

◆ Tyson's CEO said rising freight and labor costs will lead to higher meat prices for U.S. consumers. **B3**

◆ Viacom said it plans to launch an ad-supported streaming service, as it posted a drop in revenue. **B5**

World-Wide

◆ Congress missed a midnight deadline and failed to fund the government for a second time this year as a bipartisan budget deal encountered delays in the Senate. **A1**

◆ The Trump administration secretly reached out to Iran in December to propose creating a direct channel to negotiate prisoner swaps. **A1**

◆ The White House is said to be inclined to approve the release of a Democratic memo about the surveillance of a former Trump aide. **A4**

◆ South Korea's president said he would host a lunch for a visiting North Korean delegation that includes the sister of leader Kim. **A5**

◆ The White House said it could have better handled domestic-abuse allegations that led to Porter's resignation. **A4**

◆ Syria condemned a rare U.S. airstrike on pro-Assad forces and Russia ratcheted up criticism of Washington's military operations. **A6**

◆ An FBI agent involved in a corruption probe of college basketball has been accused of misappropriating government money. **A3**

◆ Trump will nominate California tax lawyer Charles Rettig to run the IRS, the White House said. **A3**

◆ Republican Sen. Paul said he would vote against Goodfriend's nomination to the Fed board. **A4**

◆ A Senate panel is drafting a report on vulnerabilities in the U.S. election system that is expected to be released in coming weeks. **A4**

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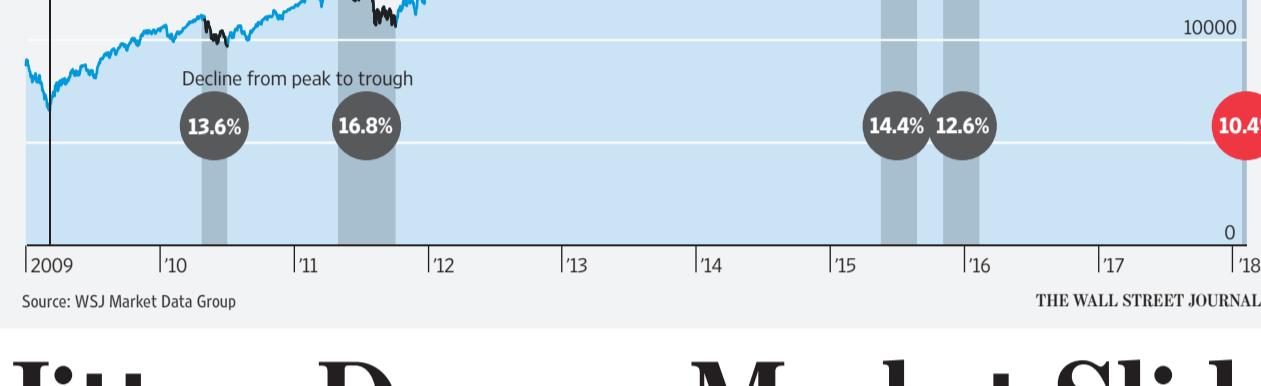
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Dow Drops Over 10%, Entering Correction Territory

Dow industrials since October



Dow corrections in the current bull market



Source: WSJ Market Data Group

Biggest point contributions to the Dow's decline since Jan. 26

-246.09	3M
-220.40	UnitedHealth Group
-179.09	Home Depot
-150.03	Goldman Sachs Group
-145.08	Caterpillar
-135.99	IBM
-133.51	McDonald's
-130.62	Johnson & Johnson
-130.07	Chevron
-112.65	Apple

THE WALL STREET JOURNAL.

Budget Deal Hit By Delay In Senate

BY NATALIE ANDREWS
AND KRISTINA PETERSON

WASHINGTON—Congress missed a midnight deadline and failed to fund the government for a second time this year as a two-year bipartisan budget deal encountered delays in the Senate.

The spending agreement hit resistance Thursday night from Sen. Rand Paul (R., Ky.), whose objections slowed the measure's proceedings in the Senate past midnight. The legislation included a short-term spending bill that would keep the government funded through March 23.

"The senator from Kentucky by objecting to the unanimous consent requests will effectively shut down the federal government, for no real reason," said Senate Majority Whip John Cornyn of Texas on the Senate floor after trying to speed the process along and facing objections from Mr. Paul.

The inaction by Congress meant that, technically, the government had run out of funds. However, no offices were expected to be significantly shut down, so long as the bill early Friday passed the House—where some uncertainty dogged the outcome—and would then be signed by President Donald Trump.

The Senate was expected to take its first procedural vote on the budget deal shortly after 1 a.m. Friday.

Please see DEAL page A2

◆ White House is inclined to clear release of memo A4
◆ Sen. Paul to vote against Trump Fed nominee A4

Jitters Deepen Market Slide

Rising interest rates and volatility rattle investors, sending stocks into correction

BY AKANE OTANI
AND JON SINDREU

The Dow Jones Industrial Average and S&P 500 entered correction territory for the first time in two years on Thursday as worries about rising interest rates and newfound volatility continued to

rattle the markets.

The Dow hadn't been in a correction—a decline of at least 10% from a recent high—since February 2016. And traders were bracing for more upheaval.

"We opened around the highest levels of the day and closed at the lows, and that's telling us the sellers aren't quite done yet," said Jonathan Corpina, senior managing partner at broker-dealer Meridian Equity Partners.

Stocks spent much of the session Thursday deep in the

red as a shaky day in the bond market appeared to spill over into equities. But stocks' losses escalated near the end of the trading day, with the blue-chip index falling more than 400 points in the final 30 minutes of the session.

The Dow ended down 1,032.89 points, or 4.1%, to 23,860.46. The plunge marks the second-steepest point decline on record, after Monday's 1,175.21-point swoon. In percentage terms, however, neither drop ranks among the 100 biggest one-day plunges on re-

cord.

Mr. Corpina said the pace of Thursday's declines, at hundred-point intervals, seemed to be driven by large sell orders from institutional investors, as well as by algorithmic orders triggered after major indexes broke through certain levels.

The S&P 500 fell 100.66 points, or 3.8%, to 2581.00 and Please see PLUNGE page A6

◆ Investors shed longer-dated corporate bonds B1
◆ Emerging markets withstand stock selloff B12

'They Will Burn Us to Ashes'



EXILE: Rohingya families who fled to Bangladesh from Myanmar are facing angry calls for them to be sent back. Khoutiza Begum, above, said, 'They will burn us to ashes if we go back.' **A5**

Lament of the Talenti Lover: How Do I Get This Jar Open?

* * *

Glitch in lid-tightening machine leaves gelato buyers reaching for pliers, knives

BY KATHERINE BINDLEY

Rhiannon Brown was grocery shopping at Supremo Food Market in Philadelphia in December when she spotted a pint of Talenti Roman Raspberry sorbetto. She was recovering from a cold and couldn't wait to eat it—couldn't stop thinking about how good it would make her scratchy throat feel.

When she arrived home around lunch time, she couldn't unscrew the plastic lid. She tried oven mitts with grips. She tried running the jar under hot water. She tried gripping the thing so hard she bruised the palm of her hand. Ms. Brown, 24 years old, still

hadn't had any Talenti by nightfall. "I do muay thai kickboxing. I'm a strong person," Ms. Brown says. "I would give up, put it down, go back to it a little bit later. I was just getting so angry."

At 9 p.m., she stabbed a knife into the Talenti lid and peeled it back enough to get at the sorbetto. Then she had to figure out how to reseal it. "I just used packing tape," she says. "I'd retape it shut every time I was done."

Talenti, which is owned by Unilever PLC, packages its gelato and sorbetto in clear containers with brown screw-top lids. For months, some of

Please see GELATO page A8

An opener

A Corporate Giant Lurks Behind the Winter Olympics

Samsung's chairman played unorthodox role helping South Korea bid

BY TIMOTHY W. MARTIN

SEOUL—In late 2009, South Korea's president pardoned Samsung Chairman Lee Kun-hee from financial wrongdoing convictions and gave him a mission: Get the 2018 Winter Olympics.

South Korea had failed twice before. In a newspaper column, the chairman of Korea's Olympic Committee said Mr. Lee would provide the "reinforcements of a thousand soldiers and ten thousand horses."

Mr. Lee spent much of the next 18 months traveling the world, assuring International Olympic Committee voters South Korea could handle the event. It was a compelling pitch, in some cases facilitated by Samsung foreign offices, coming from the head of the country's biggest business empire. Samsung was also a top-tier Olym-

pics sponsor, paying more than \$500 million to support the Games over the years. In July 2011 his work paid off: Pyeongchang's bid won.

Now the Olympics are here, and Samsung's name is everywhere. A special company pavilion will showcase the company's virtual reality-headsets and other gadgets. Athletes will get special-edition Galaxy Note 8 devices.

Even Lee Jae-yong, Mr. Lee's son and now Samsung's de facto head, is free to attend after an appeals court unexpectedly released him from prison Monday after a bribery conviction last year.

Never before have an Olympics, a host country and a major company been so closely intertwined. South Korea got the Olympics it wanted, and Samsung stands to

Please see BID page A8

INSIDE



FIVE-ALARM FIREHOUSE CONVERSATIONS

MANSION, MI



TEAM USA'S AGING ALL-STARS

OLYMPICS, A11

The Trump administration secretly reached out to Iran in December to propose creating a direct channel to negotiate the release of prisoners held by each side, U.S. officials and people briefed about the dis-

By Farnaz Fassihi

in New York

and Felicia Schwartz

in Washington

cussions said, marking the first U.S. diplomatic overture to Iran on the issue under President Donald Trump.

However, Iran didn't respond and, despite at least three subsequent offers from Washington, so far has refused to engage with U.S. officials on the offer, the people briefed on the discussions said. The apparent impasse leaves uncertain the fate of at least four Americans currently in Iranian detention.

The U.S. offer in December represented the first time

since Mr. Trump took office that the administration had signaled its willingness to engage in a potential prisoner swap. For most of the year, the administration had been reviewing and toughening its Iran policy, ultimately advancing a harder line toward Tehran's missile tests and support for militant groups in the Middle East.

On the sidelines of an international meeting held in Vienna in mid-December concerning the 2015 Iran nuclear agreement, Undersecretary of State for Political Affairs Tom Shannon raised the issue of foreign detainees with Iranian officials, U.S. officials said.

Others were subsequently briefed about those discussions, including relatives of Americans in Iranian custody.

Please see IRAN page A6

<p

U.S. NEWS



The Santa Ana Wildlife Natural Refuge in Alamo, Texas, runs along the U.S.-Mexico border and covers a total of about 2,100 acres.

Wall Would Start in Refuge

A wildlife preserve in Texas is first choice because the U.S. already owns the land

BY LAURA MECKLER AND DUDLEY ALTHAUS

ALAMO, Texas—Set on the winding Rio Grande, the Santa Ana National Wildlife Refuge is home to 400 species of birds, an endangered wildcat and, if President Donald Trump gets his way, a towering border wall.

The refuge has been identified by federal officials as the first construction site for Mr. Trump's wall, if it gains funding from Congress. That's not because the nature reserve is a hot spot of illegal crossings of migrants or drugs, but because the federal government already owns the land.

"It's an easier starting point," said Manuel Padilla Jr., the Border Patrol chief for the sector.

Border agents say walls slow down people trying to make their way into the U.S.

undetected. But local opposition to a new barrier is mobilizing, showing the challenge to building the structure even if Mr. Trump gets funding. Area politicians, business leaders, environmentalists and farmers call such walls destructive, expensive and ineffective. Last month, hundreds rallied in opposition next to the Santa Ana refuge.

Any new barriers must be built on the U.S. side as much as a mile from the serpentine river that marks the entire Texas-Mexico border. That traps U.S. property between the wall and the river—including most of the 2,100 acres of the nature reserve. It's a mecca for birdwatchers who flock to see both migrating and native species: the Green Jay, Peregrine falcons, five types of Kingbird and the seldom-seen Crested Caracara.

"Anyone who loves nature would be sad about this," said Bonnie Hill, 65 years old, a retired physician who was visiting the refuge in January from Minneapolis.

"There are places they need a wall," said Robert Draper, a

Fencing Slows Entries, Agents Say

The Border Patrol guards Rio Grande Valley with 3,100 agents and 46 camera towers. Also in place: 55 miles of thick fencing, often topping concrete wall, but with large gaps.

Manuel Padilla Jr., the Border Patrol chief for the sector, said he first wants more

volunteer at the center. "But this is a refuge."

Within the nature reserve is a levee—an elevated road with sloping dirt banks—built to guard against floodwaters from the river. The administration wants to convert that into a 15- to 18-foot vertical span of concrete, topped by 18-foot-high, tightly packed bollard fencing. Inside the Santa Ana, the levee wall would be yards from the visitor center, with nearly the entire refuge on the other side.

That would mark the start

agents, followed by more technology. He put additional fencing as the third priority. But he said he needs all three.

The Border Patrol says existing fencing slows down many illegal crossers, who dash from the river through farmland and brambles, trying to make it to a road where smugglers can carry them away.

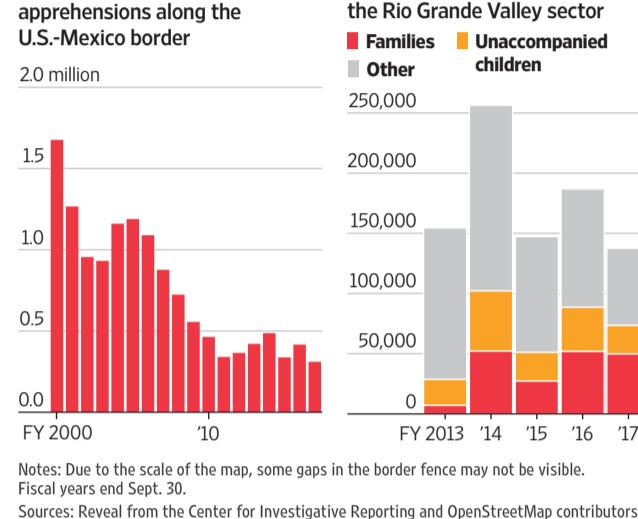
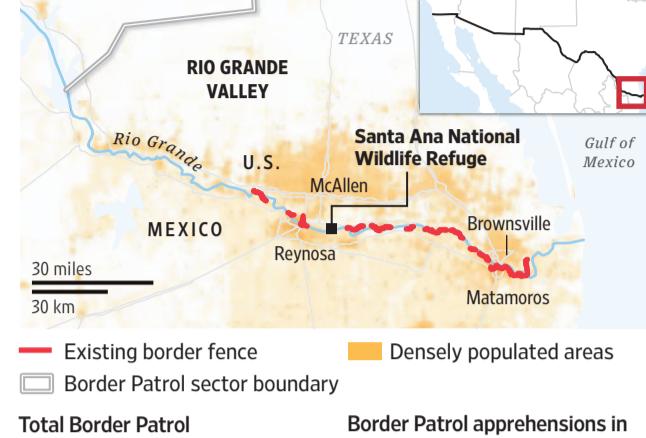
"Once you cross the road, there are no cameras," said border agent Robert Rodriguez.

of the administration's quest to convert 60 miles of levees into walls across the Lower Rio Grande Valley, a vast, flat delta home to farmland, teeming towns and nature preserves. The most direct route through Mexico for migrating Central Americans, the valley is the busiest spot in the nation for illegal crossings, accounting for 15% of the southwest border land but 45% of apprehensions.

The nature reserve's neighbors are uniting against the border-wall expansion. They

Barriers and Crossings

Trump administration officials have identified the Santa Ana refuge in Texas as the first location for additional border barriers. The push for wall funding comes amid falling apprehensions, including many families and children who typically don't evade arrest.



Notes: Due to the scale of the map, some gaps in the border fence may not be visible. Fiscal years end Sept. 30.

Sources: Reveal from the Center for Investigative Reporting and OpenStreetMap contributors (border fence); Oak Ridge National Laboratory's LandScan data (population density); U.S. Customs and Border Protection (apprehensions)

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She worries about her property values, the ability to access land on the other side of the wall and about drug smugglers attacking farmworkers in hopes of getting the code needed to open an access gate. She also frets about how emergency services would reach the land south of the wall.

"It will split our farm in half and turn the area south of the wall into no man's land," said her brother, Frank Schuster. "A technology-based fence with boots on the ground keeps the border at the river."

cans hold 51 seats. And with many conservatives expected to balk at the higher federal spending, House GOP leaders will need Democratic votes to clear the spending package Friday morning.

"It does diminish our leverage, absolutely," Rep. Juan Vargas (D., Calif.) said of passing the budget deal, which he planned to oppose. "I don't see how it doesn't."

Activists have pushed Democratic leaders to use their leverage over the spending bills to take a stand on immigration.

House Minority Leader Nancy Pelosi (D., Calif.) spoke for eight hours on the House floor on Wednesday, advocating for the young immigrants and setting a record for the length of the speech. She received a standing ovation when she walked into a caucus dinner Wednesday night, but some Democratic lawmakers said Mrs. Pelosi's speech may have misleadingly broadcast that their sole ambition is to resolve the immigration debate.

"It may have once again reinforced with the American public that that is our singular priority, but I think that is not really the case," Rep. Marcia Fudge (D., Ohio) said of Mrs. Pelosi's speech. Ms. Fudge said she planned to vote for the budget deal, which she said contained "almost everything that I wanted."

Democrats this week began more openly questioning the wisdom of their leaders' attempts to use their leverage on spending bills to secure legal protections for the Dreamers.

"We weren't going to get DACA through the budget process no matter what, so yeah we can scream and yell and Nancy can get on the floor for eight hours and I congratulate her for doing that," said Rep. John Yarmuth (D., Ky.), "but it still wasn't going to get us a resolution."

Senate Majority Leader Mitch McConnell (R., Ky.) promised an open debate over the fate of the young undocumented immigrants. Mrs. Pelosi said she wanted the same commitment from Mr. Ryan, who has said he would only bring a bill to the House floor that had President Donald Trump's support. But on Thursday, Mr. Ryan said he was confident they could find a bipartisan bill that the president would back.

—Nick Timiraos
contributed to this article.

U.S. WATCH

ECONOMY

Jobless Claims Signal Labor Tightness

The number of Americans filing applications for new unemployment benefits fell last week for the third time in four weeks, pointing to continued labor-market tightness.

Initial jobless claims, a proxy for layoffs across the U.S., fell 9,000 to a seasonally adjusted 221,000 in the week ended Feb. 3, the Labor Department said Thursday.

Weekly jobless claims have held below 300,000 for almost three years, the longest streak since 1970—when the U.S. population was far smaller than it is today.

Jobless-claims data can be volatile from week to week. The four-week moving average, a steadier measure, fell by 10,000 to 224,500 last week, the lowest level since the beginning of 1973. The number of claims for longer than a week fell 33,000 to 1,923 million in the week ended Jan. 27.

—Sarah Chaney and Sharon Nunn

SEATTLE

City Will Vacate Marijuana Convictions

More than five years after Washington state legalized marijuana, Seattle officials said Thursday that they are moving to automatically clear past misdemeanor convictions for pot possession—a step similar to one announced by San Francisco last week.

"For thousands of people in Washington state, a misdemeanor marijuana conviction had huge implications: It could be a barrier to housing, to getting credit, to getting good jobs and education," Mayor Jenny Durkan said.

Eight states have now legalized marijuana for recreational use, and some, including Oregon, California and Colorado, have made it easier for people to petition to have pot convictions vacated or sealed. But Seattle, San Francisco and San Diego appear to be the only major jurisdictions erasing convictions without even requiring the defendants to request it.

—Associated Press

DEAL

Continued from Page One

Although the top four congressional leaders negotiated the budget deal unveiled this week, it faced significant pockets of resistance in the House, both from conservative Republicans and Democrats worried it would diminish their leverage in a coming immigration debate. The bill was expected to prevail in the House, but with a tight margin as GOP leaders worked to flip recalcitrant conservatives.

Defense Secretary Jim Mattis spent Thursday calling Republicans personally to encourage them to support the bill because it increases military spending, a GOP aide said.

The pact sets overall spending levels, boosting funding by almost \$300 billion over the remainder of this fiscal year and the next, for both domestic and defense programs. The measure also has \$89 billion in relief for regions rebuilding after last year's natural disasters. Lawmakers would still have to translate that into detailed spending legislation.

Its passage would effectively end one of the most high-stakes fights in Washington, which devolved last month into a three-day partial government shutdown. By ensuring stable government funding, the budget agreement would remove the threat of a shutdown from Democrats' arsenal, disappointing those who had wanted the minority party to wield it in the coming fight over immigration.

The Senate is expected to begin considering immigration legislation next week, as lawmakers wrestle with the fate of young immigrants known as Dreamers. Mr. Trump in September ended a program shielding them from deportation, but gave Congress until March 5 to hammer out a replacement.

The expected bipartisan support for the budget deal is unlikely to carry into the immigration debate, where each party's base has staked out uncompromising ground. But Thursday, three of the four top congressional leaders took note of a rare moment of bipartisanship.

This week's long-term budget deal "is a strong signal that we can break the gridlock that has overwhelmed this body and work together for the good of the country," Sen-

Kentucky College Gets Tax Exemption

WASHINGTON—Berea College, the small tuition-free school embroiled in a partisan fight over Republicans' tax law, will be exempted from a new levy on large university endowments under the budget deal.

The college, located in Senate Majority Leader Mitch McConnell's home state of Kentucky, boasts a \$1 billion endowment and educates about 1,700 students a year. That ratio means the college qualifies as one of roughly 30 schools required to pay the new tax, which GOP lawmakers had aimed at wealthy universities like Harvard and Stanford.

Republicans argued that Be-

rea would be uniquely harmed because it accepts only low-income students and fully covers their tuition costs, while they work to pay living expenses.

A spokeswoman for Sen. McConnell declined to comment.

Republican leaders hoped to exempt the college under their tax bill, passed in December, but the Senate parliamentarian ruled shortly before its passage that such a carve-out didn't comply with the arcane rules lawmakers were using to pass the legislation by a simple majority vote.

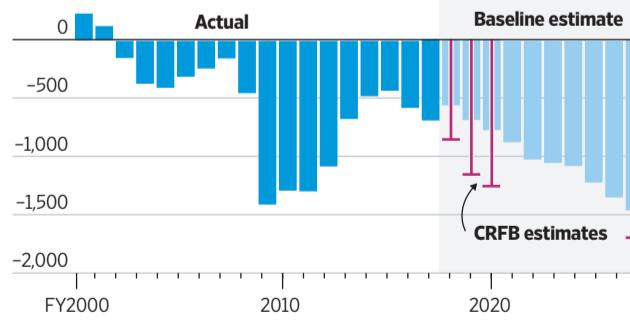
Sen. Bernie Sanders (I., Vt.) pushed for the exemption to be removed from the tax bill, arguing that Mr. McConnell was showing favoritism for a home-state college while ignoring the tax bill's impact on other schools that subsidize poor students.

—Michelle Hackman

Seeing a Deeper Deficit

The spending plan agreed upon by congressional leaders would add nearly \$265 billion to the deficit over the next two years, according to the Committee for a Responsible Federal Budget.

U.S. federal budget surplus/deficit and projections



*Estimates from the CRFB assume parts of the proposed budget become permanent through 2027

Sources: Congressional Budget Office (actual, baseline); Committee for a Responsible Federal Budget (estimate)

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CORRECTIONS & AMPLIFICATIONS

21st Century Fox said Wednesday that it expects to gain regulatory approval by June 30 to acquire the stake in Sky PLC that it doesn't already own. A Business News article Thursday about Fox's quarterly results incorrectly said the company expected the acquisi-

tion to close by mid-2019.

Alpha Investment Partners is a real-estate fund manager. An International Property Report article on Wednesday about redevelopment in Seoul's downtown incorrectly called Alpha a developer.

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

Philadelphia Savors the Moment in Victory Parade

LONG TIME COMING: Eagles and their mascot on parade Thursday as fans came out to celebrate the team's first Super Bowl win.

Sports Probe Hits a Snag

BY REBECCA DAVIS O'BRIEN

An undercover agent with the Federal Bureau of Investigation who played a central role in an investigation of alleged corruption in men's college basketball has been accused of misappropriating government money and spending it on gambling, food and beverages during the probe, people familiar with the matter said.

The Justice Department launched a criminal investigation last year into the agent's alleged behavior, two of the people said. If he is found culpable, it could compromise his ability to participate as a witness at any trials resulting from the investigation.

Representatives for the FBI and Manhattan U.S. attorney's office declined to comment.

The allegations last fall had wide-ranging reverberations, including team suspensions of players and the firing of Rick Pitino, the famed coach at the University of Louisville, after his program was implicated. He hasn't been charged, and

he denied wrongdoing.

To create the impression they were investors in a fledgling sports agency looking to reel in players, undercover FBI agents and a cooperating witness took coaches out to fancy dinners, booked elegant hotel rooms, and handed out envelopes of cash, the people said.

Starting in the spring of 2017, the FBI agent now under

coach at the University of Southern California, according to the criminal complaints.

Within days of that meeting, the agent abruptly appeared to stop working on the undercover operation, some of the people familiar with the investigation said.

Some of the information about the allegations against the agent was disclosed in letters from the U.S. attorney's office to defense lawyers in the corruption case, along with other materials related to that investigation, according to the people familiar with that case.

The basketball probe came to light in September with the arrest of four assistant coaches at prominent college basketball programs, along with an Adidas AG executive, a financial adviser and others.

Prosecutors charged the men in three alleged schemes to funnel hundreds of thousands of dollars to college coaches and the families of top high-school recruits.

The money was allegedly intended to induce players to

attend certain schools and, once they turned pro, sign with specific advisers, agents and apparel companies, prosecutors said.

Adidas has previously said it was cooperating with the investigation.

Lawyers for the defendants have argued the government is criminalizing NCAA rules violations and that the coaches were trying to help the schools, not defraud them.

"After expending enormous resources," lawyers in one of the cases wrote in a December motion, "the Government has strained to find any legal theory...in order to transform NCAA rule violations into a conspiracy to commit federal wire fraud."

A judge in that case, in which the Adidas executive is accused of arranging to pay recruits through intermediaries to attend schools with Adidas shoe contracts, is set to hear arguments next week on whether to dismiss the charges based on defendants' arguments that no one was hurt, and no law was broken.



A farmer checked corn plants in Illinois in May. The agricultural sector's slump is entering its fifth year.

Farm Belt Braces for Steep Income Drop, Trade Spats

BY JESSE NEWMAN

U.S. farmers are gearing up for another tough year.

Farm incomes are expected to hit their lowest since 2006 and borrowing costs are rising, federal data show, as a deepening slump in the agricultural economy enters its fifth year.

A string of bumper corn and soybean harvests has added to a glut of grain worldwide, eroding prices for U.S. farmers. Foreign rivals like Russia and Brazil are also chipping away at U.S. dominance in the global grain trade, helping to fuel a multi-year downturn that is pushing some farmers out of business.

"The state of the rural economy is fragile," Agriculture Secretary Sonny Perdue told lawmakers during a hearing of the House Agriculture Committee on Tuesday. "There's a lot of stress and a lot of duress on the farms today."

The U.S. Department of Agriculture on Wednesday forecast that farm incomes would fall 7% to \$60 billion in 2018 on lower crop and livestock revenue, less than half of the record \$124 billion farmers earned in 2013. Farmers are already borrowing more to

said, while interest on other farm loans is expected to be up nearly 40% since 2013.

One bright spot for some farmers is the price of cropland, which is used to secure many farm loans. The Federal Reserve Bank of St. Louis, whose district includes parts of Illinois and Indiana, said Thursday that prices for "quality" farmland there rose 5% in the fourth quarter from a year earlier. That helps buoy farmers' balance sheets and their ability to borrow to buy land, supplies and machinery.

Farmers worry they could suffer if trade disputes disrupt U.S. exports or if the Trump administration's efforts to renegotiate the North American Free Trade Agreement lead to constrained access to customers in Canada and Mexico.

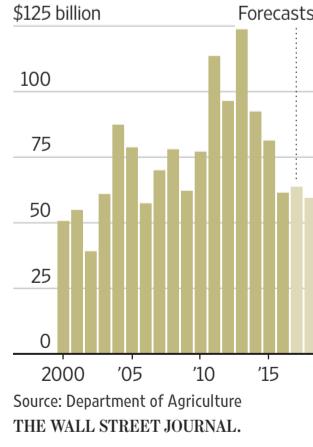
Mr. Perdue on Tuesday told lawmakers that negotiators from all three countries recognize how important the pact is to farmers.

"Uncertainty over the direction of trade has exacerbated the anxiety in rural America," said Rep. Mike Conaway (R., Texas), chairman of the agricultural committee.

—Benjamin Parkin contributed to this article.

Bean Counting

U.S. farm income has fallen along with crop prices.



Source: Department of Agriculture

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keep farms running, the Federal Reserve Bank of Kansas City said last week. The bank said lending at agricultural banks jumped in the fourth quarter of 2017, compared with a year earlier.

Heavier borrowing comes as interest rates are also rising, increasing farmers' loan payments. Interest expenses tied to farm real estate are projected to hit the highest levels since 1989 this year, the USDA

Trump to Nominate Tax Lawyer To Lead The IRS

BY PETER NICHOLAS

WASHINGTON—The White House said Thursday that President Donald Trump will nominate Charles Rettig, a California tax lawyer, to run the Internal Revenue Service, which is implementing the GOP tax overhaul this year.

Mr. Rettig, if confirmed by the Senate, will face a number of challenges at the agency. With the new tax law kicking in this year, the IRS needs to update forms, create new definitions, write regulations and field questions from taxpayers, which tend to increase when rules change.

A recent report by the IRS's taxpayer advocate said the agency will struggle to implement the new tax law without more money.

Mr. Rettig's nomination represents a departure from the trend of picking seasoned managers to run the IRS, an institution with about 80,000 employees, as opposed to tax experts.

The IRS has seen its budget cut in recent years, and its most recent commissioner, John Koskinen, clashed repeatedly with House Republicans and had trouble getting traction for his requests for additional funding. As Mr. Trump's pick, Mr. Rettig could have a better chance at securing more funding from a Republican-controlled Congress.

The IRS budget declined 12.7% in constant dollars from its 2010 peak to fiscal 2016, according to agency data, and IRS staffing was down 17.7% in that period.

Mr. Rettig's law practice is focused on tax controversies, essentially defending taxpayers in conflicts with the IRS. He has represented taxpayers who disclosed offshore bank accounts under an IRS program that encouraged them to come forward.

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WEDNESDAY, FEBRUARY 14 2018

ANNOUNCEMENT

LEWIS,
CHARLIE DIAMOND

Holly and Charlie Diamond married September 14 at 259 Blue Box, a colleague of the groom who is ordained high American Marriage Minister for the occasion, officiated.

Mr. Diamond, 31, is the managing director of the stained glass company Art Nouveau. He graduated from NYU and received a master's degree in design from Fordham.

the son of Sterling Diamond of New York City, N.Y. His father is a gold and silver polisher.

couple met at hip downtown bar Blue Box, where mutual friends introduced them to each other in May 2017.

Diamond, 29, is an associate designer at Tiffany & Co. in Manhattan. She is the daughter of Dr. George Kurnz and Harriet Orlitzky of Pleasantville, N.Y. Her father is owner of a diamond workshop in town. Her mother is a fine artist.

Diamond, 31, is the managing director of the stained glass company Nouveau. He graduated from Julliard and received a master's degree in design from Fordham.

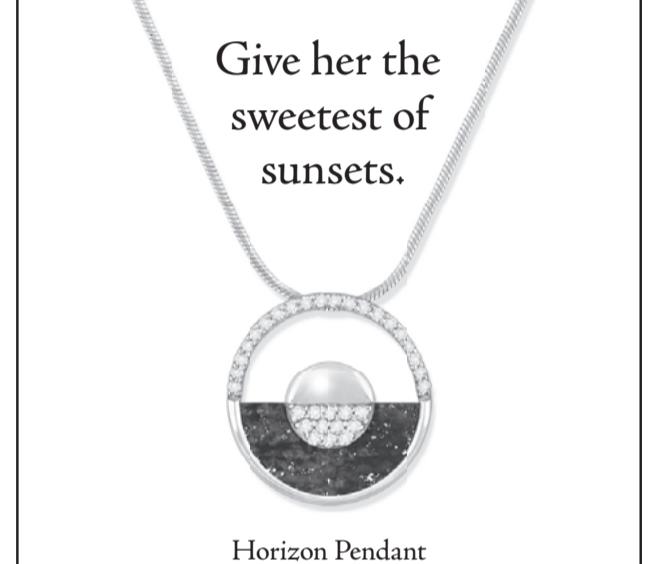
the son of Sterling Diamond of New York City, N.Y. His father is a gold and silver polisher.

couple met at hip downtown bar Blue Box, where mutual friends introduced them to each other in May 2017.

ADVICE COLUMN

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U.S. NEWS

Trump Inclined to Clear Release of Memo

Decision nears on Democratic document that rebuts Republican allegations against FBI

BY REBECCA BALLHAUS AND BYRON TAU

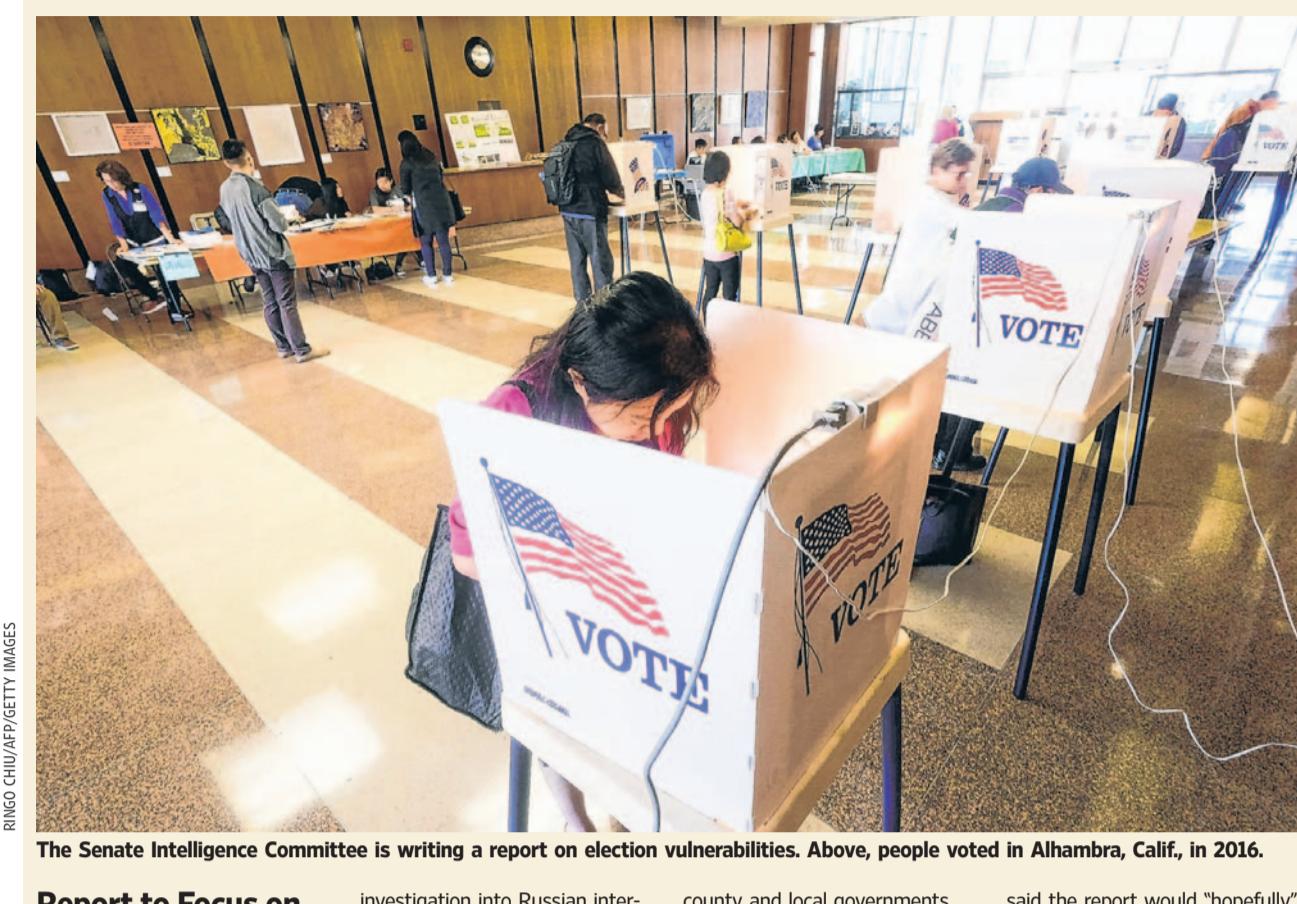
WASHINGTON—The White House is inclined to approve the release of a classified Democratic memo that rebuts Republican allegations of abuse by the FBI in its application to monitor a former Trump campaign aide, according to a person familiar with the matter.

John Kelly, White House chief of staff, said earlier this week that he told the lawyers reviewing the document to “get back to me” by the end of Thursday with their recommendation on whether President Donald Trump should release the memo. Mr. Kelly suggested then that redactions could be necessary, saying the document was “not as clean” as a Republican memo released the week before.

White House deputy press secretary Raj Shah said Thursday that the review process was “ongoing.” An administration official said a declassification decision by the president was expected on Friday.

The White House understands that withholding the document is not the right response,” the official said. White House officials are now discussing parts that need to be redacted because they reveal investigators’ sources and methods, he said.

Democrats on the House Intelligence Committee wrote the 10-page memo as a rebuttal to a Republican document released to the public last week. The GOP document alleges federal



The Senate Intelligence Committee is writing a report on election vulnerabilities. Above, people voted in Alhambra, Calif., in 2016.

Report to Focus on Shielding Elections

WASHINGTON—The Senate Intelligence Committee is drafting a report on vulnerabilities in the U.S. election system that is expected to be released in the coming weeks, according to lawmakers and aides, in what will be the first product of a yearlong

investigation into Russian interference in the 2016 election.

The leaders of the Senate Intelligence Committee said they hope to have it completed by March. The report still needs to be vetted and approved by multiple federal agencies to ensure the protection of classified information, lawmakers and aides said.

The report is aimed at making recommendations to state,

county and local governments about how to protect their election infrastructures in advance of the 2018 midterm elections.

Texas and Illinois will hold primaries in March, while eight more states will hold elections in May.

“This is just to put a marker down,” said Sen. Mark Warner, the top Democrat on the Senate Intelligence Committee. His Republican counterpart, committee chairman Richard Burr (R, N.C.),

said the report would “hopefully” be released before the beginning of primary season.

The report isn’t expected to address the thorny questions about the extent to which Russia interfered in the 2016 election—including whether associates of President Donald Trump colluded with Moscow. Russia denies meddling in the poll. Mr. Trump has denied any collusion.

—Byron Tau

investigators concealed partisan motives behind Democrat-fund research included in a secret warrant to conduct surveillance on Carter Page, a for-

ign-policy adviser for the Trump campaign during the 2016 election.

Separately, Republican lawmakers are broadening their ex-

amination of the former British spy who compiled the research, Christopher Steele, and the dossier he assembled on the Trump campaign’s alleged ties

to Russia. That review includes probing what role associates of Hillary Clinton played in providing him with information, according to people familiar

Handling of Porter Brings Regrets

BY MICHAEL C. BENDER AND PETER NICHOLAS

WASHINGTON—The White House said Thursday it could have better handled the domestic-abuse allegations that led to the resignation of staff secretary Rob Porter, as the president’s chief of staff faced mounting questions about how he dealt with the accusations.

“I think it’s fair to say that...we all could have done better over the few hours or last few days in dealing with this situation,” said White House deputy press secretary Raj Shah, referring to the administration’s handling of the allegations involving Mr. Porter.

Scrutiny focused on chief of staff John Kelly, who worked closely with Mr. Porter and was aware of abuse allegations, according to White House officials. Mr. Shah said Thursday that Mr. Kelly became “fully aware” of the allegations Wednesday.

When accusations from both of Mr. Porter’s ex-wives were first published on Tuesday, Mr. Kelly offered a full-throated defense of Mr. Porter, who had become one of Mr. Kelly’s most trusted aides in an increasingly small circle of West Wing staff. Mr. Kelly then issued a second statement Wednesday night saying he was “shocked” as more details of the allegations emerged.

One White House official said that Mr. Kelly has known about allegations against Mr. Porter for months.

Mr. Shah said that Mr. Kelly



Rob Porter, who resigned this week as staff secretary following domestic-abuse allegations, is seen here with the president in 2017.

didn’t know the extent of the allegations until Wednesday, when photos of Colbie Holderness, Mr. Porter’s first wife, were published showing a black eye that she said she sustained during a vacation with Mr. Porter in Italy.

Mr. Porter’s second wife, Jennie Willoughby, received a temporary emergency protective order in Virginia in 2010.

Mr. Porter said in a statement earlier this week that “many of these allegations”

were slanderous and simply false.” He declined to comment Thursday.

Toni Van Pelt, president of the National Organization for Women, called on Mr. Kelly to resign for not taking quicker action. “Gen. Kelly should know better,” Ms. Van Pelt said. “As a military commander, he took pride in protecting his troops.

As chief of staff, it is his duty to protect the people who serve in the White House.”

President Donald Trump became aware of the allegations

on Tuesday, Mr. Shah said. The president was saddened by the accusations of abuse, Mr. Shah said. Mr. Trump continues to have full confidence in Mr. Kelly, he said.

Mr. Porter, a former Senate aide, was one of the few senior West Wing officials with experience in Washington. He became an influential voice for Mr. Trump, one White House official said. As Mr. Kelly sought to control access to Mr. Trump, it was Mr. Porter who was the de facto gatekeeper.

When accusations from both of Mr. Porter’s ex-wives were first published by the Daily Mail.com, Messrs. Kelly and Porter spoke privately about the two women, and Mr. Porter denied the assault allegations, a White House official said.

Mr. Kelly then agreed to have a statement released in his name based on that conversation. The official said Mr. Kelly was misled by Mr. Porter in that discussion.

The aide said it was a mistake for the White House to release the initial statements on Tuesday, which was done before officials knew all the facts. In retrospect, the aide said, the White House should have waited and learned more before issuing such a declarative defense of Mr. Porter.

Mr. Porter showed up for work on Thursday, but left the White House grounds about midday, two officials said. His resignation was made effective on Thursday, one official said.

—Rebecca Ballhaus contributed to this article.

Paul to Vote Against Trump Fed Nominee

BY DAVID HARRISON

Sen. Rand Paul said he would vote against the nomination of Marvin Goodfriend for a spot on the Federal Reserve’s board of governors, raising the prospect the Carnegie Mellon University economist might not have enough support to win confirmation.

“I’ll be a no,” Mr. Paul (R, Ky.) said Thursday.

Earlier Thursday, the Senate Banking Committee voted along party lines to advance Mr. Goodfriend’s nomination.

Mr. Goodfriend hasn’t attracted any Democratic support. If no Democrat or independent votes to confirm him, the GOP can lose no more than one of its votes in the Senate.

Republicans have a 51-49 majority in the chamber, with 47 Democrats and two independents. The GOP’s thin majority has been even more delicate due to the medical absence of Sen. John McCain (R, Ariz.).

Last year, Vice President Mike Pence broke a 50-50 tie to secure confirmation for a handful of nominations where Republicans joined Democrats in opposition.

It is unusual for the Senate to reject a president’s Fed nominees, especially when the president’s party controls the Senate, as it does now. In 2011, Peter Diamond, a Nobel Prize-winning economist at the Massachusetts Institute of Technology, withdrew his name from consideration to become a Fed governor after some Republicans on the Senate Banking Committee opposed his nomination.

President Donald Trump nominated Mr. Goodfriend in November. The White House’s other Fed nominees, Chairman Jerome Powell and Randal

Quarles, vice chairman for supervision, won Senate confirmation with bipartisan support.

Mr. Trump stands behind his nomination of Mr. Goodfriend, “who is incredibly qualified,” said White House spokeswoman Lindsay Walters in a statement Thursday.

Mr. Paul said he was troubled by Mr. Goodfriend’s past support for tracking cash as it moves in and out of banks.

In academic papers, Mr. Goodfriend has supported pushing interest rates below zero during recessions and advocated charging a fee to take

It is unusual for the Senate to reject a president’s nominees to the Fed board.

cash out of banks to make negative rates more effective. He has suggested inserting a magnetic strip on bank notes to track them as they enter circulation.

Mr. Paul’s father, former Rep. Ron Paul, was a vocal opponent of the idea. On Thursday, the younger Mr. Paul indicated he shared his father’s views on placing magnetic strips on bank notes.

Democrats pressed Mr. Goodfriend during his confirmation hearing last month about the accuracy of his economic predictions. In particular, they criticized him for calling on the Fed to raise rates after the financial crisis,

warning that inflation could rise dangerously high if it didn’t. Inflation has undershot the Fed’s 2% target for much of the past five years.



The president nominated Marvin Goodfriend, an economist, for a position on the Federal Reserve’s board of governors.

Economists Predict Growth Will Pick Up in 2018

BY DAVID HARRISON AND BEN LEUBSDORF

Forecasters see the U.S. economy gathering steam this year and the Federal Reserve raising short-term interest rates three or perhaps four times by the end of 2018.

Economists surveyed in recent days by The Wall Street Journal on average predicted U.S. gross domestic product would rise 2.8% in 2018, accelerating from 2.5% growth in the fourth quarter of 2017 versus a year earlier, supported by the recent package of tax-code changes.

They also projected the unemployment rate would fall below 4% by midyear, from 4.1% in January.

The economists predicted the Fed would raise rates at its next meeting, March 20-21, followed by another move at its June 12-13 meeting.

The central bank in December raised its benchmark federal-funds rate to a range between 1.25% and 1.5%. The economists’ average expectation was for the rate to end the

year at 2.21%. That is consistent with Fed officials’ anticipation of three-quarter-percentage-point increases this year, which would lift it to a range between 2% and 2.25%.

The survey respondents’ projections have been inching up as their economic forecasts have grown stronger in recent months. In November, they saw the fed-funds rate ending 2018 at 2.07%.

David Berson, chief economist at Nationwide Insurance, said the Fed was “on the borderline between three-four moves this year.”

The latest survey of 63 business, financial and academic economists was conducted Feb. 2-6, after the release of the January jobs report and during a period of stock-market volatility.

Despite the Wall Street turbulence, the economists remained optimistic about the economy and anticipated the Fed would stick with its plan of gradually raising interest rates under new Chairman Jerome Powell. Some said the chances that officials would move more aggressively than anticipated outweighed the chances they would move less aggressively.

Gus Faucher, chief economist at PNC Financial Services Group, said the Fed under Mr. Powell would maintain “continued gradual tightening.”

Nearly two-thirds of forecasters said they saw more risk that the economy would grow faster than it would grow more slowly, another sign of optimism about the outlook.

—Michael S. Derby contributed to this article.



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ANDREW HARRER/BLOOMBERG NEWS

WORLD NEWS

Koreas to Hold Discussions Over Lunch

South's president to host North delegation, as Pence arrives, vows to pressure Pyongyang

By JONATHAN CHENG
AND ANDREW JEONG

GANGNEUNG, South Korea—President Moon Jae-in said he would host a luncheon for a visiting North Korean delegation that includes the sister of leader Kim Jong Un, as U.S. Vice President Mike Pence arrived on the peninsula vowing to ramp up pressure on Pyongyang.

The high-level Korean discussions to be held on Saturday would be the first between the rival nations on South Korean soil, and the first between a South Korean president and a member of the Kim family since 2007.

The North's nominal head of state will also attend the lunch, which builds on the two sides' rapprochement ahead of the Winter Olympics that open on Friday in the ski resort of Pyeongchang—even as the U.S. seeks to isolate North Korea's leaders, whom Mr. Pence called tyrants in public remarks Thursday. Kim Yo Jong, a close confidante and sister to Mr. Kim, will attend the Olympics' opening ceremony.

Recent comments from Mr. Pence and U.S. Secretary of State Rex Tillerson, along with news of the attendance by Mr. Kim's sister, fueled speculation that the Olympics could be a venue for high-level contact between North Korean and U.S. officials. But a North Korean statement early Thursday said it had "no intention to meet with the U.S. side during



A North Korean marching band performed at a welcoming ceremony at the Olympic Village in Gangneung on Thursday.

the stay in South Korea."

Mr. Pence landed in South Korea and met with Mr. Moon on Thursday, emphasizing the importance of discussing the two sides' "shared objective of the denuclearization of North Korea."

The two leaders agreed to a policy of maximum pressure on North Korea to induce the North to engage in denuclearization talks, according to Seoul's presidential Blue House.

Mr. Pence has raised doubts about North Korea's intentions in participating in the Olympics and has urged the world

not to be fooled by what he described as Pyongyang's propaganda effort.

The two Koreas will march together at the Games' opening ceremony on Friday.

On Wednesday, Mr. Pence had told reporters that Washington intends to further tighten sanctions on Pyongyang, without offering details, and took aim at North Korea's human-rights record.

Traveling with Mr. Pence is the father of Otto Warmbier, the U.S. college student who was detained in North Korea, suffered a brain injury in cus-

tody and died a few days after he was sent home last year. Pyongyang has denied mistreating him.

Speaking at Yokota Air Base in Japan before his arrival in South Korea on Thursday, Mr. Pence made clear the U.S. would continue its campaign of "maximum pressure" in an effort to force North Korea to give up its nuclear weapons.

"North Korea's tyrants have never been content to merely subjugate their own people," Mr. Pence said. "They still harbor the dream of conquering their neighbors to the South.

In recent years, North Korea has threatened Japan, the United States and our allies across this region."

Thursday's developments came as tanks and missile launchers rumbled through North Korea's capital in a military parade—including the Hwasong-14 and Hwasong-15 intercontinental ballistic missiles the regime first tested last year.

The parade, marking a military anniversary, was overseen by Mr. Kim, who delivered a speech urging his troops to be prepared to fight off an invasion by the U.S. and its allies.

Orchestra Strikes A Chord With Neighborly Crowd

GANGNEUNG, South Korea—A dramatic synthesizer crescendo kicked off an unusual show in this Olympic host city on Thursday: It was a North Korean propaganda orchestra, performing for a packed house of South Korean spectators eager for a glimpse of the other side.

The Samjiyon Orchestra began its 90-minute performance at the Gangneung Arts Center with the upbeat North Korean pop song "Glad to See You," a catchy tune that has become familiar to some South Koreans over the years. The song was greeted with thunderous applause.

The performance was part of an inter-Korean rapprochement ahead of the Winter Olympics in South Korea, which were set to begin a day after the Thursday evening concert.

Not everyone was happy about the show. A few dozen protesters showed up a few blocks away from the auditorium to express their disapproval of the North Korean delegation, as they have in recent weeks.

Inside, however, the performance aroused nostalgia among the predominantly older audience members.

"Things can't go like this forever," said an older South Korean man. "We've been in a mood of serious tensions for more than half a century. We need to change things for our children and their children."

—Andrew Jeong

Canada Toughens Energy Rules

By PAUL VIEIRA

OTTAWA—Canada unveiled sweeping new rules aimed at toughening oversight of energy projects and instilling confidence in a system criticized by companies as too cumbersome and environmentalists as too lax.

The wholesale makeover to the country's environmental review process is an effort by the Liberal government, led by Prime Minister Justin Trudeau, to strike a balance between its pledge to implement a more robust climate-change policy while fostering investment in the energy sector, which is a major driver of economic growth.

"We need good projects to go ahead," Catherine McKenna, Canada's Environment Minister, said at a press conference on Thursday. "We cannot get there without better rules to guide our decisions about resource development."

Among the biggest changes is the assessment must take into account health, social and economic benefits, as well as the environment.

Some Bangladeshis Spurn Exiled Rohingya

By KARAN DEEP SINGH

UKHIA, Bangladesh—Make-shift tent cities overflowing with Rohingya families fleeing violence in neighboring Myanmar crowd the muddy hills around this Bangladeshi market town.

More than 700,000 refugees have packed into camps here since last year, dwarfing the local population and triggering an increasingly angry response from Bangladeshis who say the influx is causing food shortages, pushing up prices and undercutting wages.

"We don't want Rohingya! We don't want them!" a protester shouted through a loudspeaker during a recent demonstration in Ukhia against the Bangladeshi central government's decision to grant refuge to the Rohingya, victims of what U.S. officials have termed ethnic cleansing in Myanmar.

"I have sympathy for the Rohingya," said Paritosh Barua, a local resident. "But the situation is out of control."

Mr. Barua, a 45-year-old who works in the local office of an international nonprofit that fights malnutrition, said the price of potatoes had tripled. "We can't buy vegetables

here," he said. Ukhia is poor, even by the standards of Bangladesh, which the United Nations classifies as one of the world's least-developed countries. Residents grow rice and harvest salt from evaporation ponds, many subsisting on less than \$2 a day.

Convoys of vans carrying aid workers and trucks piled high with sacks of rice, medicines and building materials stream through Ukhia on their way to the camps, stirring resentment among residents. Firewood is in short supply as refugees scavenge for fuel.

"When you look at the number of people here, it's so huge and overwhelming—it's natural that tensions are rising," said Caroline Gluck, a spokeswoman for the U.N.'s refugee agency.

In an effort to soothe tempers, she said, her office plans to hire local Bangladeshis to help build roads, repair bridges and dig wells.

At the moment, many in Ukhia feel overlooked and unhappy. At Ukhia College, students and teachers have been displaced from their classrooms to make way for security forces who have been de-

ployed to the area to keep the peace and watch the refugees.

Bangladesh's refugee relief and repatriation commissioner, Mohammad Abul Kalam, said the toll on Ukhia has been severe. "The health system, the educational system, the water supply, sewage system—everything has been disturbed by this huge and unanticipated influx," he said.

Bangladesh's government said the situation is unsustainable. Prime Minister Sheikh Hasina has urged Myanmar to

take back the refugees and ensure their safety. The countries struck a deal on repatriations under which about 300 people were to return home daily, starting last month.

That never happened. Instead, more people flow out of Myanmar every day, saying they fear for their lives.

More than 6,000 people were killed in August when Myanmar's army swept through Rakhine state, home to the Rohingya, following Rohingya militant attacks on security posts there. Since then,

more than 350 villages have been razed, some as recently as December, according to Human Rights Watch.

The U.N. said it hasn't been involved in repatriation discussions and that it and other agencies haven't been granted access to Rakhine.

IN A BIND



For a video and more on the Bangladesh camps, go to wsj.com



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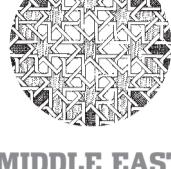
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WORLD NEWS

Do Defectors Alter Conflicts?

MIDDLE EAST
CROSSROADS

By Yaroslav Trofimov

MOGADISHU, Somalia—When a former deputy head of al-Shabaab turned up in August in a Mogadishu hotel to denounce the extremist armed group, government officials were exuberant.

Mukhtar Robow, after all, was among the most notorious leaders of Somalia's al Qaeda affiliate. Luring senior insurgents like him to switch

sides is a major war aim for the Western-backed Somali government—and for the U.S. military, which has deployed more than 500 American troops to fight al-Shabaab.

"Defections in general, including by Robow, show that the government's strategy is working, that people are realizing that this government is the best hope for Somalia," Prime Minister Hassan Ali Khayre said in an interview this week. "It shows that the Shabaab are weakened and are being defeated—not only militarily but politically, economically, judicially and ideologically, and that public support is on the side of the government."

Yet, though a few dozen al-Shabaab fighters joined the government since Mr. Robow's August defection, and despite frequent U.S. airstrikes, the tide of war has hardly turned. Al-Shabaab, which continues to dominate much of rural central and southern Somalia, carried out Africa's deadliest bomb-



A Somali soldier patrolled at the scene of a massive truck bombing in Mogadishu in October.

ing two months after Mr. Robow's surrender, killing more than 500 people in Mogadishu.

The Somali movement—like Afghanistan's Taliban—still holds sway over one of the world's largest jihadist footholds.

Last month, al-Shabaab finally broke its silence about Mr. Robow—who, in the Mogadishu hotel appearance, had condemned the group's ideology as "not in the interest of the religion, people and the country." Mr. Robow, al-Shabaab retorted, was "deluded" to think the group could be undermined.

The question of whether defections by militants, including senior leaders, really matter has been hotly debated by military commanders, intelligence officials and policy makers ever since the U.S. became embroiled in counterinsurgency campaigns in Afghanistan and Iraq following the 2001 attacks.

The U.S. military's Africa Command said last year that its policy is "to support Somalia-led efforts to encourage members of al-Shabaab

and ISIS to defect and pledge support to the Somali Government."

A similar effort, deployed for several years at great cost, has proved largely futile in Afghanistan, a conflict that has parallels to Somalia.

There, the Taliban insurgency—like al-Shabaab in Somalia—controls a large chunk of the countryside and retains the ability to carry out devastating attacks in the capital city. The fighters who defected to the Afghan government often did so for opportunistic personal reasons and usually didn't represent forces that the Taliban couldn't easily replenish.

"There certainly have been some individuals who have been reconciled or reintegrated as a result of that effort," said Laurel Miller, an expert at Rand Corp. who served as acting U.S. Special Representative for Afghanistan and Pakistan until last June. "But I have never seen any indications that one can draw a line between any results that have been achieved via that effort and any fluctuation in the conflict on the battlefield."

In Somalia, Mr. Robow's defection quickly proved controversial. In his home South West state, where much of the countryside is under al-Shabaab control, officials embraced the former militant as a potential savior. "Mukhtar Robow is a very good tool. He can reach out to the young people because he knows their language," said Ali Ali, the state president's chief of staff.

But many other Somalis—especially those whose friends and relatives had been killed by al-Shabaab when Mr. Robow helped lead the group—were dispirited.

"It's as if bin Laden was suddenly named a minister or security chief. It's not a good thing when we give such credit to those who have killed innocent people," said a Somali lawmaker—who, like several other such critics, feared retribution for speaking out against Mr. Robow in public. Mr. Robow himself couldn't be reached for comment.

Such anger over al-Shabaab's atrocities means that there has been no effort to negotiate an end to the conflict between the group and the Somali government.

Syria Decries U.S. Airstrike

Syria condemned a rare U.S. airstrike on forces fighting for President Bashar al-Assad and Russia ratcheted up criticism of Washington's military operations, as tensions rose in a resource-rich part of the country that has been relatively calm in recent months.

By Raja Abdulrahim in Beirut and Thomas Grove in Moscow

The U.S. military launched the strike and aimed artillery fire at the pro-regime forces Wednesday in response to what it called an "unprovoked attack" on U.S. and coalition personnel near the eastern city of Deir Ezzour.

The area is covered by a so-called deconfliction agreement brokered last year to avoid military confrontations as both sides battled Islamic State. The Syrian government and U.S.-backed Syrian Democratic Forces have largely observed the pact.

But as the threat from Islamic State in Syria diminishes, with the militant group's territorial control largely reduced to a small area along the Iraqi border, the Assad regime has heightened its rhetoric against both the mostly Kurdish SDF and the Kurdish semiautonomous region in northern Syria. Mr. Assad sees both groups as a threat to Syria's territorial integrity.

Syrian state media denounced the U.S. airstrike as an "attempt to support terrorism." It didn't explicitly address the attack alleged by the U.S.

U.S. defense officials said the strikes targeted roughly 500 pro-regime forces, with roughly 100 of them being killed. An SDF fighter was wounded, the Pentagon said.

Syrian state media said "scores" had died, and a pro-regime media outlet, Al-Mas-

dar News, said that 25 government militiamen were killed and others injured.

Speaking to reporters at the Pentagon on Thursday, Defense Secretary Jim Mattis called the pro-regime force attack on SDF and U.S. forces "a perplexing situation."

The U.S. strike "was self defense," he said, adding the U.S. isn't "getting engaged in the Syrian civil war."

Russia's military said the confrontation between pro-Assad troops and coalition forces occurred because the Syrian militia hadn't cleared their movements with the Russian command in Syria.

A U.S. military spokesman said in a Twitter message that the Americans communicated with Russia via the deconfliction line before, during and after the attack.

State media on Thursday said the airstrike occurred near the village of Khisham, east of the city of Deir Ezzour, which is near an important

Syrian state media said scores died in clash within agreed 'deconfliction' zone.

gas plant. The gas refinery was captured by the SDF from Islamic State militants late last year.

Russia's Defense Ministry said that U.S. officials reported following the clash that an unspecified oil refinery was under control of the SDF and U.S. military.

"The real aim of the continuation of U.S. forces' illegal presence in Syria is not to fight the international terrorist organization IS, but the seizure and retention of economic assets that only belong to the Syrian Arab Republic," the statement said.

Secretary of State Rex Tillerson and Mr. Zarif met for the first and only time as part of a larger group meeting there.

Families of the detained Americans said they urged the administration to separate the contentious issues with Iran from the humanitarian cause of bringing Americans home.

By December, the administration appeared ready to address the question of direct talks over prisoners, issuing its proposal in Vienna. But, for reasons not clear to families and their contacts in the Trump administration, Iran had withdrawn.

Iran's hard-line faction and Supreme Leader Ayatollah Ali Khamenei have increasingly toughened their tone and posture in response to Mr. Trump's policies.

Messrs. Rouhani and Zarif, who represent the milder, reformist faction, said they are open to a prisoner swap, though Mr. Khamenei could block it. One former Iranian official said Mr. Khamenei has forbidden any direct contact with Americans on any issue other than the nuclear deal.

IRAN

Continued from Page One

"They [State Department] said that they had opened the door and reached out to Iran several times but there is no response," said Hua Qu, wife of Xiyue Wang, a Princeton University scholar arrested in 2016 and sentenced to 10 years on charges of spying during a research trip to Iran.

The State Department didn't comment specifically on the outreach to Iran. An official who has served as a contact for families of detainees at the White House National Security Council didn't respond to an inquiry.

"We look for every opportunity we can to bring attention to the fact that we would like to see American prisoners held unjustly in Iran released and that is done through a variety of mechanisms," said Undersecretary of State for Public Diplomacy and Public Affairs Steve Goldstein.

One official briefed on the discussions said the U.S. is pur-

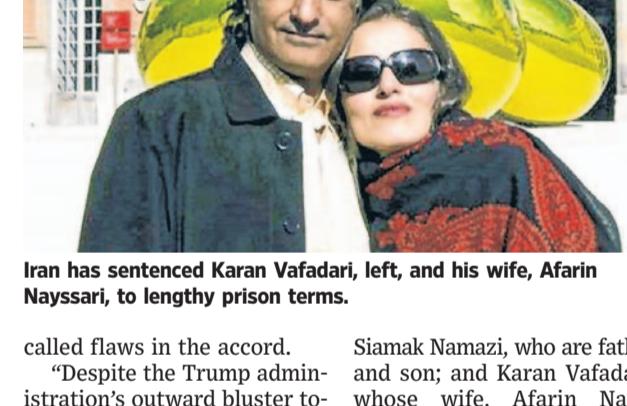
suing discussions about prisoners, but isn't proposing a swap.

Iranian officials blamed the Trump administration for the absence of talks.

"The Trump administration needs to learn how to properly interact with Iran," an Iranian official familiar with the cases said. "They cannot threaten and attack Iran and then also reach out or ask for negotiations."

Mr. Trump has been highly critical of the latest U.S.-Iranian prisoner swap, when the Obama administration in January 2016 released seven Iranians in exchange for four dual-national Americans detained in Iran. On the day of the swap, the U.S. released a \$400 million cash payment to Iran that was part of Iranian funds frozen by Washington since the 1970s. Mr. Trump called it a "ransom" payment.

Mr. Trump has questioned the validity of the 2015 nuclear deal, has declined to certify Iran's compliance with the provisions of the deal and said he would terminate U.S. sanctions relief required under the agreement unless Europe and Congress address what he



Iran has sentenced Karan Vafadari, left, and his wife, Afarin Nayssari, to lengthy prison terms.

called flaws in the accord.

"Despite the Trump administration's outward bluster toward Tehran, they've shown a surprising willingness to try to engage the Iranians behind the scenes," said Karim Sadjadpour, an Iran expert with Carnegie Endowment for International Peace.

Mr. Wang is an American citizen of Chinese descent. There also are at least three dual American-Iranian citizens imprisoned in Iran: Baquer and

Siamak Namazi, who are father and son; and Karan Vafadari, whose wife, Afarin Nayssari, an American green card holder, also is jailed.

Iranian officials didn't address how many Iranian dual nationals current in U.S. prisons might be sought by Iran in negotiations. Iranian activists have said as many as a dozen Iranians are currently jailed in the U.S. on charges related to evasion of sanctions.

One Iranian, Ahmad

Sheikhzadeh, a former employee of Iran's United Nations mission, was sentenced in New York federal court to three months in prison for tax fraud and evading sanctions. Mr. Sheikhzadeh at his sentencing disputed the charges. Iranian Foreign Minister Javad Zarif has referred to him as one of the prisoners at the top of Iran's list for a potential swap, people familiar with the case said.

The case of the imprisoned Americans appeared dormant in Washington for much of the year as Washington toughened its Iran policy.

Iranian President Hassan Rouhani and Mr. Zarif said in September during an annual gathering of world leaders at the U.N. that Iran was ready then to negotiate a swap, but that the U.S. wasn't engaging.

"It takes two to tango," Mr. Zarif said then. He didn't respond to a request for comment.

State Department spokeswoman Heather Nauert said in October that Iranian officials turned down a U.S. request for a meeting between senior U.S. officials and Iranian officials at the September U.N. gathering.

PLUNGE

Continued from Page One

is now down more than 10% from its record close on Jan. 26. The Nasdaq Composite dropped 274.82 points, or 3.9%, to 6777.16 and is off 9.7% from its recent high, also on Jan. 26.

Some money managers speculated that the market continues to be pressured by a crash in volatility-related bets from earlier in the week when investors, who piled into funds and vehicles that bet against market swings, contended with steep losses.

Volatility returned in force to the market this week as Wall Street's fear gauge—the Cboe Volatility Index, or VIX—posted its biggest-ever one-day percentage increase.

The phenomenon that manifested in the VIX will now ripple across many other investors, especially hedge funds, said Nigel Koulajian, chief investment officer at Quest Partners LLC, a New York-based investment firm that offers

clients protection against market crashes.

Thursday marked the fifth consecutive session that the Dow swung more than 500 points intraday from its high to its low. The return of volatility struck some investors as long overdue, rather than a threat to the stock rally, especially as an unusually long streak of calm trading lifted major indexes around the world to multi-year highs in 2017.

Analysts expect corporate earnings will keep rising and economic growth around the world will accelerate, factors they say should help the stock market keep climbing over the long term.

"I'm definitely in the camp that says this is a healthy correction," said Joe Brusuelas, chief economist at RSM US LLP, who remains optimistic and hasn't changed any of his forecasts after the rout.

Meanwhile, the 10-year Treasury yield has climbed above 2.85% twice in the past week, and stocks have subsequently declined after both currencies. Most analyst fore-

FROM PAGE ONE

Big Dip

Largest Dow Industrials declines

Date	Point decline	Percentage decline
Feb. 05, 2018	-1,175.21	-4.6%
Feb. 08, 2018	-1,032.89	-4.1%
Sept. 29, 2008	-777.68	-7.0%
Oct. 15, 2008	-733.08	-7.9%
Sept. 17, 2001	-684.81	-7.1%
Dec. 01, 2008	-679.95	-7.7%
Oct. 09, 2008	-678.91	-7.3%
Feb. 02, 2018	-665.75	-2.5%
Aug. 08, 2011	-634.76	-5.5%
April 14, 2000	-617.78	-5.7%

Source: WSJ Market Data Group

down—the Dow and S&P 500 are off 3.5% for the year.

"I don't think [rising rates] will break the back of the equity markets, but I do think they'll be a headwind," said Mark Heppenstall, chief investment officer at Penn Mutual Asset Management, who noted the yield on the 10-year Treas-

ure note has risen in the past five weeks at a faster pace than he had expected heading into 2018.

Others warn that a sharp rise in yields could undermine the corporate earnings growth that helped U.S. stocks climb to records over and over again.

"Earnings are no doubt a

huge positive, as is economic growth, which is globally very strong, but the cost of money has to rise if growth is to be that good," said Barry Bannister, a managing director at Stifel Nicolaus.

"That resets our expectations as investors."

A burst of corporate earnings reports drove moves in individual stocks in the U.S. Twitter Inc. shares jumped \$3.27, or 12%, to \$30.18—its highest closing level since 2015—after the social-media company reported its first profitable quarter as a publicly traded company, while T-Mobile US Inc. shares fell \$3.18, or 5.1%, to \$58.88 after the wireless carrier posted lower-than-expected quarterly sales.

Markets outside the U.S. remained jittery Thursday and early Friday. At midday Friday in Tokyo, Japan's Nikkei was down 3.2%, Hong Kong's Hang Seng Index was down 4.2% and the Shanghai Composite was down 5.2%. But S&P and Dow Jones futures indexes were up slightly.

—Daniel Kruger contributed to this article.

WORLD NEWS

Bank of England Flags Earlier Rate Rise

Policy makers declare themselves unfazed by market tumult; sterling gets a boost

BY JASON DOUGLAS
AND PAUL HANNON

LONDON—The Bank of England joined other central banks in warning that recent financial-market turmoil won't deter decision makers from tightening monetary policy, saying that stronger-than-expected growth means the bank is likely to raise rates at a swifter pace than it expected to just several months ago.

That message suggests investors are right to believe central banks are pondering more-aggressive action to tame growth in prices amid the first synchronized expansion of the world's biggest economies in a decade.

Concerns that global growth could stoke inflation have fueled sharp swings in stock and bond markets this week. Indeed, the Bank of England's hawkish message came on another day of unsettled and volatile trading in Europe and the U.S.

In comments Thursday,



Bank of England officials said borrowing costs will need to rise sooner and faster than they expected in November in order to bring inflation back to their 2% goal within two to three years. Annual inflation was 3% in December.

"It will likely be necessary to raise interest rates somewhat earlier and to a somewhat greater extent than we had thought," Gov. Mark Carney said at a news conference. He stressed, however, that in-



BOE Gov. Mark Carney said the return of asset-price volatility shouldn't come as a surprise.

creases after that would be slow and steady, a message other central bankers have also communicated recently.

Economists said that a rate rise to 0.75% could come as soon as May, with additional quarter-point increases possible later this year and through 2019. The BOE last raised its benchmark interest rate to 0.5% in November. Officials on Thursday held that rate steady at 0.5%.

Central banks around the

world have been slowly reeling back very loose monetary policies after more than a decade of ultralow rates and colossal asset-purchase programs aimed at restoring growth and stoking inflation.

Attention has now turned to just how fast that process of normalization will occur. The Federal Reserve is expected to raise short-term interest rates in the U.S. at least three times this year. The European Central Bank may end

its massive bond-buying program after completing the latest batch of purchases in September, and investors expect it to begin raising interest rates in 2019.

German Bundesbank President Jens Weidmann on Thursday urged fellow ECB officials not to allow a rising euro or any turbulence in financial markets to deter them from winding down their bond-buying program after September.

In his remarks Thursday, Mr. Carney, who also heads the Financial Stability Board, a global club of regulators, added his voice to those of officials at the Fed and the ECB who said the past week's market swings won't push them off course.

He played down the possibility that recent market turmoil reflects weakness in the global expansion. Instead, volatility had been unusually low and its return isn't much of a surprise, he said.

"It's certainly healthier when markets have two-way risks around prices," Mr. Carney told reporters.

Sterling immediately rose on the news, climbing as high as \$1.402, up more than 1.1%. Against the euro, the pound also rose 1.1% to €1.144. U.K. 10-year gilt yields ticked higher, rising from 1.55% before the announcement to as high as 1.66% after the release.

The BOE said it expects the British economy to grow 1.8% this year and in 2019, reflecting an improved global backdrop. Yet the bank cautioned the U.K. still isn't fully participating in this global upswing due to uncertainties surrounding the terms of the country's exit from the European Union.



Young people doing computer exercises at MolenGeek, a computer training center that has taken off in poverty-plagued Molenbeek.

Molenbeek by the Numbers

How the Brussels neighborhood, revealed as a hub of radical Islamic terrorism two years ago, stacks up against Belgium as a whole.

	Median age
Molenbeek	34.9
Belgium	41.5
	Wealth index [†]
Molenbeek	58
Belgium	100
	Mosques per 100,000 people
Molenbeek	26
Belgium	1

[†]Excludes Molenbeek. [†]Income of individuals in district relative to national level, set at 100.

Notes: Population, terror suspects, foreign residents, age and mosque data as of 2017; unemployment as of 2016; wealth as of 2015.

THE WALL STREET JOURNAL.

Brussels District Struggles to Break Ties to Terrorism

Molenbeek confronts legacy as cauldron of Paris and Brussels attacks with policing and job training

BY VALENTINA POP

BRUSSELS—This week's trial of the only surviving assailant from the November 2015 Paris attacks has refocused attention on the Brussels district of Molenbeek where he grew up and was captured.

Salah Abdeslam's trial for attempted murder is a painful reminder for the neighborhood of its role as the breeding ground of the terror cell that killed 130 people in those attacks and an additional 32 in Brussels in suicide bombings on March 22, 2016.

Molenbeek Mayor Françoise Schepmans, who has lived in the neighborhood for over 50 years, keeps the memory of those attacks alive, among other things with a monument to Brussels victims installed in front of the district's opulent 19th-

century town hall. "This is part of our history," she said. "Molenbeek was a fertile ground for terrorism."

Now she says her office is working to make it less so, both by stepping up policing and by promoting efforts to improve cultural and economic opportunities for Molenbeek's residents.

Under the authority of zoning regulations, district authorities have launched periodic checks to ensure Molenbeek's mosques aren't fostering militant versions of Islam. Five of the neighborhood's 25 mosques and Quranic schools have been shut down on those grounds over the past two years.

Law-enforcement efforts have also increased since 2016, with a doubling of surveillance cameras and a beefed-up police force. Molenbeek now has three rather than just one security offi-

cial charged with keeping tabs on two-dozen families suspected of radicalism.

The neighborhood faces daunting economic challenges. Located just west of central Brussels, it is among the poorest of Belgium's 589 districts, and its 27% unemployment rate in 2016—the latest year with available data—was more than triple the 7.8% national level. Youth unemployment was 38%, compared with 20% nationally, and youth workers say a third of local students are two or more years behind in school.

Molenbeek's predominantly Moroccan migrant community has long formed a largely closed culture, officials say, complicating efforts to better integrate the neighborhood into the larger economy and to monitor radicalized residents. "We live here like at home; this is like Morocco," a young woman

wearing a head scarf said as she crossed Molenbeek's main square on Tuesday.

Some opening up has occurred in the past two years. A computer-coding center called MolenGeek, sponsored in part by Google parent Alphabet Inc. and Samsung

'This is part of our history,' the district's mayor, Françoise Schepmans, says.

Electronics Co., is providing training and job prospects for young people. Ibrahim Ouassari, a self-taught coder who dropped out of school at 13, helped start the tech-talent incubator with weekend coding events. Since the Paris and Brussels attacks it

has taken off, developing into a co-working space open all week for 18- to 25-year-olds.

In a neighborhood where young people often live with their large families in small flats, MolenGeek is a welcome refuge—"as long as you leave all your problems and victimization at the door," Mr. Ouassari said. "Here it's about tech."

Efforts to bridge Molenbeek's social rifts are also under way. With the help of town hall, the cultural cafe Brass'Art opened in March 2017—on the first anniversary of the Brussels attacks—on the ground floor of the building where Mr. Abdeslam once lived.

"We serve tea and coffee—but also wine and beer," said Majda Aschab, a 32-year-old volunteer at the cafe. "We organize exhibitions, concerts. Just the other day we had two buses

from Molenbeek travel to Paris to see a theater play with two Belgian actors."

There is some evidence the threat of terrorism is lessening in Belgium. Last month the country lowered its nationwide terror alert to its lowest level since 2015, citing the dismantling of Islamic State in Syria.

According to Petra Thijss, a spokeswoman for Belgium's Coordination Unit for Threat Analysis, 413 Belgian foreign fighters left for Syria and Iraq in 2015 and 2016; last year, she said, virtually no fighters are thought to have headed out from Belgium, and only four women and one man returned.

"There is no zero risk," Ms. Schepmans said. In July a man from Molenbeek was shot dead by patrolling soldiers after trying to detonate a homemade bomb at Brussels Central Station.

WORLD WATCH

MEXICO

Central Bank Raises Rates to 9-Year High

The Bank of Mexico lifted interest rates by a quarter percentage point to a nine-year high, amid stubbornly high inflation and investor expectations that the U.S. Federal Reserve might raise rates faster than previously thought.

The overnight interest-rate target now stands at 7.5%, the highest since February 2009. The move was largely expected by economists and follows a similar move in December.

In its policy statement, the central bank left the door open to additional rate increases, saying it "will act in a timely, firm way to keep inflation expectations anchored."

Thursday's decision was unanimous at the first policy meeting attended by Irene Espinosa, who was appointed last month as the first woman to the bank's five-member board.

—Juan Montes

EUROZONE

ECB Urged to Wind Down Bond Buying

German Bundesbank President Jens Weidmann called on the European Central Bank to wind down its giant bond-buying program after September, urging officials not to be distracted by a stronger euro or volatility in global financial markets.

Speaking in Frankfurt on Thursday, Mr. Weidmann said "substantial net [asset] purchases beyond the announced amount do not seem to be required" if economic growth "progresses as currently expected."

The ECB has pledged to buy €30 billion (\$36.8 billion) a month of eurozone bonds at least through September under its €2.5 trillion quantitative-easing program.

ECB chief economist Peter Praet was more cautious at the same event, arguing "there is still some way to go" before the bank can change course.

—Tom Fairless

Tribunal Eyes Actions of Duterte, Maduro

BY JAKE MAXWELL WATTS

An international court took its first steps toward investigating the Philippines and Venezuela for an array of alleged crimes, including torture and murder, that could lead to prosecution of their leaders.

The action Thursday by the International Criminal Court follows months of lobbying by opposition politicians and rights activists against Rodrigo Duterte of the Philippines and Nicolás Maduro of Venezuela. They allege widespread abuses by security forces in both countries.

Prosecutor Fatou Bensouda of the court, based in the Netherlands, said she had begun preliminary examinations of the two countries after "a careful, independent and impartial review of a number of communications and reports."

She said the court had received reports of extrajudicial killings in the Philippines and the use of excessive force in

Venezuela to put down demonstrators and political opponents of Mr. Maduro.

Although Ms. Bensouda didn't name specific leaders as targets of the probes, the ICC's mandate is to prosecute individuals for crimes—typically serious offenses including crimes against humanity—in cases often brought against

heads of state or government.

A spokesman for Mr. Duterte, who launched a bloody war against drugs that has left thousands dead, said the president was "sick and tired of being accused" of crimes against humanity and would personally face any charges against him.

Venezuela's information and foreign ministries didn't respond to phone calls seeking comment. Mr. Maduro has routinely dismissed criticism of his policies as a U.S.-led effort to destabilize his government.

In this initial stage announced on Thursday, the ICC prosecutor will decide whether or not she has sufficient evidence for a full investigation and whether the court has jurisdiction.

The ICC, which is separate from the United Nations and given legitimacy over member countries by an international treaty, has investigated other cases including war crimes and genocide against such leaders as Sudanese President Omar Hassan al-Bashir. A warrant of arrest has been issued for Mr. al-Bashir, who is still in office. His government says it doesn't recognize the ICC.

The court, which took up its functions in 2002, has convicted a former Congolese vice president and two Congolese rebel leaders for war crimes.



Venezuela's Nicolás Maduro could face international justice.

FEDERICO PARRA/AGENCE FRANCE PRESSE/GTY IMAGES

IN DEPTH

BID

Continued from Page One
reap dividends from its heavy involvement in the Games.

"To put it very simply, it is very uncommon" to see a company—let alone a sponsor—get involved in an Olympic bid, said Michael Payne, a former IOC marketing director, who said he worries sponsor involvement could unduly influence IOC voters. "Samsung was very active making friends."

So extraordinary is the overlap between Samsung, South Korea and the Pyeongchang Games it is unlikely to be repeated, say IOC members and Olympics experts. Mr. Lee's lobbying and Samsung's close involvement are now considered inappropriate by some Olympics experts and voters.

The IOC's code of ethics, created in 1999, instructs sponsors to "refrain from supporting or promoting" bids.

Blowback feared

Olympics organizers want their biggest financial backers to remain neutral, rooting for all nations, instead of using marketing dollars as a backdoor way to secure the Games for a favored location. Sponsors typically oblige because they fear business blowback from countries that field rival bids, or the brand damage from championing a losing effort.

In South Korea, the government has long leaned on its biggest conglomerates, or "chaebols," to support state goals, including helping with sporting events like the 1988 Summer Olympics and 2002 World Cup.

With an empire spanning smartphones, theme parks and biopharmaceuticals, Samsung is by far the most important company in the country, accounting along with its affiliates for nearly one-third of South Korea's stock-market value.

South Korea's approach to winning the 2018 Games was particularly unusual because Mr. Lee was an IOC delegate himself, which effectively shielded him from rules forcing sponsors to the sidelines. Delegates to the IOC group that chooses host countries are allowed to lobby freely, without conflicts of interest, since they normally aren't linked to sponsors, experts say.

Mr. Lee's dual role as chairman of a major Olympics sponsor and an IOC member has never occurred

before or since, say Olympics voters, historians and bid consultants.

"What Samsung did, and was able to do, I cannot see it happening again," said Richard Peterkin, an IOC member from Saint Lucia since 2009 who now sits on the group's marketing commission. Although he doesn't think Samsung's links to the bid constituted a clear breach of ethics, he said he doubts the IOC would accept a top-tier sponsor today whose company head served as an IOC member.

No one has accused Samsung of illegal behavior in pursuing the 2018 Games. The company declined to comment. Mr. Lee, 76, is incapacitated after a 2014 heart attack, and a company spokesman said he is unable to comment.

The IOC said Mr. Lee didn't overstep his role as an IOC member and that the rules make it clear that Samsung, like other major sponsors, should remain impartial. "He had no reason to be reprimanded because he was the boss of Samsung," said Páquerette Girard Zappelli, the IOC's chief ethics and compliance officer, who noted that Mr. Lee didn't vote on the host city decision for 2018 because members from candidate locations must abstain.

After Salt Lake City officials were suspected of making payments to IOC members to help win the 2002 Winter Olympics, the IOC created new rules aimed at removing any hint of influence-peddling. Among other things, they prohibited host nations' bid committees from going on private roadshows to pitch their cities.

Letters of reprimand

Rules to prevent sponsors from swaying voters remained vaguer, with punishments limited to private warnings such as letters of reprimand, experts say.

"What are they going to do? We'll throw you out of the [top-tier] sponsors, and here's all your money back? Not going to happen," said John MacAloon, an Olympics historian who served on the IOC 2000 Reform Commission created after the Salt Lake City scandal.

Coca-Cola Co. stayed out of the bidding process when its home city, Atlanta, was trying to win the 1996 Summer Olympics, say former executives and people involved with the city's pitch.

The company feared getting involved could hurt its business in countries fielding



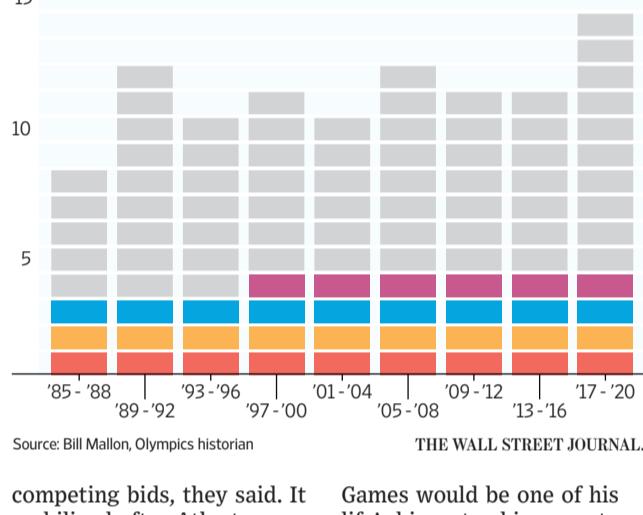
Samsung Chairman Lee Kun-hee in 2011, celebrating South Korea's successful Olympics bid.

ROGAN WARD/REUTERS

Olympic Champions

Only three companies have been global Olympics sponsors longer than Samsung Electronics.

Number of sponsorships



Source: Bill Mallon, Olympics historian

Samsung, the world's largest smartphone maker, now boasts the world's sixth-most-valuable brand, according to Interbrand, up from No. 43 in 2000.

South Korea's Olympics fortunes weren't as fruitful. Pyeongchang failed in bids for the 2010 and 2014 Winter Olympics.

In August 2009, Mr. Lee was sentenced to three years in prison and five years of probation for breach of trust and tax evasion, just as the nation began mounting its third attempt for the Olympics.

Local business and sports leaders begged for his release. Mr. Lee's involvement was "desperately needed," said Korean Air chairman Cho Yang-ho, who headed the Pyeongchang bid committee, at a news conference.

The pardon—described by Korean media as the "Christmas Special Pardon" since it occurred on Dec. 29—marked the first time an individual had received such judicial leniency, and it drew criticism.

"You cannot trade the corporate wrongdoings you have done for helping the country win the Olympics. They are separate things," said Kim Woo-chan, a Korea University professor who has argued for greater openness by the country's chaebols.

Over the next 18 months, Mr. Lee spent 170 days on 11 separate trips marketing Pyeongchang to IOC voters, according to South Korean media. Samsung doesn't dispute the tally, said a company spokeswoman.

Mr. Lee paid for excursions himself, according to a person familiar with the Pyeongchang bid.

Local offices

He ended up connecting, over meals or coffee, with about half the roughly 100 IOC members at the time, the person said. At the IOC's 2010 annual meeting in Vancouver, Mr. Lee chatted with Sir Craig Reedie of Great Britain, an IOC member, during a coffee break.

"Trust us to do it," Sir Craig recalls Mr. Lee telling him during a brief exchange.

Some meetings during a trip to Switzerland, Italy and elsewhere were arranged with the help of Europe-based Samsung staff and conducted at the company's local offices, according to

people familiar with the matter.

A Samsung advertising affiliate was chosen by the Pyeongchang bid group, over South Korean rivals, to work on the pitch presentation. A Samsung mega-tablet with a map of Pyeongchang was set up at the "Korea House" venue at the Vancouver 2010 Games, said Stratos Safioleas, a Greek bid consultant who helped Pyeongchang on its final two bids.

"Samsung played an enormous role, but this never felt awkward or strange or wrong," he said.

Ser Miang Ng, an IOC member from Singapore since 1998, met with Mr. Lee three times ahead of the 2011 vote in Durban, South Africa.

'A friend'

"His role as chairman of Samsung—we are aware of it," Mr. Ng said. "But when he was supporting the bid of Pyeongchang, he was supporting it as an IOC member, as a colleague, as a friend."

Others believe the timing was right for Pyeongchang, after two failed attempts, and that Mr. Lee's outreach to IOC members played a secondary role in defeating the other finalists, Munich and Annecy, France.

Annecy had leadership turnover and the IOC disliked its initial vision, according to people familiar with the 2018 bid race. The Germans had weaker local enthusiasm and IOC voters were excited to expand the

'What Samsung did...I cannot see it happening again,' said an IOC member.

Winter Games outside of traditional host countries, those people say.

"Pyeongchang learned the lessons of their prior bids and they kept their promises," said Charlie Battle, an Atlanta-based consultant who worked on the 2018 Pyeongchang bid. He disagrees that Samsung dramatically influenced the outcome.

When the 2018 Games winner was announced in Durban, Mr. Lee had a front-row view, two seats away from the South Korean president who pardoned him. After Pyeongchang won in a landslide, receiving two-thirds of the 95 cast votes, Mr. Lee teared up and clapped softly.

That day in Durban marked the apex for Mr. Lee's 2018 Olympics journey. In September, at his family's request, Mr. Lee didn't stand for re-election, and the IOC made him one of the group's 41 nonvoting "honorary" members.

At the Pyeongchang Games, Samsung has built nine "Olympics Showcase" pavilions stuffed with the company's gadgetry. Virtual-reality headsets have snowboarding simulations. People can catch a "Smart Home" demo. One exhibit flaunts three decades of Samsung mobile phones.

The main venue is a two-story building about the size of a Best Buy store. It features a dedicated section telling the history of the Olympics—and Samsung's involvement.

tweeted at another customer that it had replaced a faulty machine.

Priscilla Ouattara, 22, of Lancaster, N.Y., pleaded with the company for help after she received a distress call from her best friend, Ruth Prempeh, who had been struggling with a pint of Mediterranean Mint.

"Could you guys please help her in any way, shape or form? She has LITERALLY called me on the verge of tears because she can't open her jar of Talenti," Ms. Ouattara tweeted.

On Jan. 22, five days after the initial call, Ms. Prempeh texted a picture of the open jar of Mediterranean Mint with the word "Finally!!!" beneath it, along with a streaming-tears emoji.

What happened? Ms. Prempeh left the Talenti on the kitchen counter for a half-hour while she was cooking, and poof, it opened.



ZUMA PRESS

Cross-country skiers train in Pyeongchang, South Korea, ahead of the Winter Olympics.

GELATO

Continued from Page One
those lids have been so overtightened in the factory that customers have had to go to extremes to get at the tasty treat inside.

A difficult Talenti-opening session can last hours, propelling ice-cream lovers through emotional swings. You try to unscrew it and it won't turn. You try with all your might and it still doesn't budge. You figure you just need something grippy like a silicone potholder.

Your hands start to hurt and you're getting exhausted. You want to give up, but you also want the Talenti. You shift into MacGyver mode. With the right tools, you figure, I can get into this thing. I just need to wedge some scissors under it.

She didn't find anything useful online. Eventually, she threw the container at the

sink in a fit of rage.

The good news: that prompted the jar to pop open. The bad news: Sea Salt Caramel gelato splattered all over the kitchen floor. She left the mess and drove to a local Sonic Drive-In to calm down and get some ice cream.

Among the Google results for Talenti gelato are Reddit threads by people who can't open lids, and an explanation the company provided for an article in September in the online publication Mic.

Talenti said the overtight lids were the result of an issue with a capping machine, which had been fixed. A spokeswoman for the company issued a similar statement to The Wall Street Journal. "We had an over-zealous lid-tightening machine, which has now been fully fixed. As new pints hit store shelves, there will be fewer and fewer pints with tight lids out there," she said.

The spokeswoman said the machine needed to be fixed only once. Yet five months after the statement to Mic, complaints about the lids are still coming in. There were more complaints to the company's Twitter account in the last two weeks of January than in the last two weeks of October.

Michael Marrero, 29, who lives in New York City, remembers reading about tough Talenti lids last year and dismissing it as nonsense.

"I thought it was a bit of a joke and people just didn't have the strength in their hands," he says.

Last month, he bought a Talenti jar at Target and had to resort to tearing the lid off with a pair of needle-nose pliers. He tweeted at the company: "I thought you guys solved #lidgate problems!"

The company sent Mr. Marrero a direct message offering to mail him vouchers for his



It took hours for Rhiannon Brown to get into her Talenti.

RHIANNON BROWN

trouble and echoing their earlier statements about the overly strong lid-capping machine that had been fixed. A day earlier, Talenti had

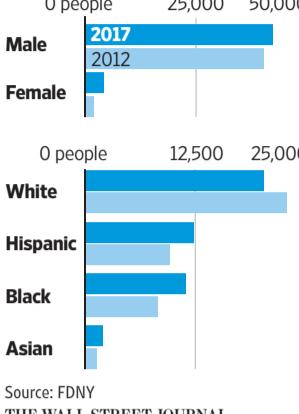
What happened? Ms. Prempeh left the Talenti on the kitchen counter for a half-hour while she was cooking, and poof, it opened.

GREATER NEW YORK

GOP Latches Onto Bribery Trial

Sounding Alarm

Ethnic and gender breakdown of people who have taken the New York City Fire Department exam:



Source: FDNY

THE WALL STREET JOURNAL.

FDNY Aims To Increase Minorities

By ZOLAN KANNO-YOUNGS

New York City Fire Commissioner Daniel Nigro on Thursday said he wants more than 50% of his department's firefighters to be minority and 15% to be women in 12 years—a sharp up-tick from current levels.

Mr. Nigro revealed the benchmarks in response to questioning from City Council Speaker Corey Johnson during a hearing. The New York City Fire Department has long been criticized for its lack of minorities and women, which has resulted in multiple lawsuits over the years.

"The FDNY is simply out of step with other city agencies...when it comes to diversity," Mr. Johnson said.

The first-term council speaker pressed Mr. Nigro on whether the lack of minorities and women created a culture that discouraged them, even those who passed an entry exam, from joining the department. "One cannot deny it is difficult to convince the thousands of women in our city who are capable of doing the job of a firefighter that it is a career

'The FDNY is simply out of step with other city agencies,' says city council speaker.

they would enjoy," Mr. Nigro said.

The fire department's issues with diversity go back decades. Until 1972, only men were allowed to take the exam. Several lawsuits have since been filed against the FDNY for its application process. A federal judge ruled in 2010 the city's use of the exam constituted intentional discrimination. The FDNY settled the case in 2014 for \$98 million and agreed to change its recruiting policies to increase diversity.

Last year, the fire department launched a \$10 million recruiting campaign, which focused on reaching out to women and minorities, Mr. Nigro said.

To better reflect New York City, Mr. Nigro said he wants the minorities who make up 20% of the 11,000 firefighters in the department to grow to 50% within three entry-exam cycles. The tests occur every four years.

First Deputy Commissioner Laura Kavanagh said the FDNY aims to increase the 68 female firefighters to about 1,650, or .6% of the force, in the same period. However, many drop out during the time between taking the exam and getting hired, Ms. Kavanagh said, which tends to be four years.

Republicans target Cuomo's ties to ex-aide, saying Albany has a 'pay-to-play culture'

By MIKE VILENSKY

New York Gov. Andrew Cuomo is ahead of his Republican challengers when it comes to fundraising and name-recognition in the governor's race, but the GOP is trying to leverage an ongoing corruption case against a former Cuomo aide as a point of attack.

Outside the lower Manhattan courthouse on Thursday where Joseph Percoco, Mr. Cuomo's former confidant, is on trial, Republican Sen. John DeFrancisco, who is running for governor, took a shot at Mr. Cuomo. He said the federal trial shows that to do business with the Cuomo administration "payments have to be made."

"I can tell you unequivocally I'm losing," Mr. DeFrancisco said. But "the more the public sees an alternative to the way business is being done, you'll see momentum."

New York state Republican Party leaders also have appeared outside the courthouse

Witness May Have Violated Deal Terms

A key witness in the bribery trial of a former top aide to New York Gov. Andrew Cuomo may have violated his cooperation agreement with prosecutors, according to evidence presented in Manhattan federal court Thursday.

Under cross-examination, the witness, Todd Howe, a longtime Cuomo associate, admitted that in the fall of 2016, after he had signed an agreement with the government that required him to avoid committing future crimes, he lied to his credit-card

with boxes of ziti, highlighting allegations that Mr. Percoco used references to the type of pasta as code for cash.

A spokesman for the New York State Democratic Party said: "These continued flailing attempts by DeFrancisco and the state Republicans to gain relevance are getting increasingly desperate." He pointed to ethics laws that have failed in the state Senate during Mr. DeFrancisco's tenure.

company.

Mr. Howe, the government's star witness in the trial of former Cuomo aide Joseph Percoco, admitted that in October of that year he called his credit-card company and asked it to refund \$604.86 in charges from a stay at the Waldorf Astoria New York hotel, suggesting he hadn't stayed there.

Six weeks earlier, in September 2016, he had pleaded guilty to eight felonies as part of a deal that required him to testify truthfully and to avoid breaking the law from that point forward.

Daniel Gitner, an attorney for another defendant in the trial, presented evidence that showed that Mr. Howe had, in fact,

stayed at the luxury hotel as part of a trip to meet with federal prosecutors in June 2016 to secure the plea deal.

"Do you realize that you are in violation of your cooperation agreement?" Mr. Gitner asked.

"I do looking at this, yes," Mr. Howe said, examining evidence.

"Do you think they are going to rip it up?" Mr. Gitner asked, referring to prosecutors.

"I sure hope not," said Mr. Howe.

A spokesman for the Manhattan U.S. attorney's office declined to comment on whether Mr. Howe's testimony on Thursday would jeopardize his cooperation agreement.

—Erica Orden

lege poll this month showed 55% of New Yorkers support his re-election.

Of the candidates seeking to unseat Mr. Cuomo this year, Mr. DeFrancisco may have the most adversarial relationship with the governor. Other declared candidates include Assembly Minority Leader Brian Kolb from the Rochester area and former Erie County executive Joel Giambra, both Republicans.

Mr. DeFrancisco, a veteran Syracuse-area legislator, Thursday called on the governor to address the allegations in the trial. "He's not on trial," he said. "He's still the governor."

Mr. DeFrancisco has taken donations from one of the companies involved in the case and has defended keeping the money, citing the presumption of innocence. He said he would push for economic-development oversight hearings to boost transparency, but was skeptical laws would fix ethical problems in Albany, saying "all the laws in the world" wouldn't stop an unethical person.

Asked how he could position himself as a break from the culture of Albany after nearly two decades there, he said he has "never been a part of the pay-to-play culture."

A City of 8 Million and No Olympic Athletes

By MELANIE GRAYCE WEST

Los Angeles has at least two. Houston counts one. So does Douglasville, Ga. But New York City, a cold-weather metropolis of 8.5 million people, came up empty in fielding a member of Team USA for the 2018 Winter Olympics.

According to an official team roster of the nearly 250 U.S. athletes who are expected to compete in the Winter Olympics in South Korea this month, there are 19 athletes who hail from New York state. None name New York City as their hometown.

Coaches, athletes and others in training circles cite the absence of quality facilities and universities that attract and support winter-sport athletes as top reasons for New York City's 2018 Olympic goose egg.

Terri Levine, executive director of the Skating Club of New York, says there is a colder reality that prevents Olympians from making the city a home base: cost. "You need ice that's cheap," she said. "Nothing in New York City is cheap."

Plenty of Olympians have been born in the five boroughs. According to data kept by Sports Reference, a sport-statistics website, and the U.S. Olympic Committee, nearly 600 Winter and Summer Olympians have been born in New York City since the mid-1800s.

Among them is John Daly, 32 years old, a Queens native who is expected to compete in the men's individual skeleton. He calls Smithtown on Long Island, N.Y., home.

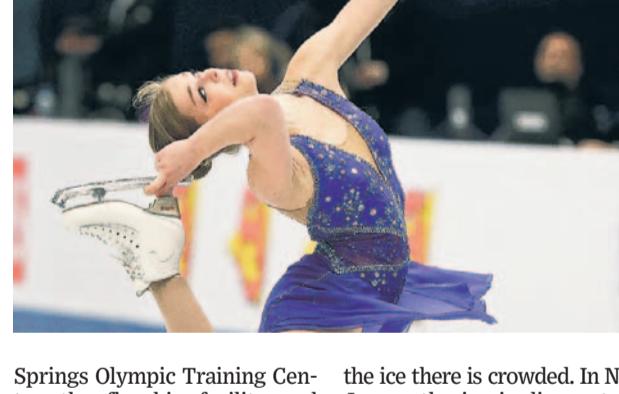
Maia Shibutani, 23, was born in Manhattan and is expected to compete in ice dancing with her brother, Alex, 26, who is a Boston native. These days, they reside in Ann Arbor, Mich.

There could be more athletes based in New York City representing other nations this year. Figure skater Nicole Rajicova, 22, a graduate of Fordham University's Gabelli School of Business, was born in the region and currently lives with her parents in Manhattan. She trains in Hackensack, N.J., with several other elite athletes, and will represent Slovakia in Pyeongchang.

Most elite skaters in the U.S. train in either California or Colorado, near the Colorado



Skaters at the Rink at Rockefeller Center. Athletes find there is limited time available on the ice in New York City. Nicole Rajicova, below left, trains in Hackensack, N.J. Maia Shibutani, below right with her brother Alex, was born in Manhattan but lives in Michigan.



GRIGORY DUKOR/REUTERS



SPENCER PLATT/GETTY IMAGES

BEN MARGOT/ASSOCIATED PRESS

Springs Olympic Training Center, the flagship facility and headquarters of the U.S. Olympic Committee, Ms. Rajicova noted. Still, she said there are many pluses to being based in New York City, although there is limited time available at ice rinks and costs are higher.

At Ice House in Hackensack, there are two rinks dedicated to figure skating open during daytime hours. "The only other rink is at Chelsea Piers [in Manhattan], and there are not high-level coaches there. You can only get ice in the morning and

the ice there is crowded. In New Jersey, the ice is discounted," Ms. Rajicova noted.

However, some of the best doctors, trainers, physical therapists and dance instructors—necessary for her off-ice needs—are in New York City, she said. Even her dress designer, Tania Bass, is in the Hell's Kitchen neighborhood in Manhattan.

"I'm lucky I can give a call and show up whenever. Other skaters who use her get dresses once and can't see her again," she said.

Suitable training facilities in the five boroughs are scarce, however. Yes, there is a short-track speedskating rink in Flushing, Queens, and would-be curlers can train in Brooklyn with professional staff associated with CurlNYC. But for certain sports such as luge, skeleton or bobsled, "anybody who is really serious is moving to be closer to Lake Placid" in northern New York, said Dirk Gouwens of the New York State Ski Racing Association. The Adirondacks facility, site of the 1932 and 1980 Winter Olympics

Games, is another official training center.

Athletes often are tied to a university, but New York City's major academic institutions aren't winter-sports powerhouses. Even the storied New York Athletic Club doesn't count a Winter Olympian among its roster of 430 current elite athletes supported by the organization, said James O'Brien, a spokesman.

"We've not diverted resources toward Winter Olympics," he said. "Our emphasis is on the Summer Games."

Without Bette Midler, 'Hello, Dolly!' Takes a Hit

By CHARLES PASSY

By most measures, the Tony Award-winning actress Bernadette Peters is one of Broadway's biggest stars. But compared with Bette Midler, her star apparently doesn't shine quite as brightly.

Since Ms. Peters took over for Ms. Midler in the Broadway revival of "Hello, Dolly!" last month, the musical's

weekly grosses have dropped by more than half from their peak of about \$2.5 million, according to the Broadway League, the trade group that tracks the industry. For the seven-day period that ended this past Sunday, the show reported grosses of \$1 million.

The sales offer an interesting insight into a question that has long plagued Broadway producers: How will a

show fare after the departure of its marquee-name star?

To a great extent, the sales decline for "Hello, Dolly!" was anticipated: Ms. Midler's Tony Award-winning performance in the lead role of Dolly Levi was heralded as one of those once-in-a-lifetime theatrical events. Over the course of her 10-month run, the show grossed about \$90 million.

What's more, Ms. Peters

started her engagement during the postholiday winter period, traditionally one of the slowest stretches for Broadway.

Scott Rudin, the veteran producer behind the "Dolly" revival, declined to comment. But "Dolly" insiders pointed to encouraging signs since Ms. Peters took over. In particular, they note that the show is still drawing audiences greater than 90% of weekly capacity.



JULIETA CERVANTES (2)
Bernadette Peters, left, succeeded Bette Midler in the title role.

GREATER NEW YORK

Korean Restaurants Venture Beyond Kimchi

Borrowing ingredients from around the world, their chefs are putting a 21st-century spin on traditional dishes

BY CHARLES PASSY

For years, New Yorkers who patronized the growing number of Korean restaurants in the city knew what to expect: A plentiful menu that featured the traditional table-side barbecue dishes, including bulgogi and kalbi, as the centerpiece. And the drink of choice? Korean beer or the clear, Korean spirit known as soju.

But customers at Osamil, a year-old Midtown Manhattan Korean dining spot not far from the heart of the Koreatown neighborhood, have different options. Say, a Korean-inspired version of bouillabaisse, the classic French seafood stew. Or a fanciful cocktail, made with cognac and a "pineapple allspice coriander syrup," that has no particular Korean provenance.

The point, says Osamil's Korean-American owner Jae Yang, is that Korean food can evolve. "We're not going to make kimchi all day," he said, referring to the signature Korean dish of fermented vegetables.

It is a point that several other proprietors of Korean restaurants throughout the city and metropolitan area have picked up on as well. In recent years, they have established New York as a hotbed for what has been described as modern Korean cuisine—a type of cooking that uses familiar Korean ingredients (including, yes, kimchi) or techniques as its base, but weds them with a 21st-century sensibility.

The prices also can reflect that contemporary approach, with check averages that easily can hit \$50 to \$100 a person, if not higher. And some



Diners at Osamil in Midtown, where the menu includes a Korean-inspired bouillabaisse, top right, and the 'Ktown SideKar' cocktail. Below, dishes at Cote, a Korean steakhouse in the Flatiron District.

of the restaurants, such as Osamil, don't include the free array of small dishes, known as banchan, offered by traditional—and often less expensive—Korean restaurants.

Cote, a Michelin-starred restaurant in the Flatiron District, bills itself as a Korean steakhouse. It is rooted in the Korean table-side barbecue tradition, but with a decidedly upscale tweak—the meat is prime-graded and dry-aged for a minimum of 45 days, proprietor Simon Kim says. The restaurant also offers a wine list with selections that hit four figures.

Soogil, which opened last month in the East Village, calls itself a Korean-French hybrid. Foie gras and kimchi both have their place on the



menu. Chef Soogil Lim, a native of South Korea, said that in some traditional Korean dishes, "all ingredients are put together, so usually the vegetables are overcooked, the

sauce is messy." By contrast, he said he prepares items separately "for maximum flavor."

This desire to update Korean cuisine often is matched by a desire to modernize the



"spin" in the name refers to the thousands of albums that line the walls. The restaurant almost resembles a hipster record store or dance club.

To a great extent, what is happening with Korean dining spots throughout the New York area reflects what has happened with other immigrant cuisines: High-end versions of everything from Chinese to Greek restaurants also have established themselves over the years. It is simply the natural evolution in a city with such a sophisticated and dynamic food culture, say restaurant-industry insiders.

But Korean cuisine likely is having an evolutionary moment for additional reasons, others say. It has much to do with how South Korea has become a growing economic and cultural powerhouse—to say nothing of the fact it is hosting the 2018 Winter Olympics.

Given all that, Korean restaurants couldn't afford to sit idle, says Euny Hong, author of "The Birth of Korean Cool: How One Nation is Conquering the World Through Pop Culture." "It's almost like they had to keep up with this gorgeous image," she said.



GARY HE

look and feel of Korean restaurants. A case in point: Roosterspin, a restaurant, with two locations in New Jersey, that specializes in Korean-style fried chicken. The

GREATER NEW YORK WATCH

CHARITIES

Designer Steps Down As AIDS Charity Chair

Fashion designer Kenneth Cole has resigned as chairman of the board of the AIDS charity amfAR.

The group's board of trustees said Mr. Cole and four other trustees agreed to "graciously" resign after the board implemented term limits.

Mr. Cole's move comes as federal prosecutors in Manhattan look into financial dealings in 2015 among amfAR, Harvey Weinstein and the American Repertory Theater.

In a statement, Mr. Cole said he had "proudly served" on the amfAR board and supported the board's term-limit reform.

—Associated Press

CATSKILLS

New Casino Opens In Old 'Borscht Belt'

A Catskills casino supporters hope will deliver an economic boost to a faded resort area opened Thursday in an increasingly competitive market.

Resorts World Catskills brings 112 table games and more than 2,150 slot machines to the heart of the old "Borscht Belt," about 80 miles northwest of New York City. The \$1.2 billion resort in Monticello, N.Y., includes a hotel and the last of four Las Vegas-style upstate casinos opening under a voter-approved amendment to the state constitution. A golf course and water park are scheduled to open later.

—Associated Press

Watchdog Exposes Security Lapses at City Jails

BY CORINNE RAMEY

New York City's watchdog agency said Thursday it found serious security lapses at jails in Manhattan and Brooklyn as an undercover agent was able to smuggle drugs and makeshift weapons into the facilities.

The findings come as officials seek to close the violence-plagued Rikers Island complex during the next decade and replace it with jails in city boroughs. The problems uncovered in Manhattan and Brooklyn show that contraband, a problem at Rikers, also exists at borough-based jails.

The Department of Investigation, the watchdog, said it found similar lapses during a probe in 2014 when an undercover investigator smuggled

narcotics and weapons into all six city jails he entered.

"This report once again exposes vulnerabilities in [the Department of Correction's] security protocols and demonstrates the continued threat that contraband smuggling poses to safety and security in our city's jails," Department of Investigation Commissioner Mark Peters said.

In response, Department of Correction Commissioner Cynthia Brann said the jails already had begun implementing significant reforms, but recognized more work was needed. She noted that city investigators "didn't find fault with our policy but urged us to better apply our procedures, which we are committed to doing."

The lapses were discovered

in September, when an undercover investigator posing as a correction officer smuggled two scalpel blades, 26.8 grams of marijuana and five strips of Suboxone, a prescription opiate, into the Manhattan Detention Complex and the Brooklyn Detention Complex. Both jails are largely used for people who have been accused of crimes and are awaiting trial.

The undercover investigator passed checkpoints in both jails without being manually searched, even when magnetometers went off, the report said. It said a correction officer at the Manhattan jail was distracted while talking with someone, and "neither acknowledged the audible ring generated by metal passing through the magnetometer

nor instructed the investigator to walk back through the magnetometer to confirm a metallic presence."

The Department of Investigation advised the jails to follow its 2014 recommendations, including putting drug-detecting dogs at staff entrances, eliminating extra pockets on officers' uniforms and cargo pants—both of which could ease smuggling—and putting staff lockers outside front-gate entrances.

Also Thursday, federal prosecutors unsealed an indictment accusing two New York City correction officers of smuggling narcotics into city jails on behalf of inmates in exchange for thousands of dollars in bribes. Lawyers representing the inmates and officers couldn't immediately be reached.

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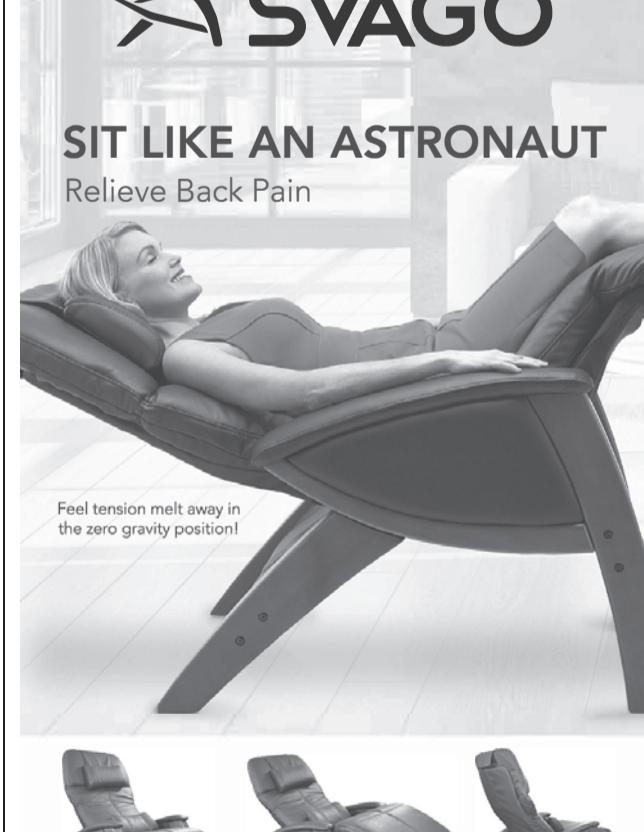
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LIFE & ARTS

THEATER REVIEW

By Terry Teachout

Flat-Footed Portrait of A Dance Icon

New York

WITHIN THE SMALL WORLD of ballet, Sergei Diaghilev, who died in 1929, was and is a giant. Outside it, though, he is less well remembered, if only because there is no simple way to explain what he did and why it still matters. The founder of the Ballets Russes, the most influential company in the history of dance, Diaghilev on paper was nothing more than an impresario—a producer, if you like. He couldn't dance a step, much less choreograph a ballet. Yet it was because of him that "The Rite of Spring" came into being and Igor Stravinsky, then an obscure young Russian composer, emerged as a central figure in 20th-century music. Diaghilev made Vaslav Nijinsky a star dancer and George Balanchine a major choreographer; commissioned sets from Picasso and Matisse and musical scores from Debussy, Prokofiev and Ravel; and did more than anyone else to introduce European audiences to the modern movement in art.

Such a man could scarcely have been anything other than interesting in private life, and Diaghilev's more-or-less open homosexuality and fabulously flamboyant personality made him a journalist's dream. Not surprisingly, several attempts have been made to put him on stage and screen, the latest of which, Terrence McNally's "Fire and Air," in which Douglas Hodge plays Diaghilev, is the work of a playwright who has previously written on numerous occasions about the equally extravagant world of grand opera. Having given us a successful play about Maria Callas, Mr. McNally would seem as likely as anyone to be able to make theatrical sense out of Diaghilev. Yet "Fire and Air," despite the strong staging of John Doyle and a spare but visually effective production by his Classic Stage Company, is brought low by most of the usual mistakes to which biographical plays are heir. Fact-heavy and stodgily undramatic, it feels for the most part more like a well-meaning TV documentary than a full-fledged play, on top of which it suffers from a devastating piece of miscasting.

"Fire and Air" is the kind of history play in which most of the dialogue conveys factual information instead of illuminating personality or propelling the rudimentary plot. James Agee famously complained in his review of "Casablanca" that the characters kept saying things to each other like "Oh, Victor, please don't go to the underground meeting tonight!" I thought of

Please see THEATER page A10



VERTICAL ENTERTAINMENT/STAGE 6 FILMS (2)

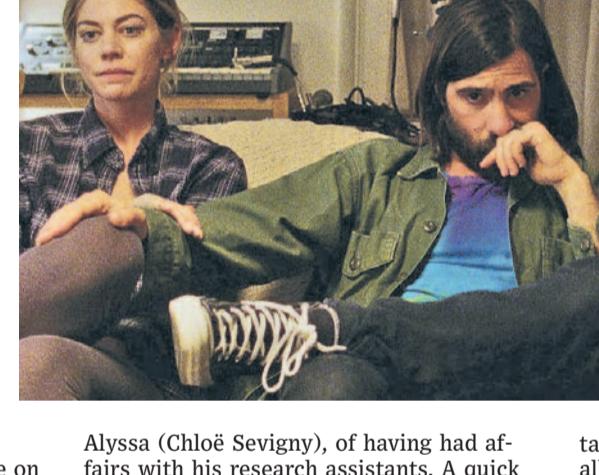
Audiences Will Look For 'Golden Exits'

A newly arrived woman from Australia spells trouble for a pair of discontented Brooklyn couples

WHEN YOU WATCH a movie that engages you—no matter if it's a masterpiece or just enjoyable junk—what you see on the screen is characters interacting with one another. This is why people go to the movies, of course, to invest themselves in the lives of others. Occasionally, though, at least for me, the illusion shatters and all I see is actors talking to each other in front of an invisible camera. That's the case with "Golden Exits," a low-budget indie by Alex Ross Perry. I tried to buy into the characters, to enjoy the performances on their own terms, but no dice. I saw only performers who, with one conspicuous exception, were working hard to ignite a glum drama that declined to combust.

The story, or the two-rope clothesline on which the action has been hung, is set in Brooklyn. It concerns a matched pair of couples—matched in levels of discontent—who are linked by Naomi (Emily Browning), a lovely young woman newly arrived from Australia.

Naomi has been hired as a research assistant by Nick (Adam Horovitz), an extremely unpleasant archivist and appraiser in his early 40s; he is currently archiving the collected works of his sister-in-law's late father. Don't ask what sort of works, since the project has no reality, even though Nick peers at a document every now and then through a magnifier. Nick has a history, as we learn from his morose wife,



Mary-Louise Parker, above; Analeigh Tipton and Jason Schwartzman, left

family life. (Or what vicious things they say about one another.) What did intrigue me, though, was the acting, which is paradoxically busy yet de-energized, and operates in strict compliance with Newton's Third Law of Motion. For every action, Newton said, there is an equal and opposite reaction. "Golden Exits" is an absolute anthology of reactions. Under Mr. Perry's direction, actors react to each other incessantly, and with great, if unwelcome, alacrity. They nod their heads empathetically, look startled when someone enters a room, narrow their eyes while listening, do double takes in reaction to negligible surprises, and all in a doomed effort to confer authenticity or, failing that, a modicum of spontaneity.

And the aforementioned exception? Mary-Louise Parker, who plays Gwen, Nick's sister-in-law. A bitterly lonely woman who pretends she's glad to be alone, Gwen badmouths everyone in her orbit. "She's duplicitous," Nick says of her. "She's a liar, and I don't trust anything that comes out of her mouth." She is also vividly alive in Ms. Parker's performance, which is spare, dry, wry and, Isaac Newton notwithstanding, essentially nonreactive. Gwen is too intensely self-involved to be concerned with others. She acts on everyone, and Ms. Parker's performance amounts to an acting class in the eternal virtues of simplicity and economy.

Alyssa (Chloë Sevigny), of having had affairs with his research assistants. A quick appraisal of Naomi's beauty and bright spirit suggests strongly that she's next in line. And Naomi's father has a long-standing friendship with an equally morose sound engineer, Buddy (Jason Schwartzman), who is married, not at all happily, to Jess (Analeigh Tipton). Buddy hasn't seen Naomi for many years. "I'm sure she sucks now," he tells Jess. We know she doesn't, so we await further developments.

If you really want to know what develops, see for yourself; one man's poison is another man's meat. I can't pretend to have cared what these people do, or what windy things they choose to say about loneliness, yearning, desire and the constrictions of

TELEVISION REVIEW

By John Anderson

INSUFFERABLE, WHATEVER YOUR WORLDVIEW

'HERE AND NOW,' the latest creation of Alan Ball ("Six Feet Under," "True Blood"), seems intended to be divisive and polarizing. A slap in the face to progressive Americans. A boot to the backsides of their more conservative countrymen. It may, in the end, be a unifying gut punch: Everyone will find a reason to hate it. And by "hate," I don't mean minor irritation, or eye-rolling disdain, or even remote-control-flinging frustration. I mean primal loathing.

A major reason, but not the only one, is that while "Here and Now" pretends to be a novelistic portrait of our fractious times, it's really a lazy cataloging of sociocultural "complaints" about serious controversies it doesn't take seriously enough. Transracial adoptions. Rac-

ist policing. Political correctness on campus. While no op-ed issue is left unturned, the series eschews any of the qualities that might have made its kind of overreaching portrayal redemptive—the humor of caricature, the illuminating bite of satire, or any empathy worth mentioning. An arranged marriage of "This Is Us" and "Stranger Things," Mr. Ball's program plays as straightforward drama, albeit one that exploits America's already caustic stew of the woke, the overtly racist and the great mass in between. It's not even deliberate parody. It's inadvertent cartoon.

The angst-ridden Homer and Marge of "Here and Now" are H. Gregory Boatwright (a stunned-looking Tim Robbins) and Audrey Bayer (Holly Hunter at her most

nerve-wracking). He was the author, 30 years ago, of "A Layperson's Guide to the Here and Now" (think "Be Here Now") and has built a lofty academic career on his status as a secular Baba Ram Dass. She is a former therapist and creator of something called the Empathy Initiative. Together, they adopted three children, now grown—married mom/fashion exec Ashley (Jerrika Hinton), from Liberia; celibate "motivational architect" Duc (Raymond Lee), from Vietnam; and gay gamer Ramon (Daniel Zovatto), from Colombia. They also produced, biologically, the teenage Kristen (Sosie Bacon). In episode 1, during Greg's desperately unhappy and implausibly sophomoric speech at his 60th birthday party,

Please see TELEVISION page A10



Necar Zadegan, Marwan Salama and Peter Macdissi

PYEONGCHANG 2018



Lindsey Vonn



Kelly Clark



Shaun White

BY RACHEL BACHMAN

KELLY CLARK'S moment of reckoning came a few years ago. Her peers were retiring and the 30-something halfpipe snowboarder found herself surrounded by competitors physically and culturally a generation younger.

"I remember one of the girls made a comment about how she didn't like the television show 'Friends' because it had a live studio audience and she thought it was cheesy," says Clark, who's now 34 years old. "And I thought, 'Wow, that's how it happens.'"

Clark, a five-time Olympian who has three medals, is a rarity in her sport. But older athletes are more common on Team USA, where 31-year-old snowboarder Shaun White and 33-year-old alpine skier Lindsey Vonn also will be chasing medals at the Pyeongchang Olympics.

The U.S. has one of its oldest Winter Olympic teams ever, with an average age of 27, second only to the 2002 Salt Lake City Games' 27.2 average, according to data going back to 1964 from Olympic historian Bill Mallon. U.S. Winter Olympians are four years older on average than Team USA athletes were in 1976.

Financial rules changes, a move away from including pro hockey players in the Olympics and the

TEAM USA

The Thirtysomething Olympic All-Stars

Veterans like Shaun White, Lindsey Vonn and Kelly Clark may have years on the competition, but the Americans still expect a major medal haul

aging of the X Games are driving the trend.

"If Shaun White and snowboarding had been part of the Olympics 40 years ago, he would have had a single attempt at a gold medal, a swift transition to the pro ranks and would have moved to being a regular fixture on 'Wide World of Sports,'" says Hilary Evans, a member of the International Society of Olympic Historians. "Today he gets to keep his prize money, his sponsorship fees and still gets to chase a place on the Olympic podium."

Andrew McGregor, a lecturer in American history at Purdue University, says professionalism has become even more ingrained with

the X Games, now more than two decades old. They give athletes a bright spotlight between Olympics, attract sponsors and help competitors keep skills sharp, he says.

The NHL declined to let its players compete in these Olympics, so the U.S. recruited a team of college standouts, foreign-league players and former NHL players. Players like 20-year-old Boston University standout Jordan Greenway share a roster with 35-year-old Jim Slater, a former NHL player now in the Swiss National League.

At an average age of 29, this U.S. men's hockey team is two years older than the 2014 squad. The team captain is 39-year-old Brian Gionta,

a 15-season NHL veteran who last played in the Olympics in 2006. Despite the team's relatively advanced age, Gionta is the only player on the roster with Olympic experience.

If Vonn wins a medal at these Games, her fourth after missing 2014 with an injury, she would become the oldest female alpine skier to do so.

Last month she posted a steely-eyed, post-workout glamour shot on Instagram with the caption, "The look I give if you tell me I'm old..." punctuated with a devil emoji.

U.S. Summer Olympians also are getting older, as athletes in Rio in 2016 averaged nearly 27 years old and dominated the over-

all medal count.

Older athletes not only are better at managing the stresses common to elite athletic events, but their mere presence can calm younger teammates, says Andy Lane, sport psychologist at the University of Wolverhampton in England.

"With age and experience comes an ability to regulate unwanted emotions," Dr. Lane says. "Importantly, we know that if someone is managing the situation well, this can transfer to other athletes."

The U.S. is not the only team with aging athletes. German bobsled pusher Kevin Kuske decided to come back and compete at age 39 after what he called the "debacle" in Sochi of zero bobsled medals. Japan, whose citizens live to an average of nearly 84 years, is sending ski jumper Noriaki Kasai to his eighth Winter Olympics at age 45. Kasai says he wants to compete through 2026, when he would be 53.

Norway left 44-year-old biathlete and 13-time Olympic medalist Ole Einar Bjørndalen off its squad, which would be akin to leaving Michael Phelps off the U.S. swim team in 2016. But Bjørndalen had struggled this season.

Norway decided that when it comes to Olympic medals, it's booty before age.

—Ben Cohen and Sara Germano contributed to this article.

BIATHLON

THIS GUY COULD RUIN NORWAY'S WINTER

BY SARA GERMANO

SIX-TIME OVERALL World Cup biathlon champion Martin Fourcade fired off five clean shots in the final shooting phase of a pursuit race in Oberhof, Germany last month. Then he did something highly unusual.

Instead of immediately digging in his ski poles and taking off on the final lap of the 12.5-kilometer race, the Frenchman whipped around and stared down Emil Hegle Svendsen for a full second as the Norwegian continued shooting.

"Yesterday the Norwegian press said I feared the Norwegians," Fourcade said by way of explanation after the race, which he won. "They can beat me on every competition, but I do not fear them, like they do not fear me."

Tarjei Bø, another top Norwegian who finished third, let out a laugh. "Really good answer!" he said.

In biathlon, there is no greater current rivalry than that between Fourcade and the Norwegians, led by Johannes Thingnes Bø, an up-and-comer and the younger brother of Tarjei. The men's competition begins on Sunday with the crucial 10-kilometer sprint, the results of which will determine the field for the pursuit later in the week.

Despite what the Norwegian press says, few think that Fourcade has anything to fear in the biathlon arena.

Max Cobb, the chief executive of U.S. Biathlon, said the medal table

race in Pyeongchang will likely be a contest between the Frenchman and the Norwegians. Fourcade, he said, is "a Michael Jordan-esque figure. It's hard to say Johannes is at his level, but in terms of what the Norwegian fans are expecting, they're very proud and excited for his chances."

Fourcade last season became

A French biathlon star draws comparisons to

Michael Jordan in South Korea.

only the second man to win six overall World Cups, and the first to do so consecutively. Already a two-time Olympic champion, he could conceivably sweep the four gold medals in individual biathlon events—sprint, individual, pursuit and mass start—which could hurt Norway's chances to vie for most overall golds in Pyeongchang.

The U.S. Olympic Committee will be watching this rivalry closely: Every gold medal Norway fails to win upsets the Americans' chances of finishing with the most.

"Within biathlon, everyone would unequivocally consider Fourcade the greatest of all time if he beats Bø in every race at these Games," said Chad Salmela, a former U.S. biathlon team member and analyst for NBC. "If he wins



Martin Fourcade prepares to shoot during a practice session in Pyeongchang on Thursday.

four gold medals, he'll go down as the best biathlete ever."

But if Fourcade is the Jordan of biathlon, the Norwegian squad is akin to the Golden State Warriors: a modern dynasty with a deep bench of talent and a bubbly, fun-loving team chemistry.

It was headline news across Europe when the sport's elder statesman, Ole Einar Bjørndalen, the most decorated Winter Olympian ever, was left off the Norwegian team for Pyeongchang after striving to make his seventh delegation at age 44.

But now the Norge spotlight belongs to Johannes Thingnes Bø, who has eight World Cup wins under his belt so far this season. He is joined by four-time Olympic gold medalist Svendsen and the el-

der Bø, each of whom have two World Cup wins this season.

The 24-year-old Johannes Thingnes Bø is seeking his first Olympic medal, after a best finish of eighth in the mass start and fourth in the team relay in Sochi. The younger Bø, who told the International Biathlon Union that if he weren't an athlete he'd probably be "studying and partying," has a playful rivalry with Fourcade, 29.

At a press conference last month, Bø said he was excited for a race in Antholz, Italy, the following week because "my fiancée will come down, so I'm looking forward to have her for her first World Cup outside of Norway."

Fourcade, sitting a seat away, leaned into the mic. "That is good news for me," he said, "because

he will be really tired for his competition."

The comment drew awkward chuckles from the media, but Bø had the last laugh: He won two of three individual events at that final World Cup before Pyeongchang. Fourcade won the other.

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PYEONGCHANG 2018

TEAM USA

The Rise of Coed Competitions

Why the IOC has expanded events that include both men and women in this year's Winter Games and beyond

BY BRIAN COSTA

THE INTERNATIONAL Olympic Committee wanted to add more women's events, but it didn't want to make the Olympics bigger. So it added remixes for athletes already going to the Games: coed team events.

This year's Winter Olympics in Pyeongchang will include mixed-doubles curling and alpine team skiing, four years after the debut of mixed-gender events in biathlon, luge and figure skating.

They are less "Battle of the Sexes" than a kind of athletic square dance, putting men and women in tandem without putting them in direct, solo competition with one another. And they have become a fast favorite of the IOC.

The 2020 Summer Olympics in Tokyo will include six new events featuring men and women competing on the same teams. Swimming, track, triathlon, archery, judo and table tennis each will have variations of the format.

Some of the events are mixed-gender in the truest sense. Mixed-doubles curling, for instance, requires men and women to work together on the ice, with one throwing stones and the other sweeping.

Canadian mixed-doubles curler Kaitlyn Lawes, who was part of the all-female team that won gold in Sochi in 2014, said the new format may require teammates to talk to each other differently than they would on a same-gender team.

"As much as I'd like to say it's not going to be different, it is a little bit," she said. "I just think we're used to communicating with women. Males, I don't know, could be a little bit shorter, and might not want to talk about what they need from their teammates as much."

The recent push reflects a reality that is unusual among major sporting events: The Olympics are more popular with women than men. And female Olympians tend to draw more eyeballs than male Olympians.

NBC's primetime audience for the 2016 Summer Games was 55% female, according to the network. By contrast, that figure was 35% for its Sunday night NFL broadcasts in 2017.

World-wide, more than half of the 100 most-watched Olympic events in 2016 were women's events, according to the IOC.



Becca Hamilton and Matt Hamilton compete against Canada in mixed doubles curling on Thursday.

MADDIE MEYER/GETTY IMAGES

A 2011 study published in the academic journal *Communication, Culture & Critique* cited a few reasons why women are more interested in watching the Olympics than other sports. Among them were the packaging of the events, featuring the personal narratives of top athletes, and sports such as figure skating that are more about style than sheer physicality.

American figure skater Charlie White, who won gold with female partner Meryl Davis in ice dancing in 2014, said the addition of more mixed-gender formats can do more than boost viewership. He said it can also change the perceptions of certain sports.

As a youth hockey player in Michigan, White said he heard people in hockey call figure skating a girls' sport. Likewise, he said, "Girl-centric figure skaters would say hockey is a guys' sport. As we move forward, I think those barriers are being broken down by the sexes sharing what makes them appreciate each sport and being able to find aspects that resonate with them."

This isn't exactly what the ancient Greeks had in mind when

they started the Olympics. Not only did they bar women from competing, but married women weren't allowed to even attend the games.

The first modern incarnation of the Olympics, held in Athens in 1896, included only male athletes.

Gradually over the course of the 20th century, the IOC adopted the views of progressive countries that increasingly promoted equal rights and opportunities for women. But it was only in 2012 that every participating country in the Olympics had at least one woman competing.

Nancy Hogshead-Makar, a for-

mer American Olympic swimmer and longtime women's sports advocate, said the new mixed events go a step further than simply having women's events.

"When you're lifting weight for weight and swimming lap for lap, it's hard to hold the view that women are inferior," she said. "The more opportunities for men and women to be peers within sports, the better."

Part of the IOC's Olympic Agenda 2020, which it published in 2014 to set priorities for the future of the Games, is fostering gender equity. But adding new men's and women's medal events can be challenging in sports that already feature several of them. That approach could also increase costs by requiring more athletes.

By contrast, the mixed-team events typically feature athletes that are already competing in traditional medal events. They add novelty and exposure for female athletes in the most logically simple way possible.

"One of the real benefits we see in these type of events is they can fit into athlete quotas," said IOC sports director Kit McConnell, referring to the number of athletes the IOC allows to compete in each sport.

Some new events feature men and women combining scores more than they combine efforts. In the new alpine team event, a skier from one country races a same-sex skier from another country in a head-to-head race down two identical slalom courses. Teams score one point for a win, with the results of the male and female races combining for a country's total. And it isn't clear how many top stars will embrace it: American skier Ted Ligety said earlier this week his presence on the team could hinge on the participation of fellow American Mikaela Shiffrin, who hasn't committed to it.

But even that type of format can bring more of a team feel to sports that are largely individual. In luge, the mixed event is a relay race consisting of a country's fastest man, women and doubles team.

American luger Jayson Terdiman, who competed in the mixed team relay in Sochi, said there was more team bonding before the race than usual.

"We talk about the run, what to expect, then we all change clothes, get together and huddle up," he said.

SPORTS

NFL

THE SUPER BOWL HERO THE EAGLES MUST TRADE

BY ANDREW BEATON

NICK FOLES may never have to pay for another drink or cheesesteak in Philadelphia. A Nick Foles statue could replace the Rocky statue and fans might be fine with it. The man just won Philly its first Super Bowl.

Here's where things get a little awkward: Now the Eagles have to trade him.

The idea of trading Foles sounds absolutely batty. He's been the reigning Super Bowl MVP for less than a week. He led Philadelphia past the New England Patriots, the team with the greatest coach and quarterback ever. He became the ultimate underdog story for the city that saw itself as the ultimate football underdog.

But the only thing more cuckoo than trading Foles may be keeping him. The reason is simple. His name is Carson Wentz.

Before going down with a season-ending knee injury in December, Wentz was arguably the favorite to win regular-season MVP. In his second year since the Eagles picked him second in the 2016 draft, he led them to an 11-2 record in his 13 starts. He threw 33 touchdowns and set Philly up for home-field advantage through the playoffs. Wentz is the team's future.

"Hopefully," coach Doug Pederson said, "we'll be back in this game with him leading the way."

If Wentz is playing for the Eagles—and they expect him to return for the start of next season—

that means Foles can't.

Teams spend years looking for a competent quarterback. It's the most important thing in the NFL. Fans take solace in the worst of seasons by clinging to the sliver of hope that a high draft pick will yield a future legend under center. When

With Carson Wentz due to return next season, Nick Foles could bring a ton in a deal.

that fails—and it usually does—the cycle repeats, while those same fans wonder why it's so difficult to find a person who can throw an oblong ball well enough to not make their Sundays completely miserable. Ask any Cleveland Browns fan.

So the Eagles are in a position of power: They have two coveted quarterbacks. Meanwhile, the Bills, Broncos, Browns, Cardinals, Jets and others could all hit the market for a quarterback. And they might pay plenty for the player who just shredded Bill Belichick's defense for the Lombardi Trophy.

What makes determining Foles's value especially difficult: Nobody has had a career quite like his.

The Eagles drafted Foles in the third round of the 2012 draft. In 2013, he had one of the best statistical seasons for a quarterback ever: 27 touchdowns, only two in-



Nick Foles celebrates a touchdown during the Eagles' Super Bowl win.

STREETER LECKA/GETTY IMAGES

terceptions. Not even Tom Brady has put up numbers like that.

From there, it got bumpy. He wasn't that great and got hurt in 2014. Philadelphia traded him to the Rams in 2015. He wasn't very good there, either. He went to the Chiefs in 2016 and barely played.

The Eagles saw an opportunity. Their front office had already

made a calculated decision to invest heavily at quarterback. They traded a mountain of picks to get Wentz. They made Chase Daniel one of the NFL's most expensive

backups. Then they cut Daniel to sign another expensive backup they liked even more: Foles.

So the only reason Philadelphia is even in a position to consider a trade is the fact that he had become so devalued. That he became a play-off sensation made Foles more valuable and more expendable than ever.

His salary is part of what could make him so attractive. He'd quickly become one of the league's cheapest starting quarterbacks.

And the Eagles who once splurged for the luxury of a top-of-

the-line backup are the same team that may be least able to afford one now. Philadelphia is one of three teams above the salary cap for 2018, according to overthecap.com. In that context, Foles's \$7.6 million charge is awfully cumbersome for a player the team hopes doesn't play.

Teams short on financial flexibility benefit the most from draft picks—the types the Eagles could get from another team in a trade. The draft produces cheap players on rookie contracts.

This bizarre set of circumstances, plus the fact that fans might riot on Broad Street if their Super Bowl star is moved for what's seen as a paltry return, makes this situation unprecedented. A team has never traded its Super Bowl MVP before the next season, according to Stats LLC.

But it's clear this will be a quarterback-hungry market. The Redskins will reportedly trade a third-round pick and Kendall Fuller, one of the game's most promising young cornerbacks, to the Chiefs to get a 33-year-old Alex Smith.

And it's only getting hotter. Jimmy Garoppolo and the 49ers reportedly agreed to a five-year deal that would make him the game's highest-paid player. Kirk Cousins is set to become a free agent and could shatter the record for the game's richest contract.

That's not because he's the best quarterback ever, but for the simple fact that high-quality QBs in their prime so rarely become available. Foles, like Cousins, is 29. If the Eagles wait to see which teams miss out on the Cousins sweepstakes, they might find a team desperate enough to pay big.

Early Monday morning, Foles didn't sound too concerned about all of this. He had just won the Super Bowl. "I'm not really worried about my future right now," he said.

There were more immediate items on the agenda. Like the giant parade Thursday where hordes of fans lined Philly streets to see one person more than anyone else: Foles.

OPINION

Who Is Christopher Steele?



POTOMAC WATCH
By Kimberley A. Strassel

America has been inundated by the words dossier, memo, collusion, FISA, Carter Page. They all come back to the actions of one man: Christopher Steele. Which is why the only news that matters this week is that the former British spy's credibility has been dismantled.

To the extent the U.S. press has focused on Mr. Steele, it has been to portray him in heroic epic style. A Washington Post profile told how Mr. Steele, a former MI6 agent who left in 2009 to start his own firm, felt "professional obligations" to take his dossier to the Federal Bureau of Investigation. That's how "worried" and "rattled" and "alarmed" he was about the Trump-Kremlin "plot." The FBI welcomed this "well-trusted" source, who had provided information in the past, as a "peer"—only later to let our hero down.

This is the narrative put forward by Mr. Steele and his paymaster, Fusion GPS. They and their press friends have an obvious interest in propagating it. But the new facts about Mr. Steele's behavior destroy this tale, and show how badly the FBI got snookered.

To be sure, the FBI should have known better. Even if Mr. Steele had previously been helpful, the bureau had every reason to be wary in 2016.

This wasn't like prior collaborations. He was coming to the FBI as a paid political operative, hired by Fusion, as a subcontractor for Hillary Clinton's campaign. Opposition researchers are not retained to present considered judgment. They are retained to slime an opponent and benefit a client.

The FBI also had reason to view his research with skepticism—on grounds of its tabloid-like allegations, and also on the near-fantastical claim of skill that underlay it. To wit, that a man who had been out of official spy rings for seven years was nonetheless able, in a matter of weeks and with just a few calls from London, where he lives, to unravel an international conspiracy that had eluded the CIA, FBI, MI6 and every other Western intelligence agency, all of which have access to the globe's most sophisticated surveillance tools.

But rather than proceed with caution, the FBI swallowed the whole package. According to Sen. Chuck Grassley's declassified criminal referral, former Director James Comey testified that the bureau couldn't meaningfully corroborate the dossier, but used it in Foreign Intelligence Surveillance Court proceedings anyway because Mr. Steele had previously provided "reliable" information.

Mr. Steele and Fusion GPS's Glenn Simpson immediately proceeded to use the bureau to advance their client's interests. They went to the press

with a stream of briefings about the FBI investigation into the Trump campaign. Thanks to the FBI, Mr. Steele didn't have to present the media with crazy-sounding opposition research about sexual perversion; he got to point to a full-on government investigation.

The resulting stories were awesome for the Clinton campaign—but not so much for the FBI, since the Fusion crew had publicly tipped off the targets of its probe.

The man who revealed a vast international conspiracy but didn't know his own client.

There is no excusing these actions. The FBI had expressly told Mr. Steele not to speak to anybody outside the bureau about the dossier. And Mr. Steele failed to disclose these briefings, or perhaps lied about them, since the FBI assured the FISA court that he was not talking to the press.

Mr. Simpson has claimed he never told Mr. Steele that Fusion was working for Mrs. Clinton, and maybe the ex-spy didn't know. Though this requires us to believe that the man who unraveled an international conspiracy could not discover the identity of his own ultimate paymaster—or didn't care. Our super sleuth also didn't bat an eye over sucking up information from

two notorious Clinton political operators, Sidney Blumenthal and Cody Shearer. Either Mr. Steele knew and actively worked to help the Clinton campaign, or he didn't and was nonetheless willing to undercut the FBI at Mr. Simpson's behest.

Some Steele supporters have suggested that the motive for his press briefings was his worry that the FBI was not taking his claims seriously enough. Yet by Mr. Simpson's own sworn testimony, that disillusion didn't hit until a few days before the election, when the FBI reopened its probe into Mrs. Clinton's negligent handling of classified emails. At the time of his September and October press blabbings, Mr. Steele was still working with the FBI and even talking to the bureau about a financial arrangement.

Is a reliable and credible source one who defies FBI orders, meets with the press, undercuts a probe, and lies about it? Is a professional someone who refuses to answer questions from congressional investigators, but is happy to spin a tale to friendly journalists?

Watch for the House Democrats, in their memo, to continue defending Mr. Steele despite all this. They have to. No credible Steele, no credible dossier. And no credible dossier means even more reason to worry that the FISA court and surveillance authority were abused in the election.

Write to kim@wsj.com.

Who Made Xi Jinping Pope?

HOUSES OF WORSHIP
By Mark Simon

Ever since the red flag rose over China in 1949, Roman Catholics there have suffered because of their fidelity to the pope in Rome. Now the Holy Father himself has become a source of tribulation. In its eagerness to reach a deal with China, the Vatican is elevating the persecutors over the persecuted.

Xi Jinping, an atheist and hard-line communist, became leader of China in 2012. The Chinese government has since stepped up its violations of human rights, including religious freedom. This is no accident. In 2016 President Xi declared that all party members should be "firm Marxist atheists and never find any of their beliefs in any religion." The following year, in a speech that emphasized the dominance of the Communist Party over all Chinese life, he said the government would work to "Sinicize" religion—a euphemism for total control over the faith.

Against this backdrop, for some reason Pope Francis and his Vatican diplomatic corps think now is a good time to deal with Beijing. Given Mr. Xi's view that religion is often a cover for anti-regime activities, it is hard to see him accommodating anything other than total surrender. Fortunately for Mr. Xi, Pope Francis is on the other side of the table.

This appalls Cardinal Joseph Zen, who was born in Shanghai in 1932 and was bishop of Hong Kong from 2002-09. He has plenty of firsthand experience tussling with Chinese communists. He has negotiated the release of priests and bishops imprisoned in China, while raising funds abroad for the families of the persecuted. He was also under constant surveillance for his role in Hong Kong's democracy movement. Few understand the true nature of a communist regime as well as he does.

Late last year, the cardinal told me of the Vatican's effort to compel two good and faithful bishops to retire to make way for men chosen by Beijing.

"Imagine what the communists

think?" he asked. "They must be laughing at us." Last month Cardinal Zen flew to Rome to make a personal appeal to the pope. He was ignored.

The pope's dealings with similar regimes, notably Cuba and Venezuela, do not inspire confidence. Perhaps he dreams of becoming the first pope to celebrate Mass in Tiananmen Square. That would make for a

A Vatican-China deal is imminent. Millions of Chinese Catholics should be afraid.

powerful image. But the hardliners in Beijing are not naive. They are very conscious of the church's role in communism's fall, especially in Poland.

Because the Vatican wants a deal more than Beijing does, the Holy See has negotiated from a weak position. "If the Holy Father gives up enough, they will take it, but the communists will offer nothing in return," Cardinal Zen says. If there is a deal, it will no doubt be the first of many surrenders. Perhaps the churches in Hong Kong and Taiwan will be next.

Do the pope and his diplomats really think Mr. Xi is merely going through the motions when he imprisons priests and bishops? Consider that China is in the midst of a

military buildup, a multi-trillion-dollar economic expansion across Asia and Africa, and a revival of aggressive communist ideology at home. No one should expect a resurgent China to honor a deal with the Vatican.

The proposed deal also needlessly deepens pre-existing divisions. Catholics in China currently belong to either the Chinese Patriotic Catholic Association—a government-controlled church—or the underground church. The deal requires all underground bishops to join the government church, though not necessarily with their current title, or resign. It also forces all the priests and faithful in the underground church to join the CPCA. Anyone who doesn't comply could face arrest for illegal activity, all while being declared disobedient by the Vatican.

Knowing that the Holy Father was on their side helped millions of Chinese Catholics—including Cardinal Zen—through their darkest days. But now they have to wonder about the Holy See's judgment. Perhaps the only real hope for the Catholic faithful in China is that an aggressive and emboldened Beijing will insist on further capitulations. Maybe that would finally get the pope to walk from a deal.

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are Democrats; Messrs. Ellison and Carson are Muslim.)

The Nation of Islam website documents the event, noting that Mr. Rouhani "hosted the Honorable Minister Louis Farrakhan, Muslim leaders from different Islamic communities and members of the U.S. Congress at a private meeting . . . at the One UN Hotel in Manhattan Sept. 24, 2013 across the street from the UN headquarters." The Final Call, a Nation of Islam publication, added that "Keith Ellison of Minnesota . . . participated in the dialogue" after dinner and includes photos of Messrs. Farrakhan and Ellison at the tables. The Michigan-based Islamic House of Wisdom also reported on the meeting, with additional photos.

According to Mr. Farrakhan, the 2013 meeting was not the last time he and Mr. Ellison were together. After Mr. Ellison renewed his denunciation of Mr. Farrakhan in 2016, Mr. Farrakhan stated in an interview that Reps. Ellison and Carson had visited him in his

Washington hotel suite the preceding summer.

When Mr. Ellison sought the DNC position, he received support from many Jewish leaders and prominent politicians. Senate Minority Leader Chuck Schumer dismissed concerns rather glibly: "I'm not worried about the Israel stuff."

The press secretary for Messrs. Ellison, Carson and Schumer did not answer emails seeking comment. Mr. Meeks' press secretary had no response.

Democratic members of Congress and even Barack Obama have so far gotten a pass for their recently revealed Farrakhan connections. Rep. Danny Davis of Illinois called Mr. Farrakhan an "outstanding human being." Will Mr. Schumer and other prominent Democrats hold their colleagues to account for associating with someone who, as Mr. Ellison admits, sows hatred and division?

Mr. Bier is an accountant and freelance writer.

BOOKSHELF | By David Papineau

Cleaning Out The Competition

Good Sport

By Thomas H. Murray
(Oxford, 195 pages, \$29.95)

The road to the Olympics is a hard one, and not just because of the arduous training that the athletes must endure. For all the hours they spend at the gym, on the track or in the field, the athletes must also go to great lengths to show that they are competing clean. This includes being permanently on call, ready for drug tests who may come around at any time. Being cited for a "whereabouts failure"—among the most common code violations—will earn an athlete a cloud of suspicion along with an official suspension.

The special jeopardies faced by athletes in the Olympics and other venues doesn't stop there. Nearly 10% of all suspensions issued by the U.S. Anti-Doping Agency (Usada) have been for traces of cannabis—hardly the stuff to help gain an edge in sport. Usada explains that it defers on these matters to the World Anti-Doping Agency (WADA), set up in

1999 to "harmonize anti-doping efforts around the world across all sports." Given the many factions that WADA must please, it understandably toes an orthodox line on mood-enhancing drugs. Cocaine is therefore also on the prohibited list, though alcohol and nicotine are not.

Recreational drugs are not the only oddities on the WADA list. Currently athletes are prohibited from blood doping, or extracting their own blood and then transfusing it later to increase their

ability to carry oxygen. Yet it is acceptable for athletes to produce the same effect by sleeping in an artificial low-oxygen chamber. Then there are the "therapeutic use exemptions." Many performance-enhancing drugs have normal medical applications for conditions such as asthma or hormone deficiency. In practice, special permissions are given to athletes with those conditions. But how ill do they need to be, and what dosages can they take?

If anybody can explain WADA's thinking on these matters, it is Thomas H. Murray. A former president of the American Society for Bioethics and Humanities, he was for many years chairman of the Ethical Issues Review Panel at WADA. It cannot be said, however, that he puts WADA's principles on a firm foundation. In "Good Sport: Why Our Games Matter—and How Doping Undermines Them," Mr. Murray is nothing if not spirited in his defense of WADA's regulatory regime. But anybody with doubts about its policies is unlikely to be won over.

Many serious commentators think that antidoping measures in sports do more harm than good. For these skeptics, attempts to make sports fair by stamping out drugs are doomed to fail. Dopers will always stay ahead of the testers, so testing only succeeds in putting the clean athletes at a disadvantage. To level the playing field, these skeptics argue, we would do better to remove all restrictions and leave it to the athletes to decide how to prepare for competition.

A uniform antidoping policy ignores the nuances and temptations of different sports and introduces its own set of contradictions.

As to the worry that athletes would then be forced into a health-destroying arms race of drug abuse, the skeptics respond that most banned drugs pose no real health hazard. For genuinely dangerous drugs, they say, it would be much safer to bring them out into the open and research their effects properly rather than have them dispensed by dodgy doctors.

Mr. Murray gives these ideas a fair hearing but responds that they are missing the point. As he sees it, doping is inconsistent with the very meaning of sport. He places great emphasis on "natural" talent. What we admire in athletes, he says, is the discipline and courage with which they harness their natural abilities. The shortcut of artificial chemicals negates the value of sports. But we need to stretch the idea of naturalness pretty far if it is to include the hi-tech equipment, dietary supplements and intensive training regimes of many "clean" athletes. And what about the elevated levels of testosterone enjoyed by some female athletes, such as the South African middle-distance runner Caster Semenya? Mr. Murray favors the view that they need to be lowered for Ms. Semenya to compete, despite their being a very natural part of her biological makeup.

We can all agree that nobody really admires the feats of competitors who are inflated by steroids or hopped-up on stimulants. We want sports to show us what humans can aspire to achieve. Performance-enhancing drugs should have no part in that. But this is a matter of integrity and dignity rather than of any dubious violation of biological "naturalness."

When it comes to what we admire in sport, not all endeavors are the same. The virtues displayed by a marathon runner are very different from those of a boxer. The doping temptations are different, too. WADA might therefore do better to tailor its prohibitions to the demands of different sports. As things are, a number of sporting organizations, including Major League Baseball and the National Football League, have yet to sign up to the WADA code since they feel it is ill-suited to their needs.

Mr. Murray is second to none in his knowledge of sports doping, and he does an excellent job of exploring the many challenges it raises. He failed to convince me, however, that some uniform notion of unnatural drugs can be applied across the board. A system that is more sensitive to the problems of different sports (and perhaps that lightened up on the recreational drugs) would have a better chance of general acceptance. It might also make the lives of the athletes a little less hard.

Mr. Papineau is a professor of philosophy at King's College London and the City University of New York. He is the author of "Knowing the Score."

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By Jeryl Bier

When Rep. Keith Ellison ran for Democratic National Committee chairman, he faced questions about past associations with the Nation of Islam and Louis Farrakhan. On MSNBC's "Morning Joe" in December 2016, Mr. Ellison angrily accused his critics of a "smear campaign" for "talking about something that happened in 1995," when Mr. Ellison was 32. It turns out Mr. Ellison—who lost his bid but is now the DNC's deputy chairman—wasn't telling the full story.

In September 2013, however, Messrs. Ellison and Farrakhan dined together. The occasion was a visit by Iran's newly elected President Hassan Rouhani to the United Nations. Mr. Rouhani invited Muslim leaders from around the U.S. to dinner after addressing the U.N. General Assembly. Contemporaneous news reports placed Mr. Farrakhan at the dinner. Unreported by mainstream outlets was the presence of Mr. Ellison, along with Reps. Gregory Meeks of New York and Andre Carson of Indiana. (All three

In 2006, during his first run for Congress from Minnesota, Mr. Ellison conceded he had worked with the Nation of Islam for 18 months before the October 1995 Million Man March. In a letter, he assured Jewish groups: "I reject and condemn the anti-Semitic statements and actions of the Nation of Islam [and] Louis Farrakhan."

A decade later, during the DNC leadership contest, he

OPINION

REVIEW & OUTLOOK

Distorted Campus Assault Math

Forty-one percent of Tulane's undergraduate women have been sexually assaulted since arriving on campus, the university reported last month. That's a shocking statistic, but is it true? The number is worth breaking down because Congress may soon require all colleges to use similar surveys to inform their practices.

One problem is how broadly Tulane defines sexual assault. The school goes beyond rape or attempted rape to include any form of unwanted sexual contact, including a stolen kiss or hug. The latter may be unwelcome but are they assault? This definition helps explain why nearly 38% of female undergraduates and 16% of males said they'd been victims of unwanted sexual contact. The statistics for rape or attempted rape are lower, but the 41% can't be easily broken down because some students reported more than one form of assault.

Other questions are subject to questionable interpretation. Students were asked if they agreed with the statements, "I don't think sexual violence is a problem at Tulane" and "there isn't much need for me to think about sexual violence while at college." Disagreement indicates that sexual violence is a pressing issue. But students who agree risk being seen as ignorant or uncaring, which some campuses and activists say is evidence of a "rape culture."

Self-selection almost certainly occurred to some extent. Tulane highlights its large pool of 4,500 respondents. But the university boosted participation by offering "incentives for Greek organizations, residence halls, and graduate/professional schools" to recruit members to take the survey. Tulane's Institutional Research Board approved these incentives, but we wonder if the groups urging students to participate may have also influenced answers.

Other survey elements are so subjective they raise more questions than they answer. Among students who said they were sexually assaulted, 73.5% of undergraduate women and

A survey claims 41% of Tulane women have been sexually assaulted.

86.7% of men said they were incapacitated by alcohol, not force. Tulane never defined how many drinks render someone incapable of consent, leaving that to the discretion of students.

But that's a hotly debated question on campus and off, and some of the standards have been extreme. U.S. military sexual-assault prevention training sessions recently claimed "one drink means you can't consent." The U.S. Navy-Marine Corps Court of Criminal Appeals said in 2016 that this standard was a "legally-inaccurate proposition."

The Tulane results matter because such flawed "campus-climate surveys" could soon become mandatory across the country. The House of Representatives will soon consider legislation to reauthorize the Higher Education Act, and it is likely to include direction on how universities should respond to sexual assault. More legal clarity is overdue, and several proposed changes would reinforce due-process rights while supporting victims.

But the bill that cleared the House Education and Workforce Committee in December would also require administrators to conduct campus-climate surveys on sexual assault every three years. The Education Department could offer a sample survey with strong methodology, but universities would be under no obligation to use it. If federal lawmakers fail to require rigorous standards for these surveys, universities could create sexual-assault policies based on false assumptions and faulty data.

That doesn't help women. Last May Stanford student Rhea Karuturi described how female students suffered from "rape anxiety"—the perception that "when you're walking, when you're going somewhere new, whatever—that there is a danger you could get raped."

Increasingly, campus-climate surveys tell women they're in perpetual danger, though federal crime statistics suggest they're safer from sexual assault in college than off campus. If the goal is to protect women, this is the wrong way to do it.

Scott Walker's Subsidy Blowback

Wisconsin Gov. Scott Walker thought he had a big political and economic winner last year when he promised Foxconn nearly \$3 billion in state aid to build a plant in Racine to make its LCD computer screens. That's a lot of money for one employer, and it may soon cost taxpayers even more as politicians bid up corporate subsidies.

Kimberly-Clark announced last week that it plans to close two paper factories in the Fox River Valley that employ 600 workers. The region's third largest employer is undertaking a global restructuring and plans to shed 5,000 jobs worldwide.

Enter Mr. Walker, who doesn't want to be perceived as doing nothing for Kimberly-Clark workers as he runs for re-election. His Democratic challengers have attacked the deal for Foxconn, which is based in Taiwan and is a major Apple supplier, and you can see why. The state Legislative Fiscal Bureau has projected that the state won't recoup its investment until 2043 even if the manufacturer creates a promised 13,000 jobs and local employers add another 22,000.

And now local politicians and state legislators are demanding that the Governor provide equally generous treatment to Kimberly-Clark. "Surely, if we can muster \$3 billion for a foreign company like Foxconn, we can spare a fraction for a Wisconsin industry," Outagamie County Executive Thomas Nelson, a Democrat, said this week.

After his Foxconn deal, the line for corporate handouts is growing.

Mr. Walker has suggested beefing up tax credits for employers who promise to retain jobs in the state, but this is a no-win game. Ask former Illinois Gov. Pat Quinn,

who spent hundreds of millions to prevent Sears and the Chicago Mercantile Exchange from leaving his state. This spurred other companies to issue exit threats, and now

Sears is cutting hundreds of jobs at its Chicago corporate headquarters anyway.

Governor Dannel Malloy has also had to throw money at companies to stay in Connecticut after his many tax increases, to little avail as jobs keep fleeing the state.

No one wants to lose a job, but Kimberly-Clark workers will benefit from a strong labor market. The unemployment rate is 3% in Wisconsin and 2.4% in Winnebago County where one Kimberly-Clark plant is located. Employers across the state gripe about a labor shortage. Mr. Walker this week even proposed a \$7 million marketing campaign to attract workers to the Badger State.

If Mr. Walker wants to make Wisconsin more attractive to employers and workers without subsidies, he could seek to lower the state's business and income taxes. Wisconsin's 7.9% corporate tax rate is higher than both Michigan's (6%) and Indiana's (6%). Its top individual income tax rate (7.65%) is the highest in the Great Lakes region. Cutting those rates would benefit all workers, not merely those who happen to be politically favored.

Testing Trump's Chemical Red Line

President Trump sent a powerful early message of U.S. resolve last year when he bombed a Syrian air base after the Assad regime used sarin gas against civilians. He may need to send another because Syria has been testing his red line with multiple uses of chlorine gas in recent weeks.

The State Department said this week that the United States is "gravely alarmed" by reports that the Syrian government has launched six chemical attacks against civilians over the past 30 days. Assad has dropped chlorine gas on his political opponents for years, but who's going to stop him?

In August 2012 Barack Obama warned of "enormous consequences" if Assad used chemical weapons, dubbing it a "red line." The next year the dictator killed more than 1,400 people with sarin gas. Mr. Obama responded by signing a deal with Russia to seize Damascus's chemical arsenal. Chlorine wasn't included, and U.S. intelligence concluded Assad had retained some chemical stockpiles.

Sure enough, the regime used sarin gas against civilians again last April, killing at least 85 people. Mr. Trump explained his missile launch in response as "in the vital national security interest of the United States to prevent and deter the spread and use of deadly chemical weapons."

But lately the Administration has turned, almost Obama-like, to pleading with Russia to

Assad uses gas against civilians, and the U.S. begs Moscow for help.

make Assad stop his latest assaults. Secretary of State Rex Tillerson devoted a speech in January to the theme, noting that Moscow "pressed for, negotiated and agreed" to a September 2013 deal to destroy Syria's "entire chemical weapons stockpile," and supported a 2015 United Nations Security Council resolution to hold chemical weapons users "to account." Foggy Bottom repeated those pleadings on Monday and again on Thursday.

Good luck with that. Last year Russia blocked the renewal of the U.N. panel that was established to investigate Syria's chemical weapons. Russia now denies that Assad is using chlorine gas, and the U.N. panel isn't around to document the truth.

Moscow also hasn't fulfilled a single agreement it has made with Mr. Trump. The Kremlin has failed to enforce a "deconfliction" zone in southwestern Syria as it promised to do as part of a 2017 U.S.-Russia agreement, and it is trying to negotiate its own settlement to the civil war outside of the U.N. process in Geneva it previously agreed to use. Moscow wants to keep Assad in power, maintain bases in Syria from which to threaten NATO, and thwart U.S. goals in the Middle East.

Meanwhile, in a statement that echoes of Mr. Obama's hashtag outrage, the State Department said Monday that "the people of Syria are suffering; the rest of the world is watching." And doing nothing.

LETTERS TO THE EDITOR

Bezos and Partners Offer a Health-Care Reset

In your editorial advice to Amazon, J.P. Morgan and Berkshire Hathaway ("Welcome to the Health-Care Jungle," Feb. 1), you say: "Go much bigger." Here's how they might go very big: Use the newly proposed rules for association health plans (AHPs). Of course the AHP rules could be an invitation for stripping away coverage (e.g., maternity, mental health). But the rules might also be an opportunity to disrupt pricing. It is an article of faith in American health policy that "it's the prices" that add to our overall health expenses and differentiates us from other advanced societies. Not higher utilization, not lower quality, but higher prices. But why are the prices so high?

The average physician's office will net 50 cents on the insurance dollar. Direct contracting between the new venture and doctors could knock out one-quarter of the doctor's expense without compromise to patient care. Monopoly pricing by larger health systems is a big source of unnecessary cost. "Reference pricing" is the fix, a Dutch auction for the sale of hospital care. Pharmacy-benefit managers would be a target, as would every other rent-seeker.

The Employee Retirement Income Security Act of 1974 freed large-employer benefit plans from the dictates of what were then increasingly expensive

sive state mandates. AHPs may be the new tool for restructuring benefits for smaller businesses. The Labor Department has identified 44 million people who might be eligible to participate in AHPs. And we know that Amazon can sell.

FRED HYDE, M.D., J.D., M.B.A.
Ridgefield, Conn.

The greatest contribution that the Bezos disrupter group could make would be to structure a system that builds in full price transparency for all to see, forces all providers to compete, forces patients to make economic decisions and aggressively pushes government to outlaw contracts (private or other) that curtail providers' ability to compete on price, regardless of what government pays for the same services.

The new initiative is no different than the history of what became the Kaiser Permanente system that Henry Kaiser started in 1933 to serve his construction workers. That system is now a large effective provider, but it has not solved the problem of prices or access. This new corporation won't solve it either if it doesn't address the big issues of universal access and rationing.

EM. DEAN ROBERT E. MITTELSTAEDT JR.
Arizona State University
Tempe, Ariz.

The IRS Political Campaign Was Successful

Regarding Lori Lowenthal Marcus's "The IRS Campaign Against Israel—and Us" (op-ed, Feb. 2): In 2013 the IRS admitted to targeting political groups applying for tax-exempt status for intensive scrutiny based on their names or political themes. This led to a FBI criminal probe ordered by Attorney General Eric Holder. In January 2014 FBI Director James Comey told Fox News that its investigation had found no evidence so far warranting the filing of federal criminal charges in connection with the controversy, as it had not found any evidence of "enemy hunting."

On Oct. 23, 2015, the Justice Department declared that it had uncovered "substantial evidence of mismanagement, poor judgment and institutional inertia" but "found no evidence that any IRS official acted based on political, discriminatory, corrupt, or other inappropriate motives that would support a criminal prosecution."

Fast forward to October 2017: The Trump administration agreed to settle a lawsuit filed on behalf of more than 400 conservative nonprofit groups which claimed they had been discriminated against by the IRS. The settlement includes an apology from the IRS and a monetary portion characterized by an attorney for the plain-

tiffs as "very substantial."

The FBI did not look too closely into other instances of the IRS targeting other types of organizations. The *Z Street v. IRS* suit had been initiated in 2010 and was still active in 2015, so it was on the radar and any competent investigator would have found it. All of the above sounds like politicizing nonelected public service agencies to further partisan ideological goals.

Unfortunately, the IRS targeting of conservative groups, denying them tax-exempt status or delaying that status until they could no longer take effective part in the 2012 election achieved its goal.

ROBERT PUMPELLY
Iwins, Utah

Contriving excuses, such as that *Z Street* had to be denied its 501(c)(3) certificate because it might be "funding terror" and "supporting Jewish activity over the Green Line," was clearly discriminatory and prejudiced. The fact that organizations actually involved in giving donations indirectly to Hamas were granted 501(c)(3) status underscored the bias of the Obama administration.

HELEN FREEDMAN
Co-Executive Director
Americans for a Safe Israel
New York

License Portability Will Hurt in Some States

Lawmakers on both sides of the aisle recognize that occupational licensing laws block Americans' right to earn an honest living. But recent proposed reforms aimed at increasing license portability through interstate agreements won't solve that problem and may even make it worse ("Why Do You Need a College Degree to Give Diet Advice?" by Shoshana Weissmann and C. Jarrett Dieterle, op-ed, Feb. 1). These proposals will leave behind those working in states where their occupation is unlicensed. License portability is no help to a florist who moves from Texas to Louisiana or an

interior designer who moves from New York to Florida because they have no license to bring with them. These proposals also risk cementing unwarranted licenses in place or, even worse, encouraging states to needlessly raise requirements in an effort to reach agreement or join a compact.

Rather than working to make licenses more portable, we should focus on rolling back unnecessary licenses. Dozens of occupations are licensed in fewer than 50 states, and all are potential targets for elimination. That would be a real victory for worker mobility and economic liberty.

PAUL SHERMAN
Institute for Justice
Arlington, Va.

How Colleges Can Improve The Application Process

Having gone through two back-to-back rounds of college applications with my kids, I would love to advise admissions officers on ways they can make things easier on themselves ("Top Colleges Speed Read Applications," U.S. News, Feb. 1).

Cut the counselor recommendations. At most high schools, counselors see students once or twice each year, and they don't know students individually. Our high school asked each senior to write a "brag sheet" and have a parent submit a letter so the counselors would know what to write about. Colleges won't find personal impressions of students in those recommendations. Teacher recommendations are where a student can really shine.

Ask fewer essay questions. Some colleges requested as many as four essays, along with the Common App essay. If colleges made better use of the Common App information, they could cut a lot of their own time.

MELANIE PRIERER

Agoura Hills, Calif.

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Pepper ... And Salt

THE WALL STREET JOURNAL



OPINION

A War on the Rich Won't Help the Poor

By David R. Henderson

The antipoverty charity Oxfam recently published a 76-page report, "Reward Work, Not Wealth," that advocates taxing the rich to reduce inequality and help the poor. But the report's conclusions contradict its empirical findings.

Early in the document, the authors write: "Between 1990 and 2010, the number of people living in extreme poverty (i.e. on less than \$1.90 a day) halved, and has continued to decline since then." A few sentences later, they add: "Unless we close the gap between rich and poor, we will miss the goal of eliminating

Oxfam notes that poverty has declined sharply, then ignores the quickest way to reduce it even more.

extreme poverty by a wide margin." It's a curious assertion, given that the authors just acknowledged 20 years of enormous progress, despite persistent inequality.

There are two ways to close the gap. The first is to concentrate on making the poor better off. Mostly that has happened, thanks to liberalized international trade and reduced costs for shipping goods. Just as Walmart and Amazon have cut costs for Americans, the introduction of container shipping crushed transportation costs for the world. The second way to reduce inequality is to make the rich worse off. Any guess which method Oxfam's report emphasizes? "Governments should

use regulation and taxation to radically reduce levels of extreme wealth," the authors conclude.

Which taxes, specifically, should be raised? Those that "are disproportionately paid by the very rich, such as wealth, property, inheritance and capital gains taxes." The report calls for increased taxes on high incomes, as well as "a global wealth tax on billionaires."

In a relatively free economy, the main way to get wealthy is to produce something that people value. This has been a basic economic insight at least since Adam Smith's "The Wealth of Nations," published in 1776. But it's missing from the Oxfam report. The document's title, "Reward Work, Not Wealth," is strange: Wealth is one of the main rewards for productive work. High taxes on wealth and the wealthy reduce the incentive to produce.

The Oxfam authors, to their credit, do criticize government-made monopolies. They note that crony capitalist Carlos Slim is the world's sixth-richest man because the Mexican government gave him total control over the telecommunications industry. But then the report fails to draw the obvious conclusion: It's a mistake to give the government enough power over economic life that it can create monopolies.

Although the report doesn't use the phrase, what it effectively advocates is the creation of a tax cartel.



would mean an extra \$200. But for a family in the U.S. making \$50,000, it would equate to \$500. In other words, income inequality would increase, even though wages grew 10 times as fast for the poor family.

Finally, the Oxfam report mentions nothing about what would be the quickest way to reduce world-wide economic inequality: let people emigrate from poor countries to rich ones. Michael Clemens, an economist at the Center for Global Development, has written that wealthy nations' tight restrictions on immigration leave "trillion-dollar bills on the sidewalk." Allowing people to move to jobs in which their productivity would soon multiply by fivefold or more would make everyone better off.

Oxfam started honorably during World War II as a group of Quakers, social activists and academics at Oxford who wanted freer trade. Specifically, Oxfam wanted the British government to allow food to reach the citizens of Nazi-occupied Greece. That was a long time ago. Today Oxfam's annual budget exceeds \$1 billion, and it gets almost half of that from governments and the United Nations. So maybe it's time for a new name. Ogov has a nice ring to it.

Mr. Henderson, a research fellow with the Hoover Institution, is editor of the Concise Encyclopedia of Economics.

Since capital is extremely mobile and will go where it is lightly taxed—witness the corporate “inversions” of American companies—the report suggests “a new generation of international tax reforms.” Negotiating tax rates would take place under the aegis of “a new global tax body that ensures all countries participate on an equal footing.”

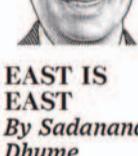
The report also compares the income of the poor with the wealth of the rich. For instance: “Between 2006 and 2015, ordinary workers saw their incomes rise by an average of just 2% a year, while billionaire wealth rose by nearly 13% a year.” But it’s a false comparison:

one person’s paycheck versus another’s net worth.

To get the story right, you need to compare income for both groups. Two economists, Tomas Hellebrandt and Paolo Mauro, studied this and concluded, in a 2015 paper published by the Peterson Institute for International Economics, that global income inequality declined between 2003 and 2013 due to rapid economic growth in poor nations.

This is even more impressive than it sounds, given the math involved. Say that wages in a developing country rose by 10%, and in the U.S. by only 1%. For a family in the poor country earning \$2,000, that

Will the Real Narendra Modi Please Stand Up?

EAST IS EAST
By Sadanand Dhume

Kochi, India Like some sort of ancient deity, Narendra Modi appears to take on different avatars depending on his audience. In Davos last month, the Indian prime minister defended globalization and warned against the “power of protectionism.” But the annual budget, unveiled last week, did not suggest the pro-business statesman on display at Davos, but a soak-the-rich protectionist strongman of the sort depressingly familiar in poor countries.

This year’s budget, the last before general elections in 2019, squelches any remaining hopes that Mr. Modi would use his large mandate—India’s first single-party parliamentary majority in 30 years—to push long-pending market-friendly reforms such as uniformly lowering corporate taxes and privatizing state-owned banks.

Instead the budget confirms what has already become apparent. Mr. Modi talks a good game on the international stage, but his re-election plans hinge on a combination of grand gestures toward the poor and

traditional Indian squeamishness about anything that may be viewed as favoring the rich.

The budget’s headline promise, dubbed Modicare, will provide government health insurance covering many hospital expenses for 500 million Indians. Though the initial funds allocated for this effort (about \$311 million) appear pitifully meager, the idea mirrors the poorly planned and expensive populism that marked the tenure of the left-of-center Congress Party that ruled India for 10 years until 2014.

No Indian politician can bolster his “pro-poor” credentials without also sticking it to the rich. The budget reintroduced a long-term capital-gains tax scrapped 14 years ago. From now on, investors will have to pay a 10% tax on gains from selling shares held longer than 12 months. This comes on top of a transaction tax that had replaced the capital gains tax. Last Friday—the day after the announcement but before the world-wide correction in equity prices—Bombay’s Sensex stock index fell 2.3%, wiping out \$70 billion of shareholder wealth.

After more than two decades of trade liberalization, India has also taken a protectionist turn. Faced with the failure of Mr. Modi’s “Make in India” program to boost

manufacturing employment, the government has hiked import tariffs to coerce companies to build more mobile phones, auto parts and toys in India. An iPhone X, for instance, will now cost \$1,700 in India, about 94% of an average person’s yearly income.

In Davos, he talked like a free marketer. Back in New Delhi, his budget tells a different story.

According to Devashish Mitra, a professor of economics at Syracuse University, these tariffs—along with an earlier round of tariff hikes on electronics in December—echo the failed protectionist policies of the past. They ensured that Indians paid high prices for shoddy goods, and created a business culture in which many firms cared more about manipulating duties than satisfying customers. Mr. Mitra says that instead of raising tariffs India should have emulated China by reforming labor laws and maintaining a low-tariff regime on intermediate goods to attract export-oriented global manufacturing firms.

The approach to corporate taxes reflects India’s inability to outgrow its long-standing suspicion of big business. In his budget speech three years ago, Finance Minister Arun Jaitley promised to make India more competitive by lowering corporate taxes to 25% from 30% by 2019.

This year he said the lower tax rate would apply to companies with sales of less than 2.5 billion rupees (\$39 million), five times the 500 million rupee threshold applied last year. This excludes the 7,000 largest firms, which account for a large chunk of taxes and have the best shot at competing globally.

Nor has Mr. Jaitley kept his promise of reigning in the fiscal deficit. According to a law passed in 2003, the federal government was committed to limit the fiscal deficit to 3% of gross domestic product by 2009. After relaxing his target for the third time in five years, Mr. Jaitley pushed that deadline to 2021. But if India can’t meet its commitments with the economy estimated to grow 6.5% next year, the odds of its suddenly developing the political will to rein in profligacy three years from now appear slim.

Privatization is another missed opportunity. In almost four years,

the Modi government has failed to sell a single state-owned enterprise, though it has invited bids for the money-losing state-owned carrier Air India.

In his budget speech, Mr. Jaitley boasted of beating this year’s target for disinvestment, the Indian term for selling stakes in state-owned firms. This reflects accounting sleight-of-hand rather than a commitment to getting government out of business. For instance, it includes state-owned Oil and Natural Gas Corp.’s purchase earlier this year of a 51% stake in state-owned Hindustan Petroleum Corp. for \$5.8 billion.

Some analysts argue that the budget could have been worse. At least on paper, Mr. Jaitley relaxed the fiscal deficit target for next year only modestly. Notwithstanding Modicare, the government has not announced anything as populist as the Congress Party’s \$17 billion 2008 loan waiver for farmers.

It’s too soon to say whether the government will stick to its revised budget estimates or open the floodgates of populism even wider as elections approach. But one thing is certain: the Davos version of Mr. Modi bears little resemblance to his domestic avatar.

A Country Doctor Can’t Forget His 40 Years of House Calls

By Bob Greene

The relief in their eyes,” said Dr. Charles Kemper. “That’s what I saw when they opened the front door. There was often deep worry in their eyes, too, but the main thing I saw was relief: relief that I had come to their home, that I had arrived. That’s a look that a man never forgets.”

Dr. Kemper, now retired, is 98 years old. He lives in northern Wisconsin, in the town of Chippewa Falls, population 14,000, where he was a single-practice family physician for more than 40 years, from the 1940s into the 1980s.

We were talking about house calls. I wanted to speak with him

because, with all the current controversy about health care—the fate of the Affordable Care Act; the recent proposal by business-and-financial titans Jeff Bezos, Warren Buffett and Jamie Dimon to upend the economics of medicine; the machinations of the big insurance companies—we sometimes forget that the so-called health-care industry was not always, to America’s families, a confusing and intimidating behemoth. Health care was life-size: a doctor you knew, a doctor who would drive his car to your house if you said you needed him.

“It was never a nuisance,” Dr. Kemper said. The number of doctors who remember when house calls were common is shrinking fast; Dr. Kemper

told me that, for him, it was not a once-in-a-while thing, but a basic part of his medical practice. When his patients were very sick, he went to them instead of asking them to get out of bed and come to him. “You could tell in a glance, when you arrived at a home, how serious the situation was,” he said. “And then my attitude was: time to get to work. Let’s get you the help you need.”

He is dismissive of the term “health-care provider”: “I saw myself as a country doctor,” he said. He is mightily impressed by the technology available to physicians today, the myriad medical specialties and advances. He knows that the days of routine house calls are never coming back.

But when the phone by his bed would ring in the middle of a cold Wisconsin night, there was no feeling like it: “If someone was calling at 3 a.m., I didn’t have to ask them if it

If someone was calling at 3 a.m., he says, ‘I was out of bed and out of the house within 10 minutes.’

was an emergency. They wouldn’t be calling me if it wasn’t. I was out of bed and out of the house within 10 minutes. I didn’t waste time asking if they thought it could wait until morning. Of course it couldn’t. They needed me there, and they needed me now.”

The reward? “Every day, still, when I’m walking around town, people come up to me,” he said. “They thank me. They say, ‘You delivered all of our children, and now I’m a great-grandparent.’ There were so many patients over the years that, I have to admit, sometimes I don’t recognize them. But they will thank me, and I’ll say, ‘You’re looking good,’ and I don’t know if they realize that they are making my day.”

He still has his doctor’s bag, black and bulky, that he carried into the homes of Chippewa Falls and the surrounding countryside. He believes that just the sight of it calmed his patients. It meant that help had arrived. He keeps the bag in a closet at home: “There’s a stethoscope in it, a blood pressure cuff, an otoscope to look in the ears, a light to look in the throat, some things to measure

blood sugar . . . I had to replace all of those over the years, but the bag itself was sturdy. It made it through my whole career.”

As medical care has become increasingly corporate, he said, “the private practitioners have been swallowed up, and the groups they become part of have strict guidelines about how much time to spend with a patient, and how much to charge.” A doctor getting into his or her car to drive 20 or 30 minutes to an anxious patient’s home? Much too inefficient.

Yet Dr. Kemper said he would not trade those years of house calls for anything. His wife has died; his three children have long since left home. He moved out of the house on Maple Street where they were a family, and now lives in his modest old medical office next door, which he has converted into a residence.

Which may explain the recurring dream he has. “I’ll dream that I have forgotten to see a patient,” he said. “That I’m supposed to be somewhere to help someone, and that they’re waiting for me, and I’ve forgotten. I’ll wake up, and it will take me a few minutes to realize it was just a dream. I suppose that sounds ridiculous.”

I told Dr. Kemper it didn’t sound ridiculous at all. I asked him why he thought it was that he spent all those days and nights—all those years—driving to the homes of the ailing people who were waiting for him.

“That’s why God puts a country doctor on Earth,” he said.

Mr. Greene’s books include “Once Upon a Town: The Miracle of the North Platte Canteen.”

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Investors Shed Long-Term Bonds

Cuts threaten trend of strong demand for corporate debt with lengthier maturities

BY TASOS VOSSOS
AND DANIEL KRUGER

Some investors are reducing their exposure to longer-dated corporate bonds as rising yields expose them to a greater risk of losses.

That could help reverse one of the biggest credit trends of recent years: Companies have been selling bonds with longer maturities, and yield-starved investors have been snapping them up.

Investors shedding long-term debt are worried about

duration, which measures how sensitive a bond's price is to changes in interest rates. It is higher for longer-term bonds because the greater time it takes for investors to get their money back means greater exposure to swings in value. It also is higher for lower-coupon bonds, which provide less cash flow to buffer those swings.

A rule of thumb is that a 1 percentage-point change in interest rates implies a change in the bond's price equal to the duration. A bond with a duration of 10 years will jump 10% if interest rates fall by 1 percentage point and fall 10% if rates rise by the same amount.

And yields have climbed to multiyear highs in recent weeks. The yield on the benchmark 10-year U.S. Treasury note

on Thursday spiked as high as 2.883% in volatile trading, according to FactSet, before settling at 2.851%—near its highest level since January 2014. Several investors and analysts said the gains came after tax cuts and plans for a budget raised concerns that the Treasury would need to borrow more to fund deficits.

Bond auctions this week met with tepid demand, investors said, pushing yields higher still. This month's offerings are the first at the larger sizes the Treasury unveiled last week, and investors are concerned that risks from widening budget deficits will force the government to offer higher yields at future sales to encourage demand.

Bond analysts expect the government will need to in-

crease offering sizes again as soon as May and again later in the year.

Spreads between government and corporate bonds have edged higher in recent days, with the rise in sovereign yields weighing on company bonds and investors paring some exposure to riskier debt.

Yields have been rising at a faster pace for corporate bonds with longer maturities.

"Duration is definitely a major risk, and we've been worried about it for quite some time," said Rachid Semaoune, a credit fund manager at Royal London Asset Management, who currently prefers shorter-dated bonds over longer maturities.

The additional risk taken on by holders of corporate bonds in recent years reflects the ef-

forts of central banks to spur faster growth and inflation by lowering borrowing costs, while encouraging investors to take on more risk. Ultralow rates have helped push investors to seek higher returns in corporate bonds, sending the premium company bonds fetch over government debt to decade lows.

Recently, however, central banks have signaled plans to step back from postcrisis stimulus efforts, and investors in the U.S. have become more concerned that higher wages could lead to faster U.S. inflation. That has prompted speculation that the Federal Reserve could speed up the pace of raising interest rates. That has helped to drive down prices on government bonds and push yields

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Twitter's Profit Marks Milestone

BY GEORGIA WELLS

Twitter Inc. reported its first profitable quarter as a publicly traded company, cutting into expenses while breaking a revenue decline, though challenges remain as the company plans to ramp up spending in 2018.

Twitter, which went public in November 2013, had set a goal of "driving toward" profitability in 2017. In the final three months of the year, it eked out a profit of \$91.1 million, compared with a loss of \$16.7 million a year earlier.

The move into the black came largely from a 28% drop in expenses in the quarter, driven by lower stock-based compensation. Revenue rose 2% to \$731.6 million, ending a three-quarter string of declines, though revenue in the U.S. was down 8%. Revenue generated from advertising was up 1%.

Investors welcomed the news, sending Twitter's shares up 18% in morning trading. The stock finished up 12% at \$30.18, its highest close in more than two years, despite a broad market sell-off that weighed on other tech companies.

Wall Street earlier this week also cheered a surprisingly strong performance from **Snap** Inc., which managed to accelerate quarterly sales and user growth for its first time since going public in March 2017. The two social-media companies' fledgling momentum came at the same time **Facebook** Inc. and **Alphabet** Inc.—two veterans that command about 65% of digital ad dollars in the U.S., according to eMarketer—served up rare disappointments on Wall Street.

"Twitter has done a very nice job getting their costs in line with their revenue outlook," said Michael Nathanson, senior research analyst at research firm MoffettNathanson.

On a call with analysts, Chief Executive Jack Dorsey cautioned that Twitter plans to invest in its product and its sales team in 2018, a move the company said would cause expenses to more closely align with revenue and restrain growth in margins after years of improvement.

The investments are partly aimed at clamping down harder on abusive activity, by shedding spam and other ac-

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INSIDE



BOEING SEEKS PARTS MAKER TO CUT COSTS

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OIL PRICES SLIDE ON RISING OUTPUT

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BRENDAN McDERMID/REUTERS

Many suppliers will see an increase from the average \$25,000 fee they paid to be featured in stores' most-visible, high-traffic areas.

At Whole Foods, Suppliers Pay More

BY HEATHER HADDON
AND SARAH NASSAUER

Whole Foods Market Inc., which cut prices last year to make it cheaper to shop there, now is making it more expensive for suppliers to get their products onto shelves.

The supermarket chain owned by **Amazon.com** Inc. is asking suppliers of all sizes to pay new rates for prime shelf space as it tries to boost profits and better organize the exploding number of natural and organic products hitting the market.

Many suppliers will see an increase from the average

\$25,000 fee companies were paying to be featured in the stores' most-visible, high-traffic areas. Additionally, Whole Foods is pitching its biggest suppliers on a promotion costing up to \$300,000 for several weeks of prime shelf space along with souped-up marketing, executives said.

The chain also is asking suppliers to offer bigger discounts on their products to earn the space. A high-visibility nationwide promotion at Whole Foods now often requires companies to cut product prices by at least 25%. Previously, large suppliers could more often do regional promo-

tions that didn't require prices to be cut so sharply.

Whole Foods officials had been plotting the changes and set the early stages in motion before the chain's acquisition by Amazon in August, but technology is helping to drive them. Whole Foods last updated its rates for prime space nine years ago, officials at the retailer said, and its promotional fees were a bargain compared with competitors'. Whole Foods now gets guidance on prices and sales trends from Nielsen data, which competitors have mined for years.

The natural-food chain de-

veloped its cachet by carrying the newest, niche brands without being able to pinpoint whether they drove sales. During special promotions, though, sometimes stores in an entire geographic region wouldn't stock special displays or discount promoted items, Whole Foods executives and many manufacturers said.

"That's what suppliers used to be very frustrated with, and rightly so," said Jamie Brent, senior director of sales for Whole Foods at **Hain Celestial Group**, whose brands—including Arrowhead Mills and Terra Chips—face new competition from natu-

Please see **SUPPLY** page B2

Starboard Aims to Oust Newell Board

BY SHARON TERLEP
AND DAVID BENOIT

An activist investor is launching a proxy fight to oust the entire board and chief executive of **Newell Brands** Inc., a conglomerate that makes everything from Elmer's glue to Mr. Coffee machines.

Starboard Value LP is aligning with three former executives of Jarden Corp., which Newell bought less than two years ago in a \$15 billion deal, in its campaign to change course at the company, according to people familiar with the matter.

Unhappy about how the sprawling collection of consumer brands has been run since the 2016 deal, former Jarden management wants to replace Chief Executive Officer Michael Polk and run the business, the people said. Starboard and its allies hold a stake of just under 5% in Newell, the people said. The fund has been the most aggressive activist investor in seeking to remove whole

boards and has had success doing so.

Martin Franklin, Jarden's former chairman, resigned his position as a Newell director last month after attempting unsuccessfully to take control of the board and reverse initiatives put in place by Mr. Polk, *The Wall Street Journal* reported last week. Mr. Franklin, former Jarden

the two companies, according to people familiar with the matter.

The merger put Mr. Coffee machines, Rawlings gloves and Coleman camping gear under the same corporate roof as Elmer's glue, Rubbermaid containers and Graco strollers, according to people familiar with the matter.

Newell declined to comment. Last week, the company said, "With the support of the board, we are focused on the acceleration of our transformation plan and successfully strengthening Newell's leadership position in a rapidly changing marketplace."

The company, its share price down about 40% from a year ago, said last month that it would unload brands and shed half its factories in a bid to improve profitability. It has a market value of nearly \$14 billion.

The activists argue that Mr. Polk and Newell's board made critical missteps in integrating



TY WRIGHT/BLOOMBERG NEWS

The activists are unhappy about how Newell runs its brands.

Steamrolled

Betting against volatility is often likened to picking up pennies in front of a steamroller. The XIV exchange-traded note was crushed this week.

VelocityShares Daily Inverse VIX Short Term ETN



Source: Thomson Reuters Datastream

THE WALL STREET JOURNAL

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SUPPLY

Continued from the prior page
ral and organic upstarts.

Now, Whole Foods executives say, they are adopting a suite of retailing tactics meant to enhance profitability, including centralized purchasing decisions, tighter control over inventory and working with a national contractor to do in-store sampling and demonstrations.

According to a letter Whole Foods sent to some suppliers in December, vendors selling an annual \$300,000 in products in stores will be required to pay a fee each time their products are reorganized on shelves or added to new stores, starting in April. Grocery suppliers will pay a fee of 3% of the cost of goods delivered, and beauty suppliers will pay 5%.

Whole Foods has hired an outside company to stock shelves "to provide a much more effective result," the letter said. "To successfully run this program, we need your financial support."

Whole Foods began the various efforts two years ago after its sales slumped and accelerated them amid pressure from activist investors last year. The



Kitchen28 is pitching its pecans to other retailers as Whole Foods sets new rates for prime shelf space.

grocer also faces growing competition. Conventional supermarkets' sales of natural and organic products have outpaced growth at natural-food stores for more than two years, according to specialty retail data firm SPINS Inc.

Amazon, which bought

Whole Foods last summer, expects the operational changes to continue, according to Whole Foods executives. An Amazon spokeswoman didn't reply to a request for comment.

Some suppliers said the changes were rushed and con-

fusing and have made it harder for upstart brands to get space.

"Our dreams of going national are going to be far more difficult," said Alberta Pate, manager of Kitchen28 LLC, a Holden, La., producer of glazed pecans. She said the company

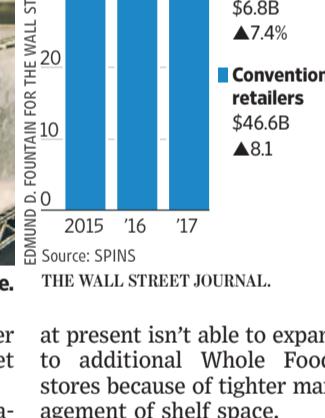
is set forth in the full notice of call available on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section).

This extract is published in the daily newspapers "Il Sole 24 Ore", "La Stampa", "Corriere della Sera", "Financial Times" and "The Wall Street Journal".

Sprouting Up

Sales of natural and organic products are growing faster at conventional retailers than at 'natural' food and gourmet markets.

U.S. natural/organic sales by type of retailer



Source: SPINS

EDWARD D. FOUNTAIN FOR THE WALL STREET JOURNAL

ing their pecans to other gourmet retailers. "We made a mistake in putting all of our eggs in one basket," Ms. Pate said.

Rivals are seeking to capitalize on the adjustment period.

Robert Clark, senior vice president of merchandising for Kroger Co., said: "We definitely don't have a fee menu that would be a barrier to entry." Kroger, the largest U.S. supermarket chain, has been courting niche brands over the past year with a new portal for local suppliers and a series of natural-foods trade fairs. The company doesn't charge shelving fees for small suppliers, Mr. Clark said.

Robert Mock, co-founder of Ocean's Halo seaweed snacks, said the brand is launching an exclusive new line with Walmart Inc. this spring after the retailer took pains to work with him on production and pricing. "Walmart has treated us like a partner," he said.

Whole Foods executives say they haven't seen suppliers defect because of the higher fees and stricter requirements.

"We knew full well that there would be discontent," said Don Clark, Whole Foods' global vice president of nonperishable procurement and a former Target Corp. executive.

News Corp Revenue Gets Lift From Digital Real-Estate Unit

BY LUKAS I. ALPERT

News Corp reported a 3% rise in revenue for the December quarter, led by continued growth in its digital real-estate unit, while weakness in the advertising business weighed on the news and information-services segment.

For the quarter, the company reported a net loss of \$84 million, or 14 cents a share, compared with a loss of \$290 million, or 50 cents a share, in the same period a year earlier, when results were affected by a significant impairment charge and asset write-down.

The latest results were affected by higher tax expenses related to the new U.S. tax law. Excluding the impact of those charges, the company recorded adjusted earnings of 24 cents a share.

The results surpassed estimates from analysts polled by Thomson Reuters, who had forecast adjusted earnings of 19 cents a share on \$2.13 billion in revenue.

News Corp, which publishes The Wall Street Journal, New York Post and major newspapers in the U.K. and Australia, reported revenue of \$2.18 billion for its fiscal second quarter.

Revenue at the news and

information-services business, which accounts for just under two-thirds of the company's top line, was flat compared with the same period the year before at \$1.3 billion.

Advertising revenue for the entire news unit ended the quarter down 6%, while circulation and subscription revenue grew by the same

amount.

The ad results reflected print advertising weakness—with particularly sharp declines at News America Marketing, its newspaper ad-insert and in-store ad business—as well as the decision to end the Journal's international print editions.

The company said the Journal recorded percentage declines in advertising revenue in the midteens, with the closure of the foreign editions contributing 4% of the total slide.

The circulation revenue gains were largely the result of a 10% increase at Dow

Jones, publisher of the Journal, which added 71,000 new digital subscribers in the quarter. At the end of December, the paper had about 1.4 million digital subscribers.

"The bot-infested badlands are hardly a safe space for advertisers, whose brands are being tainted by association with the extreme, the violent and the repulsive," News Corp Chief Executive Robert Thomson said in a statement.

He was referring to risks the brands face when advertising alongside offensive material or on sites and services whose traffic is artificially boosted by computer programs called bots.

"The potential returns for our journalism would be far higher in a less-chaotic, less-debased digital environment," he added.

The digital real-estate business reported a 21% gain in revenue to \$120 million.

Earnings before interest, taxes, depreciation and amortization rose 25% in the division.

Revenue in News Corp's book-publishing segment rose 1% to \$469 million, driven by strong sales of Ree Drummond's "The Pioneer Woman Cooks: Come and Get It!" and David Williams' "Bad Dad," and positive foreign currency fluctuations.

INTESA SANPAOLO

EXTRACT OF THE NOTICE OF CALL OF THE SPECIAL MEETING OF SAVINGS SHAREHOLDERS

(pursuant to Article 125-bis, paragraph 1, of Legislative Decree 58/1998)

The Special Meeting of Savings Shareholders of Intesa Sanpaolo S.p.A. is convened, on single call, at the New Headquarters in Torino, Corso Inghilterra no. 3, at 16:00 on 27 April 2018, and in any case at the end of the Meeting of Ordinary Shareholders convened on the same date at 10:00, to discuss and pass resolution on the following

Agenda:

Approval, pursuant to Article 146, paragraph 1, letter b) of Legislative Decree no. 58 of 24 February 1998, of the resolutions of the Extraordinary Shareholders' Meeting concerning the mandatory conversion of the Company's savings shares into ordinary shares of the same Company, as well as the removal of the indication of the nominal value of the shares from the Articles of Association and the relative amendments to the Articles of Association. Pertinent and consequent resolutions.

Information on the share capital and on:

- participating and casting votes in the Meeting (in this regard, please note that the record date is 18 April 2018),
- participating and casting votes in the Meeting by proxy and through the Appointed Representative (Computershare S.p.A.),
- exercising the right to add items to the agenda, the right to submit new proposals for resolution and the right to ask questions on the items on the agenda,
- exercising the right of withdrawal of the savings shareholders who do not take part in the approval of the resolution,
- the availability of the report on the item on the agenda and the documentation relating to the Meeting,

is set forth in the full notice of call available on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section).

This extract is published in the daily newspapers "Il Sole 24 Ore", "La Stampa", "Corriere della Sera", "Financial Times" and "The Wall Street Journal".

for the Board of Directors
The Chairman - Gian Maria Gros-Pietro

Intesa Sanpaolo S.p.A. Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,731,984,115.92 euro Registration number on the Torino Company Register and Fiscal Code 0079996158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 30692 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund. Parent Company of the "Intesa Sanpaolo" banking group, included in the national register of Banking Groups.

BUSINESS NEWS

Tyson Warns of Price Rise For Meat

By JACOB BUNGE

Tyson Foods Inc.'s chief executive said that rising freight and labor costs will mean higher meat prices for U.S. consumers.

Tyson projected that a nationwide shortage of trucks and drivers will add \$200 million to the meat company's costs this year, while rising wages for slaughterhouse workers will also increase expenses for the biggest U.S. meat processor by sales.

"Freight is a tough one, it's affecting all of our businesses," Chief Executive Tom Hayes said Thursday. "Ultimately, the consumer's going to pay for it at some point."

Tire makers, beer distributors and other companies are struggling with a trucking shortage. The strengthening U.S. economy is driving industrial production higher, so companies are trying to ship more goods. At the same time, bad weather has slowed transport across parts of the U.S. and a new federal safety rule that took effect in December has cut into the availability of roadworthy trucks.

Short-term prices to secure some big rigs have jumped 20% as a result, and long-term shipping contract rates are projected to climb between 5% and 8% this year. Mr. Hayes said it is "critical" that Tyson recover some of those growing costs. Tyson is discussing price increases with grocery-store, restaurant and distributor customers, he said.

Tyson reported a fiscal first-quarter profit of \$1.63 billion, or \$4.40 a share, compared with \$593 million, or \$1.59 a share, a year earlier. The new U.S. tax law contributed to a \$790 million benefit for the quarter, and Tyson said it plans to spend more than \$100 million on one-time cash bonuses for workers this year as a result.

On an adjusted basis, Tyson earned \$1.81 a share, up from \$1.59 for the same period a year earlier. Analysts had expected adjusted earnings of \$1.50 a share. Shares in Tyson rose 54 cents to \$73.92 on Thursday.

Tyson's revenue rose 11% to \$10.23 billion, helped by a 21% increase in sales of prepared foods. Tyson's purchase of sandwich maker Advance-Pierre Foods last year gave a \$325 million lift to the results.

Operating profit in Tyson's pork business fell 39% for the quarter, partly because of the rising cost of hogs.

—Allison Prang contributed to this article.

Boeing Wants to Buy Parts Maker

Aerospace giant aims for Woodward deal to cut costs and avoid supply-chain problems

Boeing Co. is in talks to buy aerospace parts maker **Woodward** Inc., according to people familiar with the matter.

The companies have held talks over the past several months, according to one of

By Dana Mattioli,
Bradley Hope
and Doug Cameron

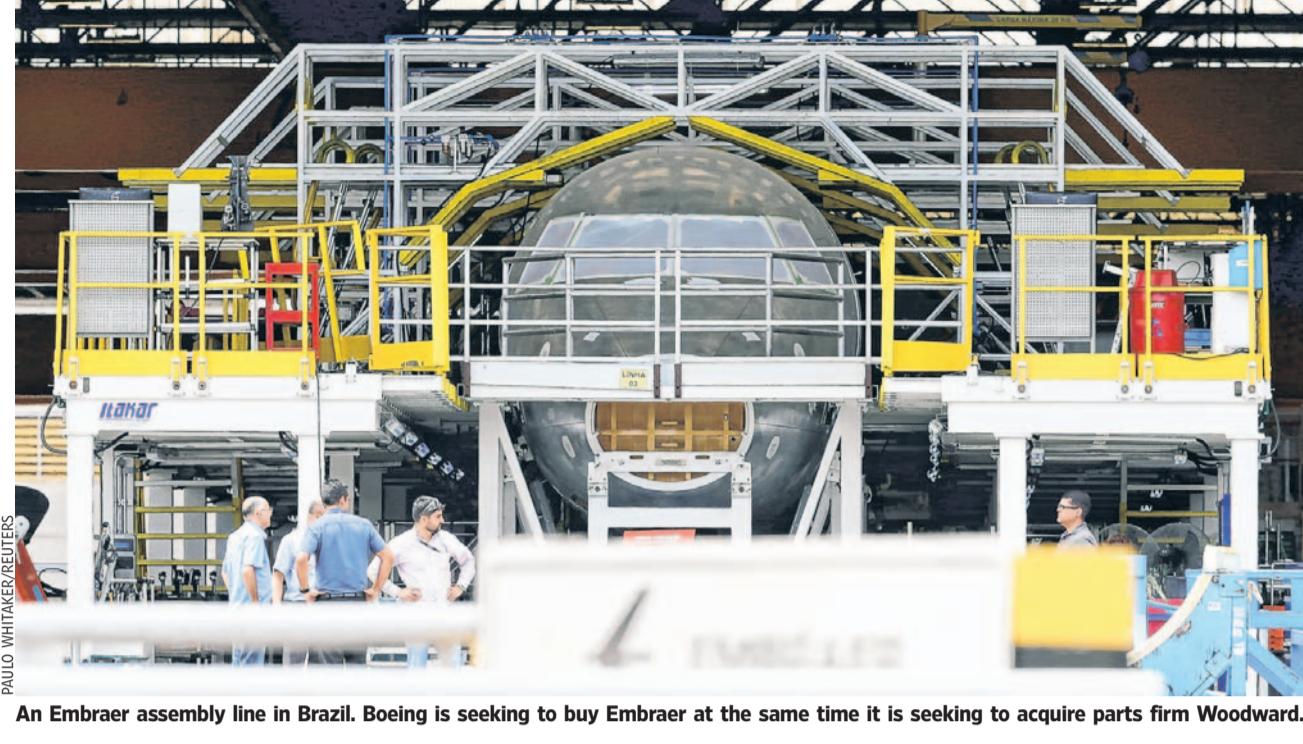
the people. Should there be a deal, it would be substantial. Woodward had a market value of \$5.1 billion at Thursday's close. Boeing, the world's largest aerospace company by revenue, was valued at \$196 billion. There is no guarantee the two sides will manage to strike a deal, and one doesn't appear to be imminent.

Several hours after The Wall Street Journal reported on the talks, Woodward issued a news release saying that it "is not in discussions with Boeing over a possible acquisition of Woodward."

Woodward shares gained 7.5% to close at \$82.93, but were down 9.9% after hours. Boeing shares fell 4.8% to \$329.66 in regular trading amid a broad market decline.

After the statement, the people familiar with the matter said the companies remained in talks.

The talks underscore the takeover appetite of Boeing, which also is trying to buy part or all of **Embraer** SA, the Brazilian maker of smaller commercial jetliners and busi-



An Embraer assembly line in Brazil. Boeing is seeking to buy Embraer at the same time it is seeking to acquire parts firm Woodward.

ness jets.

A deal for Woodward would further Boeing's effort to in-source more aircraft parts and cut costs to better compete with rival **Airbus** SE in a commercial-jetliner market worth \$140 billion this year.

Boeing is pressuring suppliers for better terms and building more of its own parts, including cockpit systems and actuators, the motors that control wing flaps and other systems.

Woodward, based in Fort Collins, Colo., makes both of these products for commercial and military aircraft, as well as an array of other items including engine parts, pumps and valves. The company, which also has an industrial-machinery business focused

on the energy and utility sectors, had sales of \$2.1 billion in fiscal 2017. It isn't clear what Boeing would do with this business, which had sales of about \$750 million last year, if it buys Woodward.

Producing more in house could help Boeing avoid some of the supply-chain snags affecting plane makers—many stemming from late delivery of engines and aircraft seats—and give it a bigger cut of the high-margin services and support market.

Boeing is flush with over \$10 billion of cash and has become increasingly active in the deal arena as it boosts production to work through a backlog of more than 5,800 jetliners as well as defense equipment.

The Chicago company's restructuring has led to a pickup in its interest in deals involving aircraft parts and services companies, according to people familiar with its planning. Boeing last year bought closely held Aurora Flight Sciences Corp., a maker of drones, and its venture-capital arm has invested in a number of companies making advanced composite materials and electric-powered aircraft.

Boeing Chief Financial Officer Greg Smith said at an investor event on Wednesday that talks with Embraer were progressing. Though the Brazilian company is viewed as a good strategic fit, he said a deal wasn't a "must-do" unless it secures the right structure

and terms.

In December, Boeing and Embraer confirmed that they are in talks after the Journal reported on the negotiations. The two sides remain in talks and are looking for ways to address the Brazilian government's concerns about the potential tie-up. The government has a golden share in Embraer, giving it veto power over any transaction that would transfer control of the business.

Boeing is aiming to increase annual sales at its new services arm to \$50 billion within a decade from \$15 billion last year, though Chief Executive Dennis Muilenburg said last month that this will be mainly through organic growth rather than acquisitions.

CVS to Raise Starting Wage

By SHARON TERLEP

CVS Health Corp. said it would use some of the extra cash from the U.S. tax overhaul to raise its starting hourly pay to \$11 for U.S. workers, the latest company to announce employee perks in the wake of the legislation.

The company, with 240,000 U.S. workers, currently pays a starting wage of \$9 an hour, though many employees make more. It said that in addition to raising the minimum, it will increase pay for lower-wage retail workers at its nearly 10,000 U.S. stores. CVS didn't provide an average increase.

A tight labor market has driven up competition for unskilled hourly workers. **Walmart** Inc., the country's biggest private employer, said last month it would lift its starting pay to \$11 an hour. Several states and municipalities already have a minimum



The company is working to make its stores into health-care hubs.

wage of or above \$11 an hour.

CVS also will offer all full-time employees four weeks of paid parental leave and will freeze employee health premiums for the coming year. The moves are expected to cost \$425 million a year.

CVS said paying a more competitive wage to retail workers will bolster efforts to make its stores into health-

care hubs.

Overall for the period, the company reported a profit of \$3.29 billion, or \$3.22 a share, up from \$1.71 billion, or \$1.59 a share, a year earlier. Excluding the impact of the tax benefit, per-share earnings grew to \$1.92 from \$1.71. Revenue increased 5.3% to \$48.39 billion.

—Imani Moise contributed to this article

Expedia Shares Slide As Costs Dent Results

By IMANI MOISE

expected to total \$170 million for 2018.

Shares in **Expedia** Inc. plunged more than 18% in extended trading Thursday after the travel company reported earnings were hurt by increased spending.

Rising costs in the fourth quarter outpaced sales growth, and the company forecast even more spending as it focuses on cloud infrastructure and marketing investments.

The travel booking company operates Expedia.com, Hotels.com and Orbitz.com, among other websites.

On a call with analysts, finance chief Alan Pickerill said technology spending is expected to accelerate significantly faster than sales growth in 2018.

Cloud spending, which climbed to \$18 million from \$2 million in the fourth quarter, is

For Expedia, sales grew 11% to \$2.32 billion in the fourth quarter, but total expenses jumped 16%. Direct costs for selling and marketing were \$121 million higher than in the comparable year-ago period, the company said.

Overall for the fourth quarter, Expedia missed analysts' views. The company reported a profit of \$55.2 million, or 35 cents a share, down from \$79.5 million, or 51 cents, a year earlier.

The most recent quarter was helped by a one-time \$14 million benefit related to the recent tax overhaul. On an adjusted basis, per-share earnings fell to 84 cents from \$1.17.

Analysts polled by Thomson Reuters had forecast earnings of \$1.15 a share on \$2.36 billion in sales.

Tesla Gets a Lift From Rocket Launch

By TIM HIGGINS



Elon Musk regained his bravado and was upbeat about the Model 3.

"I'm hopeful that people think that if we can send a Roadster to the asteroid belt, we can probably solve Model 3 production," he said. Mr. Musk was talking shortly after Tesla announced a worst-ever quarterly loss of \$675 million. His comments on Wednesday contrasted with his dour statements in November, when he surprised analysts by going so far as suggesting Tesla could miss a deadline last year.

Mr. Musk also seemingly shrugged off Tesla's troubles producing the Model 3 sedan, saying the company was now on track to meet its oft-stated goal of making 5,000 cars a week. And once Tesla achieved that milestone by the end of June, he said, the company would then make a sustainable operating profit this year—maybe even a net profit.

founder of a brain-computer startup and a tunnel-building venture—Mr. Musk admits he is under a lot of pressure and prone to mood swings. In July, he said on Twitter that his life consists of "great highs, terrible lows and unrelenting stress."

In the past month, Mr. Musk launched the world's biggest rocket, raised millions of dollars for his tunneling startup by selling branded flamethrowers, and attracted tabloid attention for his on-again, off-again relationship with actress Amber Heard.

Mr. Musk did come back to earth at times on Wednesday. He acknowledged that rolling out the Model 3, which began production in July, was harder than expected. "We were in a deeper level of hell than expected," he said. "Still a few levels deeper than we'd like to be but swiftly exiting, I think." Then, he added, "it was really on balance a phenomenal year."

Mr. Musk, of course, has made brazen predictions before, including in 2016 when he suggested that by the second half of 2017 Tesla would be making as many as 200,000 Model 3s, the compact car that is key to his plans to make the company a mainstream electric-vehicle maker. Tesla instead made about 2,700 in that period.

In 2016, Mr. Musk accelerated a plan to make a total of 500,000 vehicles a year in 2018, including the company's more expensive Model S sedans and Model X sport-utility vehicles. That would increase to a total of one million a year in 2020, helped by the arrival of a new compact SUV called the Model Y. Asked on Wednesday if the one-million target was still in play, Mr. Musk said it was. And not only that, he said, the company might make one million Model Ys in a year—though he didn't say in what year. A consensus of analysts surveyed by FactSet estimates Tesla may reach 279,000 units in total this year and 647,000 in 2020.

Notice of Election to Purchase Common Units of Terra Nitrogen Company, L.P.

CUSIP Number: 881005201

NOTICE IS HEREBY GIVEN that, pursuant to Section 17.1 of the First Amended and Restated Agreement of Limited Partnership of Terra Nitrogen Company, L.P., a Delaware limited partnership ("the Partnership"), dated as of September 1, 2005, as amended (the "Partnership Agreement"), Terra Nitrogen GP Inc., a Delaware corporation ("TNGP"), the sole general partner of the Partnership, is exercising the right, assigned to TNGP by the Partnership, to acquire all of the Partnership's issued and outstanding Common Units other than those already held by TNGP and its affiliates (the "Units"). Capitalized terms used and not otherwise defined herein have the respective meanings assigned to such terms in the Partnership Agreement.

TNGP elects to purchase the Units on April 2, 2018 (the "Purchase Date"), at a price equal to \$84.033 per Unit in cash (the "Purchase Price"), without interest thereon, upon surrender of Depositary Receipts or Unit Certificates representing such Units, together with a completed letter of transmittal in the prescribed form, at the offices of Computershare (the "Transfer Agent") at the applicable address set forth below, in exchange for payment of the Purchase Price. The Purchase Price was determined in accordance with Section 17.1 of the Partnership Agreement.

By Mail:
Computershare Trust Company, N.A.
c/o Voluntary Corporate Actions
P.O. Box 43011
Providence, RI 02940-3011

By Overnight Courier:
Computershare Trust Company, N.A.
c/o Voluntary Corporate Actions
250 Royall Street, Suite V
Canton, MA 02021-1101

By Hand Delivery:

Computershare
Attn: Angela Ngan
1290 Avenue of the Americas, 9th Floor
New York, NY 10104

The prescribed form of letter of transmittal is being mailed, together with a copy of this notice, to holders of record of the Common Units as of the close of business on February 7, 2018. Copies of the form of letter of transmittal may be obtained free of charge upon request directed to the Transfer Agent at 877-373-6374 (toll free).

From and after the Purchase Date, notwithstanding any Depository Receipt to the Units shall thereupon cease, except the right to receive the Purchase Price for the Units, without interest, upon surrender to the Transfer Agent of the Depository Receipts or Unit Certificates representing the Units, together with a completed letter of transmittal in the prescribed form, and the Units shall thereupon be deemed to be transferred to TNGP on the record books of the Transfer Agent and the Partnership, and TNGP shall be deemed to be the owner of all of the Units from and after the Purchase Date and shall have all rights as the owner of the Units.

At any time from and after the Purchase Date, a holder of an outstanding Unit may surrender such holder's Depository Receipt or Unit Certificate evidencing such Unit, together with a completed letter of transmittal in the prescribed form, to the Transfer Agent in exchange for payment of the Purchase Price without interest thereon.

The method chosen for the delivery of Depository Receipts or Unit Certificates to the Transfer Agent is at the option and risk of the holder. If delivery is by mail, use of registered or certified mail, properly insured, is suggested. Units held through The Depository Trust Company ("DTC") should be surrendered for payment in accordance with DTC's procedures therefor. Payment of the Purchase Price with respect to Units held in uncertified or book-entry form in the Direct Registration System on the books of the Transfer Agent will be made in accordance with the applicable procedures of the Transfer Agent.

Terra Nitrogen GP Inc.

Dated: February 8, 2018

TECHNOLOGY



Prime Minister Justin Trudeau, who wants foreign firms to come to Canada, at an event for Alphabet's waterfront project in Toronto

Canada Rides Tech Wave

Aim is to attract investment from big firms but retain homegrown talent

By DAVID GEORGE-COSH

TORONTO—Canada is seeing a resurgence in its tech sector that has caught the attention of Microsoft Corp., Facebook Inc. and Alphabet Inc.'s Google, which have recently acquired local firms or pledged big projects here.

Yet that has left Canadian policy makers with a dilemma: How to encourage investment from big-name companies while at the same time nurturing homegrown, Canadian firms?

On Thursday, Prime Minister Justin Trudeau was traveling to Silicon Valley to promote Canada's virtues as a global technology hub, an official said. Mr. Trudeau planned to meet with Amazon.com Inc. Chief Executive Jeff Bezos as well as executives from Salesforce.com Inc., AppDirect Inc. and eBay Inc.

Ahead of Mr. Trudeau's visit with Salesforce, the company said Thursday it would invest \$2 billion over the next five years in its Canadian business aimed at boosting head count and expanding its office footprint to reflect its growing customer base in the country.

Mr. Trudeau has lamented a "brain drain" of Canada's best

tech minds, saying at a recent Google event in Toronto, "Quite frankly, we're tired of Google poaching our best graduates from the University of Waterloo and sucking them down to California."

He is encouraging foreign tech firms to open up shop in Canada instead. Toronto is the only non-U.S. city to make Amazon's shortlist of 20 places to host the company's second headquarters, and Sidewalk Labs LLC, the city-building unit of Alphabet, announced last year it will join with the city on a high-tech waterfront development. Last year, Mr. Trudeau wrote to Mr. Bezos, asking him to consider Canada because of its inclusiveness, single-payer health-care system and immigration policies designed to attract high-skilled talent.

The moves come as Canada is widely considered to be at the nucleus of some world-leading research in areas such as machine learning and artificial intelligence.

Seminal work published by University of Toronto's Geoffrey Hinton, University of Montreal's Yoshua Bengio and others has spawned advancements in voice recognition and automated driving. Mr. Hinton published breakthrough research on "deep learning" in 2007 and 2012 that ushered in a new wave of AI and the potential it could have for smartphones, self-driving cars and other devices.

An AI gold rush followed as tech companies embarked on an acquisition spree, including Google buying DNNresearch, Mr. Hinton's own company, in March 2013.

A record 447 million Canadian dollars (\$US\$356 million) in startup venture-capital financing poured into the country's AI and machine-learning startups over the past three years, according to recent Thomson Reuters data. Canada's AI talent pool is also the third-biggest in the world behind the U.S. and the U.K., with

Mr. Trudeau has lamented a 'brain drain' of Canada's best tech minds.

about 1,100 researchers in the country, according to a study released by Element AI on Wednesday.

Even if more big U.S. tech firms open units in Canada, as Mr. Trudeau would like, some say it still threatens Canadian companies. Giants such as Google and **Uber Technologies** Inc., which opened an AI center in Toronto last May, can easily outflank smaller firms with salary and cachet as they compete for talent.

Inmar Givoni, an autonomy-

engineering manager at Uber, joined the company's AI research lab in Toronto in October after a year at a Toronto-based AI robotics startup.

She said she joined the U.S. ride-sharing company because she wanted to be part of the breakthrough in self-driving car technology, and the company had more resources and financing than a traditional startup. "The chance of success is very tangible here," Ms. Givoni said.

An Amazon move to Toronto might also end up being a "Trojan horse" that would draw Canadian workers to the company's Seattle base rather than improve Canada's economy, said Toronto-based venture capitalist Anthony Lacavera, who launched the country's fourth wireless company a decade ago.

"The best and brightest Canadian engineers or marketers that operate under Amazon Canada will see their career path head down to Seattle, not in Canada," Mr. Lacavera predicted.

Facebook's chief AI scientist, Yann LeCun, believes the argument that companies like his are siphoning off talent as "misguided." He says companies like Facebook have different needs than startups, noting that staff at Facebook's AI lab in Montreal are focused on more advanced research.

—Paul Vieira

contributed to this article.

Qualcomm Declines Latest Broadcom Bid, But Offers to Meet

By TED GREENWALD

Qualcomm Inc. rejected Broadcom Ltd.'s sweetened offer of more than \$121 billion but opened the door for the first time to talks with its hostile suitor.

Qualcomm's board decided unanimously that the latest offer of \$82 a share, which Broadcom Chief Executive Hock Tan proposed earlier this week as his "best and final offer," considerably undervalues the chip maker. The directors also said the revised offer still doesn't go far enough to ensure international regulators would approve it.

However, Qualcomm offered to meet with Broadcom to address these issues.

Qualcomm shares rose 1.2% to \$63.15 in after-hours trading. Broadcom shares were up fractionally at \$230.40.

Broadcom launched its bid in early November, offering \$105 billion, or \$70 a share, in what would be tech's largest-ever deal. Qualcomm rejected the offer, prompting its chip rival to go hostile, nominating its own directors for Qualcomm's board.

Qualcomm shareholders will have a chance to vote on Broadcom's slate at a scheduled March 6 meeting.

Mr. Tan's revised bid, which represents a 50% premium over Qualcomm's share price the day before news reports of an expected approach, included an unspecified breakup fee, which Mr. Tan in an interview Monday said would amount to billions of dollars. It also included an

additional fee to compensate shareholders if the regulatory process took more than a year.

Mr. Tan said in the Monday interview that to satisfy regulators, Broadcom is ready to divest itself of businesses in which the company and Qualcomm overlap, including Wi-Fi chips for communications networks and chips that process cellular signals in handsets.

Broadcom didn't immediately offer a comment on Qualcomm's rejection or its new willingness to engage in discussions.

In an open letter to Mr. Tan, Qualcomm Chairman Paul Jacobs questioned whether \$82 a share was indeed his highest offer. "What is the true highest price at which you would be prepared to acquire Qualcomm?" he asked.

Mr. Jacobs said Broadcom's latest bid failed to take into account Qualcomm's value if it resolves its dispute with Apple Inc., which is withholding billions in royalty payments as lawsuits wend their way through courts in several countries, and completes its year-long pursuit of NXP Semiconductors NV, a deal still awaiting antitrust approval in China.

Broadcom's revised offer also didn't account for Qualcomm's opportunities as the fifth-generation cellular standard known as 5G reaches the market, Mr. Jacobs said. Qualcomm believes its 5G market could be worth more than \$50 billion by 2020, according to a mid-January presentation to shareholders.



Travis Kalanick, right, leaves a San Francisco courthouse Wednesday.

Trade Secrets and Theatrics Take Center Stage in Uber Trial

By GREG BENINGER

SAN FRANCISCO—Two heavyweight tech companies, A-list witnesses and an unpredictable judge. A court battle between **Alphabet** Inc.'s **Waymo** and **Uber Technologies** Inc. that began Monday has turned into a spectacle offering a revealing look into Silicon Valley culture and personalities, with moments of levity and theatrics punctuating serious allegations and rebuttals.

Waymo, the self-driving offshoot of **Google**, claims Uber conspired to steal trade secrets to jump-start its own driverless car program. Uber denies the allegations.

The first star witness, former Uber Chief Executive Travis Kalanick, reminded observers of his Silicon Valley roots with the vernacular he used in testimony on Tuesday and Wednesday. He referred to an Uber project as "super duper," described Alphabet CEO Larry Page as "unpumped" about the competition, and talked about "jam sessions" with his colleagues.

Waymo attorneys sought to portray Mr. Kalanick as the protagonist who schemed with a former Google engineer, Anthony Levandowski, to steal trade secrets from Waymo and then cover their tracks to avoid legal repercussions.

Mr. Kalanick has denied any theft in depositions and testimony, and Mr. Levandowski has previously indicated he will invoke the Fifth Amendment.

Waymo attorneys showed emails, texts and notes with seemingly aggressive phrases attributed to Mr. Kalanick, such as "losing is not an option," "it is war time," "burn the village" and "pound of flesh." One curious phrase went viral on Twitter: "laser is the sauce," which

Waymo attorneys said showed how highly Mr. Kalanick valued Google's technology involving lasers.

The attorneys squabbled with Uber's lawyers over whether they could show jurors a clip from the movie "Wall Street," featuring the famous "greed is good" speech that Mr. Levandowski texted to Mr. Kalanick. The texts included a winking emoji, the meaning of which the lawyers also debated. U.S. District Judge William Alsup ultimately allowed the clip, drawing a retort from Mr. Kalanick Wednesday that "it's a movie, it's fake."

The biggest witness so far, literally, was Bill Gurley, a former Uber board member. "You get the record for being the tallest person," Judge Alsup told the 6-foot-9-inch venture capitalist Thursday. Mr. Gurley testified that in the summer of 2016 he believed a due-diligence report regarding Uber's acquisition of self-driving truck company Otto, which is at the center of the case, contained nothing alarming.

Judge Alsup is known for his blunt style and brusque declarations. But he lightened the courtroom mood at times. When a Waymo attorney asked a forensics expert hired by Uber to examine a controversial acquisition whether he had "way more work to do," the judge interrupted and said, "Is that a pun? Way-mo work?" to guffaws from the gallery.

On Thursday, during a dispute about evidence, an Uber attorney griped that a Waymo lawyer's "outrage is inversely proportional to merits of his argument." Judge Alsup quipped: "That should be a principle, like Bernoulli's principle," which addresses fluid dynamics.

Taking Flight

Shares in Twitter lept 12% on Thursday as the company reported its first profitable quarter since going public in 2013.

Share price



Sources: FactSet (shares); the company

TD Ameritrade Will Allow Trading Via Twitter Bot

TD Ameritrade Holding

Corp. is letting customers initialize trades over Twitter, the latest attempt by the discount brokerage to attract digitally savvy and younger investors.

The firm's Twitter "chatbot" resembles the one it launched via Facebook Messenger in August, and it is powered by an algorithm that produces "social signals." The algorithm sifts through tweets and then rates the relevance of the information to provide "intelligence" to investors, such as volume spikes, live trading quotes and company news.

The bot is accessible via direct message over Twitter, whether a client or not. A Twitter user can interact by asking questions and requesting information on specific stocks. Users with an Ameritrade account can execute a trade.

In early 2017, Twitter's user growth appeared to turn a corner. In just one quarter, nine million people joined, a level of growth the company hadn't enjoyed in two years. Three months later, the election-fueled surge fizzled.

Mr. Dorsey is working without an operating chief as he splits his time as CEO between Twitter and the payments

through the bot after being prompted to log in to their account.

Trading via Twitter is TD Ameritrade's latest effort to pull in new clients. The firm last month launched 24-hour, five-day-a-week trading for certain exchange-traded funds and eligible clients. In December, the firm was among the first to give retail clients access to bitcoin futures.

"We have to go to where our customers are," said Sunayna Tuteja, director of emerging technology and innovation at TD Ameritrade. "A lot of people consume their news on Twitter," and the new offering "is about making trading more accessible and easier."

TD Ameritrade is expanding its offerings at a time when individual, or retail, investors are jumping into the market. TD Ameritrade's account openings hit a record at the end of its latest quarter, driven by a 72% rise in new business among millennials.

—Lisa Beilfuss

Twitter has no plans to add to its executive team. "We haven't skipped a beat," Mr. Dorsey told analysts Thursday.

Some tweaks to the plat-

form appear to have improved people's engagement. During the quarter, Twitter doubled the character limit for tweets to 280 from 140, a change Mr. Dorsey said didn't increase the average length of a tweet but resulted in fewer people abandoning messages. "That little bit of extra room has really proven to help," he said.

Twitter also rolled out a way to thread messages together and a feature that shows users events happening around them.

Many changes were incremental but reflected a cultural shift—previously it took months or even quarters for the product team to roll out even the smallest changes. Twitter plans to invest in even more changes in the coming year, Mr. Dorsey said.

Twitter pushed ahead with its efforts to expand live video, an effort Mr. Noto championed. Twitter streamed more than 1,140 live events, up from the more than 830 it said it

Rise in Twitter's revenue for last year's final quarter

live-streamed in the third quarter. Video has been a bright spot in Twitter's advertising efforts because users interact more with ads placed in videos than they do with other kinds of ads.

In the fourth quarter, Twitter reported adjusted profit of 12 cents a share, excluding stock-based compensation and other items. Analysts polled by FactSet had expected a profit of 14 cents a share on revenue of \$687 million.

For the current quarter, Twitter projected adjusted earnings before interest, taxes, depreciation and amortization of between \$185 million and \$205 million, in line with the \$192 million analysts forecast.

—Lisa Beilfuss

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—Lisa Beilfuss

BUSINESS NEWS

Viacom Plans Streaming Service

Venture to include hundreds of hours of shows denied to rivals; revenue fares poorly

BY KEACH HAGEY
AND AUSTEN HUFFORD

Viacom Inc. plans to launch an ad-supported streaming-video service by September that will offer shows and other content from across its portfolio, which includes cable channels such as MTV and Comedy Central.

Viacom executives, who had only hinted vaguely at such plans, provided details about the service, still in development, during a conference call on Thursday to discuss earnings for the latest quarter.

The content on the new service will include thousands of hours of programming Viacom purposefully chose not to license to online-video services.

"It's going to be significant, and it's going to also be differentiated from what's in the marketplace today," said Viacom Chief Financial Officer Wade Davis, adding that it was only possible because "we kind of built and husbanded [our] library to be able to use for our own strategic purposes."

The quarterly earnings report reflected a company in the thick of a difficult turnaround. Viacom posted a deeper-than-expected revenue decline as its television networks in the U.S., hurt by customers dropping cable TV, pulled in less advertising and subscription revenue. Cost cuts and growth in international markets helped partially offset those declines.

Despite the challenges, Mr. Davis hit some bright notes in the company's earnings outlook, saying subscription reve-



A scene from Comedy Central's 'Broad City.' Revenue at the media-networks unit that houses Viacom's cable-TV channels fell 1%.

nue would decline "at the low end of mid-single digits" in percentage terms for the fiscal year ending in September, instead of the earlier projection of simply a mid-single-digit decline. The revision is partly because of more favorable cable-TV carriage contracts.

The company said it expects advertising revenue to return to growth in its fiscal fourth quarter, and overall revenue growth to resume in the next fiscal year.

Shares in Viacom rose 7.2% to \$32.71 on Thursday.

Investors are watching for a potential merger between Viacom and CBS Corp, a deal that would reunite the two big pieces of Sumner Redstone's media empire. Last week the companies disclosed that their boards had formed a special committee to evaluate a deal. As is customary

with such talks, no update was provided during the earnings call.

Viacom said profit in its fiscal first quarter, which ended Dec. 31, was boosted by the enactment of the new U.S. tax law. For the quarter, Viacom reported a profit of \$537 million, or \$1.33 a share, up from \$396 million, or \$1 a share, a year earlier. Excluding the tax benefit and other one-time items, Viacom posted an adjusted profit of \$1.03 a share, beating analysts' estimate of 94 cents a share.

Revenue fell 7.6% to \$3.07 billion, below analysts' estimates of \$3.14 billion.

Revenue at the media-networks unit that houses Viacom's cable-TV channels fell 1% overall to \$2.56 billion. U.S. advertising revenue decreased 5% to \$937 million, due to lower TV ratings, partially off-

set by higher pricing and digital ad growth. Domestic subscription revenue decreased 8% to \$907 million. A bright spot was a 13% increase in international revenue, excluding a favorable impact from foreign exchange.

Revenue in the Paramount Pictures movie division decreased 28% to \$544 million in the quarter, as U.S. revenue fell 42% to \$270 million and international revenue declined 6% to \$274 million.

The company said it had made progress on cost cuts and was on track to achieve \$100 million in new cost savings this year and "hundreds of millions more" in 2019.

Viacom has been lining up programming for the direct-to-consumer offering for some time. In one of Chief Executive Bob Bakish's first strategic moves after being named to

the post in December 2016, Viacom pulled its new content off streaming-video service Hulu in part to help improve relations with pay-TV distributors that carry its channels.

In the call on Thursday, Mr. Bakish emphasized that the direct-to-consumer product would not upset these relationships, saying it was a "complement product," not a substitute for pay TV.

He also said the company was in talks with several mobile carriers in the U.S. about putting its content on their services, perhaps in the same mold as the deal the company just struck with **Telefónica SA** in Latin America. In that arrangement, Viacom's live channels will broadcast via mobile and the company will get a per-subscriber fee just like it does with traditional pay-TV distributors.

New York Times Revenue Up 10%

BY LUKAS I. ALPERT

New York Times Co. reported solid revenue growth for the fourth quarter, driven primarily by digital subscriptions as a sizable one-time pension settlement charge weighed on net income.

The company's revenue increased 10.1% to \$484.1 million in the quarter. Subscription revenue jumped 19.2% to \$269.4 million as the paper added 99,000 digital news subscribers and 58,000 subscribers to its crossword and cooking apps.

Digital advertising revenue grew 8.5% to \$84.2 million, boosted by smartphone ads and branded content. That offset print advertising, which dropped 8.4%—and was down 12.3% when excluding an extra week in the fourth quarter of 2017. In total, ad revenue was down 1.3% from the same period a year earlier.

The Times also reported a 12% gain in its "other" revenue category to \$32.1 million, reflecting the growth of its recently acquired Wirecutter affiliate sales business.

Times shares were up 10% at Thursday's market close.

Chief Executive Mark Thompson noted that for the full year the Times had \$607 million in total digital revenue, "putting us well on track toward our goal of \$800 million" by 2020.

Including the one-time pension settlement charges, the company reported a net loss of \$56.8 million, or 35 cents a share, in the quarter. Excluding those charges, adjusted diluted earnings from continuing operations were 39 cents a share. Analysts polled by Thomson Reuters had projected adjusted earnings of 29 cents a share, and revenue of \$467.3 million.

The Times said it expects its first-quarter subscription revenue to increase mid- to high-single digits in percentage terms from a year earlier. Total advertising revenue for the first quarter is expected to decrease by a mid- to high-single-digit percentage.

The Times's gain in digital subscribers continues a period of solid growth seen by many publications related to increased interest in political news coverage surrounding the administration of President Donald Trump. The paper said that at the end of the fourth quarter it had 2.23 million digital news subscribers, up 613,000 from a year earlier.

Brazil's Biggest Daily Ends Facebook Postings

BY PAUL KIERNAN

lion followers.

The decision is among the most visible responses yet by a traditional publisher to the newsfeed shake-up in one of **Facebook** Inc.'s most important countries, where 122 million users log on to the website a month.

The newspaper said it realized Facebook's waning significance as a source of online readership even before the social-media platform changed its algorithms in January to prioritize users' posts, photos and videos. In less than a year, Facebook's share of referrals to news websites has fallen from more than 40% to less than 23%, according to Parse.ly, a company that tracks digital audiences for many news organizations.

Camila Marques, Folha's audience editor, said Facebook's contribution to Folha's online traffic had fallen but is "way less" than the general percentage provided by Parse.ly, noting

Folha's move was the latest sign of tension between newspapers and internet firms.

ing that the social-media company isn't among the top five sources of referrals to Folha's site. As Facebook's share has dropped, Google and other search engines have become an increasingly important

source of traffic to news websites.

Folha's move Thursday was the latest sign of tension between newspapers and internet companies like Google and Facebook, which are drawing advertising revenue that once flowed to media firms.

In an editorial, Folha accused Facebook of attempting to "co-opt" media companies into its Instant Articles program, in which publishers transfer content to the social network free of charge in exchange for speedier page loading and access to advertising revenue. The newspaper also highlighted concerns that Facebook's newsfeed changes would "reinforce users' tendency to increasingly consume content for which

they have an affinity, creating bubbles of opinions and convictions, and propagating 'fake news.'

In a statement, Facebook said it is "taking decisive steps to make sure the news people see...is informative and high quality."

"We are committed to building an informed community, and we continue to work with publishers in Latin America so they can leverage our platform to connect with their audiences in meaningful ways," the company said.

Brazilians' reaction to Folha's announcement, which it posted to Facebook, included thousands of comments that reflect increasingly polarized views about politics, the news media and social networks.



The drugmaker's plant in Jerusalem. The company underwent a shake-up in the past year.

Teva Sustains \$11.6 Billion Loss

BY RORY JONES

Teva Pharmaceutical Industries Ltd. booked a \$17 billion write-down of the value of its U.S. generics business, resulting in a \$11.6 billion fourth-quarter loss that capped a tumultuous year marked by a management and boardroom shake-up.

The Israeli drugmaker has been hit hard by declining generics prices in the U.S. and increased competition for its blockbuster multiple-sclerosis drug Copaxone at a time when an acquisition spree saddled the company with debt.

While the world's biggest generic drugmaker has struggled for months, the magnitude of the loss reported

Thursday and a warning from its chief executive that 2018 could be just as difficult sent Teva's American depositary receipts tumbling nearly 11% in New York trading.

Teva said its experimental migraine drug, fremanezumab—which the company has been counting on to boost sales—may not get approved as early as expected.

"Starting 2018 we are focused on meeting our financial obligations and ensuring a much more solid and sustainable business model going forward," Chief Executive Kare Schultz said Thursday.

Mr. Schultz, who joined the company in November, has pushed to restructure Teva and cheer investors after

EXTRACT OF THE NOTICE OF CALL OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

(pursuant to Article 125-bis, paragraph 1, of Legislative Decree 58/1998)

The Extraordinary Shareholders' Meeting of Intesa Sanpaolo S.p.A. is convened, on single call, at the New Headquarters in Torino, Corso Inghilterra no. 3, at 10:00 on 27 April 2018, to discuss and pass resolution on the following

Agenda:

Mandatory conversion of savings shares into ordinary shares and concurrent removal of the indication of nominal value for the shares of Intesa Sanpaolo from the Articles of Association.

Amendment of Articles 5 and 29 and removal of Article 30 of the Articles of Association.

Pertinent and consequent resolutions.

Information on the share capital and on:

- participating and casting votes in the Meeting (in this regard, please note that the record date is 18 April 2018),

- participating and casting votes in the Meeting by proxy and through the Appointed Representative (Computershare S.p.A.),

- exercising the right to add items to the agenda, the right to submit new proposals for resolution and the right to ask questions on the items on the agenda,

- the availability of the report on the items on the agenda and the documentation relating to the Meeting,

is set forth in the full notice of call available on the website group.intesasanpaolo.com ("Governance"/"Shareholders' Meeting" section).

This extract is published in the daily newspapers "Il Sole 24 Ore", "La Stampa", "Corriere della Sera", "Financial Times" and "The Wall Street Journal".

for the Board of Directors
The Chairman - Gian Maria Gros-Pietro

Intesa Sanpaolo S.p.A. Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share Capital 8,731,984,115.92 €. Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Included in the National Register of Banks No. 5361 ABI Code 30692 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund. Parent Company of the "Intesa Sanpaolo" banking group, included in the national register of Banking Groups.

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, Nasdaq and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The table 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.

Thursday, February 8, 2018

A B C

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
ABB	ABB	24.29	-1.85	AnalogDevices	ADI	82.68	-2.67	Blackstone	BX	33.90	-1.05
AECOM	ACM	34.50	-1.88	Andeaor	ANDV	99.40	-3.72	BlueBuffaloPet	BUFF	32.27	-1.22
AES	AES	10.06	-0.42	AndreaorLog	ANDX	49.24	-2.04	bluebirdbio	BUE	100.89	-12.70
Aflac	AFL	83.25	-2.35	ANB	BUD	103.60	-3.47	BorgWarner	BWA	53.66	-2.99
AGNC Inv	AGNC	18.48	-1.10	AnalystCap	ALY	10.11	-0.10	Bosch	BOS	112.09	-3.06
ANGI Homesvc	ANGI	13.35	-0.26	AntHm	ANTM	230.57	-7.87	BoschProp	BPP	149.20	-1.32
Ansys	ANS	179.00	-6.19	AOA	AON	130.45	-5.50	BoschSens	BSS	25.20	-1.28
ASML	ASML	179.70	-7.25	Apache	APA	37.73	-1.92	Brocklebank	BRAK	97.75	-2.75
AT&T	T	35.57	-1.36	ArcherCapital	ARCC	38.10	-2.01	BrownForman	BFB	91.78	-4.00
AbbottLabs	ABT	56.27	-2.40	Arclight	ARCL	40.24	-2.04	BrightHorizon	BHF	55.48	-3.56
AbbVie	ABBV	108.48	-5.14	Arcom	ARCM	40.55	-1.42	BrownForman	BFB	63.33	-1.00
Abiomed	ABMD	229.00	-9.52	Arconic	ARCN	49.45	-0.95	BrownForman	BFB	90.11	-1.66
Accenture	ACN	150.51	-4.64	ArcherDaniels	ADM	41.35	-0.98	BrownForman	BFB	89.00	-1.66
ActivisionBlitz	ATVI	65.82	-3.63	ArcherDaniels	ADM	41.35	-0.98	BrownForman	BFB	89.00	-1.66
AcuityBrands	ACY	145.41	-2.66	Apple	APPL	155.15	-4.39	BrownForman	BFB	89.00	-1.66
Audent	ADNT	60.78	-2.56	AppMaterials	AMAT	145.70	-4.92	BrownForman	BFB	89.00	-1.66
AdobeSystems	ADBE	185.16	-7.18	ArrowElec	AVT	89.27	-4.42	BrownForman	BFB	89.00	-1.66
AdvanceAuto	AAP	109.63	-0.30	Aquaria	WTR	137.57	-0.93	BrownForman	BFB	89.00	-1.66
AdmMicroDev	ADM	11.22	-0.38	Arclight	ARCM	40.55	-1.42	BrownForman	BFB	89.00	-1.66
AdvSemiEng ASK	ASK	6.55	-0.18	Arconic	ARCN	49.45	-0.95	BrownForman	BFB	89.00	-1.66
Aegon	AEG	64.49	-0.19	Arconic	ARCN	49.45	-0.95	BrownForman	BFB	89.00	-1.66
AerCap	AER	50.97	-1.27	Arconic	ARCN	49.45	-0.95	BrownForman	BFB	89.00	-1.66
Aetna	AET	178.00	-3.49	Arconic	ARCN	49.45	-0.95	BrownForman	BFB	89.00	-1.66
AffiliatedMtrs	AMG	119.45	-8.76	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AgilentTechs	AMT	181.79	-8.68	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Aig	AIG	64.49	-0.19	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AirTran	AT	178.00	-3.49	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlcatelUSA	ATU	9.00	-0.61	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alibaba	BABA	173.70	-6.60	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlignTech	ALGN	22.07	-13.62	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alkermes	ALKS	53.67	-2.33	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alleghany	Y	56.25	-21.33	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Allegion	ALLE	77.32	-2.64	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Albermarle	ALB	105.18	-1.45	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alcoa	AA	45.99	-1.72	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlexandriaRelat	ALXN	114.48	-8.68	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlexionPharm	ALXN	108.47	-8.68	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alibaba	BABA	173.70	-6.60	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlignTech	ALGN	22.07	-13.62	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alkermes	ALKS	53.67	-2.33	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alleghany	Y	56.25	-21.33	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
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Alleghany	Y	56.25	-21.33	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Allegion	ALLE	77.32	-2.64	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Albermarle	ALB	105.18	-1.45	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alcoa	AA	45.99	-1.72	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlexandriaRelat	ALXN	114.48	-8.68	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlexionPharm	ALXN	108.47	-8.68	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alibaba	BABA	173.70	-6.60	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
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Alkermes	ALKS	53.67	-2.33	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alleghany	Y	56.25	-21.33	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Allegion	ALLE	77.32	-2.64	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Albermarle	ALB	105.18	-1.45	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alcoa	AA	45.99	-1.72	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlexandriaRelat	ALXN	114.48	-8.68	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
AlexionPharm	ALXN	108.47	-8.68	Arctech	ARCT	17.22	-0.61	BrownForman	BFB	89.00	-1.66
Alibaba	BABA	173.70									

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

23860.46 ▼1032.89, or 4.15%
High, low, open and close for each trading day of the past three months.



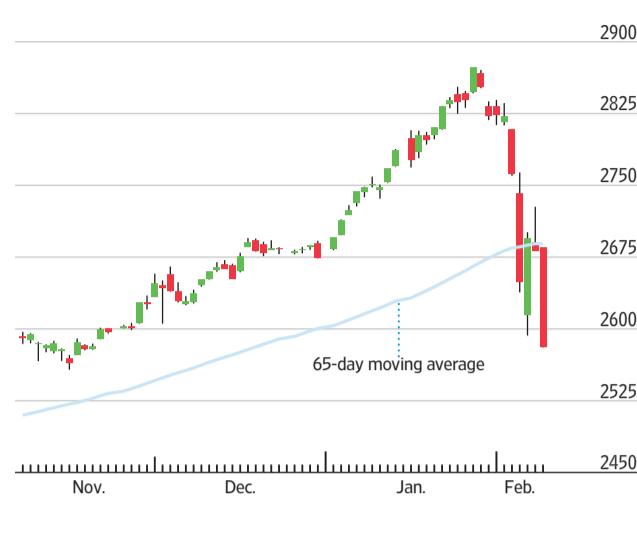
Bars measure the point change from session's open

Nov. Dec. Jan. Feb.
21500

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2581.00 ▼100.66, or 3.75%
High, low, open and close for each trading day of the past three months.

Nov. Dec. Jan. Feb.
2450

65-day moving average

Nasdaq Composite Index

6777.16 ▼274.82, or 3.90%
High, low, open and close for each trading day of the past three months.

Nov. Dec. Jan. Feb.
6300

65-day moving average

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.	
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	24903.68	23849.23	20172.40	18.3	-3.5
Industrial Average	24903.68	23849.23	23860.46	-1032.89	-4.15	26616.71	20172.40	18.3	-3.5	10.2	
Transportation Avg	10560.07	10159.60	10159.60	-400.99	-3.80	11373.38	8783.74	8.9	-4.3	4.4	
Utility Average	663.69	647.86	647.90	-9.86	-1.50	774.47	647.90	-2.5	-10.4	1.8	
Total Stock Market	27734.10	26673.94	26677.14	-103.84	-3.66	29630.47	24013.33	11.1	-3.6	7.5	
Barron's 400	709.46	684.95	684.99	-23.45	-3.31	757.37	610.89	11.2	-3.6	7.8	

Nasdaq Stock Market

Nasdaq Composite	7073.99	6776.77	6777.16	-274.82	-3.90	7505.77	5715.18	18.6	-1.8	12.6
Nasdaq 100	6606.05	6304.18	6306.10	-275.92	-4.19	7022.97	5212.16	21.0	-1.4	14.2

S&P

S&P	500 Index	2685.27	2580.56	2581.00	-100.66	-3.75	2872.87	2307.87	11.8	-3.5	7.9
MidCap 400	1865.39	1801.28	1801.29	-61.25	-3.29	1995.23	1681.04	5.3	-5.2	6.8	
SmallCap 600	920.54	893.00	893.05	-25.49	-2.78	979.57	815.62	6.0	-4.6	8.6	

Other Indexes

Russell 2000	1511.21	1463.74	1463.79	-44.18	-2.93	1610.71	1345.24	6.2	-4.7	6.7
NYSE Composite	12701.88	12270.65	12270.65	-416.53	-3.28	13637.02	11324.53	8.3	-4.2	4.2
Value Line	551.02	533.26	533.26	-17.01	-3.09	589.69	503.24	2.9	-5.2	2.0
NYSE Arca Biotech	4614.68	4399.31	4399.31	-182.24	-3.98	4939.86	3337.03	31.6	4.2	6.9
NYSE Arca Pharma	539.92	521.83	521.83	-15.83	-2.94	593.12	490.95	6.3	-4.2	-1.5
KBW Bank	110.88	106.06	106.08	-4.91	-4.42	116.52	88.02	14.2	-0.6	14.1
PHLX® Gold/Silver	81.25	79.77	79.86	-0.68	-0.85	95.42	76.42	-15.1	6.4	1.3
PHLX® Oil Service	143.30	136.65	136.66	-5.74	-4.03	182.73	117.79	-23.3	8.6	-12.3
PHLX® Semiconductor	1280.17	1218.66	1218.66	-53.84	-4.23	1392.86	960.01	26.4	-2.7	22.0
Cboe Volatility	36.17	24.41	33.46	5.73	20.66	37.32	9.14	207.5	203.1	24.6

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
SPDR S&P 500	SPY	32,751.8	258.73	1.10	0.43	267.76	257.63
iShares MSCI Emg Markets	EEM	10,378.7	46.00	0.31	0.68	47.33	45.63
Finl Select Sector SPDR	XLF	6,087.6	27.38	0.22	0.81	27.77	27.15
NVIDIA	NVDA	5,806.7	233.99	16.47	7.57	248.74	217.52
Bank of America	BAC	5,744.0	29.90	0.16	0.54	30.68	29.73
Principal US Mega-Cap	USMC	4,550.0	25.16	-0.04	-0.16	25.16	25.16
Ford Motor	F	4,191.0	10.53	0.10	0.96	10.59	10.42
Microsoft	MSFT	3,630.8	85.80	0.79	0.93	87.90	84.82

Percentage gainers...

Unisys Corp	UIS	6.0	9.90	1.55	18.56	9.95	8.35
MobilIron	MOBL	9.8	4.65	0.65	16.25	4.75	4.00
Alliance One Intl	AOI	10.6	15.05	2.05	15.77	15.30	14.25
FireEye	FEYE	816.3	15.80	1.68	11.90	16.30	14.12
Manitowoc	MTW	24.7	37.38	2.99	8.69	37.38	34.39

...And losers

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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	3,0780	3,0890	3,0560	3,0720	-0,0045	693
March 3,0950 3,1190 ▼ 3,0615 3,0820 -0,0055 126,524						
Gold (CMX)-100 troy oz.; \$ per troy oz.	1317,10	1321,10	1307,00	1316,90	5,30	1,426
Feb 1320,70 1324,50 ▼ 1309,00 1319,00 4,40 369,047						
June 1325,50 1329,50 1314,50 1324,20 4,40 75,346						
Aug 1331,00 1334,50 ▼ 1320,10 1329,50 4,40 26,952						
Oct 1336,00 1338,20 ▼ 1328,00 1334,80 4,30 5,009						
Dec 1341,90 1344,00 1333,00 1340,40 4,10 36,050						
Palladium (NYM)-50 troy oz.; \$ per troy oz.	983,85	983,90	955,10	962,20	-22,35	24,535
March 978,00 978,20 ▼ 951,05 958,25 -21,80 6,357						
Sept 966,55 966,55 ▼ 966,55 953,75 -21,25 335						
Platinum (NYM)-50 troy oz.; \$ per troy oz.	983,20	986,40	972,60	978,40	-3,30	83,138
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	983,20	986,40	972,60	978,40	-3,30	83,138
Feb 983,80 983,90 ▼ 955,10 962,20 -22,35 24,535						
March 978,00 978,20 ▼ 951,05 958,25 -21,80 6,357						
May 966,55 966,55 ▼ 966,55 953,75 -21,25 335						
NY Harbor Gold (NYM)-42,000 gal.; \$ per gal.	1,6350	16,425	16,190	16,341	0,108	201
March 61,45 62,09 ▲ 60,27 61,15 -0,64 402,144						
April 61,45 61,82 ▼ 60,09 61,61 -0,61 312,961						
May 61,10 61,43 ▼ 59,80 60,62 -0,57 185,175						
June 60,75 61,02 ▼ 59,47 60,27 -0,54 267,660						
July 60,19 60,55 ▼ 59,08 59,86 -0,50 145,736						
Dec 57,99 58,16 ▼ 56,91 57,63 -0,41 252,963						
NY Harbor Gold (NYM)-42,000 gal.; \$ per gal.	1,9291	1,9333 ▼ 1,9045 1,9123 -0,010 124,441				
April 1,9200 1,9289 ▼ 1,8994 1,9164 -0,0113 94,287						
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	1,7655	1,7750 ▼ 1,7456 1,7650 -0,010 122,473				
March 1,9421 1,9558 ▼ 1,9214 1,9402 -0,0083 107,850						
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	1,9291	1,9333 ▼ 1,9045 1,9123 -0,010 124,441				
April 1,9200 1,9289 ▼ 1,8994 1,9164 -0,0113 94,287						
NY Harbor Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	2,7072	2,758 ▼ 2,681 2,697 -0,005 265,542				
April 2,692 2,730 ▲ 2,674 2,685 -0,007 173,878						
May 2,713 2,745 ▲ 2,694 2,704 -0,004 187,087						
June 2,757 2,780 ▲ 2,730 2,740 -0,003 73,550						
July 2,789 2,822 ▲ 2,773 2,782 -0,004 100,559						
Oct 2,800 2,831 ▲ 2,783 2,794 -0,002 122,915						

Contract Futures

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.	Open	High	Low	Settle	Chg	Open interest
March 365,00 367,50 ▲ 364,50 365,75 .50 620,930						
May 372,50 375,00 ▲ 372,25 373,25 .50 404,111						
Oats (CBT)-5,000 bu.; cents per bu.						
March 273,75 274,75 266,00 269,50 -3,75 2,365						
May 271,50 273,75 266,75 269,25 -3,75 3,330						
Soybeans (CBT)-5,000 bu.; cents per bu.						
March 983,25 996,00 977,75 987,75 4,75 281,676						
May 994,00 1006,50 989,00 998,75 4,50 216,333						
Soybean Meal (CBT)-100 tons.; \$ per ton.						
March 334,70 346,00 334,70 341,70 6,30 136,962						
May 338,40 349,00 337,90 345,10 6,00 141,508						
Soybean Oil (CBT)-60,000 lbs.; cents per lb.						
March 32,71 32,71 32,19 32,21 -.35 160,400						
May 32,97 32,97 32,37 32,40 -.34 153,615						
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.						
March 1246,00 1247,00 1232,50 1244,50 -.55 6,095						
May 1265,00 1270,00 1259,50 1268,00 -.75 2,245						
Wheat (CBT)-5,000 bu.; cents per bu.						
March 461,75 464,50 ▲ 451,25 456,25 -.42 198,249						
May 474,50 476,75 ▲ 464,50 469,25 -.35 144,961						
Wheat (KCI)-5,000 bu.; cents per bu.						
March 481,00 484,50 ▲ 468,25 474,50 -.65 101,662						
May 495,25 499,00 ▲ 482,75 489,50 -.65 84,607						
Wheat (MPLS)-5,000 bu.; cents per bu.						
March 612,00 615,75 610,25 613,00 .75 25,912						
May 624,00 627,50 622,50 625,25 1,25 17,115						
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.						
March 148,725 150,250 147,050 147,250 -.1050 25,831						
April 149,725 151,100 148,200 148,650 -.700 10,849						
Cattle-Live (CME)-40,000 lbs.; cents per lb.						
Feb 125,775 127,325 125,425 125,775 .175 20,485						
April 123,975 125,775 123,450 123,725 -.250 151,113						
Hogs-Lean (CME)-40,000 lbs.; cents per lb.						
Feb 73,850 73,850 73,325 73,400 -.450 11,594						
April 69,175 69,650 ▼ 68,750 69,450 .225 101,242						
Lumber (CME)-10,000 bd. ft.; \$ per 1,000 bd. ft.						
March 493,20 496,60 ▲ 490,90 491,90 -.180 5,250						
May 484,70 489,50 ▲ 483,80 487,50 1,00 1,670						
Milk (CME)-200,000 lbs.; cents per lb.						
Feb 13,46 13,54 13,46 13,47 -.13 3,325						
March 13,53 13,56 13,46 13,51 -.10 4,682						

Interest Rate Futures

Treasury Bonds

Treasury Notes

Treasury Bills

Eurodollar

Euro

Eurobonds

Eurobills

MARKETS

In Selloff, a Trading Strategy Is Faulted

Risk-parity funds seen as accelerating rout but managers say selling has been muted

BY CORRIE DRIEBUSCH AND ROB COPELAND

The surge in market volatility this week, after a long period of tranquility, left investors seeking a culprit. Critics began pointing to an obscure investment strategy pioneered by the world's largest hedge fund, **Bridgewater Associates**.

Risk-parity funds aim to reduce the danger from a collapse in any one market by limiting bets on more volatile assets like stocks and commodities and using leverage to load up on safer assets such as government bonds. When volatility jumps, that leverage can in theory force the funds' au-

Risk On, Risk Off

The AQR Risk Parity Fund has underperformed the broader market this year but hasn't suffered as steep of declines during the recent downturn.



Source: FactSet

THE WALL STREET JOURNAL.

tomated trading strategies to dump those assets, accelerating the selloff.

But some risk-parity strate-

gies outperformed the broader market as the Dow Jones Industrial Average plunged more than 1,800 points over two days and Wall Street's "fear gauge," the VIX, on Monday more than doubled in its largest one-day move in history. Some leading risk-parity fund managers said they haven't traded much during the past several days.

AQR Capital Management LLC co-founder Clifford Asness said his funds were performing as expected even during the frenzy in stock and bond markets.

"We have done pretty much no trading in risk parity" since Friday's stock fall, Mr. Asness said in an interview.

Michael Mendelson, a principal at AQR, added that risk-parity strategies will decline when "everything is down," but that the current shake-up has been too short-lived for there to be meaningful trading

by risk-parity managers.

The AQR Risk Parity Fund fell 1.9% on Monday, less than half of the more than 4% decline by the broader stock market. Last Friday, it was down 2%, just under the S&P 500's 2.1% fall.

AQR says it wasn't forced to sell because it already held a smaller equity position than its models called for due to its leverage caps, putting it under less pressure as volatility rose.

AQR is one of the well-known players in risk parity; its AQR Risk Parity Fund has more than \$460 million in assets. In total, AQR manages over \$30 billion in risk-parity strategies. It is tough to gauge how much risk-parity funds manage in total; estimates range as high as hundreds of billions of dollars.

Bridgewater, for its part, has told clients that in times of market stress its risk-parity funds actually purchase assets that are down, acting as a bal-

last in a free fall, people close to the firm say. Bridgewater, with \$160 billion under management, uses risk-parity trading not just in its dedicated funds but also in its flagship hedge fund, these people say.

Bridgewater co-Chief Investment Officer Bob Prince in an interview described the funds as "so basic...the most boring thing, really." He added: "It is definitely not driving global asset prices. It just sits there like a turtle."

The firm's risk-parity operation has made few trades of size in the past week, according to a person familiar with the matter.

Though most traders agree fears of rising inflation sparked the most recent stock-market selloff, market observers were quick to blame vari-

ous trading strategies as factors that could have exacerbated the declines.

Still, critics say a prolonged period of volatility could force risk-parity funds to sell, which could exacerbate declines in the market.

"The biggest issue with risk parity, and all systematic, semipassive strategies, is they all act simultaneously when the market is on autopilot," said hedge-fund manager Katalina Stefanova, who bet against these funds with a series of complicated financial instruments that would pay off when market uncertainty rises.

Her Marto Capital fund, which manages more than \$200 million, is up 4% this year. "If the stock market falls, everyone starts selling at the exact same trigger points," she said.

—Ira Josebashvili and James Mackintosh contributed to this article.

BONDS

Continued from page B1

higher.

When yields rise, bond investors typically trade into shorter-term securities and out of longer-term debt to minimize the potential for losses. Prices for long-term bonds typically fall more than those for short-term debt, because of the greater potential for the purchasing power of their fixed interest to erode as yields rise.

Christophe Auvin, head of credit at BNP Paribas Asset Management, said he has been positioning the fund's portfolios to favor bonds that are less sensitive to rates and more sensitive to its credit fundamentals, such as cash flows.

Average maturity in the U.S. corporate market has risen to 10.5 years, from 9.6 years in 2013, for bonds listed on the ICE Bank of America Merrill Lynch Corporate Index. For euro-denominated credit, it is up to 5.76 from 5.06 years in the same period, and it has risen to 12.5 from 11.6 in the sterling market.

Even in recent weeks, some big European and U.S. companies, including brewer **AB InBev** and **Comcast Corp.**, have been selling bonds that don't come due for more than 15 years. Last week, Wellcome Trust, a British charitable foun-

STREET

Continued from page B1

Other companies that have sold long-dated bonds include **Amazon.com Inc.**, which sold \$3.5 billion of 30-year bonds in August; **Oracle Corp.**, which sold \$2.25 billion of 30-year bonds in November, and **Northrop Grumman Corp.**, which sold \$2.25 billion of 30-year bonds in October.

Such longer maturities, coupled with record-low coupons, have left the market more exposed to rises in government-bond yields. Duration in U.S. dollar, euro and sterling investment-grade corporate bonds stands near record highs, according to ICE Bank of America Merrill Lynch indexes. A 1% rise in yields would have triggered a 5.4% drop in U.S. corporate-bond prices in that index in late 2008. The same yield increase today would trigger a price drop of more than 7%.

Longer-dated bonds are suffering more.

The price of **Microsoft Corp.**'s 2057 dollar bonds have fallen 4.1% so far this month. The price of a Microsoft bond that matures in 2023 is down 0.5%, according to data from MarketAxess. The price of **Ford Motor Co.**'s 2027 dollar bond fell 2.4% in February, while its 2022 note slipped just 0.8%. —Matt Wizor contributed to this article.

Going Long

Companies that have issued bonds with maturities of 30 years or longer since the beginning of 2016.

U.S. marketed Issuer	Face value	Non U.S. marketed Issuer	Face value
Anheuser-Busch InBev	\$11.0 billion	SoftBank Group	\$2.8 billion
AT&T	5.0	Mitsubishi UFJ Financial	2.7
Microsoft	4.5	Mitsubishi UFJ Financial	2.5
Amazon.com	3.5	Volkswagen International	2.3
Abbott Laboratories	3.3	Mizuho Financial	2.2

Source: Dealogic

High volatility in the past often signaled a short-term buying opportunity, as the subsequent drop would be good for stocks. But if Monday's rise was mostly technical and should be mostly ignored by investors, the same applies to the fall back since.

The fleeting dangers of the VIX may have subsided, but real trouble could still be lurking out there.

There are three concerns. The first is that there could be a lot more selling to come from those who took bets against volatility without using products like the VelocityShares Daily Inverse VIX Short Term exchange-traded note, known as XIV.

The XIV and similar structures are now tiny (and dying) and won't be causing any new problems. But pension funds and other long-

term investors have piled into strategies that bet against volatility, in effect selling insurance against market downturns. The wager is that the insurance premium—the money from selling options—makes enough in the good times to cover the sudden nasty losses when the market falls. If investors pull back now, it exacerbates market falls, and there are plenty of other strategies that also buy in up markets and sell in down markets.

For the moment, there don't seem to be major dislocations, and hopefully long-term investors planned for big swings in volatility, but it is too early to conclude that there is no more selling to come.

The second worry is that the exchange-traded note was a canary tweeting a message of concern as it

died. XIV was designed purely for intraday hedging, and the buyers piling into it for longer periods were a perfect example of complacency. Its prospectus included bold, underlined warnings that its long-term expected value was zero.

When structured mortgage bets brought down two Bear Stearns hedge funds in 2007, many investors and central bankers also reassured themselves that the wider economy was fine.

They were proved catastrophically wrong in 2007, and there are plenty more products with a similar structure to XIV out there, including two-times leveraged long volatility products with the same bold, underlined warnings.

But not every complex fund collapse is a sign of deeper trouble ahead. In 1998, the failure of Long-

Term Capital Management—and a string of emerging-market defaults—proved little hindrance to the expanding stock-market bubble. XIV's success was a clear sign of market excess, but its failure isn't necessarily a sign of an imminent crash.

The third concern is that the anxieties that triggered stock declines in the first place remain very much alive. Share-price falls before the VIX spike seem to have been due to rising uncertainty about inflation, made worse by the headline wage rises in last Friday's jobs report.

Investors showed themselves to be highly sensitive to the wrong sort of rise in bond yields, and there is no reason to think that has changed. The good news is that lower stock prices create more margin for mistakes.

Treasury Auctions

The Treasury Department will auction \$97 billion in securities next week. Details (all with minimum denominations of \$100):

♦ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on Nov. 16, 2017, maturing May 17, 2018. Cusip number: T912796PG8.

Also, \$42 billion in 26-week bills, a reopening of an issue first sold on Aug. 17, 2017, maturing Aug. 16, 2018. Cusip number: 912796NQ8.

Noncompetitive tenders for both issues must be received by 11 a.m. EST Monday and competitive tenders by 11:30 a.m.

♦ **Thursday:** \$7 billion in 30-year Treasury inflation-protected securities, dated Feb. 28, 2018, and maturing Feb. 15, 2048. Cusip number: 912810SB5. Non-competitive tenders must be received by noon Thursday; competitive tenders, by 1 p.m.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

30-YEAR BONDS

Applications	\$39,132,470,000
Accepted bids	\$19,024,077,000
"noncompetitively"	\$16,631,900
"foreign noncompetitively"	\$0
Auction price (rate)	97.654131 (3.121%)
Interest rate	3.00%
Bids at clearing yield accepted	10.65%
Cusip number	912810SA7

The bonds, dated Feb. 15, 2018, mature on Feb. 15, 2048.

BY CHRISTOPHER ALESSI

Oil prices fell for the fifth session in a row on the back of surging U.S. production and rising inventories.

Light, sweet crude for March delivery fell 64 cents, or 1%, to \$61.15 a barrel on the New York Mercantile Exchange on Thursday, closing at a one-month low. Brent, the global benchmark, declined 70 cents, or 1.1%, to \$64.81 a barrel.

Crude prices have given up nearly all of this year's gains, down 7% over the past five sessions. Prices have come under pressure this week amid a broader market selloff that has taken U.S. stocks into correction territory for the first time in two years.

Analysts have become concerned about the impact of U.S. shale production in re-flooding the oil market with supply, as prices have climbed this year.

The U.S. Energy Information Administration on Wednesday reported U.S. crude output climbed to 10.25 million barrels a day last week—a weekly record—



Crude prices are down 7% in the past five sessions and have given up nearly all of this year's gains.

NICOLE CRARNE/BLOOMBERG NEWS

MARKETS

Emerging Markets Weather the Selloff

BY JULIE WERNAU
AND GEORGI KANTCHEV

Wild price swings this week upended stocks and bonds around the globe, but some of the historically most volatile markets are holding up better-than-expected compared with past global selloffs.

Since U.S. markets reached a high on Jan. 26, the S&P 500 index is down 10.2%. Emerging-market stocks performed better during much of the recent selloff. The MSCI Emerging Markets Index is now down 8.6% since Jan. 26.

Bonds issued by companies and countries in the developing world started selling off last week, but by Wednesday the spread between emerging-market debt and U.S. Treasuries—or the extra yield investors receive for emerging markets—had narrowed back to levels in late January.

"It's notable how restrained the negative reaction was this time," said Sacha Tihanyi, senior emerging-market strategist at TD Securities in New York.

Unlike during some previous global selloffs, where a government default or currency devaluation in Asia, Eastern Europe or Latin America weighed on global markets, "this time the volatility is coming from U.S. markets," said Katia Bouazza, co-head of global banking for Latin America at HSBC. "It's not coming from some headline news in the emerging world."

Investors also point to several positive factors that cushioned the blow. Global growth is on an upswing, a benefit for developing countries that export commodities or are manufacturing hubs.

The International Monetary Fund expects emerging economies as a whole to grow 4.9% in 2018, up from 4.7% last year, and more than double the growth rate in advanced economies. The European Union also said the near-term

Emerging-market stocks have been rising but still lag behind U.S. stocks.

Index performance



Fund flows into emerging markets, monthly

■ Debt ■ Equity

\$20 billion



*JPMorgan EMBI Global Diversified

Sources: Thomson Reuters (indexes, spread); Dealogic (debt issuance); EPFR Global (flows)

International debt issuance by emerging markets, in billions

1995	\$29.5
'96	62.7
'97	82.1
'98	61.8
'99	69.7
2000	69.7
'01	72.9
'02	64.5
'03	100.2
'04	131.9
2005	158.1
'06	167.1
'07	195.3
'08	114.7
'09	246.2
2010	332.9
'11	329.3
'12	489.6
'13	503.0
'14	557.1
2015	394.7
'16	560.0
'17	761.7
'18	116.4

THE WALL STREET JOURNAL.

toric valuations.

A prolonged slump in U.S. markets may yet take a more serious toll on emerging-market stocks and bonds, analysts say, and the market volatility has already been disruptive in pockets.

A bond sale Tuesday by Camposol SA, a Peruvian avocado, blueberry and shrimp farming company, was delayed because of market conditions, investors said. A Camposol official didn't respond to a request to comment.

Two bankers said they had encouraged one government issuer and several companies that had started a bond-sales process to hold off pricing until volatility subsided. Any sales this week, one of the bankers said, would have had to offer between 0.10 and 0.15 percentage point more in yield than if they were sold before the big market-price swings.

Even without more big jumps in volatility, risks remain for emerging-market investors. Bonds from these countries have benefited from investors' global search for yield when interest rates in the developed world are near historic lows.

But if the Federal Reserve responds to recent wage growth or other nascent signs of inflation by raising interest rates more aggressively than expected, that could start to slow the hunt for yield. Higher U.S. rates typically drive investors away from emerging markets by making their bonds, stocks and currencies less attractive.

"The Fed continues to be a concern for the space and there are political risks in places like Mexico and Brazil," said Richard Segal, emerging-market analyst at Manulife Asset Management, which manages \$383 billion.

But Mr. Segal said the recent selloff hasn't prompted the fund to change its portfolio. "It was a shock to the system," he said, "but we see it as a temporary blip."

HEARD ON THE STREET

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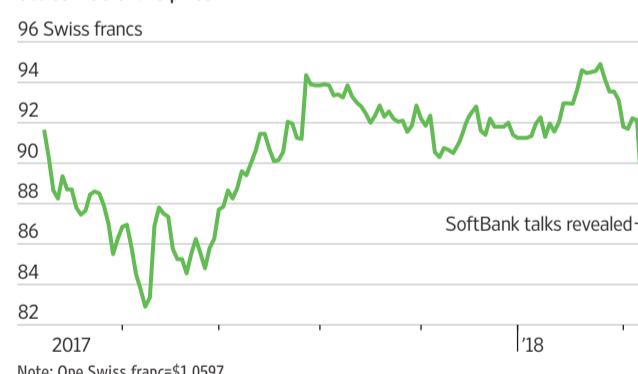
SoftBank's New Play Makes Sense

OVERHEARD

Twitter Logs Profit for First Time

Paying Premiums

Swiss Re's share price



A speed-skater's defeat leads to Olympic gold
M9



MANSION

'Someone has a great fire in his soul and nobody ever comes to warm themselves at it, and passers-by see nothing but a little smoke.'

—Vincent van Gogh

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THE WALL STREET JOURNAL.

Friday, February 9, 2018 | M1



HOT PROPERTY Ramana and Jessica Lagemann paid \$1.375 million for a condo in Boston.

Firehouses With Five-Alarm Flair

Buyers are turning decommissioned stations into modern homes, deploying architectural creativity and cash to create one-of-a-kind living spaces.



GOING DOWN After a three-year search, the Lagemanns bought in a former firehouse.



LABOR OF LOVE Kelly and Clint Clemens paid \$1.3 million for this firehouse in Newport, R.I., and then renovated it brick by brick.

BY ALINA DIZIK

THESE HOMES HAVE no yards. Originally constructed to house large vehicles, they boast cavernous, dark, interior spaces that often require extensive and expensive reconfiguring. Their common areas sit level with the sidewalk, making it easier for passersby to peer in.

For their ardent fans and other nostalgia buffs, though, there is nothing better than living

in a firehouse.

Buyers are turning decommissioned firehouses—properties deemed by their cities as outdated or too small to accommodate current equipment—into modern homes, deploying all manner of architectural creativity, and often a lot of cash, to create one-of-a-kind living spaces. "They have character and they have history; there's something innately civic about them," says Boston-based architect David Hacin, who spent three years working to restore a firehouse

for a client in Newport, R.I.

As of January there were 16 converted firehouses for sale across the country, according to data from Realtor.com, asking anywhere from \$199,000 to nearly \$10 million. While most firehouses don't sell for a premium, extensively renovated conversions are often the most successful on the market and can fetch a higher price, real-estate agents say.

Real-estate agent Babs Beckwith says she sold *Please turn to page M14*

SELLERS' DREAM: \$500,000 OVER ASKING

In hot real-estate markets, offers on even 'ordinary' homes can shatter the owners' list price. Why? They have one feature—parking, views, a yard—lacking in other homes nearby. Of course, it helps to be located near Google.

BY NANCY KEATES

WHEN BILL MALCOLM listed his childhood home in August in Sunnyvale, Calif., for \$1.688 million, he thought he was asking a lot. After all, the ordinary, one-story house was less than 2,000 square feet, hadn't been structurally renovated since his parents bought it for \$27,500 in 1963, and was on only a third of an acre. But he figured its location close to the headquarters of Apple and Google would command a premium.

It did: a premium of about \$782,000 above his asking price, selling for \$2.47 million a few weeks later.

"It was unbelievable," says Dave Clark, Mr. Malcolm's real-estate agent. Even in the notoriously overpriced Silicon Valley, where he regularly gets 10 or more offers for a listing, this one was different. It drew 21 offers.

It is no secret the housing market is on fire. Last year, almost a quarter of all U.S. home sales were above asking price, according to real-estate listings website Zillow. But the average premium over

Listed for \$2.125 million
Sold for \$2.628 million



BELLEVUE, WASH. Attorney Arman Manoucheri found a home with views that reminded him of Bellagio in Italy.

asking for those homes was \$7,000—not \$700,000. Even in the hottest real-estate markets, where there is a severe shortage of inventory, the highest bid typically isn't

more than a couple hundred thousand dollars over asking.

What often distinguishes the houses that go way above asking—half a million or more—is a feature that

the other homes in the neighborhood just don't have, says Toby Lumpkin, a real-estate broker with Realogics Sotheby's International Realty in Seattle. That

can be a better view, more southern exposure, an especially tasteful renovation, a three-car garage in a parking-challenged city, or a side

Please turn to page M8



\$22.5 MILLION
Mel Gibson's onetime home listed **M2**



LOW BIDDERS
Few luxury homes listed on eBay **M3**



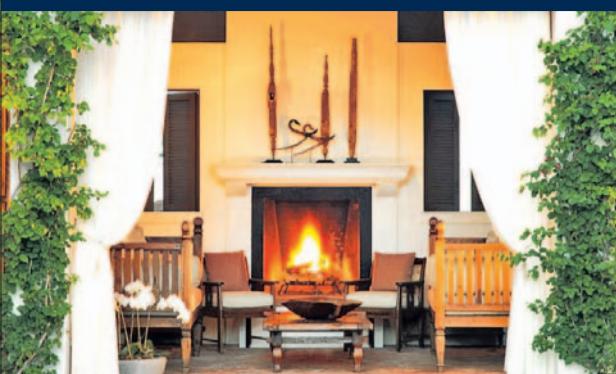
YOUNG LOVE
A teen's study made for work and play **M5**

AMIEE CHASE/VISTA ESTATE IMAGING

INSIDE

IMAGES 4

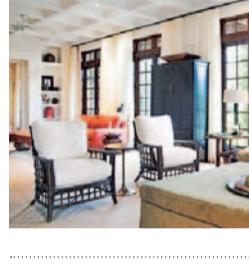
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Mel Gibson's Onetime Estate Lists



The seller of a Greenwich, Conn., mansion once owned by actor Mel Gibson is listing it for \$22.5 million, less than he paid for it eight years ago.

"I don't think it's a secret that the market in Connecticut in general is just not that good,"

said owner Richard Lichten. An executive at Stamford-based private-equity firm Newbury Partners, Mr. Lichten said he bought the property for \$24 million in 2010 and has tried to sell it on and off for about five years.

Known as Old Mill Farm, the

property was built in 1927 and spans more than 75 acres with a lake with its own dock, according to the listing agency Sotheby's International Realty. The main house totals about 15,800 square feet. There are also sev-

eral outbuildings, including a Cotswolds-style cottage, a log cabin, a horse stable and a greenhouse.

Mr. Gibson, who previously owned the home for 15 years, dubbed it Wayne Manor, after the fictional mansion occupied by Batman's Bruce Wayne, according to Leslie McElwraith, the listing agent. The name was also on architecture plans Mr. Gibson had drawn up, Mr. Lichten said. Mr. Gibson's publicist declined to comment.

After purchasing the property from Mr. Gibson, Mr. Lichten said he made some updates. He said he wanted to buy a sword from the movie "Braveheart," which had been hanging over the fireplace during Mr. Gibson's tenure, but the actor wouldn't part with it. Mr. Lichten said he was selling because he's traveling a lot for work, and can't make the most of the property.

T-MOBILE CEO'S NEW YORK PENTHOUSE FOR SALE

John Legere, chief executive of T-Mobile who has developed a cult following for his weekly online cooking show, is listing his Manhattan penthouse for \$22 million.

Located in 91 Central Park West at the corner of West 69th Street, the four-bedroom, four-bath home is over 3,000 square feet and has 1,700 square feet of terrace space. The unit features intricate woodwork, stained-glass windows and a carved Elizabethan oak fireplace. Off the entry, a staircase leads to a lounge with 14½-foot ceilings and a hand-crafted wooden bar.

It has been widely reported that the apartment was occupied at one time by publishing magnate William Randolph Hearst and his mistress Marion Davies. The couple's relationship with the property could not be independently verified. Lee Mindel, the architect hired

by Mr. Legere to re-imagine the penthouse, said he found Ms. Davies's initials carved into a fireplace and a portrait of a woman that resembled her in the stained glass.

Mr. Legere said he purchased the apartment in 2015 for \$18 million. He hired Mr. Mindel and secured approval

from the New York City Landmarks Preservation Commission to expand the unit by acquiring the rights to incorporate the building's roof as part of his home. The deal would have added about 2,246 square feet of exterior space to the home, said Heather McDonough Domi of Core, one of

the listing agents.

The deal was never finalized. Mr. Legere changed course after he signed a three-year contract extension at T-Mobile, which is keeping him in Seattle, he said. A new owner could continue with his plans or discard them. Mr. Legere declined to comment on how much he would have paid for the rights.

Ms. Domi shares the listing with Henry Herskowitz.

NEW YORK PUBLISHING POWER COUPLE TO SELL HAMPTONS HOME



A New York magazine power couple is listing their recently renovated East Hampton, N.Y., vacation home for \$12.5 million.

The sellers are Pilar Guzmán, editor-in-chief of Condé Nast Traveler, and Chris Mitchell, chief business officer for Condé Nast's culture collection, a group of publications that includes W, the New

Yorker and Vanity Fair.

On 1.14 acres, their 8,000-square-foot home is a short walk from East Hampton's Main Street. There is also a 45-foot heated pool and a trel-lis-shaded pool house that could also be used as a garage.

Ms. Guzmán, 47, and Mr. Mitchell, 48, said they're selling because they rarely get to use the property. With demanding

jobs and two sons, ages 14 and 11, they don't often get to make the trip out east, Mr. Mitchell said.

Frank Newbold and Beate Moore of Sotheby's International Realty have the listing.

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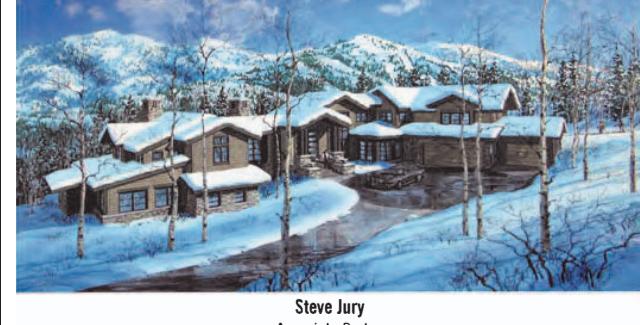
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Soho



169 Mercer Street
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3 Bed 2 Bath

Julia Hoagland Team
646.832.3545
jht@compass.com

Midtown



24 West 55th Street
\$895,000
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Julia Hoagland Team
646.832.3545
jht@compass.com

Park Slope



17 Prospect Park West
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7 Bed 3.5 Bath

Lindsay Barrett
646.663.1092
lindsay.barrett@compass.com

Soho



90 Prince Street
\$4,250,000
4 Bed 2.5 Bath

Julia Hoagland Team
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jht@compass.com

Gramercy



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2 Bed 2 Bath

Toni Haber
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Carnegie Hill Co-op w views of Park Avenue - 5BRs, 4.5Bths. Alexa Lambert 917.403.8819

700 Park Avenue | \$6.995M | Web 17966292

Park Avenue High 60's Duplex. Panoramic Views. Outdoor Space. David Trugerman 646.237.6436

35 Sutton Place | \$6.7M | Web 16559078

Triple Mint 3BR 4ba. Rvr/City Vus & terr. Renov 3300sf. FS Co-op. Linda Maloney 212.585.4527

444 East 57th Street | \$5.495M | Web 17506905

Rare 4 Bedroom, 4.5Bath condo on Sutton Place - 3,028 SF. John Barbat 917.254.7630 & Charlotte Van Doren 917.603.9489

203 East 72nd Street | \$5.25M | Web 18001092

Sunny, hi flr 5BR 5.5ba, 3100sf mint. FS Coop loaded w conveniences. Anna Hargraves Hall 212.452.4421 & James Hall 212.585.4557

**795 Fifth Avenue | \$4.495M | Web 18000588**

Central Park vus & perf loc. Mint 1BR 1.5ba h/f Co-op at The Pierre. Joan Merrill 212.434.7082 & Phyllis Mack 212.452.4412

1165 Fifth Avenue 6B | \$3.75M | Web 18000899

Prime 9 rm co-op, P/W detail w orig moldings. Magnif light, Park vus. Margaret Furniss 917.696.5577 & Richard B. Brown III 212.434.7079

245 East 93rd Street | \$3.499M | Web 17941191

Mint 3BR 2.5Ba FS condo, 2 huge terr, vus, w/d, gym, gar, playrm. Marcy Grau 212.452.4361

815 Park Avenue | \$3.495M | Web 16546161

Sunny 7.4BR 3.5ba, large windows, updated EIK, W/D, wbfplic. 50% Financing. Maureen McCarron 917.553.4772

955 Lexington Avenue | \$2.895M | Web 18042238

Un-classic P/W 6 Co-op loft-like, triple mint beaut expos 2/3BR. Timothy Desmond 212.452.4380

799 Park Avenue | \$2.6M | Web 18070454

Oversized Classic 2BR on Park Ave/74th St, 1,800sf, FS co-op. Jason Lanyard 212.434.7091

130 East 75th Street | \$2.595M | Web 15403963

Substantial & Spacious Prewar Classic Six-2/3Bedrooms, 3Baths. Knight Meem 917.318.6242 & Sim Meem 917.536.5220

40 East 78th Street | \$2.395M | Web 18046640

Loc! Madison Avenue 2BR condo. Near CP, flooded with E & Slight. Kirk Henckels 212.452.4402

2 Sutton Place South | \$2.354M | Web 17711082

3BR Emery Roth classic, white glove Co-op, rooftop terrace. Charlotte Van Doren 212.585.4521 & John Barbat 917.254.7630

300 East 59th Street | \$2.35M | Web 17418642

Elegant high floor 2BR, 2.5Bth corner apt w/ 2 balconies. FS Co-op. Shannon Helms Wisniewski 917.567.6394

565 Park Avenue | \$2.1M | Web 17654711

Hi ceilings & light adorn renovated P/W Co-op - 3BRs, 3Bths. Megan Scott, Merrill Curtis & Amanda Cannon 212.585.4531

1280 Fifth Avenue | \$2.04M | Web 17991510

Hi-floor. Direct CP views. Split 2BR 2Bth. W/D. Heated pool. FS Condo. Patrick W. Smith 212.434.7086

40 East 94th Street 10F | \$1.95M | Web 18004767

2 bedroom 2 bath condo in Carnegie Hill, sunny, renovated, F Line. Linda Maloney 212.585.4527

150 East 85th Street | \$1.8M | Web 18009582

Cmr 2BR At The Ventana Condominium, 1,230sf, recently renov Jason Lanyard 212.434.7091

860 Fifth Avenue | \$1.795M | Web 16019356

2BR 2ba. LR/sunny, triple mint, cust kit, W/D, gym. FS Co-op. Jacqueline Garrett 212.452.4379

215 East 80th Street | \$1.695M | Web 17958814

Lg 2BR conv 3BR/2ba condo. Gym, playroom. Low monthly charges. Christine Miller Martin 917.453.5152 & Deanna Lloyd 757.572.0107

10 East 81st Street | \$1.695M | Web 18012817

Park Block 2BR Triplex Coop, 2 fireplaces, hardwood, a gem. Brooke Joslyn 646.248.0751 & Gregory Spock 646.613.6184

333 East 69th Street | \$1.665M | Web 17983805

Open city views, lg convertible 3BR, full service bldg, lots of closets. Garage, pets allowed. Alison Black 212.585.4578

140 East 72nd Street | \$1.625M | Web 17908284

Sunny triple mint 2BR, 2ba. Wolf, Miele, subzero applis. FS Co-op. Broker/Owner Margaret Furniss 917.696.5577

101 East 81st Street | \$1.625M | Web 180012817

Park Block 2BR Triplex Coop, 2 fireplaces, hardwood, a gem. Brooke Joslyn 646.248.0751 & Gregory Spock 646.613.6184

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211 East 53rd Street | \$1.48M | Web 17879351

Spac 2BR 2ba in Midtown 3 expos. MBR en-suite bth FS Condo. Merrill Curtis 212.570.4054 & Gilbert Simrall Meem 917.536.5220

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High floor full service condo w floor-to-ceiling windows - 1BR, 2Bths. Maryela Gussi-Schwartz 917.561.9946 & Lori Powers 917.620.1744

23 East 74th Street | \$840K | Web 16708196

Loft-Like 1BR S/E & N expos. FS P/W Co-op. Great pied-a-terre & light. Beatrice Durot 212.452.4381

12 Beekman Place | \$825K | Web 17983040

Enormous corner 1BR on Beekman Place, 900 sqft, 9' ceilings. Jason Lanyard 212.434.7091

239 East 79th Street | \$815K | Web 17976548

Jr4 w the lowest cc. A wall of windows w open west expos. FS Co-op. Jonathan Lavoie 646.613.2726 & Lauren Zidel Rose 212.585.4558

370 East 76th Street | \$699K | Web 17959085

Professional/medical space, 6 rooms, 1bth, Private street entrance. Susan Nolop 212.570.5921 & Janice Silver 212.570.6689

155 East 73rd Street | \$549K | Web 18004426

Charming P/W 1BR w fp, move in cond w renov bth & kit. Reduced. Patricia Beckwith 917.744.6185 & Charlotte Beckwith 917.744.6184

106 E 85th Street | \$450K | Web 17987255

Excellent location 1 Bedroom Co-op/office. Part time doorman. Maint \$2505/mo. Gioia Zwack 646.644.4642

512 East 83rd Street | \$449K | Web 18001210

3 room co-op, high ceilings, hardwood flrs, 2blks the 2nd Ave train. Perfect starter home. Paul LeMarc Brown 646.613.2799

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Triple mint furnished 2BR 2.5Bth UWS condo, 2 terr & fab amenities. Peter Bosch 212.452.4387 & Inez Wade 212.452.4439

TOWNHOUSE**120 Congress Street | \$5.495M | Web 17627039**

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370-372 Columbia Street | \$1.6M | Web 17961848

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1178 Sterling Place | \$1.5M | Web 17930171

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358 55th Street | \$1.25M | Web 18077969

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DOWNTOWN**131 Perry Street | \$2.375M | Web 17958481**

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A Rare Find on eBay: Luxury Homes

Not many sellers list high-end properties on the auction site, but some swear by it



BY LEIGH KAMPING-CARDER

WHO WOULD LIST a house on eBay?

For the past year and a half, Michael B. Willhoit has had his Springfield, Mo., home listed on eBay; the current "Buy It Now" price is \$8.9 million. Befitting a website that first sold a broken laser pointer, his home is decidedly quirky. Named "African Queen," the 3,300-square-foot home looks like a safari lodge on steroids, with ceilings papered in dried grasses and a room that contains a portion of an actual rock bluff, with a mounted lion standing guard.

Mr. Willhoit, 65, said he paid \$545,000 for his two-bedroom home in 2013, and then spent \$7 million to \$8 million expanding, landscaping and furnishing it. Since he made his fortune trading luxury cars, including on eBay, he said he had little hesitation listing his home there. He opted not to use an agent since he is most knowledgeable about the property, he said.

Mr. Willhoit—who has also listed his house on real estate website Zillow—said he plans to continue renewing his eBay listing every month. eBay "reaches a zillion people, even people from overseas," he said, noting that he is selling to buy and develop land nearby.

At a time when home sellers have countless options for advertising online, a small number swear by eBay—the 22-year-old internet pioneer that is better known for trading electronics and designer clothing than luxury properties.

There is a reason for that: Real estate is one of the smallest categories of goods on the website, with only about 100 homes listed in a recent search, said Juozas Ka-



STABROEK & PORT FOR THE WALL STREET JOURNAL (3); EDUARD ZAK/DEFALCO REAL ESTATE GROUP (FLORIDA)

**OUT OF AFRICA**

Michael B. Willhoit, with his wife, Lisa, left, is selling this over-the-top Africa-theme home, above, on eBay for the "Buy It Now" price of \$8.9 million. A Jupiter, Fla., home also listed on the site, right.



ziukėnas, founder of Marketplace Pulse, a New York-based business-intelligence firm focused on e-commerce. That is out of about 1.1 billion listings sitewide.

Some sellers who list homes on the San Jose, Calif.-based auction website said they don't expect a

sale to the highest bidder. Rather, they said they see it as a way to gain international exposure, as well as an easy place for interested parties to get in touch.

A typical 30-day auction-style listing or classified ad for a residential property costs \$150, though

fees start at \$35. Even if buyers agree to a "Buy It Now" price, they can't buy the property—bids don't represent legally binding purchase contracts, thanks to state laws and the complexity of real-estate transactions, according to eBay policy. The classified-style listings provide

buyers and sellers a chance to conduct the transaction off the site, an eBay spokeswoman said in an email. The site has 170 million active buyers, she said.

Madison Hildebrand of Pacific Union International said he believes an eBay listing could work against a luxury home. "You've already demoted the house [because of] the style of what eBay is—used things being sold," he said. Mr. Hildebrand said he prefers promoting listings through places like social network Instagram, which is free and can direct traffic to dedicated websites for the homes. An Instagram account for a three-bedroom house in Malibu, Calif., which he sold in the fall for \$6.1 million, garnered 140 followers.

An eBay spokeswoman said Mr. Hildebrand's characterization is inaccurate, noting that more than 81% of the items sold on eBay are new, and 88% are sold at a fixed price.

Fred DeFalco of DeFalco Real Estate Group based in Boca Raton and Jupiter, Fla., said he regularly uses eBay to publicize real estate auctions. He is now overseeing the sale of a four-bedroom, 3½-bathroom home in Jupiter, slated to be sold at a live auction on Feb. 28 with a \$2.65 million reserve.

The owners want to sell quickly, Mr. DeFalco said, so his strategy is to spend his marketing budget—about \$26,000—advertising on an array of digital platforms.

Eight days after posting the eBay listing—which he said would cost \$400 for a month—Mr. DeFalco said he received 635 views, and 14 people signed up to get notifications.

In contrast, he said he spent \$300 to advertise on Facebook, and got only six viewers to click on his ad in the first three days. A Facebook spokeswoman declined to comment.

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JUMBO JUNGLE | ROBYN A. FRIEDMAN

THE TROUBLE WITH BEING THE BOSS

When self-employed workers apply for a mortgage, the biggest hurdle will be demonstrating they meet the lender's income requirements

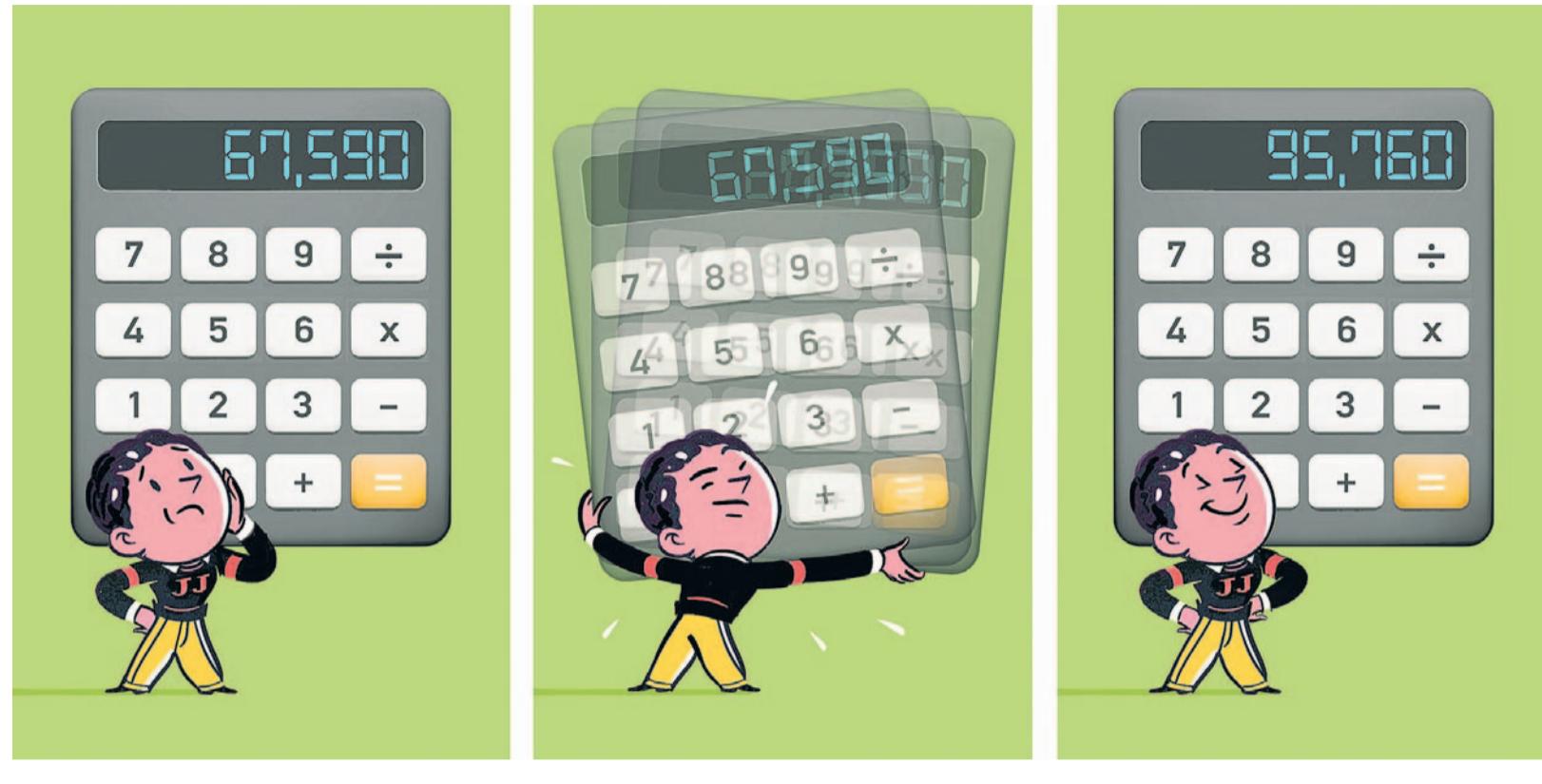


Being your own boss allows for innovation and independence. But the self-employed also face difficulties when applying for a mortgage.

The biggest hurdle, experts say, is demonstrating they meet the lender's income requirements. Self-employed workers don't receive a W-2 form, the document that shows annual wages and withholding amounts. Instead, lenders need to rely on tax returns to verify a self-employed applicant's income. That's a challenge for lenders, because on one hand, self-employed applicants need to show enough income to qualify for a mortgage. On the other hand, they want to lower their taxable income by taking deductions and write-offs that they're legally entitled to.

"That's sometimes where self-employed people struggle, because they may not be showing enough income to qualify for the mortgage even though all the other characteristics of their credit profile look OK," says Scott Witherspoon, chief credit officer of Affinity Federal Credit Union, a lender in Basking Ridge, N.J.

Self-employed business owners often take tax write-offs, such as depreciation of office equipment. The amount is deducted from their business income, even though it's a noncash transaction. Personal expenses, such as car leases or travel and entertainment costs, are frequently covered by the business as well, so the net income re-



ported on the tax return may not accurately reflect the true earnings of the business.

"You want to show as much income as possible to the lender so they know you can afford the mortgage, but pulling all these personal expenses out doesn't reflect the operations of the business," says Stephen G. Rosen, a certified public accountant in Boca Raton, Fla. "You need to help the lender understand that the business is making more money than you're showing."

Mr. Rosen says he often writes letters on behalf of his clients to help lenders better understand their business operations. He also provides profit-and-loss statements in which he removes

personal expenses. That helps to reconcile the difference between the reported income on the tax return and the actual income the borrower claims on the mortgage application.

Another challenge for a self-employed mortgage applicant is the complexity of the tax returns they provide to the lender. "You have to figure out what kind of entity they own, what type of business they're in and how the income is flowing from the business return to the personal tax return," says Matt Hackett, operations manager for Equity Now, a direct mortgage lender in New York.

Mr. Hackett says Equity Now has approved jumbo loans that other lenders re-

jected. "We meet people all the time who were denied by another lender that could not understand or calculate self-employment income," he says. "We are experts at determining the cash flow of a business to help self-employed borrowers qualify for a mortgage."

A recent example: The applicant's business had a net operating loss that was being carried forward to offset present income. The business had actually been profitable for two years, but was still showing the paper loss on its returns. Equity Now added the loss back into the applicant's business income and was able to approve the loan.

Here are a few things to consider if you're self-em-

ployed and plan to apply for a jumbo mortgage.

- **Find a good accountant.**

Not only can an accountant help explain your business and its cash flow to a potential lender, but he or she can provide invaluable advice on structuring that loan to benefit both the business and personal tax situations.

- **Seek business-savvy underwriters.**

Make sure your lender has sufficient expertise to analyze your tax returns, both business and personal. Staff underwriters should be able to understand a Schedule C and all other schedules annexed to the tax return. "You need a lender who can actually go through those forms in detail and know which expenses to add

back in order to properly qualify and maximize the amount of mortgage that person could qualify for," says Mr. Witherspoon.

- **Consider a mortgage broker.**

Rather than applying to a direct lender, consider a mortgage broker, who works with many different lenders and can try to find the best program to fit your situation.

"Self-employed applicants are not cookie-cutter loans," says Mat Ishbia, president and chief executive officer of United Wholesale Mortgage in Troy, Mich. An independent mortgage broker can also look for a portfolio lender, which will have more flexibility on underwriting than a lender planning to sell the jumbo to an investor.

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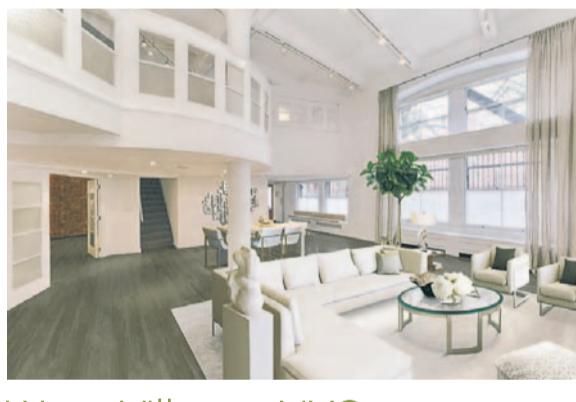
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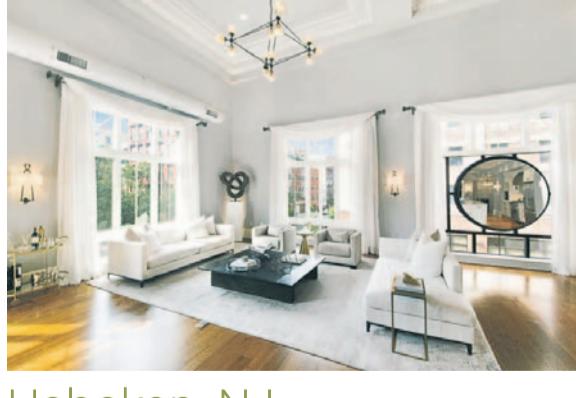
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There's something to be said for the sweet simplicity of days past, whether a walk down memory lane or simply an appreciation for life's slower pace.

Manatee County, which includes municipalities such as the cities of Bradenton and Anna Maria, is doing its part to preserve a sense of old Florida and to provide visitors and residents alike with a one-of-a-kind experience.

Cathy Slusser, chief historian for the Manatee County Clerk of Circuit Courts, notes there are four local history museums managed by her department, each with its own focus on education and preservation.

"The area which used to be called The Village of Manatee is now known as East Bradenton. We have a section that promotes the history and heritage of the pioneer period called Manatee Village Historical Park," she explains. "They've moved historical buildings into the park from the pioneer period until the end of World War I. People can come and walk through the buildings furnished in the time period. They have activities for people to do so they can feel like they've gone back in time."

The Village of Cortez, one of the oldest fishing villages in the state of Florida,

houses the Florida Maritime Museum, which launched the Florida Folk School. Visitors can create maritime and heritage crafts, then learn how they would have been used during the time period from which they originated.

Slusser credits locals for this historical perseverance.

"A lot of the residents here are descendants of farmers," she says. "Agriculture has always been an important part of our community. Farmers pay attention to history. They must. They have to know what happened years ago in order to plan for the future."

Continued on M4E

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COMPASS**HOME is where the ART is**

Boasting miles upon miles of exquisite beaches, it's easy for an outsider to think the Gulf Coast of Florida is primarily for those who crave a breath of salty air and a bit of sand between their toes. Locals, of course, know better.

"We have 62 arts and culture organizations ranging from musical quartets to world-class museums," says Aimee Schlehr, the CEO and executive director of the Naples Arts Association. "For a community of about 350,000 full-time residents, that is impressive."

Schlehr attributes this abundance of riches to the folks who arrived when the city first began taking shape.

"It was important for the residents who had been coming here part-time to have the same experiences at their vacation homes that they had in their permanent homes," she explains. "They helped build these arts and culture organizations, laying the foundation for Naples to become a cultural destination."

This strong sense of loyalty toward the arts isn't limited to Naples — it appears to be infectious all along the Gulf Coast.

Take, for example, the city of Bradenton, located roughly 120 miles to the north. In 1999, it declared one of its communities the "Village of the Arts," where artists could both live and work.

"It's very eclectic," says Bill Webster, president of the Artists Guild of Manatee. "We have people from everywhere — all over the country and different continents of the world. It's an accessible, unpretentious environment. There are not a lot of clashing egos."

A creative enclave lined with brightly painted cottages, the Village

revitalized the neighborhood near downtown Bradenton.

"In the last few years, growth has really sped up with a lot of new people moving into the Village and starting different enterprises," Webster says. "In addition to the 29 galleries and specialty shops, we have seven restaurants and bakeries, as well as a craft brewery."

He is also quick to point out that Bradenton's artists create more than what he calls "tourist art" that features palm trees and seashells. Instead, visitors are likely to find pieces with perspective and edge — but lacking in the pretension equated with the art world.

"There's a real sense of cooperation," Webster says. "Everyone has a piece of the tapestry."

CAN'T-MISS CULTURE

These Florida enclaves prove that the arts are alive and well on the Gulf Coast.

The Players Centre for Performing Arts • Sarasota • theplayers.org

The Players Centre has been dazzling audiences with top-notch productions since 1936. Although a nonprofessional community theatre, the organization has a talented consortium from which to draw, presenting a myriad of beloved Broadway shows. And now The Players Centre is about to embark on its biggest endeavor yet — a move to Lakewood Ranch's newest community, Waterside Place. Their new campus will boast a main stage auditorium, black box theatre, cabaret theatre with dining and a studio that will provide educational programs and weekly performing arts classes.

Riverwalk • Bradenton • realizebradenton.com

Snag some light exercise with a jaunt along the 1.5-mile stretch of the Riverwalk, overlooking the Manatee River, and take in some art at the same time. "Riverwalk has some really cool public art installations," Webster says. "There are also historic markers done by artists illustrating the history of the area from prehistoric times all the way through the 1950s."

The Naples Art Association • Naples • naplesart.org

To really understand the rich history of this art community, you'll want to start with The Naples Art Association. In 1954, they became one of the first arts organizations to be incorporated in Collier County. Today, they're stronger than ever, not only promoting the work of local artists, but also encouraging public engagement in the visual arts through classes and events.

Artis-Naples • Naples • artisnaples.org

Culture aficionados can pick their poison at Artis-Naples, where both the performing and visual arts can be found. The Naples Philharmonic is among the country's finest, hosting a wide range of musical talent from jazz to opera. While The Baker Museum is currently closed for repair, Hayes Hall galleries are open for visitors, exhibiting a stunning variety of visual arts. And for those interested in moving pictures, Artis-Naples is now home to the Naples International Film Festival.

Lakewood Ranch • Lakewood Ranch • lakewoodranch.com

More than a residential community, Lakewood Ranch showcases cultural events like Ovation, an annual celebration of the arts, and Music on Main, a live concert series. Enjoy the beauty of the "Sport of Kings" every Sunday at Lakewood Ranch's pristine polo fields. The public matches are held weekly through April 8, at which time spectators can marvel in the agility of the professional players and the athletic horses that help drive them to victory.

Village of the Arts • Bradenton • villageofthearts.com

Meander through this colorful downtown community where visitors have the opportunity to watch artists at work, often in the same spaces in which they live. Art galleries, studios, restaurants and even those whose art involves the practice of healing (think yoga and reiki) abound. Artwalks are held the first Friday night and Saturday afternoon of each month, when community dwellers can put their talents on full display.

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Special Advertising Feature**FLORIDA GULF COAST LUXURY**

Continued from M4C

With more than two dozen historical organizations in Manatee County alone, neighbors pride themselves on being able to provide a locality with modern amenities that also gives people a chance to slow down.

"This is the way things used to be — a time when people enjoyed life and were grateful for what they had," Slusser says. "I think it's important economically, but it's also important to the nature of who we are here in Manatee County. I think other communities know that as well. They might not look at the pioneer era as we do. They might be looking at the 1920s. They might be doing as Miami is, utilizing a lot of the retro things that are there."

Beach cities such as the ones on Anna Maria Island maintain their history in other ways, encouraging preservation of the island's small-town feel. You'll be hard-pressed to find a fast food establishment or high-rise building on this 7-mile stretch of land — perfect for those looking for a quaint escape from the hustle and bustle of everyday life.

Further south, cities like Naples rely on partnerships between public and private organizations to manage their historic preservation. While the city offers various incentives to protect certain structures, their counterparts within a private organization dedicated to protecting structures of historical relevance focus on outreach and education.

Peggy Farren, a Naples resident of 25 years, started her company, Understand Photography, to help embrace what has been protected and preserved by offering three-hour photo tours of Third Street South, a shopping area that houses two historical commercial buildings from the 1920s.

"In the Old Naples Photo Tour, we give a general overview of how Naples got its start as a town, including stories of the original settlers," Farren says. "Most of the tour talks about Naples from 1887 to the mid-1920s as we take pictures of the historical buildings and homes."

The impetus for the tour came from Farren's personal love of being a tourist and learning about the destinations she visits.

"I read every history book I could find about Collier County to write the scripts for our photo tours," she says. "Included in the scripts are photo ideas."

The tour provides the opportunity to capture photography of architecture from years past, but also to learn the deep and complex stories behind each edifice.

"We talk about the original use of the buildings, the transitional uses, and current and future use of the buildings," she says. "The houses have great stories to go with them, including the 'Party House.' In the early 1920s, the builder was so proud of this house that he held a big party there before the new owners moved in. The owners found out but forgave him, and the house has forever been dubbed the 'Party House.'"

One piece of history that has been passionately protected by the city is the Naples Pier, which lies along the Gulf of Mexico at the west end of 12th Avenue South. Originally a freight and passenger dock, the 1,000-foot landmark, which dates back to 1888, serves as a historical touchstone for the community.

Locals and visitors who relish travel by land head to the Naples Depot Museum, listed on the National Register of Historic Places, which spotlights the exciting 1920s era of railroad expansion. Guests can immerse themselves in vintage transportation options such as restored rail cars, antique swamp buggies and mule wagons. Without these seemingly uncomplicated methods of conveyance, Naples would have struggled to become the coveted community it is today.

Will our modern technological devices and design be looked upon with such fondness and interest in 100 years? If history buffs and preservationists keep fighting the fight, perhaps future generations will have the gift of making that decision for themselves.



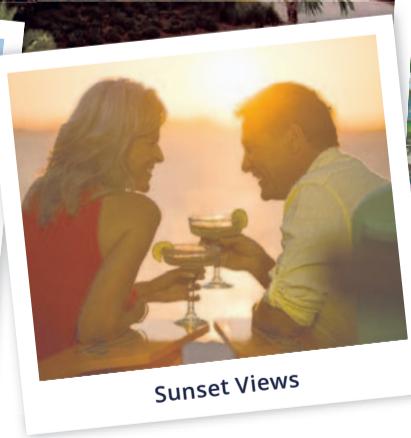
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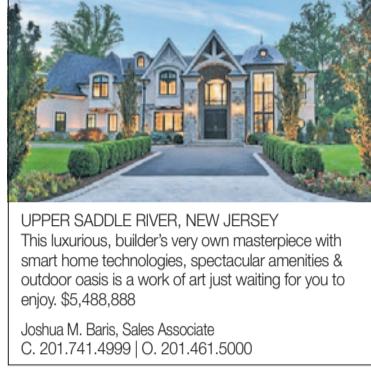
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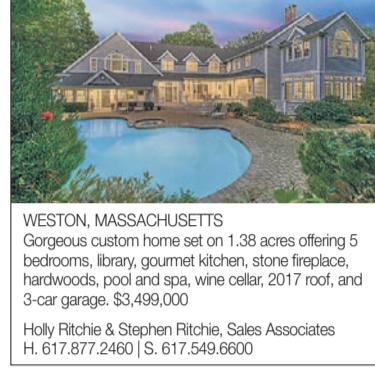
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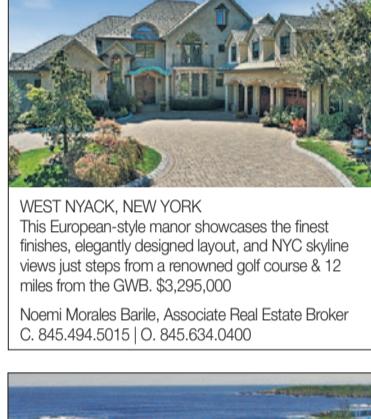
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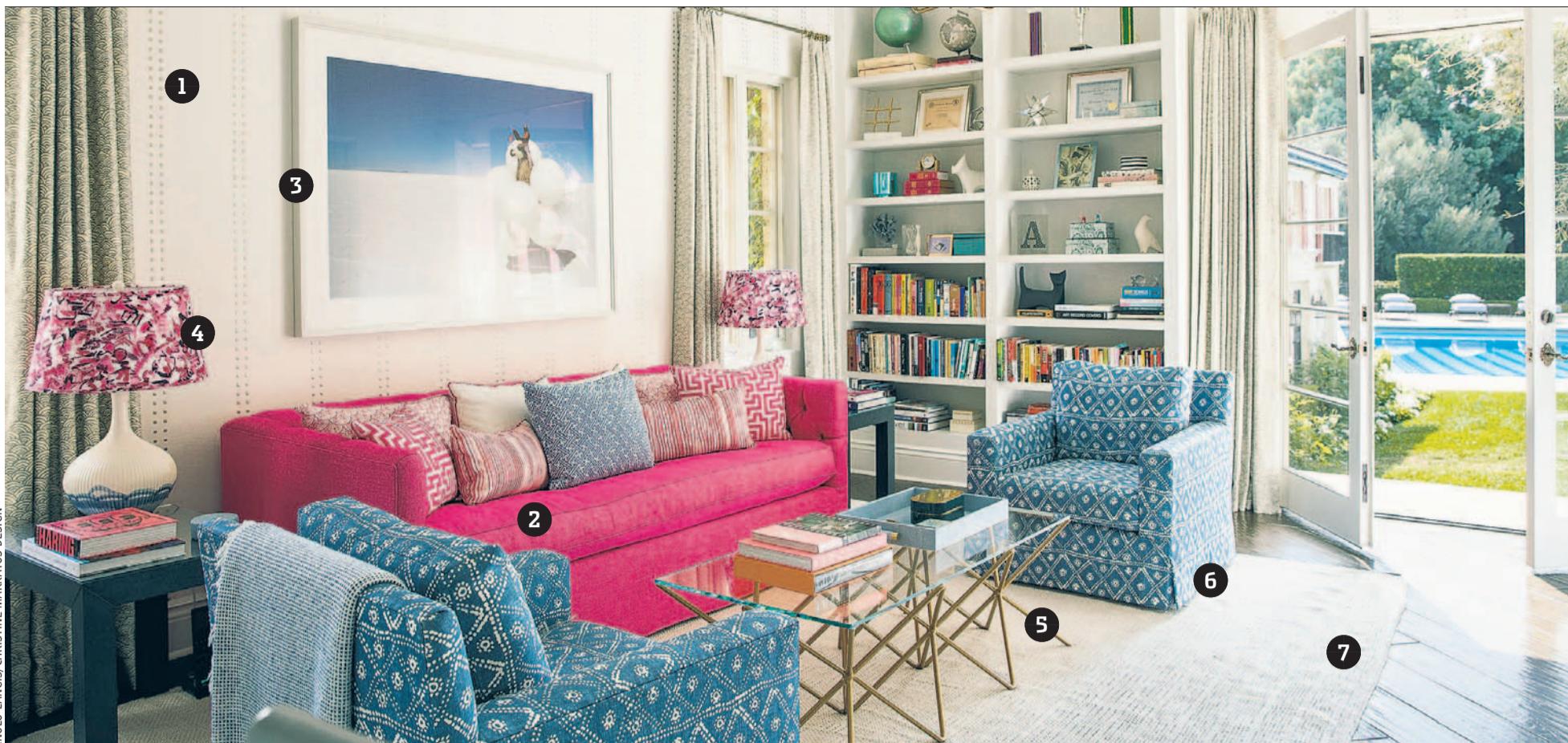
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ANNOTATED ROOM

A Teenager's Study With Pops of Pink

A designer creates a 'happy' space that's suited for homework and hanging out; a \$57,500 price tag

HER ASSIGNMENT: "Be happy." That was the guiding principle behind designer Christine Markatos's interiors at her clients' Italianate mansion in Los Angeles.

"The family had lived in the house for seven or eight years and it was time for a new look," said Ms. Markatos, whose eponymous firm is based in Santa Monica, Calif. The homeowners—he works in finance and she is a writer—have four children, ranging in age from 7 to 17. So the interiors called for bright colors, bold patterns and a fashion-forward playfulness. Redoing the interiors of the 12-bedroom, nine-bathroom home took about six months.

The eldest daughter's study had to do double duty: as a quiet space for homework and as a refuge for hanging out with friends. The design mixes the daughter's own accessories—her trophies and books—with ones Ms. Markatos chose, like globes and animal statuettes that an adult might embrace, too. Here are some of the elements in the teenager's study, which cost an estimated \$57,500 to execute.

—Lisa Selin-Davis

1. SPARKLING

The design started with a fabric wallpaper, Phillip Jeffries' Studs & Stripes, Sterling on White Linen, which features raised inks that look like sparkling metal studs. A sealer was applied to extend its longevity.

Price: \$5,220

designed a custom sleeper sofa and piled it with pillows in fabrics by Katie Ridder, the Elizabeth Hamilton Collection, Christopher Farr Cloth and Perennials Fabrics.

Price: \$5,450

2. PINK AND PLUSH

Pink is important in a house with five women, Ms. Markatos said. She

Ms. Markatos selected this cheerful print, "Llamas White Balloons."

Price: \$4,800

4. LIGHT TOUCH

The grooved, porcelain Regina lamps, by Arteriors, are glazed in a blue wash over a cracked ivory finish, and have custom shades in an Electra Eggleston that evoke the look of graffiti.

Price: \$590 each

3. LLAMA LOVE

The photographer Gray Malin, known for his colorful and whimsical images of luxurious destinations, is a favorite of the teenager's.

5. FLEXIBILITY

The 54-by-26-inch coffee table, with a geometric base and tempered glass top, was custom made by Grey, an Atlanta-based company.

Price: \$3,200

6. DOTTED LINES

The custom swivel club chairs, by Christine Markatos Design, are covered in Carolina Irving linen in Zig Zag Cerulean. The dotted

pattern is meant to complement the patterns in the lampshades and pillows.

Price: \$2,450 each

7. UNDER FOOT

The Dash & Albert Bonnie Gray 10x14 woven cotton rug is a soft gray and white with a quiet pattern that supports the bold patterns and colors throughout the room. The rug is also reversible.

Price: \$1,020

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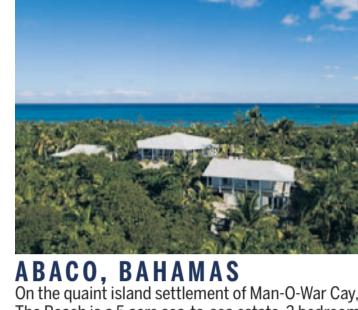
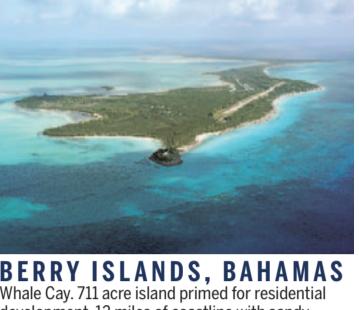
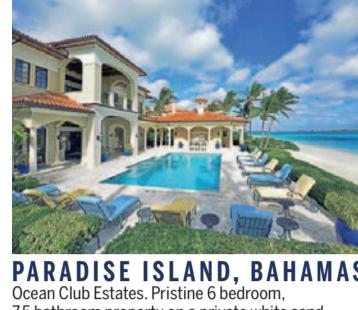
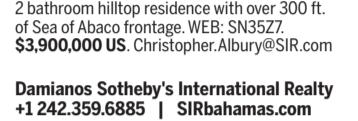
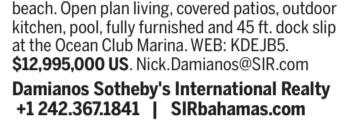
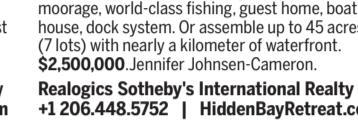
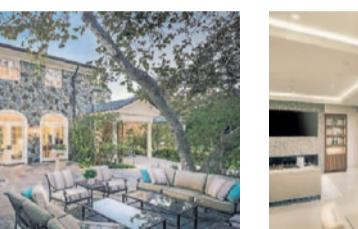
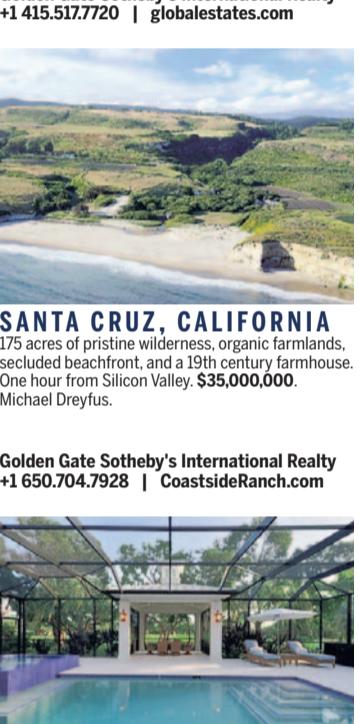
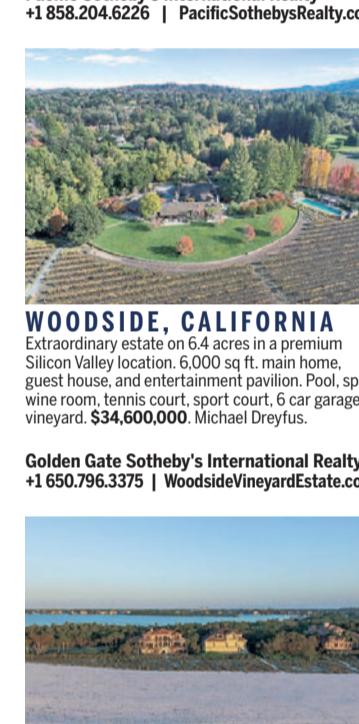
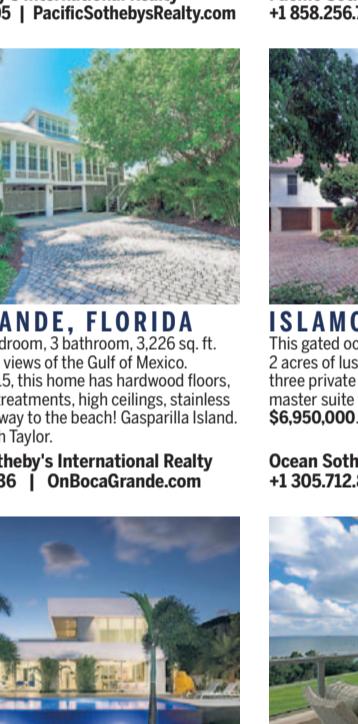
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 ABACO, BAHAMAS On the quiet island settlement of Man-O-War Cay, The Reach is a 5 acre sea-to-sea estate. 2 bedroom, 2 bathroom hilltop setting with over 300 ft. of Sea of Abaco frontage. WEB: SN3527. \$3,900,000 US ChristopherLury@SIR.com	 BERRY ISLANDS, BAHAMAS Whale Cay, 711 acre island primed for residential development. 1.2 miles of coastline with sandy beaches. 4,000 ft. paved airstrip and deep water access. WEB: TB422. \$20,000,000 US.	 PARADISE ISLAND, BAHAMAS Ocean Club Estates. Pristine 6 bedroom, 5.5 bathroom property on a private white sand beach. Open plan living, covered patios, outdoor kitchen, pool, fully furnished and 45 ft. dock slip at the Ocean Club Marina. WEB: KDCJBS. \$12,995,000 US. Nick.Dianino@SIR.com	 ST. BARTHÉLEMY, FRENCH WEST INDIES St. Barth's most desirable mountain-top location in Colombier. 5 bedroom, 6 bathroom gated 2.8 acre estate with exceptional privacy. 360° ocean views including year round sunsets. Reserved for the most discerning buyers. \$20,800,000 US. Tom Smyth. Tom.Smyth@sothebysrealty.com	 ADMIRALTY ISLAND, ALASKA Private 2.353 ac. f.c. chainl on a 2.63 acre non-bank waterfront parcel. Leeward bay, deep-water moorage, world-class fishing, guest home, boat house, dock system. Or assemble up to 45 acres (7 lots) with nearly a kilometer of waterfront. \$2,500,000 Jennifer.Johnsen-Cameron. Jennifer.Johnsen-Cameron@sothebysrealty.com	 FOUNTAIN HILLS, ARIZONA This Palatial Mediterranean estate is a master class in what can be achieved with the world's finest materials. Design following a format of 12th Century colonial architecture and featuring every modern convenience imaginable. \$16,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 PARADISE VALLEY, ARIZONA Spectacular setting and value, a grand European estate on the famed Biltmore Circle. Imported materials, elegant finishes and romantic charm create this statement home. Premium golf course lot and stunning views. \$12,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 PHOENIX, ARIZONA This timeless contemporary estate was inspired with an unlimited budget, a blank canvas for architectural creativity and a 16 acre one-of-a-kind site with 270 degree top-of-the-world sunset and city light views. \$12,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 SCOTTSDALE, ARIZONA Spectacular setting and value, a grand European estate on the famed Biltmore Circle. Imported materials, elegant finishes and romantic charm create this statement home. Premium golf course lot and stunning views. \$12,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 SCOTTSDALE, ARIZONA European elegance perched on 2 lots (2 acres) in the renowned community of Estancia. Tremendous views of the 17th hole, city lights, sunsets and Pinnacle Peak. Seamless blend of indoor/outdoor living. Guest wing. \$7,995,000. Frank.Aazami.Frank.Aazami@sothebysrealty.com	
 Damasinos Sotheby's International Realty +1 242.359.6885 SIRbahamas.com	 Damasinos Sotheby's International Realty +1 242.424.9699 SIRbahamas.com	 Paradise Island, Bahamas Whale Cay, 711 acre island primed for residential development. 1.2 miles of coastline with sandy beaches. 4,000 ft. paved airstrip and deep water access. WEB: TB422. \$20,000,000 US.	 St. Barthélémy, French West Indies St. Barth's most desirable mountain-top location in Colombier. 5 bedroom, 6 bathroom gated 2.8 acre estate with exceptional privacy. 360° ocean views including year round sunsets. Reserved for the most discerning buyers. \$20,800,000 US. Tom Smyth. Tom.Smyth@sothebysrealty.com	 Admiralty Island, Alaska Private 2.353 ac. f.c. chainl on a 2.63 acre non-bank waterfront parcel. Leeward bay, deep-water moorage, world-class fishing, guest home, boat house, dock system. Or assemble up to 45 acres (7 lots) with nearly a kilometer of waterfront. \$2,500,000 Jennifer.Johnsen-Cameron. Jennifer.Johnsen-Cameron@sothebysrealty.com	 Fountain Hills, Arizona This Palatial Mediterranean estate is a master class in what can be achieved with the world's finest materials. Design following a format of 12th Century colonial architecture and featuring every modern convenience imaginable. \$16,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 Paradise Valley, Arizona Spectacular setting and value, a grand European estate on the famed Biltmore Circle. Imported materials, elegant finishes and romantic charm create this statement home. Premium golf course lot and stunning views. \$12,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 Phoenix, Arizona This timeless contemporary estate was inspired with an unlimited budget, a blank canvas for architectural creativity and a 16 acre one-of-a-kind site with 270 degree top-of-the-world sunset and city light views. \$12,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 Scottsdale, Arizona Spectacular setting and value, a grand European estate on the famed Biltmore Circle. Imported materials, elegant finishes and romantic charm create this statement home. Premium golf course lot and stunning views. \$12,500,000 Frank.Aazami.Frank.Aazami@sothebysrealty.com	 Scottsdale, Arizona European elegance perched on 2 lots (2 acres) in the renowned community of Estancia. Tremendous views of the 17th hole, city lights, sunsets and Pinnacle Peak. Seamless blend of indoor/outdoor living. Guest wing. \$7,995,000. Frank.Aazami.Frank.Aazami@sothebysrealty.com	
 Scottsdale, Arizona Extremely discreet 8+ acre estate including every imaginable custom detail desired. Custom outdoor kitchen, spa, gym, media room, with sport court. Olympic pool, weight room. Impeccably manicured ground. \$7,299,000. Frank.Aazami.Frank.Aazami@sothebysrealty.com	 Belvedere, California The ultimate entertainer's paradise is designed to impress with a dramatic foyer and central staircase with a glass rail, formal dining room, sunroom, sleek open-plan kitchen, 4 bedrooms, media room, pool and terrace. \$6,495,000. Charlene.Schall. Brett.Bullock. Lydia.Sarkissian and Magda.Sarkissian. Golden.Gate@sothebysrealty.com	 Healdsburg, California Extraordinary Alexander Valley vineyard estate on 10.42 acres with a 5,000 sq. ft., 4 bedroom, 4.5 bathroom residence. A 1,000 sq. ft. wine cellar, garage, studio, 2 acre vineyard, wine cellar and more. \$6,495,000. Charlene.Schall. Brett.Bullock. Lydia.Sarkissian and Magda.Sarkissian. Healdsburg@sothebysrealty.com	 La Jolla, California Build your dream home in the highly sought-after neighborhood of La Jolla Farms. Live on 1.3 acres on a quiet cul-de-sac just a short stroll to the private entrance to Black's Beach. \$5,900,000-\$6,900,000. Brett.Dickinson and Jeff.Elder. Pacific.Sothebys@sothebysrealty.com	 La Jolla, California Muse La Jolla 16 exclusive residences. 4 limited edition penthouses. 1 unparalleled opportunity. A penthouse with a 1,000 sq. ft. private terrace and truly exceptional design. This awe-inspiring residence is complete and 30% sold. Price upon request. Brett.Dickinson and Jeff.Elder. Pacific.Sothebys@sothebysrealty.com	 Rancho Santa Fe, California Custom Mediterranean inspired estate on 5.99 acres with koi ponds, waterfalls, open and flat grass areas, swimming pool, guest house, 2 car garage, grand office, hobby room, detached casita and 2 car motor court. \$9,250,000. Gary.Massa. Pacific.Sothebys@sothebysrealty.com	 San Diego, California Stunning country manor in the heart of Rancho Santa Fe with horse facilities and exquisite living spaces. 7 bedrooms, 8 bathrooms, 2 swimming pools, gardens, a pool house with kitchen, and a 2 bedroom detached guest house. \$10,788,000. Eric.Lantorno and Mary.Raser. Pacific.Sothebys@sothebysrealty.com	 San Diego, California An exquisite masterpiece with waterfront views from La Jolla to Dana Point. Sophisticated and unique, this Venetian style new construction embodies the best attributes of waterfront living. \$8,800,000. Clinton.Selridge and Eric.Lantorno. Pacific.Sothebys@sothebysrealty.com	 San Diego, California Gorgeous views and privacy define this gated craftsman estate, situated on nearly an acre and offering a private entrance. The residence is designed to maximize views of the ocean, bay, Coronado, and downtown skyline. \$7,995,000-\$8,995,000. Eric.Lantorno and Clinton.Selridge. Pacific.Sothebys@sothebysrealty.com	 San Diego, California Magnificent bayfront home featuring private dock access and panoramic views throughout. Entertain on the deck overlooking the ocean. Back to back to as you watch the boats cruise by on the bay. The ultimate coastal setting. \$7,800,000-\$8,500,000. Eric.Lantorno and Brett.Dickinson. Pacific.Sothebys@sothebysrealty.com	
 San Diego, California Modern and light-filled villa, an entertainer's paradise, with highest quality materials and workmanship. Captivating panoramic views, vanishing edge pool and spa, fire pit, gourmet kitchen and more. \$3,990,000. G4,690,000. Eric.Lantorno and Clinton.Selridge. Pacific.Sothebys@sothebysrealty.com	 Santa Cruz, California 175 acres of pristine wilderness, organic farmlands, secluded beachfront, and a 19th century farmhouse. One hour from Silicon Valley. \$35,000,000. Michael.Dreyfus. Golden.Gate@sothebysrealty.com	 Sonoma, California Nearly new and inspired by the best contemporary architecture, modern farmhouse offers light-filled interiors, seamless indoor-outdoor living. Guest house, pool, spa, wine cellar, garde.CalBRE #0137054. \$767,500. Donald.Van.de.Mark. Sothebys@sothebysrealty.com	 Woodside, California Extraordinary estate on 6.4 acres in a premium Silicon Valley location. 6,000 sq. ft. main home, guest house, and entertainment pavilion. Pool, spa, wine room, tennis court, 6 car garage, vineyard. \$34,600,000. Michael.Dreyfus. Golden.Gate@sothebysrealty.com	 Loveland, Colorado Exceptional 5 bedroom, 7 bathroom log home on 35 acres, featuring breathtaking views of the mountains and Longs Peak. Vaulted, timber beam ceilings, four fireplaces, luxurious master suite, expansive flagstone patio, five-horse stable and more. \$2,750,000. Josh.Behr. TTR.Sohiebys@sothebysrealty.com	 Washington, District of Columbia Contemporary 6 bedroom, 6.5 bathroom log home on 3/4 acre overlooking Rock Creek Park. Custom home, with direct views of the Gulf of Mexico. Renovated in 2015, this home has hardwood floors, custom window treatments, high ceilings, stainless steel appliances. Walk to the beach! Gasparilla Island. \$2,950,000. Rich.Taylor. Washinton@sothebysrealty.com	 Boca Grande, Florida Beachfront, 3 bedroom, 3 bathroom, 3,226 sq. ft. home with direct views of the Gulf of Mexico. Renovated in 2015, this home has hardwood floors, three private guest bedrooms and an enduring master suite with an oceanfront media sitting area. \$6,950,000. Nancy.Hershoff@sothebysrealty.com	 Islamorada, Florida This gated ocean front estate is surrounded by 2 acres of lush tropical gardens. Grand home offers three private guest bedrooms and an enduring master suite with an oceanfront media sitting area. \$8,975,000. Russell.Post@sothebysrealty.com	 Key Largo, Florida Magnificent Ocean Reef home boasting 510 sq. ft., 139 ft. of canal frontage and poolside gazebo with long water views. Chef's kitchen, formal living and dining room, media room, first floor master suite with three walk-in closets, two guest suites, master suite with three walk-in closets, blue-tiled pool and spa, and wonderful sunset views. \$6,950,000. Karyn.Thiel@sothebysrealty.com	 Key Largo, Florida Spectacular Ocean Reef waterfront home boasting amazing center courtyard, great room, gourmet kitchen, family room, private office, two guest suites, master suite with three walk-in closets, blue-tiled pool and spa, and wonderful sunset views. \$6,950,000. Karyn.Thiel@sothebysrealty.com	
 Key Largo, Florida Architecturally inspired Italian "Old World" craftsmanship. Mediterranean oceanfront estate is situated on a peninsula on the Atlantic Ocean. Over 5,500 sq. ft. of living space on 3 living levels. \$5,500,000. Gloria.Walters@sothebysrealty.com	 Key Largo, Florida Stunning new home in Ocean Reef with vast golf course and ocean views. With abundance of light, generously sized master suites with wing, two guest bedrooms and cozy library/4th bedroom. Fabulous outdoor living with pool and spa. \$4,875,000. Russell.Post@sothebysrealty.com	 Key West, Florida Exquisite 3 bedroom waterfront home situated on an oversized lot with unobstructed views of Key West Harbor. Nestled among tropical foliage, this residence is a true 4 bedroom residence with pool, bears all the characteristics of a quality property. \$7,950,000. Michelle.Thomas. michelle.thomas@premiersothebys.com	 Marco Island, Florida Displaying exquisite architectural details and enjoying a remarkable waterfront position. This residence is a 4 bedroom residence with pool, wood floors, open plan, high ceilings. \$2,300,000. Michael.L.Cuccia. Premier.Sothebys@sothebysrealty.com	 Marco Island, Florida Sunset views over the Gulf waters enhance the characteristics of this beachfront estate. Nestled among tropical foliage, this residence is located in a private country club community. \$4,400,000. Michelle.Thomas. michelle.thomas@premiersothebys.com	 Miami Beach, Florida World-renowned architect Kobi Karp's translation of the Pine Tree Drive residence. Pine Tree Drive's only direct ocean view estate. Nestled on 4.05 acres of open land along Indian Creek Waterway. Ultra-chic residence with dramatic entrance drive, 8 bedrooms, 8 baths, 12,791 sq. ft. \$24,500,000. Alina de.Vega. ONE.Sohiebys@sothebysrealty.com	 Sarasota, Florida Located on beautiful Longboat Key, this elegantly appointed residence boasts floor to ceiling windows and doors, a large wrap-around porch, and a covered lanai that showcases the views immediately upon entrance. \$11,950,000. Joel.Schimmel. joel.schimmel@premiersothebys.com	 Kauai, Hawaii Nearly 7 acres of oceanfront land on Kauai's best beach. House and guest house can be built on 2 beaches. Houses and guest houses can be built as well as agricultural outbuildings. Outstanding ocean and mountain views and privacy in gated Kealia Kai. \$2,795,000. Paul.Kyono. Oceanfront.Sohiebys@sothebysrealty.com	 Kauai, Hawaii Rare offer of 20 usable acres in the south side of Kauai. Breathtaking ocean views. Located and fenced with small studio home and equipment garage. 2 homes can be built on the property. Fruit orchard, access to stream. \$1,875,000. Debra.Bachowiak. Oceanfront.Sohiebys@sothebysrealty.com		
 Gibson Island, Maryland Private, gated, enchanting island in Chesapeake Bay with 200 homes (70 presently for sale), freshwater lake, one hour from Washington, 20 minutes from BWI/Antrak, private country club (by invitation), with yachting, golf and more. Prices upon request. Sarah.Ashley@sothebysrealty.com	 Brewster, Massachusetts Water view lot north of 64 overlooking Cape Cod Bay. Build your dream home on a 2 acre lot with direct access to the bike trail and abutting 21 acres of conservation affording great privacy. \$1,150,000. Dan.Lawrence. oldCape.Sohiebys@sothebysrealty.com	 Brewster, Massachusetts "Cobs Pond", your home by the bay, where the Cape Cod lifestyle is personified for only 32 lucky homeowners. Stunning 2 bedroom, 4 bath floor plan features a gourmet kitchen, fireplaces, and French doors leading onto the terrace, garage and wine cellar. \$3,100,000. Michael.L.Cuccia. GibsonSothebys@sothebysrealty.com	 Weston, Massachusetts Bespoke brick manor situated on 1.5 meticulously manicured acres in the Weston Country Club neighborhood. This custom-built							

MANSION



MANHATTAN A home once owned by film star Greta Garbo sold for millions over the asking price.



VICTOR LIN PHOTOGRAPHY

SELLERS' DREAM: \$500,000 OVER ASKING

Continued from page M1
yard, which is what set apart Mr. Malcolm's house. It's also often a price low enough to attract attention.

When Kerry Bucklin saw a house for sale on Mercer Island, Wash., on the waterfront, he thought its price of \$1,995 million was too low. The Midcentury Modern home, built in 1959, needed updating and shared 210 feet of waterfront with five other houses. But it was the closest of the houses to the shore, offered unobstructed views in a parklike setting and allowed him to go paddling on Lake Washington without having to load a canoe on his car. At the same time, the property was close to the freeway, shaving 6 miles off his commute to work.

Mr. Bucklin, 55, a real-estate lawyer, had been looking for a couple of years to replace the large family home mid-island, where he lived alone since becoming an empty-nester. He bought the home in June by paying just over \$500,000 above asking, beating seven other offers.



WILMANG FOR THE WALL STREET JOURNAL (2)

In Washington, D.C., a house in Georgetown listed at \$4.9 million sold for \$5.6 million after only a few days on the market—\$700,000

over its asking price. That is because it had a bevy of desirable features, says Christie-Anne Weiss, a Realtor with Ritzert Weiss

Partners in Washington, D.C. It was on a quiet street, close to lots of stores and restaurants, was already renovated, came with three parking spaces, had lots of bedrooms plus a heated pool, and it was semidetached—with the long side of the house facing south, allowing light on three sides, a rare find in Georgetown.

"There's so much pent-up demand," says Ms. Weiss.

Nowhere is demand more pent up than in the San Francisco Bay Area. In the past four months, 39 homes in Silicon Valley have sold for \$500,000 or more over the listing price, says Mark Wong, a real-estate broker with Alain Pinel Realtors, based in Saratoga, Calif.

That figure includes a "lovingly cared for and well maintained home" (read: not updated). The 53-year-old, three-

bedroom, one-story house on 0.197 acre in West San Jose got 15 offers and sold to an all-cash buyer for \$2.5 million—\$815,000 over asking. A three-bedroom, 2,040-square-foot house in the Glen Park neighborhood sold in October for \$2.6 million—nearly \$1 million over its listing price of \$1,675 million.

Seattle is another hot spot.

"My heart dropped. I realized you cannot put a price on this because it couldn't be duplicated," says the attorney. He got the house for just over \$500,000 above the \$2.125 million listing price.

Many bidding wars in the Seattle area are won by people paying all cash. More also are removing contingencies such as inspections and financing, and putting down nonrefundable deposits of \$100,000 or more, says Daniel Marinello, director-broker with Windermere Real Estate on Mercer Island.

Mike Moghaddas of Avenue Properties, says more clients request so-called escalation clauses in their bids: an agreement to beat the highest offer by a certain amount.

Bidding wars are less common in cities such as Chicago, Los Angeles, Miami and Boston. New York has seen only a handful of sales of \$500,000 and more over the asking price in the past year. One, Greta Garbo's longtime apartment, sold in December for \$2.55 million above the \$5.95 million list price.

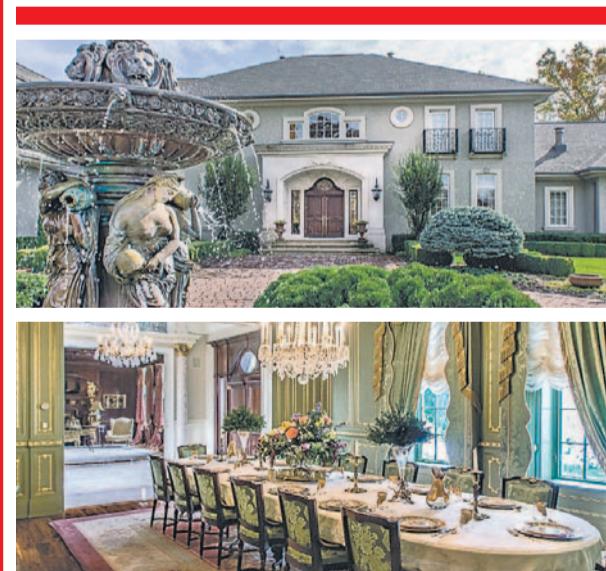
Sometimes a premium is about marketing. Helen Hitchcock put her 7,000-square-foot, seven-bedroom home on Mercer Island on the market for \$6.5 million in March. A real-estate broker, she knew not to include the 8,600-square-foot lot with a view that she also owned behind her house, and which could have been bought by a developer.

After two days, a potential buyer came by and Ms. Hitchcock offered him the extra lot for an additional \$1 million. He bought the package for \$7.5 million 15 minutes later.

"I knew anyone who could afford our house would want the back lot, too," she says.

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Le Chateau Horizon Mansion Custom Mountain Top Home

Le Chateau Horizon Mansion in Northeast Tennessee is a custom built European inspired home. The home rests on 17 acres of immaculately manicured grounds with fantastic views, offering 12,500 finished square feet, 6 bedrooms, 11 baths, 3 car detached and 2 car attached garage. Master craftsmanship is evident upon entry of the 2 story foyer with marble flooring. Sold furnished, the basement has a sound room, fitness center, theatre room, wine cellar. Priced to sell \$5,500,000.



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EAST SIDE



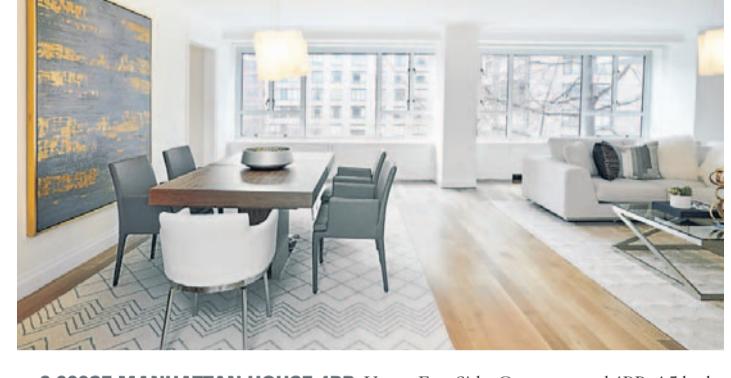
▲ 10 ROOM DUPLEX WITH PARK VIEWS Fifth Ave & 97th. Renovated 4BR, 4.5 baths. LR, FDR, library and EIK. Full service prewar Co-op. \$5.995M. WEB# 17966813.
Leslie R. Coleman 212-906-9387
Mary K. Rutherford 212-906-9211
Noah D. Dopkin 212-906-9263

TWO FULL FLOORS ON FIFTH AVE Fifth Ave/E. 78th. Co-Excl. Triple mint sun-flooded duplex facing Central Park. 10 rooms, 4BR. Meticulously renovated. CAC. \$18M. WEB# 13514359. John Burger 212-906-9274

PARK BLOCK TOWNHOUSE Upper East Side. Classical 1895 house w/ 25' on E. 82nd Street. 5-floors, elev & garden. High ceilings. 8-units to be delivered vacat. \$17.5M. WEB# 17953583. Lawrence Sicular 212-396-5852

ELEGANT SOPHISTICATED PREWAR 60's on Park. Beautiful 3 MBR + sitting room apt. w/ LR, LIB, DR, EIK and staff room. 2 WBF, 4 full baths, CAC. Top bldg. \$9.75M. WEB# 17962683. John B. Glass 212-396-5862

PRIME LOCATION 2BR CONDO W/ TERR Park Avenue at 71st. New FS prewar Condo. A+ location, 2BR, 2.5 baths. Open sunny corner E-S expo. Triple mint, CAC, W/D, gym, playroom. \$5.695M. WEB# 17937035. Russell K. Miller 212-906-9360



▲ 3,000SF MANHATTAN HOUSE 4BR Upper East Side. Gut renovated 4BR, 4.5 bath home with eat-in kitchen, custom millwork and laundry room. \$5.995M. WEB# 18019558. Scott Harris 212-317-3674

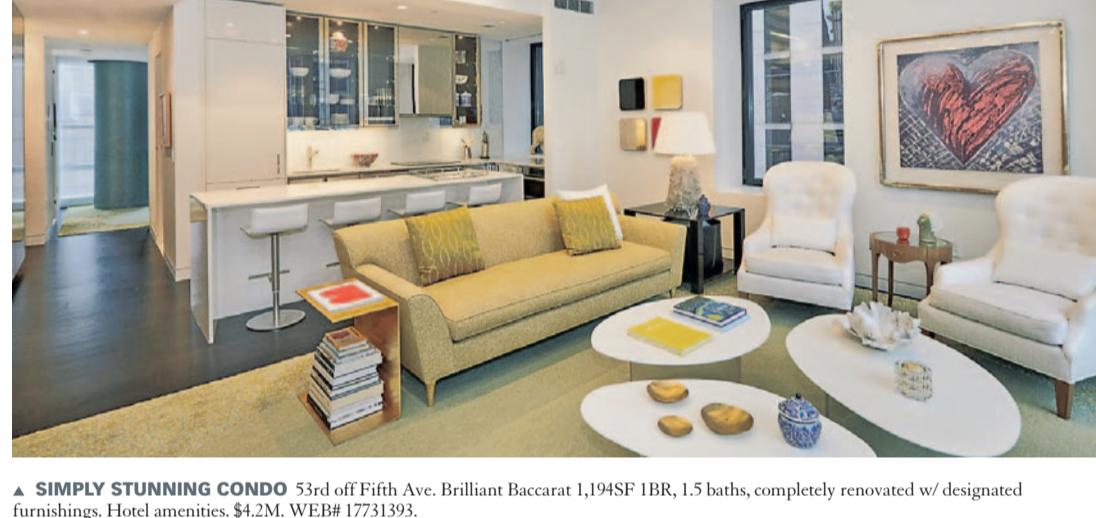
TOWNHOUSE LIVING East 70's Off 3rd. Top 3-floors in magnificent townhouse. The perfect home for casual living or elegant entertaining. \$4.495M. WEB# 18003272. Joanne Greene 212-906-9341
Nada Rizk 212-317-7705

ALL ROOMS FACE CENTRAL PARK 923 Fifth Ave. Condo. LR, FDR/den, MBR, 2 baths. Perfect primary/pied-a-terre. Garage, gym, DM and elevator. A must see. \$3.395M. WEB# 17072071. Vince Mauro 212-317-7721

SOHO LOFT ON EAST 36TH STREET Midtown South. Condo, 2BR, 2 baths w/ home office offering over 1,830SF. 12'6" ceiling w/ extra storage. \$2.399M. WEB# 17999035. Maren Faella 212-452-4462
Paul Anand 212-452-6275

2BR, 2 BATH FULL FLOOR CONDO Murray Hill. Sun-flooded 2BR, 2 baths w/ views encompassing entire 4th floor. The first 12 months CC paid by seller. \$1.695M. WEB# 17651322. John Venekamp 212-588-5619
Leslie J.W. Singer 212-588-5675

WEST SIDE



▲ SIMPLY STUNNING CONDO 53rd off Fifth Ave. Brilliant Baccarat 1,194SF 1BR, 1.5 baths, completely renovated w/ designated furnishings. Hotel amenities. \$4.2M. WEB# 17731393. Kathleen Moosher 212-317-3679

MANSION IN THE SKY WITH A POOL Upper West Side. 7BR, 8.5 bath duplex w/ stunning views, soaring ceilings, big terrace w/ pool. Fab amenities. \$14.95M. WEB# 16283512. Lisa K. Lippman 212-588-5606
Mike Lubin 212-317-3672

PERFECT 2BR, 2 BATH PREWAR CONDO Upper West Side. Spacious fully renov prewar Condo in boutique elev bldg. Split 2BR, 2 full baths. High ceilings, inlaid hardwood floors. \$1.395M. WEB# 17941717. Dede Minor 212-396-5825



▲ 1BR IN TOP NOTCH CO-OP WEA/RSD, Gracious and sunny 1BR, 1 bath in desirable RSD prewar Co-op. Peek of the river. \$860K. WEB# 17935710. Jennifer H. Cooke 212-588-5684
Lynn Sullivan 212-588-5604

PRISTINE West Side. 1BR, 1.5 baths. 979SF Condo. 9' ceilings, SS/granite kitchen, HW floors, W/D, pool, fitness, DM & storage. \$1.295M. WEB# 17841032. Susan Greenfield 212-906-9214

LINCOLN CENTER STUNNER Upper West Side. Mint condition 1BR, 1 bath. South-facing extremely sunny with open views. FS luxury Condo. \$1.099M. WEB# 17934500. Judith A. Furgiuele 212-588-5693

THE PHILLIPS CLUB Upper West Side. The perfect pied-a-terre. Fractional Ownership. Business and leisure. 2BR, 2 bath. \$299K. WEB# 17624037. Joan Jarden 212-452-6250

DOWNTOWN



▲ FULL FLOOR, MINT LOFT Flatiron. Sun-bathed, 4,100SF, 4 expos, 17 windows, 3BR+, 2.5 baths. 12' ceilings, chef's kitchen, laundry room. \$5.495M. WEB# 17934531. Rachel A. Glazer 212-317-3661
Douglas Bellitto 212-906-0542

OPPORTUNITY KNOCKS IN NOMAD NoMad. Co-Excl. Live in luxury in this brand new 3BR+ Condo, 2,700SF, skyline views. Sponsor sale #CD13-0283, \$4,974,990. WEB# 16661196. Terry Naini 212-452-6267
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HOUSE CALL | APOLY OHNO

How Defeat Became a Wake-Up Call

The former Olympic skater made a life-changing decision at a deserted resort; today, a home in West L.A.

Rock bottom came when I was 15. I failed to qualify for the U.S. Olympic speed-skating team at the trials in Lake Placid, N.Y., in January 1998. I was unable to compete at the Winter Games in Nagano, Japan, the following month.

I was in shock. A year earlier I was the youngest U.S. national champion speed skater. But my lack of focus and discipline caused me to stop training for months and I lost my edge and drive. My father's family was in Japan, and I was sure I had let them down.

Naturally, my father also was disappointed. I had everything it took, physically. But I was young and didn't prepare mentally. I threw the opportunity away.

I grew up in a two-story condo townhouse in Seattle. My father, Yuki, had come to America from Japan when he was 17 against his parents' wishes. My mother, Jerrie, is European-American. I never met her and have no interest in doing so. I don't even have photos of her.

When I was a baby, my parents divorced and my father wound up with custody. I was so young, I was unaffected by their split.

My father was an amazing single parent. He was both a mom and a dad, strong and sensitive. He had no idea how to raise a child, and figured it out along the way. As a child, I spent a lot of time in the hair salon he owned so he could watch me. He still works there.

I was rebellious from birth. One day in kindergarten, I wanted to climb to the top of the monkey bars. It was pouring rain and obviously unsafe. There were no teachers around. When I made it to the top, I sat there and wouldn't come down. They had to call my dad to coax me off of the bars.

At home, there always was a

sense of order. In my room, my bed was made every day and my sports trophies were neatly lined up on the windowsill. I loved to read and didn't have a stereo.

I was introduced to short-track racing at 9. I watched the 1992 Winter Olympics on TV. Competitors wore what looked like superhero outfits. They skated on long thin blades and leaned over traveling at 25 to 30 mph. It was cool.

Soon after, my father took me 2½ hours north to Vancouver to see speed skating live. That's where I first learned to skate.

Each summer, my father would take a week off from work and we'd drive south to Moclips, Wash., on the coast. We didn't have a lot of money, so we'd stay in a little cottage and spend the days walking and swimming. I was a compet-



BLADE RUNNER Apolo Ohno, above, at Eveleigh restaurant in L.A. Right, with his father, Yuki, on the 'Today' show in 2010. Left, in the Olympic qualifying finals in Salt Lake City, 2001.



didn't have TV or a phone, and there was no one to hang out with. Just me, a bike, my running shoes and nature. It rained the entire week I was there.

I did a lot of self-reflecting. I even questioned whether my father loved or hated me. The final day, I went for a run on the beach. I came to the realization that the opportunity I had was spectacular. I was supposed to be an Olympic champion.

When I called my father from the hotel's office, I was ecstatic. I told him I wanted to try short-track speed skating. We talked about the commitment needed.

I worked hard. In 2002, I qualified for the Olympic team and won a gold and silver medal in Salt Lake City.

Looking back, I missed a lot of my teenage years. I wasn't lonely because I was never shy. But it was hard to hold onto friends. I wasn't involved in their social lives and they never really got to know me.

Today, I live in a three-bedroom, 3,000-square-foot condo in West Los Angeles. My house is being renovated nearby and should be completed by July. It's about the same size as my condo.

I'm not in L.A. much. I'm constantly traveling for my foundation and businesses. My father still lives in Seattle. I often fly him down to L.A. He likes it here.

There are still times when I need to think through a difficult challenge or make an important life decision. When that happens, I return to Moclips. Outside, in the quiet, I'm able to find myself.

—As told to Marc Myers

Apolo Ohno, 35, won eight Olympic medals, two of them gold, as a short-track speed skater, from 2002 to 2010. He is an NBC commentator at the 2018 Winter Games in Pyeongchang, South Korea.

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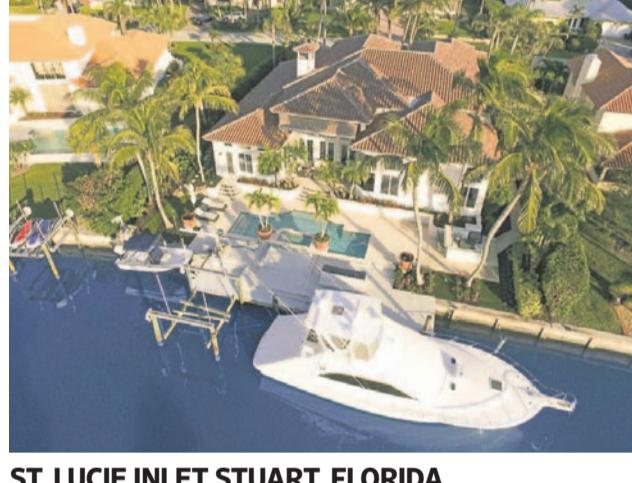
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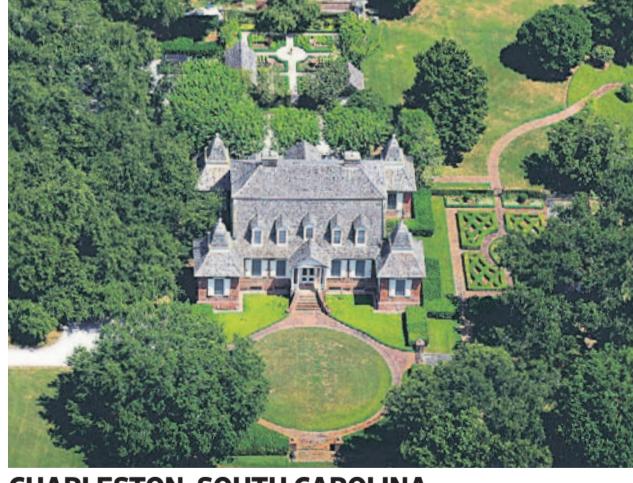
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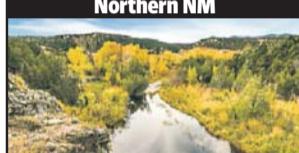
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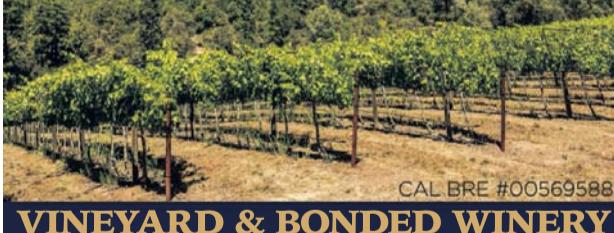
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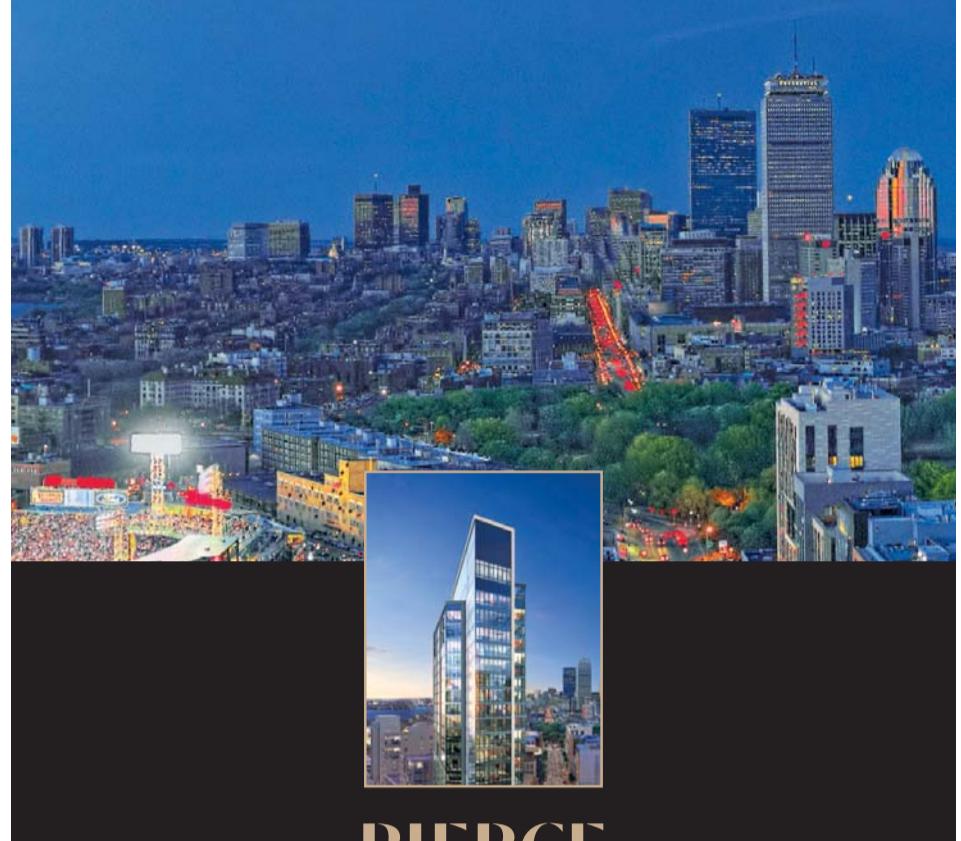
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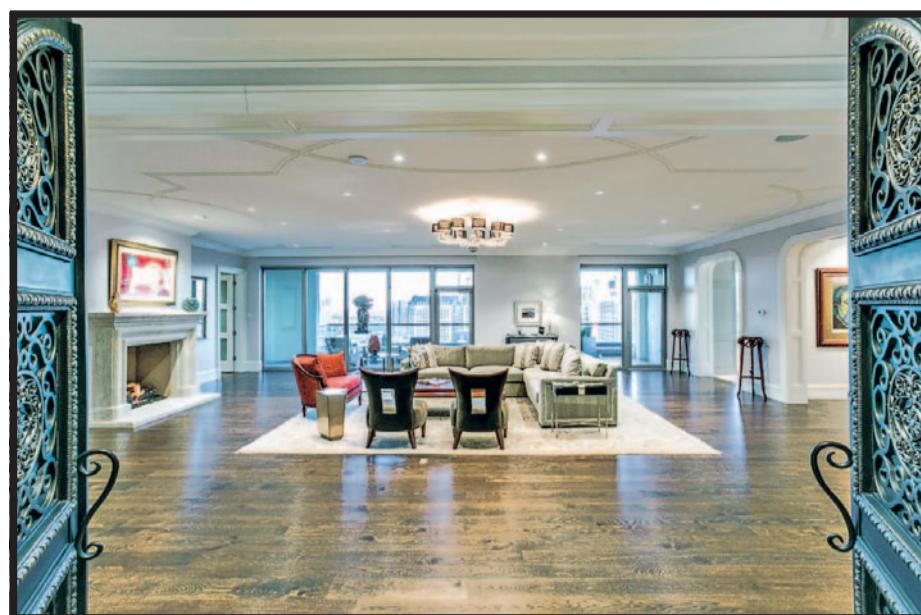


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Real Estate Trends



Meet the Jargonauts

American business is rife with terminology: contemporary catchphrases that often say big things with a few small words.

Office speak can be inventive and fun — and like fingernails on a chalkboard. Not long ago, I wrote about some jargon overheard in the workplace. Nothing stands still in business, so I decided to list a few new expressions. Some terms are paradigm-shifters and others are game-changers — get the point? — and all of them are completely authentic and used in offices around the U.S.

Modern commercialese is chock full of acronyms: F2F implies an interaction that's face-to-face. F/U is a follow-up. UX signals the importance of the user experience.

There's SPOC: single point of contact. A demanding person is an EPON: endless pit of need. And then there is that pejorative portrayal of opposition commonly known as NIMBY, or "not in my back yard." We know what ASAP stands for; now there's ALAP: as late as possible.

"Brainstorming" has transformed

into "thought showers," while "making the ask" has replaced a good old-fashioned "request." When a colleague tells you they have a "hard out" at 3 p.m., you'd better end the meeting at 2:59 p.m.

One's "long game" is a golf metaphor for "in the long run." In fact, sports terminology and business jargon have mingled for years. Dozens of contemporary terms are rooted in the dugout, on the links and on courts of all shapes and sizes.

A "heads-up" is a notification we're all familiar with, but mentioning you'll be "heads down" until the end of the day tells the world you are hard at work. In the event you "throw a Heisman," you'll be keeping something at arm's length. And for goodness' sake, don't be a negatron — you downer.

Are we "in alignment" on all of this? Or perhaps we can just agree to....

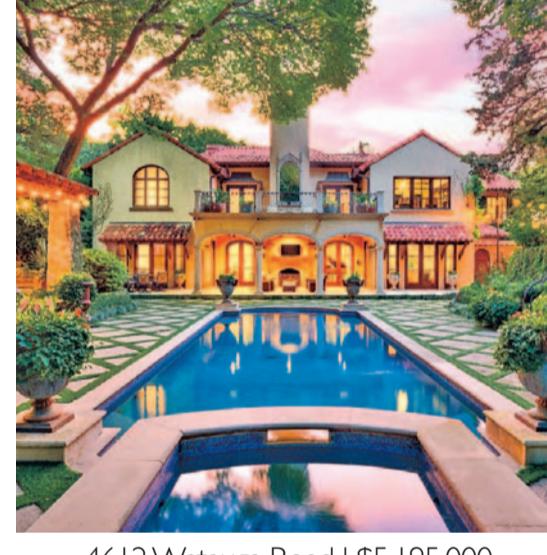
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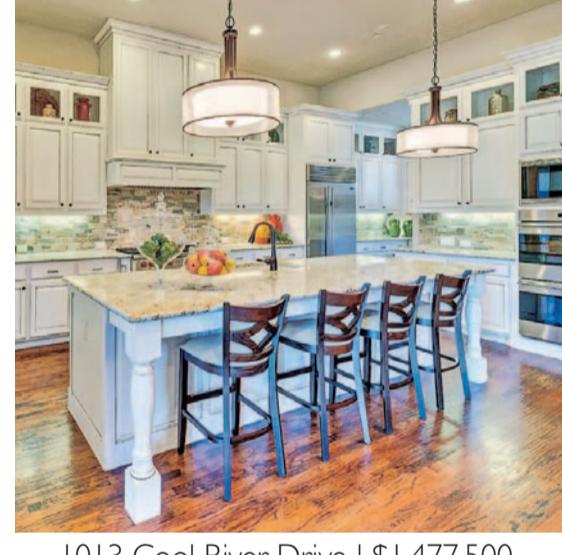
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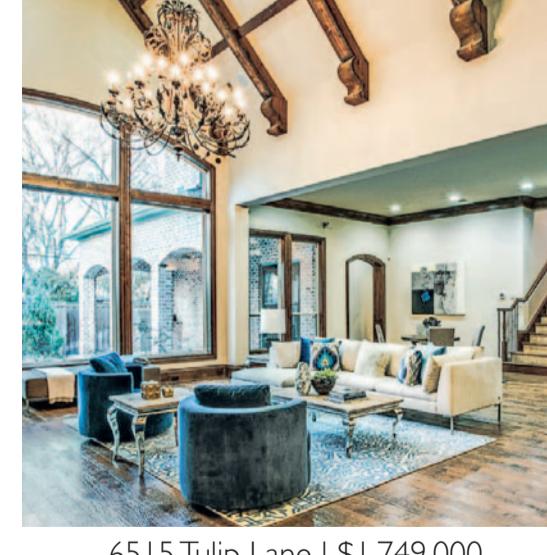
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817-416-9000
tpennington@briggsfreeman.com



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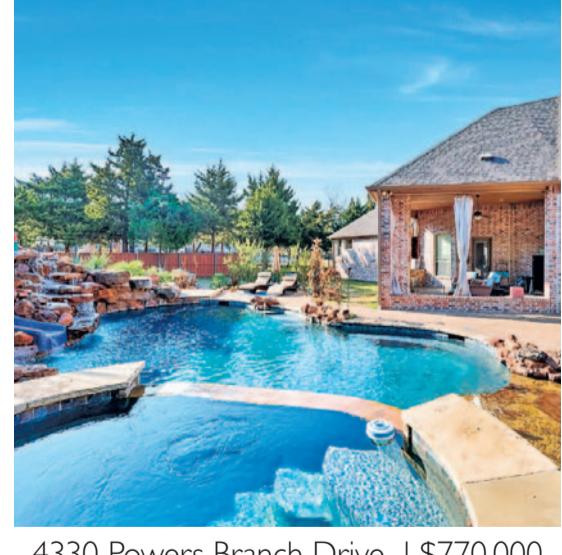
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MANSION

FIREHOUSES WITH FLAIR

Continued from page M1

a renovated firehouse in Alexandria, Va., twice: once for \$1.1 million in 2009, then for \$1.3 million in 2015 to Mary Lou Egan and Marc Bendick. The second time around Ms. Beckwith says she got multiple offers on the property.

Ms. Egan, 66, and Mr. Bendick, 71, both economists, say they were drawn to relics from the firehouse's past, including rails originally intended for horse-drawn fire carriages, pine floors and a hoist that the couple used to haul some of their furniture to a third story. A historically accurate spiral staircase, purchased from a similar firehouse by the previous owner, is narrow and "not for everybody," says Ms. Egan.

In Boston, Ramana and Jessica Lagemann, both real-estate developers, spent more than three years looking at properties like old banks, churches and firehouses that could be repurposed into a residence. They eventually bought a 3,600-square-foot condo inside a former firehouse for \$1.375 million, attracted to its oversize garage and the loft-like feel of the living areas. The couple kept the holding cell that was in the basement, and updated the facade to "bring it back to its original glory," says Mr. Lagemann, 38, who is also a professional motor sport driver.

Sometimes, the notion of living in a firehouse can be more compelling than the reality. On Chicago's north side, a 1907 firehouse boasted 5,000 square feet and a loft-like first floor. But it had only two bedrooms, and the kitchen and living areas are on the second floor.

Chicago real-estate agent Laura Topp estimates showing the home 150 times, as the "layout didn't speak to the general public." After three months, the home sold to Amanda Norcross and Stuart Brody in December 28, 2016 for \$1.02 million, or \$80,000 under asking price, according to Redfin, a real estate agency and listings site.

In their remodel, the couple says they are using a creative approach, building two bedrooms for their school-age children on the first floor along with an entertaining space. The second-floor living area now has an industrial feel. "It's an unusual space to create exactly what we wanted," says Ms. Norcross. She also installed a glass-and-steel front door over the original red firehouse doors. The original doors "act as interior shutters," says Ms. Norcross, 45, who owns an interior-design store and hopes to complete the renovation this year. She declined to discuss the cost of the redo.

In firehouses that become residential housing, privacy is a concern, says architect Sharon Sutton, visiting professor at New York's Parsons School of Design who advised on reuse issues for Seattle's



HANGING IN THERE Kelly and Clint Clemens's firehouse in Newport, R.I. The couple extensively renovated the property and completed its look with a vintage fire pole. Ms. Clemens sliding down the pole, far right.



FROM LEFT: CLINT CLEMENS; JULIE BIOWELL FOR THE WALL STREET JOURNAL (2)



historic firehouses. Driveways once built for fire engines mean that the homes are level with the sidewalk, making it difficult to keep passerby from peering into what's traditionally a home's common area. "You have to find some way of creating a buffer, so that what was public becomes private," she says.

To detract attention from outsiders, photographer Xavier Guardans and marketing executive Lauren Starr keep the graffiti that is periodically scrawled on the garage of their Brooklyn firehouse intact. In a three-year renovation of the 1899 firehouse that he purchased for \$990,000 in 2009, Mr. Guardans added a third-floor penthouse with a master suite and a walled-in rooftop garden that can't be seen from the street.

To create a modern, light-filled interior, "we pierced a hole almost down the center" of the structure, says Joshua Weiselberg, co-founder of TBD Architecture and Design Studio in New York who spent more than two years working on Mr. Guardan's home. Cutouts in the ceiling lead to skylights that provide a tunnel of daylight; unlike other firehouses, Mr. Guardans' firehouse has no street-level windows. Mr. Guardans uses the large first floor as photography-studio space, with living areas on the top two floors.

"I just wanted light and privacy," says Mr. Guardans. He says he spent less than \$1 million on the redo and fields several inquiries a month from potential buyers.

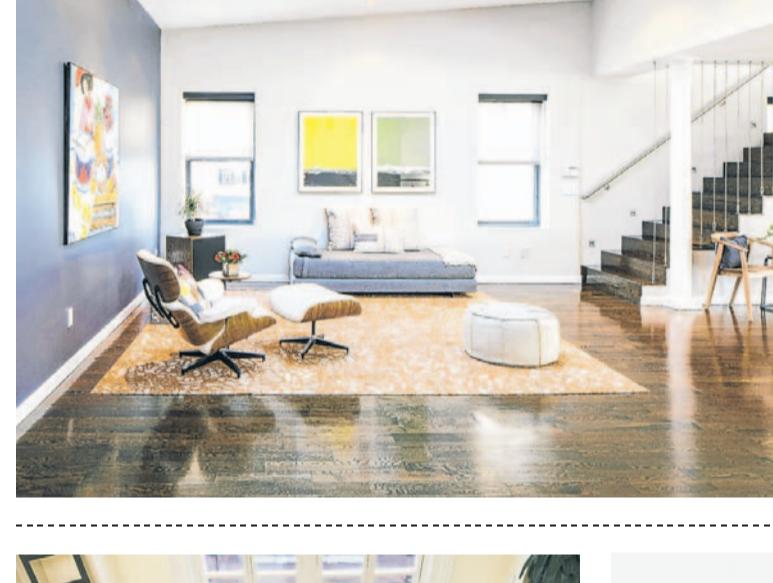
Kelly and Clint Clemens ended up taking apart their \$1.3 million home in Newport, R.I., brick by brick. Once renovation began, contractors discovered that the mortar used to erect the 1887 building was constructed with beach sand—not excavated sand—and the salt had eroded the mortar over time. The couple, who purchased the home in 2007 and worked with Mr. Hacin, the architect, on the renovation, used a laser-scan technique to ensure that all 2,700-plus bricks were put back into their original locations. They also installed a new foundation with geothermal wells to provide heating and cooling, and an elevator. To complete the look, they purchased a vintage fire pole on eBay, says Ms. Clemens, a photo producer; Mr. Clemens is a photographer.

Ms. Clemens says the effort was worth it. "On any kind of day, it's a beautiful, interesting space to live in," she says. She declined to discuss the cost of the renovation.



EMILY ASSARAN FOR THE WALL STREET JOURNAL (2)

LOW KEY Xavier Guardans, above left with wife, Lauren Starr, and dog Hugo, left the graffiti on their Brooklyn firehouse intact to deter attention. Mr. Guardans paid \$990,000 for the firehouse and less than \$1 million on renovations.



BOB O'CONNOR FOR THE WALL STREET JOURNAL (2)

KEEPING IT REAL Ramana and Jessica Lagemann, above, kept the holding cell that was built in the basement and updated the facade of their condo inside a former firehouse in Boston.



ELI MEIR KAPLAN FOR THE WALL STREET JOURNAL (2)

JUST LIKE OLD TIMES Marc Bendick and Mary Lou Egan's Alexandria, Va., firehouse, purchased in 2015 for \$1.3 million. The couple say they were drawn to relics from the firehouse's past.



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(Featured Left) One of the finest estates in Falconhurst, this distinguished home impresses upon immediate arrival with a stunning tree-lined circular driveway and dramatic reveal of the main entrance. Surrounded by woods, the private 2.3-acre property includes multiple terraces for outdoor entertaining and a large swimming pool.

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(Featured Right) From the moment you pull up the impressive sweeping driveway, this home exudes a quiet elegance. Tucked away in the back of a quiet cul-de-sac, this 6-bedroom estate seamlessly blends the convenience of a close-to-town-center setting with the privacy of a large lot.

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