

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

FRIDAY, MARCH 2, 2018 ~ VOL. CCLXXI NO. 50

WSJ.com

★★★★ \$4.00

DJIA 24608.98 ▼ 420.22 1.7% NASDAQ 7180.56 ▼ 1.3% STOXX 600 374.86 ▼ 1.3% 10-YR. TREAS. ▲ 19/32, yield 2.802% OIL \$60.99 ▼ \$0.65 GOLD \$1,302.90 ▼ \$12.60 EURO \$1.2268 YEN 106.24

## What's News

### Business & Finance

**T**rump said he would impose steep tariffs on steel and aluminum imports, as he advanced his "America First" trade policy. **A1**

◆ **The Dow tumbled** 420.22 points, or 1.7%, to 24608.98 as investors fretted about the tariffs, erasing the blue chips' gains for the year. **B1**

◆ **Marketers are changing** the way they buy ads, sparking an ad-industry upheaval. P&G cut its digital-ad spending by over \$200 million. **A1**

◆ **Share buybacks** by large U.S. companies have surged, stirring debate about how savings from corporate tax cuts are being used. **A1**

◆ **Powell offered** an upbeat view of the economy, opening the door to four rate increases this year. **A2**

◆ **New jobless claims** fell last week to the lowest level in nearly 50 years. **A2**

◆ **U.S. household incomes** jumped in January, reflecting tax-law changes. **A2**

◆ **Wells Fargo** said it is investigating alleged sales problems at its wealth-management business. **B1**

◆ **Auto sales dropped** sharply in February, hurt by tighter credit, higher rates and steeper discounts. **B1**

◆ **Blackstone's CEO** received at least \$800 million in 2017, the firm said in a regulatory filing. **B1**

◆ **Equifax said** more U.S. consumers were affected by last year's data breach than originally disclosed. **B3**

◆ **A Russian group** used social media in a bid to disrupt the U.S. energy industry, a report said. **B5**

### World-Wide

◆ **Putin said** Russia has developed nuclear weapons capable of penetrating U.S. missile defenses, sharpening rhetoric against the West. **A8**

◆ **South Korea's Moon** told Trump he would send an envoy to North Korea to continue diplomatic efforts in the Olympics' aftermath. **A20**

◆ **A GOP fundraiser** close to Trump was in talks to earn \$75 million if the Justice Department dropped its probe into the IMDB scandal. **A7**

◆ **Lawmakers appeared** divided on what they would support, a day after Trump called for a sweeping overhaul of U.S. gun policy. **A7**

◆ **Australia said** it boosted its naval presence in the South China Sea, as Beijing expands its military footprint in the disputed waters. **A20**

◆ **Egypt's military** discarded its deadline to stamp out Islamic State-linked militants in Sinai who have killed hundred of civilians. **A9**

◆ **The FBI has opened** an internal review of its handling of sexual-abuse allegations against the former U.S. gymnastics team doctor. **A3**

◆ **Iraq's parliament** called for a timetable for foreign troops to pull out, putting pressure on Abadi. **A9**

◆ **Italian political parties** made their closing arguments ahead of this weekend's parliamentary vote. **A8**

◆ **Scientists have assembled** a family tree of 13 million people related across 11 generations, using data posted on genealogy websites. **A3**

**CONTENTS** Opinion A17-19  
Business News B35-6 Sports A16  
Crossword A15 Streetwise B10  
Head on Street B12 Technology B4  
Life & Arts A11-15 U.S. News A2-7  
Mansion M1-10 Weather A15  
Markets B11-12 World News A8-9,20

0 9 5 3 3 >  
0 7 8 9 0 8 6 3 1 4 1  
Copyright 2018 Dow Jones & Company. All Rights Reserved

0 9 5 3 3 >  
0 7 8 9 0 8 6 3 1 4 1  
Copyright 2018 Dow Jones & Company. All Rights Reserved

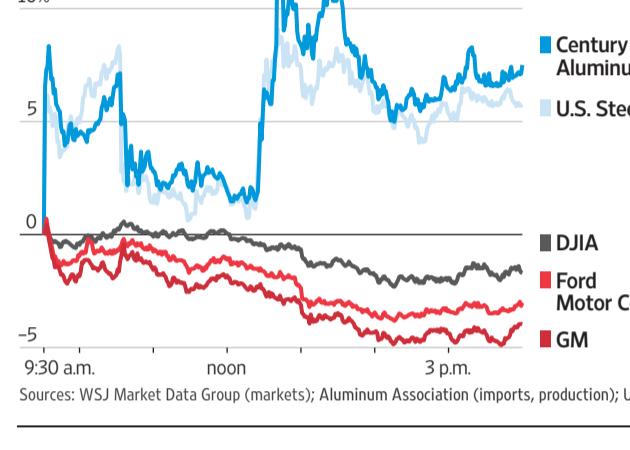
FRIDAY, MARCH 2, 2018 ~ VOL. CCLXXI NO. 50

## Trump's Tariff Vow Rattles Markets



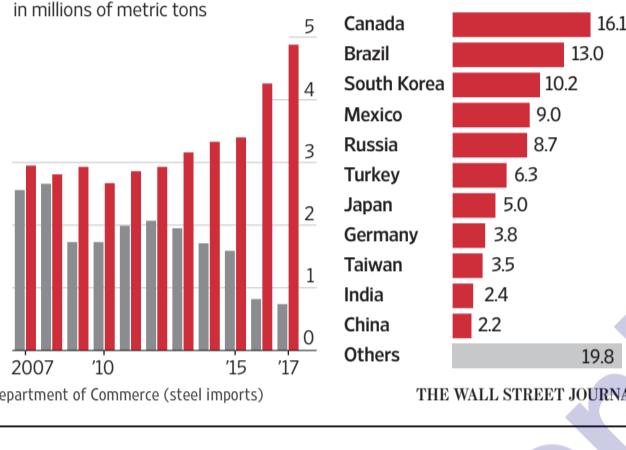
President Donald Trump told a meeting of steel and aluminum industry executives, 'You're going to see a lot of good things happen.'

**Shares of steel and aluminum makers soared, while auto makers slumped. The Dow dropped 1.7%.**



Sources: WSJ Market Data Group (markets); Aluminum Association (imports, production); U.S. Department of Commerce (steel imports)

**The tariffs, aimed at boosting domestic production, will hit big exporters and close allies.**



THE WALL STREET JOURNAL.

Planned duties on steel and aluminum anger trade partners

WASHINGTON—President Donald Trump's pledge Thursday to impose stiff tariffs on steel and aluminum imports sparked worries of a global trade war, sending stocks tumbling, drawing protests from a swath of American industries and prompting threats of retaliation.

By Jacob M. Schlesinger, Peter Nicholas and Louise Radnofsky

Mr. Trump told a meeting of industry executives the U.S. would slap 25% tariffs on steel imports and 10% on aluminum imports, steps meant to revive domestic manufacturing and fulfill a campaign promise that helped him capture the Midwest in the 2016 election. "You're going to see a lot of good things happen. You're going to see expansion of the companies," the president said.

But the impact on companies that use steel was swift. The Dow Jones Industrial Average Please see TRADE page A4

◆ Trade plan emerges from White House tumult..... A4

## Buybacks Surge in Wake of Tax Cuts

U.S. companies are buying back their shares at an aggressive pace, stirring questions in Washington and on Wall Street about the way that the new corporate tax cuts are being used.

Share buybacks announced

By Akane Otani, Richard Rubin and Theo Francis

by large U.S. companies have exceeded \$200 billion in the past three months, more than double the prior year, according to a Wall Street Journal analysis of data for S&P 500 companies.

Among the biggest: Cisco Systems Inc. at \$25 billion, Wells Fargo & Co. at about \$21 billion, PepsiCo Inc. at \$15 billion, AbbVie Inc. and Amgen Inc. at \$10 billion apiece, and Alphabet Inc. at \$8.6 billion.

Announced buybacks surged in December and continued at a robust pace in January and February. Near the end of the year lawmakers in Washington finished writing a bill to cut U.S. taxes by \$1.5 trillion over a decade. It was signed by President Donald Trump shortly before.

Please see TAXES page A2

◆ Fed is open to faster rate moves..... A2

◆ Treasury sets rule on carried interest..... A4

## North Korea Feels Sting of Sanctions

At a border crossing, garments and seafood aren't coming out, fewer Chinese goods go in

HUNCHUN, China—Six months ago, the Quanhe checkpoint on China's border with North Korea was a hive of activity and a vital conduit for trade helping Pyongyang finance its nuclear-weapons program.

Hundreds of vehicles queued up on the Chinese side each morning, bearing food, building materials and consumer goods bound for North Korea, to return later with North Korean exports of seafood, garments and coal.

Not anymore. China, long criticized by the U.S. for supporting the North

Korean regime, appears to be ramping up enforcement of international sanctions that Washington hopes will force Pyongyang to abandon its nuclear ambitions.

A week-long tour of China's border regions found that sanctions are hitting local Chinese businesses hard and starting to bite inside North Korea,

By Jeremy Page, Andrew Jeong and Ian Talley

with factory closures, price rises and power shortages in some areas.

The impact within North Korea is likely to intensify later this year as it runs short of foreign currency, and could trigger an economic crisis by 2019, according to visitors, researchers and foreign officials monitoring the country.

On a recent morning, only a dozen people were waiting at the Quanhe

Please see KOREA page A10

◆ Seoul to send envoy to North..... A20

## Putin Boasts of Arms Advances



RUSSIAN LOOK/ZUMA PRESS

**COLD WAR ECHOES:** Russian President Vladimir Putin showed images of nuclear weapons he said were capable of piercing U.S. defenses. **A8**

## Ad Industry Reels as Clients Cut Spending

By Nick Kostov AND SUZANNE VRANICA

The world's biggest marketers are taking aggressive steps to change how they buy ads, triggering upheaval across the advertising industry.

Consumer products giant Procter & Gamble Co. said Thursday that it slashed spending on digital advertising by more than \$200 million last year, after a recent push for more transparency had revealed such spending to be largely wasteful.

The cut is a sliver of P&G's overall annual ad spending, which was \$7.1 billion in the fiscal year that ended in July,

but it represents an important shift after years of marketers raising digital ad spending almost reflexively.

Meanwhile, WPP PLC, the world's largest ad agency company, on Thursday logged its worst performance since the financial crisis, posting a decline in net sales for the year and projecting no growth in 2018. Among the reasons: Big clients like P&G and Unilever PLC have been stepping up their efforts to cut ad agency costs.

The developments highlight the fallout as marketers reassess their relationships with ad agencies and big tech companies like Facebook Inc. and

Please see ADS page A8

## The License Plate That Basketball Fans Are Lying to Get

\* \* \*

Duke fanatics try to secure tag that expresses dislike of their Tar Heel rivals

By ANDREW BEATON

Kenny Dennard knew exactly what he wanted his vanity license plate to say: GTHCGTH. He also knew exactly why he might not get it.

GTHCGTH doesn't mean much in Houston, where Mr. Dennard lives and works as the managing partner of an investor relations firm. In North Carolina, where he once

played college basketball for Duke, everyone knows what those seven letters mean:

Go to hell, Carolina, go to hell.

Duke basketball fans will scream those words over and over on Saturday in the next edition of one of college basketball's fiercest rivalries:

Please see DUKE page A10

## INSIDE



### AND THE OSCAR GOES TO...

LIFE & ARTS, A11-15



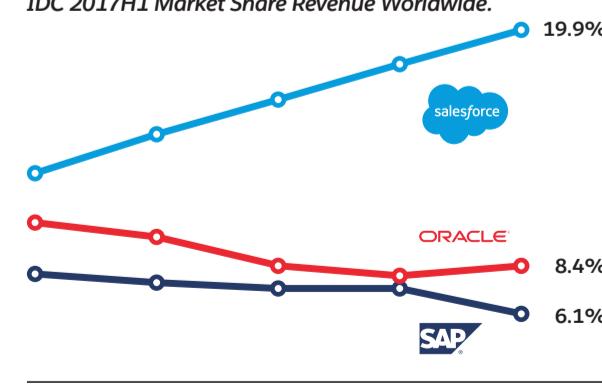
ASSOCIATED PRESS

### XI'S IDEOLOGICAL AMBITIONS

OPINION, A19

## Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017H1 Market Share Revenue Worldwide.



Source: IDC Worldwide Semiannual Software Tracker, October 2017.

salesforce.com/number1CRM

© 2018 salesforce.com, inc. All rights reserved. Salesforce.com is a registered trademark of salesforce.com, inc., as are other names and marks.

## U.S. NEWS

# Fed Is Open to Faster Rate Moves

BY NICK TIMIRAO

WASHINGTON—Federal Reserve Chairman Jerome Powell offered an upbeat view of the economy over two days of testimony on Capitol Hill this week, opening the door to four quarter-point interest-rate increases this year.

Fed officials in December projected three rate increases this year. Mr. Powell's comments Tuesday and Thursday signaled they remain on track for at least that many and could consider one more if the economy picks up steam.

At the same time, Mr. Powell didn't suggest the Fed felt any urgency to plot a steeper path of rate increases in reaction to stronger economic data and recently enacted tax cuts and spending increases likely to spur growth this year.

"There's no evidence that the economy is currently overheating," Mr. Powell said at Thursday's hearing.

Markets fell in early February after increases in wages and market-based measures of inflation fanned investor fears the Fed might dial up the pace of rate increases.



SAUL LOEB/AGENCE FRANCE PRESSE/GETTY IMAGES

**Fed chief Jerome Powell sees no signs economy is overheating.**

Mr. Powell, however, told the Senate Banking Committee on Thursday he didn't see decisive evidence of a breakout in wage gains.

"Nothing in that suggests to me that wage inflation is at a point of acceleration," he said.

Mr. Powell said the Fed sees the potential for positive and negative economic surprises as roughly balanced. That is a shift after several years when officials saw a greater risk that sluggish growth would force them to slow their rate-rise plans than that a stronger economy would cause them to move faster.

The Fed lifted its benchmark short-term interest rate to a range between 1.25% and 1.5% in December and is likely to raise the rate at the policy meeting March 20-21.

Officials have debated in recent years whether to raise rates more slowly than tentatively planned, but now their debate centers on whether to go a touch faster.

"It makes sense to think about three or four rate increases in 2018," San Francisco Fed President John Williams said last week.

Mr. Powell said this week the central bank remains likely to raise rates gradually. New York Fed President William Dudley said Thursday in Brazil that four rate rises this year "would still be gradual."

Inflation remains below the Fed's 2% target, but it has been firming in recent months.

Consumer prices excluding volatile food and energy categories rose 1.5% in January from a year earlier, the same as in November and December, according to the Fed's preferred gauge. But on a six-

month annualized basis, such so-called core prices were up 2% in January, the largest gain in 16 months and up from 1% over the same period ended in July.

Mr. Powell, who was sworn in as Fed chairman last month, has taken the helm while lawmakers and the Trump administration embark on an unusual fiscal policy experiment.

With the unemployment rate at a 17-year low of 4.1%, President Donald Trump and the GOP in recent months enacted tax cuts of at least \$1.5

trillion over 10 years and spending increases worth \$300 billion over two years that will swell federal budget deficits. These measures could boost household and business spending and push up inflation.

Mr. Powell's testimony acknowledged how the tailwind from fiscal stimulus could shift the Fed's focus.

Since the recession, Fed officials have kept rates very low to support hiring and nudge inflation higher. Now, they don't want to leave borrowing costs so low that asset bubbles form or price pressures surge.

The possibility of new trade tariffs could complicate the Fed's plans. Mr. Trump said Thursday he would enact tariffs on steel and aluminum imports. Mr. Dudley said tariffs could boost domestic inflation, forcing the Fed to re-evaluate its interest-rate forecasts, though he declined to comment specifically on any current White House plans.

—Michael S. Derby  
contributed to this article.

◆ Streetwise: Don't count on the Fed to predict all.....B1

## Clarida Is Likely Pick As No. 2 For Powell

BY NICK TIMIRAO AND HARRIET TORY

President Donald Trump is likely to nominate Columbia University economist Richard Clarida to become vice chairman of the Federal Reserve Board, according to people familiar with the matter.

Mr. Clarida, a Republican, is an economist colleagues describe as more of a pragmatist than an ideologue. Such a temperament fits the mold of Fed Chairman Jerome Powell, a lawyer and former investment executive who began a four-year term as the central bank's leader in February.

Mr. Powell is the first Fed leader in more than three decades without a Ph.D. in economics. The White House has been eager to select a monetary-policy specialist as his second-in-command.

Mr. Clarida is managing director and global strategic adviser at Pacific Investment Management Co. and since 1988 has been an economics professor at Columbia, including four years as department chairman. He served at the Treasury Department as assistant secretary for economic policy during the George W. Bush administration from 2002 to 2003, a position that required Senate confirmation.

Mr. Clarida didn't respond to a request for comment Thursday.

Mr. Clarida is well regarded by economists on both sides of the aisle. He is "in the basket of reasonable, conservative, Republican economists who are mainstream," said Princeton economist Alan Blinder, a former Fed vice chairman nominated by President Bill Clinton.

The Wall Street Journal reported in December that Mr. Clarida had interviewed with the White House for the post, and in February that he had also met with Mr. Powell.

Mr. Clarida returned to the White House recently to meet with Mr. Trump and Vice President Mike Pence, according to a person familiar with the matter.

If nominated and confirmed by the Senate, Mr. Clarida would fill out the top of the Fed leadership with two other Trump nominees—Mr. Powell and Randal Quarles, sworn in last October as the Fed's vice chairman of bank supervision.

The Obama administration looked at nominating Mr. Clarida for a seat on the Fed's seven-member board of governors in 2011 before he withdrew from consideration. President Barack Obama ultimately nominated Mr. Powell to fill the opening.

The vice chairman position has been vacant since October, when Stanley Fischer resigned for personal reasons.

Mr. Clarida, like Messrs. Powell and Quarles, is viewed by people who closely follow the Fed as someone who would likely maintain the central bank's collegial and consensus-oriented culture. He wouldn't be expected to advocate for major policy U-turns.

**THE WALL STREET JOURNAL**  
(USPS 664-880)  
(Eastern Edition ISSN 0099-9660)  
(Central Edition ISSN 1092-0935)  
(Western Edition ISSN 0193-2241)

**Editorial and publication headquarters:**  
1211 Avenue of the Americas,  
New York, NY 10036

**Published daily except Sundays and general legal holidays. Periodicals postage paid at New York, NY, and other mailing offices.**

**Postmaster:**  
Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.  
All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

**Letters to the Editor:**  
Fax: 212-416-2891; email: [wsjltrs@wsj.com](mailto:wsjltrs@wsj.com)

**NEED ASSISTANCE WITH YOUR SUBSCRIPTION?**  
By web: [customercenter.wsj.com](http://customercenter.wsj.com); By email: [wsjsupport@wsj.com](mailto:wsjsupport@wsj.com); By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at [wsj.com/livechat](http://wsj.com/livechat)

**REPRINTS & LICENSING**  
By email: [customreprints@dowjones.com](mailto:customreprints@dowjones.com); By phone: 1-800-843-0008

**GOT A TIP FOR US? SUBMIT IT AT WSJ.COM/TIPS**

## Jobless Claims Hit Nearly a 50-Year Low

BY BEN LEUBSDORF

WASHINGTON—The number of Americans filing new applications for unemployment benefits fell last week to the lowest level since December 1969, offering fresh evidence of health in the labor market.

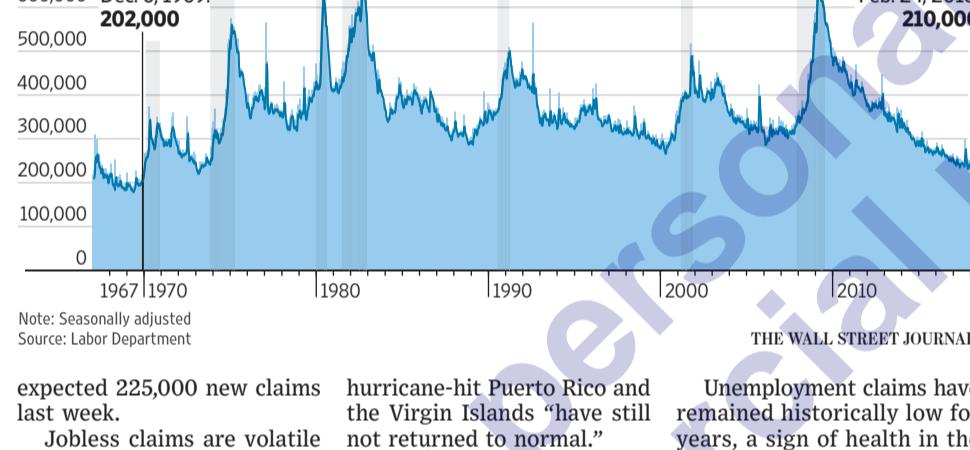
Initial jobless claims, a proxy for layoffs across the U.S., declined by 10,000 to a seasonally adjusted 210,000 in the week ended Feb. 24, the Labor Department said Thursday. That was the lowest reading for initial claims since the week ended Dec. 6, 1969.

"Claims remain historically low—indeed, they are still falling—consistent with the trend in employment growth remaining more than strong enough to keep the unemployment rate trending down," said Jim O'Sullivan, chief U.S. economist at High Frequency Economics, in a note to clients.

Economists surveyed by The Wall Street Journal had

### A Welcome Milestone

Initial claims for unemployment benefits have hit their lowest level since December 1969.



expected 225,000 new claims last week.

Jobless claims are volatile from week to week, especially around holidays when seasonal adjustments can be tricky; Presidents Day was last week. The Labor Department also said Thursday that claims-taking procedures in

hurricane-hit Puerto Rico and the Virgin Islands "have still not returned to normal."

Still, the broader trend looks upbeat as well. The four-week moving average for initial claims, a more-stable measure, fell last week by 5,000 to 220,500, reaching its lowest level since Dec. 27, 1969.

Unemployment claims have remained historically low for years, a sign of health in the U.S. job market. They have now hovered below 300,000 for 156 straight weeks, the longest stretch since a 161-week run that ended in April 1970—when the U.S. population and workforce were far

smaller than they are today.

Employers have continued to add jobs, as well as hold on to the workers they already have. The U.S. unemployment rate in January was 4.1%, holding at its lowest level since December 2000. Economic growth has been healthy in recent quarters, supported by buoyant consumer and business confidence. Many forecasters expect continued solid growth this year, bolstered by recent tax cuts.

"Strong job gains in recent years have led to widespread reductions in unemployment across the income spectrum and for all major demographic groups," Federal Reserve Chairman Jerome Powell said this week in testimony before Congress.

The number of claims made by workers longer than a week increased by 57,000 to 1.931 million in the week ended Feb. 17. Continuing claims are reported with a one-week lag.

stock investments, but some 84% of stocks are held by the wealthiest 10% of households.

Republicans have highlighted the one-time employee bonuses announced by dozens of large companies, typically around \$1,000 for full-time employees, as evidence that tax cuts are reaching a broad base.

Washington's buybacks vs. bonuses fight has been raging as the parties position themselves for the 2018 midterms.

House Minority Leader Nancy Pelosi (D., Calif.) has labeled bonuses "crumbs" compared with the size of the corporate tax cuts.

Treasury Secretary Steven Mnuchin said buybacks are helping the broader economy. "Even if people buy back stock, that is money that goes back into the economy that lets investors take that money and allocate it to other things. It's a complete system," Mr. Mnuchin said Tuesday at the U.S. Chamber of Commerce.

The long-run economic case for the corporate tax cut was that the rate reduction and incentives for business investment would give companies more reasons to invest in the U.S., because projects that didn't make financial sense would become profitable.

Economists generally agree that such changes may happen, though they differ about the scale and pace of the change and how broadly the benefits are distributed.

"It's February, folks," said Douglas Holtz-Eakin, an economist and former Congressional Budget Office director who has advised Republicans. "Deep breath. It will take a little time."

### CORRECTIONS & AMPLIFICATIONS

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

## TAXES

Continued from Page One

before Christmas.

"Companies are feeling some pressure not to just spend their savings on buybacks," said Joseph Amato, president and chief investment officer for equities at Neuberger Berman Group LLC. "But at a time when we're already seeing double-digit earnings growth around the world, they can't hurt."

The tax overhaul cut the tax rate on large corporations from 35% to 21%. It also included a low one-time tax on profits stockpiled abroad to encourage companies to repatriate more than \$2 trillion held in overseas subsidiaries, and it included incentives for investment.

The moves are spurring a debate about how companies are using the savings from the tax cut; the full answer won't be fully understood for months or years as the new money moves through the economy.

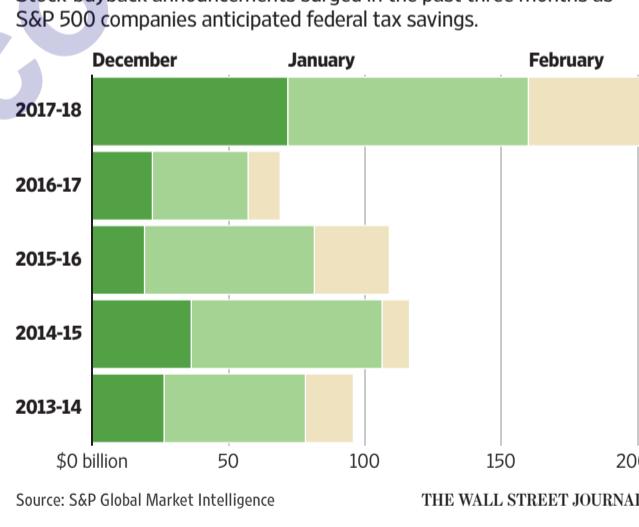
The corporate rate cuts, combined with investment incentives in the new law, are meant to boost business spending and broader economic growth, and increase wages over time. Some of the money is also being returned directly to investors in the form of bigger dividends and buybacks. And some companies have announced one-time bonuses for employees.

Kevin Hassett, chairman of Mr. Trump's Council of Economic Advisers, said at a White House briefing that the buyback boom is being driven by companies encouraged to repatriate funds from overseas.

Of the companies in the S&P 500, about 44% have said they plan to reinvest some portion of their tax gains into capital expenditures or wages, while 28% said they would use them to increase shareholder returns, Morgan Stanley found in an analysis of earnings transcripts.

### Big Boost

Stock-buyback announcements surged in the past three months as S&P 500 companies anticipated federal tax savings.



Its own analysts expect companies to spend about 43% of their savings on buybacks and dividends, and 30% on capital expenditures and labor.

Cisco last month said it would bring back \$67 billion of its foreign cash holdings to the U.S. this quarter and would spend much of it on buybacks and dividends. Amgen added \$10 billion to its buyback program and said it would also spend \$300 million on a new U.S. manufacturing plant in response to the tax changes.

Hewlett Packard Enterprise Co. said last week it would return \$7 billion to shareholders through buybacks and dividends by the end of fiscal 2019, as well as increasing its match to employees' 401 (k) contributions. Chief Executive Antonio Neri cited the tax-law change related to offshore cash.

A surge in share repurchases could give the bull market a boost at a time when many investors are concerned about how much longer it will last. By buying back shares, companies reduce the amount of shares held by the public and thus boost their per-share earnings.

S&P 500 firms are on track to post their sixth consecutive

quarter of earnings growth. If companies spend \$500 billion—about a fifth of what they are estimated to hold in earnings overseas—on buybacks, per-share earnings in the S&P 500 this year could go up an additional \$3 a share, or 2 percentage points, according to an analysis by Goldman Sachs Group.

Still the practice is controversial on Wall Street. Some critics say companies are better off funneling cash into spending on research, upgrading equipment and raising wages.

Companies that buy back shares don't always see their stocks outperform the broader market. The PowerShares Buy-Back Achievers Portfolio, an exchange-traded fund that includes shares of companies that have reduced their number of shares outstanding by at least 5% over the past 12 months, has fallen 1.3% so far this year, trailing the S&P 500's 0.2% advance. Last year, it rose 17%, while the S&P 500 gained 19%.

It is a hot-button issue in Washington too. Democrats have pointed to buyback announcements as proof that the tax law's benefits are tilted to high-income households. Tens of

## U.S. NEWS

# Scientists Build a Family Tree of Millions

**Project delineates kin across 11 generations, using public profiles from genealogy sites**

BY ROBERT LEE HOTZ

Scientists have turned the yearning for roots into a family tree encompassing millions of people related through centuries of marriage and migration across Europe and North America, using genealogy information posted online by consumers searching for relatives.

In a study made public Thursday, scientists assembled a database of 13 million people related across 11 generations, based on 86 million public profiles downloaded from an online genealogy service called Geni.com owned by MyHeritage Ltd., a family-history and DNA company based in Israel.

"Now we have this bird's-eye view of humanity," said computational biologist Yaniv Erlich at Columbia University and the New York Genome Center. He is a senior author on the study and chief science officer at MyHeritage.

The scale of the family tree "is frankly quite astounding," said sociologist Melinda Mills at the U.K.'s University of Oxford, who studies how genes influence fertility and reproductive choices. She wasn't involved in the project. "To

date, we have really only relied on church or vital records, so this provides us with new and different knowledge."

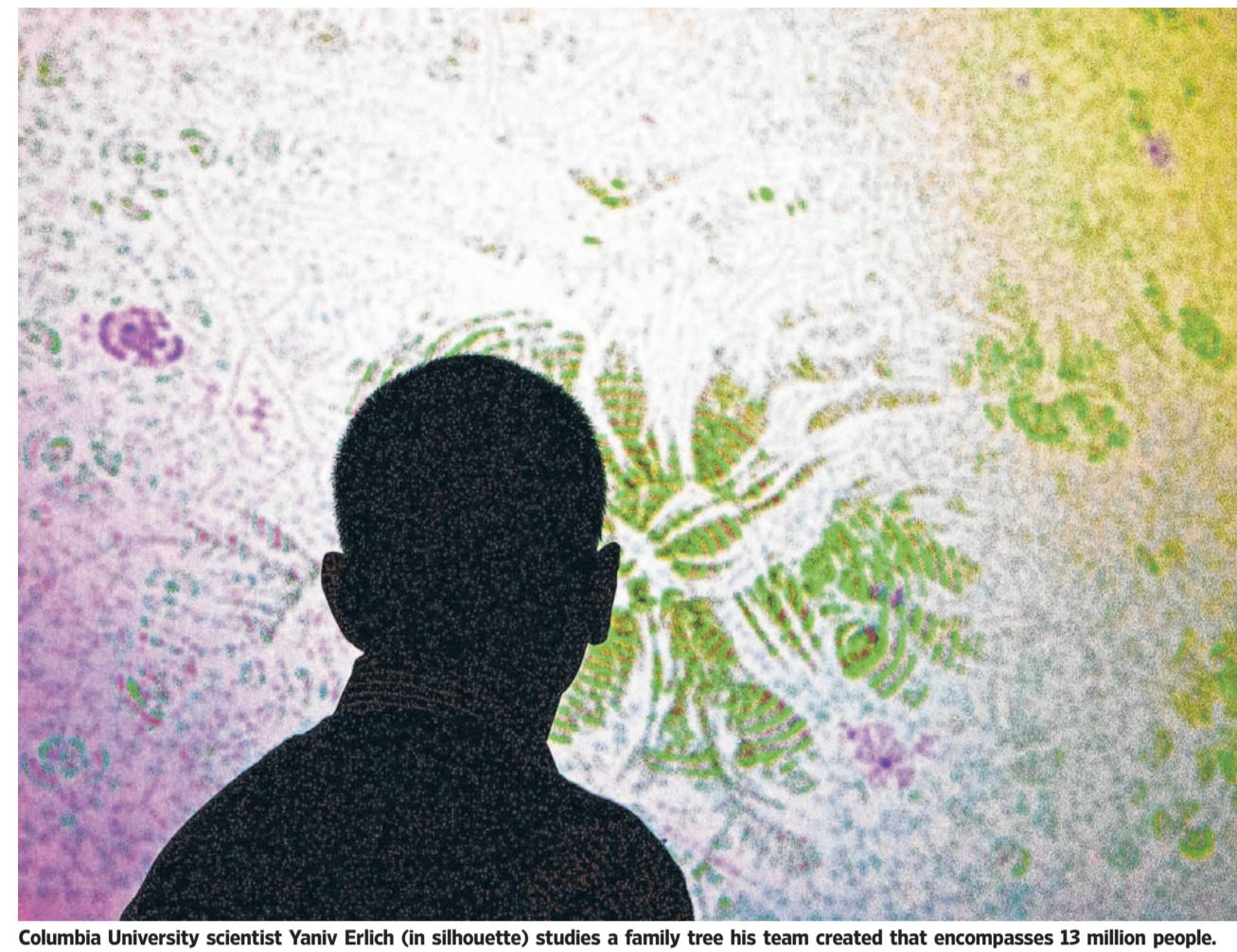
To compile their tree, Dr. Erlich and his colleagues used profiles that included birth and death dates, as well as locations. The researchers, who described their work in the journal *Science*, removed names before posting the data at FamiliLinx.org for other researchers to download and study.

Eventually, Dr. Erlich expects to combine the new family tree with genetic information collected from 1.2 million people who purchased consumer DNA tests from MyHeritage. But the personal records already revealed clues to population trends across generations, according to the researchers.

Based on migration patterns over the past 300 years, the family tree, among other things, shows that women have migrated more than men. Before 1750, most people found a spouse within 10 kilometers (six miles) of where they were born. For those born in 1950, that distance had grown to about 100 kilometers (60 miles).

"It is getting harder to find the love of your life," Dr. Erlich said.

The family tree also reveals that lifestyle and luck may be more important for longevity than any special genetic factor



Columbia University scientist Yaniv Erlich (in silhouette) studies a family tree his team created that encompasses 13 million people.

inherited from our ancestors, the scientists said.

The effort is one of a number of projects seeking to combine burgeoning databases of family history, geography and genetics to speed the search for factors critical to health and to better understand how evolution shaped humankind.

"These big resources are a powerful piece of future genetic research," said genetic epidemiologist Lisa Cannon-Albright at the University of Utah, who uses genealogy databases to hunt for patterns of heredity that might pinpoint genes involved in cancer and other diseases. She wasn't involved in the MyHeritage project.

Dr. Cannon-Albright and her colleagues are working on the federal Veterans Genealogy Project to build a database of family information that can be linked to medical records encompassing eight million U.S. service men and women. The National Institutes of Health also aims to collect clinical, lifestyle and genetic data from

at least one million people.

Many of these projects harness the growing popularity of online genealogy services and direct-to-consumer genetic DNA testing.

Approximately 12 million people have signed up for commercial genetic ancestry tests, said molecular anthropologist Miguel G. Vilar, lead scientist for National Geographic's Genographic Project, which uses consumer genetic testing to explore human origins. That effort, a partnership with the DNA testing company Helix, so far has collected DNA from more than a million people.

On Wednesday, the U.K.-based consumer genetics company Living DNA Ltd. announced the launch of a new service to create a customer's family tree based solely on DNA, gender and age. The company said it can "infer" an individual's family ties going back up to 13 generations. It is working with genealogists and geneticists to create a global family tree.

**LAST 3 DAYS!**

**GRAND FINALE**

# FUR SALE

**SAVE 50-75%**

on a beautiful selection of already-reduced fur coats and jackets brought in exclusively for this event.

It's your last chance for big savings on mink, fox, chinchilla, sable, shearling lamb, fur-trimmed outerwear, designer furs and more.

Maximilian Fur Salon, 59th Street on 4 and select stores.



maximilian

**bloomingdale's**

Sale ends March 4, 2018. Reg./Orig. prices reflect offering prices. Savings may not be based on actual sales. Intermediate markdowns may have been taken. Savings off regular and original prices. No adjustments to prior purchases. Furs labeled to show country of origin of imported fur. Selection varies by store, limited quantities on designer furs. Prices, savings and selection may differ on bloomingdales.com.



18k gold and your choice of colored diamonds, \$3,500

Charmed by

*Misahara*

...Designed by You

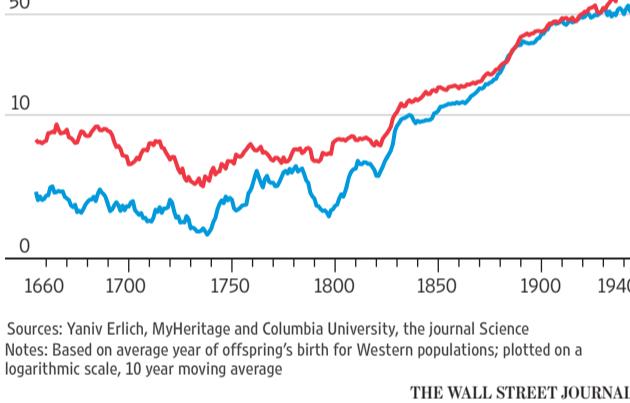
NEW YORK - PORTO MONTENEGRO

THE PLAZA  
NEW YORK  
(212) 371-7050  
[www.misahara.com](http://www.misahara.com)

## What They Did for Love

Evidence from a recently assembled family tree has allowed scientists to estimate how far people traveled to marry over the past several centuries. It suggests women traveled farther.

**Median distance children were born from their mother or father's birthplace**



Sources: Yaniv Erlich, MyHeritage and Columbia University, the journal *Science*. Notes: Based on average year of offspring's birth for Western populations; plotted on a logarithmic scale, 10 year moving average

THE WALL STREET JOURNAL.

## FBI Investigates Its Handling of Case

BY REBECCA DAVIS O'BRIEN AND LOUISE RADNOFSKY

The Federal Bureau of Investigation has opened an internal review of the bureau's handling of sexual-abuse allegations against former U.S. national gymnastics team doctor Larry Nassar, people familiar with the matter said, in light of concerns that agents in multiple FBI field offices failed to act on gymnasts' complaints in 2015.

The investigation, conducted by the FBI's Inspection Division in Washington, D.C., could shed light on why it took nearly a year for the FBI to open a criminal investigation into Dr. Nassar, during which time he is accused of abusing dozens of girls and young women.

Heightened outcry over the scandal in recent weeks, culminating with Dr. Nassar's sentencing hearing in Michigan state court in January, prompted the FBI to launch the official review, one of the people said. The review comes

as other institutions—from the U.S. Olympic Committee to Michigan State University—are cleaning house following criticism of their handling of the Nassar matter.

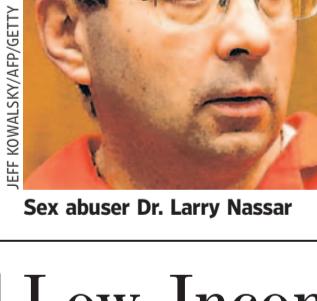
The FBI's Inspection Division is an internal body that investigates allegations of FBI employee misconduct, including breaches of protocol in conducting investigations and operations. Its findings can be referred to other Justice Department entities for further action, including removal of security clearance or criminal charges.

Dr. Nassar was ultimately charged, in late 2016, with federal child-pornography charges and state sexual-abuse charges in Michigan, none of which stemmed from national-team gymnasts' 2015 allegations to the FBI. He pleaded guilty and is serving a 60-year federal sentence.

The Wall Street Journal in February 2017 reported the FBI's delay in investigating the case. At the time, federal law-enforcement officials de-

clined to provide an official explanation for the bureau's apparent inaction.

But behind the scenes, several of the officials said at the time and have said since then that the FBI was trying to determine how such explosive allegations were left to languish for so long. The FBI first learned of the allegations in July 2015 from USA Gymnastics, and in the following months agents interviewed only one of the alleged victims, over the phone, according to people familiar with the matter. Later that year, a lawyer for another national-team



Sex abuser Dr. Larry Nassar

member reached out to another FBI office, seeking to advance the inquiry, according to two people familiar with that effort.

Gymnasts' allegations about Dr. Nassar had come to the attention of USA Gymnastics in June 2015, when the coach of national-team gymnast Maggie Nichols told the organization's leadership that Ms. Nichols, then a 17-year-old Olympic hopeful, had concerns about Dr. Nassar's medical care, which included touching her genitals during treatment sessions.

USA Gymnastics has said it brought in an outside investigator, who spoke with Ms. Nichols, Dr. Nassar and Olympians Aly Raisman and McKayla Maroney. The investigator then recommended reporting the matter to law enforcement.

On July 27, 2015, USA Gymnastics then-President Steve Penny contacted the FBI's field office in Indianapolis, where USA Gymnastics is based.

## Colleges Push to Enroll Low-Income Students

BY MELISSA KORN

After 28 years without transfer students, Princeton University in the fall will begin taking students from community colleges.

Several hundreds miles south, Davidson College recently began keeping dining halls open during fall break, Thanksgiving and Easter, an acknowledgment that not all students could afford the trip home from North Carolina.

They are small steps. If the institutions hope that if enough peers make similar moves, the nation's highest ranked campuses could seem within reach for thousands of financially strapped students.

Just over a year ago, 30

elite colleges banded together with a goal of enrolling an additional 50,000 low- and moderate-income students at top institutions by 2025.

With nearly \$3.9 million in backing to date from Bloomberg Philanthropies, the American Talent Initiative now has 97 member schools taking steps toward socioeconomic diversity. The Bloomberg money largely covers organizational costs to run the coalition, but schools are on the hook to raise money for scholarships and other programs once students make it to campus.

As more needy students enroll, the institutions are increasing financial-aid budgets and making accommodations

for additional costs beyond tuition, such as those for art supplies or meal plans.

Coalition members can expect to spend millions or even tens of millions of dollars a year more, depending on their size. Among recent additions to the American Talent Initiative are Middlebury College and the University of Chicago.

Roughly one-third of students at four-year colleges are eligible for Pell grants, which mainly go to those whose families earn less than \$30,000.

"The future of our country requires that we have strategies to prepare those young people to live full lives and contribute to the economy," said Daniel Porterfield, president of Franklin & Marshall

College in Lancaster, Pa.

Presidents warn that middle-income students, for whom tuition is still a burden, can grow resentful if they see their own payments covering costs for their classmates, so they are trying to expand financial support for those beyond the lowest income brackets.

Ohio State President Michael Drake said there isn't outright opposition to the diversity efforts on campus, but there can be "passive resistance" among administrators because schools could easily focus on expanding research or athletics rather than social mobility.

"The status quo is massive and has great gravitational weight," he said.

NEW YORK - PORTO MONTENEGRO

THE PLAZA  
NEW YORK  
(212) 371-7050  
[www.misahara.com](http://www.misahara.com)

## U.S. NEWS

# Out of White House Tumult: A Trade Plan

Mixed signals on the administration's tariff policy come at a tough time for the West Wing

BY MICHAEL C. BENDER  
AND PETER NICHOLAS

WASHINGTON—U.S. Commerce Secretary Wilbur Ross told confidants on Wednesday night that President Donald Trump would unveil new steel and aluminum tariffs the next day.

By Thursday morning, the would-be announcement was downgraded to a listening session. Then, the plan changed again.

After the media were hustled into the Cabinet Room, where Mr. Trump was meeting with business executives, the president said, "We're going to be instituting tariffs next week." When the session was breaking up, in response to a shouted question from a reporter, Mr. Trump provided the specific rates: 25% on steel, 10% on aluminum.

The news sent the stock market tumbling by more than 400 points and drew swift opposition from lawmakers on Capitol Hill who said they were blindsided.

"I didn't know he'd announced anything," said Sen. Rob Portman (R., Ohio), as he left a closed-door Senate GOP lunch Thursday.

Mr. Portman said he supported tariffs for certain products from certain countries, but not a broad imposition of them. "We want to protect our steel-

workers. But we want to be sure it's not going to also hurt the auto makers."

The mixed signals on trade were the latest developments in a week that reminded some top aides of the first tumultuous months of the administration last year.

In the past few days, the GOP president has attacked his own attorney general, Jeff Sessions, by calling his actions "disgraceful"; seen the resignation of one of his closest advisers, communications director Hope Hicks; and stunned Republican lawmakers and the National Rifle Association, a one-time ally, with a call for broad action on gun control. Then came Thursday's unscripted trade announcement.

Those actions are raising tensions on Capitol Hill and could make it more difficult for the president to achieve the top goals he laid out for the year: changes to immigration laws and infrastructure projects.

"Getting big things done to help the American people requires close, careful coordination between the White House and Congress," said Michael Steel, who served as a senior aide to former House Speaker John Boehner (R., Ohio).

"It's a painstaking, collaborative process—and it's simply impossible to do when the administration is lurching from one distraction to the next, and the president himself seems to prefer chaotic improvisation to effective governance," he said.

After gaining some momentum from the passage of tax cuts late last year, many Republicans were convinced that



**The president's announcement about tariffs sent the stock market tumbling and drew swift opposition from lawmakers on Capitol Hill.**

chief of staff John Kelly was winning in his effort to bring discipline to the West Wing.

Mr. Kelly was upset about how the tariff announcement was handled, specifically that it was leaked in advance, a White House aide said.

The most lasting distraction in the first months of this year has been the resignation of White House staff secretary Rob Porter, who quit amid public allegations of domestic abuse that had prevented him

getting full security clearance.

Mr. Porter's departure opened the door for economic nationalists inside Mr. Trump's administration to push for the tariffs announced on Thursday.

Mr. Porter played the role of gatekeeper in the White House, and one of his chief tasks was scheduling trade meetings. He had helped isolate Peter Navarro, an adviser known for his hawkish views on trade policy.

With Mr. Porter gone, Mr. Navarro made a direct pitch for

tariffs to Mr. Trump, who elevated him to become an assistant to the president, a person familiar with the matter said.

The president then told Mr. Kelly that he wanted Mr. Navarro restored to a central role in the administration's trade policy, the person said.

Mr. Navarro described the aluminum and steel tariff proposal to select White House officials on Wednesday, another official said. By that night, Mr. Ross—who supports the tar-

iffs—was describing the plan as a done deal, the official said.

That caught several senior officials off-guard, including Messrs. Kelly and National Economic Council Director Gary Cohn, the president's top economic adviser who doesn't support the tariffs, an aide said.

"Total chaos," said Rep. Bill Pascrell, the top Democrat on a House panel that oversees trade. "Either there's disagreement in the administration, or there's disorganization."

## TRADE

*Continued from Page One*  
fell more than 500 points, or 2%, initially after the announcement, as shares of big steel users, including auto makers Ford Motor Co. and General Motors Co., dropped even more. The losses continued in Asia early Friday. At midday in Tokyo, Japan's Nikkei Stock Average was down 2.9%.

The moves were quickly denounced by industry trade groups, including beer and boat makers worried about costlier aluminum and manufacturers of chemicals, air conditioners and oil pipelines all concerned about pricier steel inputs.

"It's going to be expensive," said Ed Bolas, chief financial officer at DyCast Specialties Corp., a Minnesota maker of parts for products including cutting tools and engines. "All of it will impact the consumer."

Mr. Trump's announcement marks his biggest move to date to carry out his "America First" trade policy aimed at upending decades of U.S. leadership fostering globalization. The swift backlash underscores the dramatic ways that system may now be changing.

The decision was controversial inside his own administration, coming over the objections of some top advisers and surprising many in the White House who first learned of the plans from news reports Wednesday night. Mr. Trump's Defense Department had weighed in against the move, with a memo cautioning against harm to "our key allies" such as Canada and Japan.

"These U.S. measures will have a negative impact on trans-Atlantic relations and on global markets," warned European trade commissioner, Cecilia Malmstrom.

The president justified the tariffs by invoking a little-used Cold War-era law that gives presidents broad discretion to curb imports deemed a threat to "national security." The announcement was based on studies conducted by the Commerce Department, made public last month, which concluded metals imports had eroded the country's ability to make its own weapons, tanks and aircraft.

As a sign of how eager the president was to take action, he chose the toughest of the three options presented by the Commerce Department, which had also outlined a more-targeted approach aimed only at certain countries.

Mr. Trump also felt such urgency to announce the decision that he did so providing no further details beyond the broad numbers, saying the concrete policies wouldn't be presented until next week.



**Metals industry executives cheered the president's new tariff policy, as did many congressional Democrats and labor unions.**

### Tariffs Could Ripple Through Economy

President Donald Trump's tariff plan drew sharp criticism from industries that fear it could raise their costs to make everything from airplanes to beer cans. The bigger worry, some manufacturers and agricultural groups said, is the potential for retaliatory measures by other countries that could imperil U.S. exports and jobs.

Some industries are already lining up for exemptions. The Beer Institute, a trade group, called for "cansheet" aluminum to be excluded from any new trade barriers. "Imported aluminum used to make beer cans is not a threat to national security," said group president Jim McGreevy.

The new tariffs underscore Mr. Trump's pivot in his second year in office to reorient decades of American policies aimed at expanding free trade and globalization. Thursday's move comes about a month after the White House unveiled similar tariffs and quotas on solar panels and washing machines, invoking a different, little-used 1974 trade law allowing U.S. industries to seek sweeping protection if they can show significant injury from a sudden surge in foreign competition.

Trump aides are also weighing a broad package of trade and investment penalties against China, as they complete a detailed study accusing Beijing of widespread theft and expropriation of American in-

tellectual property. Thursday's decision is aimed in particular at China, whose steel overcapacity has fueled a global glut hampering American producers.

Mr. Trump's announcement appeared to be a diplomatic jab at Chinese President Xi Jinping, coming the same day his top economic adviser was meeting at the White House with the Trump economic team to try to ease trade tensions.

The new tariffs seem to reflect the rising power inside the Trump administration of his economic nationalist aides, who have tangled over the past year with his more free-trade oriented advisers. The infighting was evident Wednesday night, with some officials in-

supporter of jobs in the U.S., and this would not be in line with his previous efforts," he said.

Some auto makers and parts suppliers reacted with alarm. Toyota Motor Corp. issued an unusually blunt statement condemning the White House move. "The Administration's decision to impose substantial steel and aluminum tariffs will adversely impact auto-makers, the automotive supplier community and consumers," the Japanese auto maker said.

Meanwhile, farm groups feared Mr. Trump's move would invite retaliation against U.S. crop exports. "These tariffs are very likely to accelerate a tit-for-tat approach on trade,"

said Brian Kuehl, executive director of trade group Farmers for Free Trade.

—Andrew Tangel, Chester Dawson and Jacob Bunge

sisting a decision was imminent and others saying it was still being deliberated.

Mr. Trump has repeatedly said his campaign pledge for greater steel protection won him the presidency, and his U.S. trade representative, Robert Lighthizer, talks of tougher policies creating a "new coalition" in support of trade, by winning over Democrats who have grown increasingly hostile to globalization over the past quarter-century. Mr. Trump is hoping to solidify his political base in advance of midterm congressional elections this year, and the announcement comes ahead of a March 13 special House contest in Pennsylvania steel country. Indeed, many congressional

Democrats and labor unions joined the metals executives in cheering the new policy, which they had long advocated.

"This welcome action is long overdue for closed steel plants across Ohio," said Ohio Democratic Sen. Sherrod Brown, who has been working closely with Mr. Trump and his trade team to craft such new policies.

But the decision also is likely to open a rift between the White House and traditional free-trade Republicans in Congress, who have become increasingly vocal in recent weeks in urging Mr. Trump to avoid taking such action.

Even Sen. Pat Toomey, a Republican representing Pennsylvania, blasted the move, saying that "invoking national security as a means of imposing new, huge tariffs on all kinds of imported steel is a big mistake that will increase costs on American consumers, cost our country jobs, and invite retaliation from other countries."

The move also drew complaints from allies and trading partners, who have warned that they could retaliate.

Canadian Foreign Minister Chrystia Freeland said that, "Should restrictions be imposed on Canadian steel and aluminum products, Canada will take responsive measures to defend its trade interests and workers."

A Chinese foreign-ministry spokeswoman said, "The U.S. has overused trade remedies" adding that "China will take proper measures to safeguard its interests."

—Bob Tita, William Mauldin and Andrew Tangel contributed to this article.

## Treasury Sets Rule On Carried Interest

BY RICHARD RUBIN

WASHINGTON—The Treasury Department moved to limit a gap that could have let some investment-fund managers avoid higher taxes on their carried-interest income.

The formal move, previously announced by Treasury Secretary Steven Mnuchin, will be followed by regulations that will be retroactive to Jan. 1, the government said Thursday.

"Treasury and the IRS stand ready to implement the Tax Cuts and Jobs Act as Congress intended and provide the appropriate taxpayer guidance on how the law will be implemented," Mr. Mnuchin said.

The tax law passed by Congress last year would let fund managers receiving a percentage of investment gains to get long-term capital-gains rates only if the asset is held for at least three years, beyond the one-year requirement that previously existed.

The top capital-gains tax rate is 20%, while the top tax rate on ordinary income that would otherwise apply is 37%.

In the new tax law, Congress's change to carried-interest provisions was much narrower than many lawmakers had been talking about. It would still allow most private-equity firms, which hold assets for more than three years, to benefit from the lower capital-gains rates.

But even the narrower step contained a potential problem. The law doesn't apply the new three-year holding-period requirement to assets owned by a corporation. However it doesn't specify whether that means a traditional C corporation that has two layers of taxation or an S corporation that pays just one layer of tax.

Some fund managers were considering using S corporations to avoid the three-year limit. The notice from Treasury and the Internal Revenue Service would prevent that by saying that S corporations can't qualify for the exception from the three-year limit.

Mike Sommers, president and CEO of the American Investment Council, the private-equity industry's trade group, welcomed the notice and said it "correctly clarifies the intent of the law on this tax provision."

ADVERTISEMENT

A Federal Court has ordered R.J. Reynolds Tobacco, Philip Morris USA, Altria, and Lorillard to make this statement about the health effects of secondhand smoke.

- Secondhand smoke kills over 38,000 Americans each year.
- Secondhand smoke causes lung cancer and coronary heart disease in adults who do **not** smoke.
- Children exposed to secondhand smoke are at an increased risk for sudden infant death syndrome (SIDS), acute respiratory infections, ear problems, severe asthma, and reduced lung function.
- There is no safe level of exposure to secondhand smoke.

## U.S. NEWS

# Teachers Brace for Ruling

By MICHELLE HACKMAN

Daniel Lund Holstein, a New York City high-school math teacher, has spent most weekends this year knocking on the doors of fellow public-school teachers in the Bronx to remind them of what he said was their union's role in securing higher pay and reasonable classroom sizes.

The union, the United Federation of Teachers, has been canvassing its 187,000 members in anticipation of the Supreme Court striking down a pillar of public-union strength: the ability to charge so-called agency fees, which are assessed on nonunion members to cover the costs of collective bargaining.

Bracing for the worst, some teachers unions across the U.S. also have been holding parties and rallies—and even asking for signed recommitments—to reconnect with the rank and file.

"We're not waiting around to lose the case," Mr. Holstein said. "It's pretty obvious we're going to be in some danger when this comes down."

The American Federation of Teachers estimates that some of its locals—including the UFT in New York—could lose 20% or more of their funding if the Supreme Court hands down an unfavorable ruling, according to an internal slide show prepared for the AFT.

Agency fees already are forbidden from paying for advocacy and other political activity. But the plaintiffs in the Supreme Court case argue that negotiating with public agencies requires taking positions on government's size and scope, which is a political question, so forcing employees to pay for the negotiations violates the First Amendment.

Labor leaders said such talks are typical workforce negotiations, not political matters. Without the ability to charge "fair share" fees for core functions, the teachers unions fear their members will flee, their budgets will dwindle and their ability to bargain with school districts—and hold sway with



The high court heard a case this week over teachers unions' ability to collect fees from nonunion members.

politicians—will diminish.

The high court heard arguments Monday in Janus v. the American Federation of State, County and Municipal Employees. The lawsuit was filed by an Illinois state employee who challenged an agency-fee provision requiring him to pay about \$45 a month for collective-bargaining representation. The suit asks the court to overrule its 1977 ruling upholding the fees.

At Monday's hearing, the court's conservatives appeared sympathetic to the arguments put forth by the attorneys for the Illinois employee.

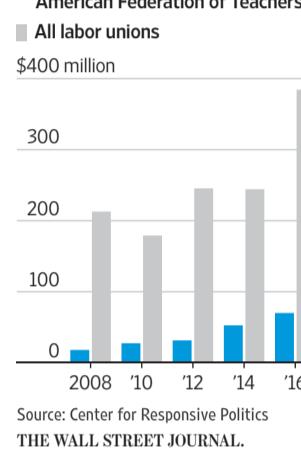
Teachers unions are the largest and most politically potent representatives among the major public-sector labor groups. The leaders of the AFT and the National Education Association are influential figures on the political left. Together, the two unions spent \$63 million in the 2016 election bolstering Democrats, more than any other union sector.

Union backers said that in states with higher union membership, teachers receive better salaries and are more likely to have smaller classes. These benefits, in turn, attract higher-caliber people to the teaching profession, they say.

Backers of organized labor also say that without agency

## Political Players

Total political spending



Source: Center for Responsive Politics  
THE WALL STREET JOURNAL.

fees, some workers would unfairly benefit from the unions' negotiating efforts while contributing nothing to make them possible.

But opponents of the unions, including conservative education-policy groups, said teachers have stood in the way of what they consider reform. "They are unabashedly protective of a system that's failing too many kids," said Jeanne Allen, chief executive of the Center for Education Reform.

The internal AFT slide show predicts that if the Supreme Court rules to undercut agency fees, the increased time spent on "member maintenance" will detract from the organization's "other more progressive union activities," which are unspecified in the document. Some unions, it also warns, won't be able to stay afloat.

Jade Thompson, a Spanish teacher in Marietta, Ohio, was an enthusiastic member of her union until 2010, when the Ohio Education Association began paying for ads against her husband, a Republican candidate for the state Legislature. "It was a real slap in the face, because I was paying dues," she said.

The threat of the Janus case has galvanized teachers unions across the U.S. The Washington Education Association has been hosting pizza parties to tout membership benefits. The Maryland State Education Association has been holding rallies. In Illinois, Ohio and Pennsylvania, among other states, unions have matched union leaders with other teachers for face-to-face conversations.

"We're having a kind of 'This is who we are, this is who you are, how can we better serve you?' conversation," said Denise Specht, president of Education Minnesota.

# Oversight Eyed For Cosmetics

By THOMAS M. BURTON

At a time when Washington is pushing to deregulate industry, a congressional effort is under way to intensify federal oversight of cosmetics and personal-care products for the first time in 80 years.

Senate staffers from both parties have reached a tentative agreement to stiffen oversight of safety standards for beauty products including skin creams, deodorants, hair dyes, shampoo and mascara, which until now have been only lightly regulated by the Food and Drug Administration.

Consumer-safety groups have long petitioned for more stringent regulation of the cosmetics industry amid concerns about chemicals found in beauty and hair-care products, but past efforts have failed, most notably in 2013. Then, a proposal negotiated by the FDA and the industry that would have given the agency the power to widely test the safety of chemicals in cosmetics collapsed as some big manufacturers balked.

This time, powerful businesses and the Personal Care Products Council trade group generally support the effort to produce a new law. Companies are eager to have a consistent federal law that could preempt a range of state laws.

The industry has faced growing pressure from retailers and consumers to ensure products are free from risky ingredients, such as chemicals like phthalates, lead and formaldehyde, which are under growing suspicion that they may lead to cancer or changes in human development.

Big brands especially are fighting a reputation that their products contain harsh or unsafe chemicals, and are losing share to smaller companies with a focus on natural ingredients.

One big-brand maker, Procter & Gamble Co., said it

supports "the bipartisan effort currently under way to strengthen and modernize FDA oversight of the cosmetic industry."

The House has yet to show its hand. Its Energy and Commerce Committee said it is "gathering information" from the FDA, industry and consumer groups.

The Senate, though, is pushing forward under Sen. Lamar Alexander (R., Tenn.), chairman of the Committee on Health, Education, Labor & Pensions, and Sen. Patty Murray (D., Wash.), the top-ranking Democrat on the committee, which oversees the FDA.

The two have worked successfully on health bills before, and Mr. Alexander has said he hopes to get cosmetics legislation passed this year.

The tentative agreement, known as a discussion draft, is aimed at getting a bill on the Senate floor in coming months. It would mark a shift for the cosmetics industry, which is projected to generate annual sales of \$89 billion in 2018, according to market-research company Euromonitor International.

Governed by a 1938 law called the Federal Food, Drug and Cosmetic Act, the industry has faced little in the form of meaningful government scrutiny.

For instance, the FDA can't compel makers of products like shampoos, deodorants, lipstick and children's eye makeup to report safety problems—or even register with the agency at all.

The FDA would be required to evaluate a number of ingredients for safety. It isn't clear how the agency would fund such scientific assessments, which is generating concern among consumer groups that the bill would give theoretical authority without the budget to actually assess safety.

—Sharon Terlep contributed to this article.



# If Volatility Is Back, Is Your Portfolio Ready?

Learn how the recent market tumult affected funds—and what investors can do to prepare for more sharp moves ahead.

READ MORE IN THE JOURNAL REPORT SECTION ON MONDAY

JOURNAL REPORT

THE WALL STREET JOURNAL.  
Read ambitiously

# Columbine District's Threat Plan

Program monitors current and former students who pose a danger to schools

By ZUSHA ELINSON

After a former student shot two eighth-graders in 2010 in the same Colorado school district where the Columbine shooting took place, the district's security chief John McDonald sought a way to thwart attacks by alumni.

Mr. McDonald decided that the Jefferson County district would treat former students who pose a threat the way it treats current students. A case manager would be assigned to talk with them regularly, monitor their social media and check in with their therapists—even sometimes for years after they

have left the school.

"It's human nature to say 'thank goodness they're gone, we don't have to deal with them anymore,'" Mr. McDonald said. "Just because they're not here doesn't mean [the threat] goes away."

The threat of mass shootings by former students has come to the fore after 19-year-old Nikolas Cruz allegedly killed 17 people at a Florida high school he once attended. Warning signs, including social-media postings by Mr. Cruz and 911 calls about his disturbing behavior, weren't followed up on, and federal and local law enforcement have come under heavy scrutiny for not doing more to investigate.

For years now, many schools across the country have designated teams of school officials, mental-health workers and police who investigate threats of school violence. They find help



A program in Jefferson County in Colorado tracks troubled students' behavior and gets them help even after they have left school.

for troubled students and in some cases, turn them over to the authorities.

But the program in Jefferson County, a district of 86,000, goes further by tracking stu-

dents' behavior and getting help for them after they have left the school, a critical aspect of its security measures that started about four years ago.

"We're the district of Colum-

bine, we have this responsibility to our community to go above and beyond," Mr. McDonald said.

Under the program, the district's case managers are currently keeping track of 17 former students, Mr. McDonald said, in addition to 168 current students. Parents and students sign a contract and waivers so the district's case managers can talk with their doctors and therapists. In other cases, it is a condition of probation handed down by a judge.

The process begins when a student first makes a threat. His team runs down a checklist, looking for attack-related behaviors and past violent incidents. "Is he engaging in looking at weapons online?" Mr. McDonald said. "Are they writing a hit list?"

Attorneys who represent teens in criminal cases say former students shouldn't be tracked indefinitely, especially in cases where no criminal charges were ever filed.

"What America doesn't do is target people and follow them

indefinitely," said Ann Roan, an attorney who sits on the board of directors for the Colorado Juvenile Defender Center.

Ms. Roan said tagging students as threats in this way could unfairly affect the way they are treated by educators and administrators down the road. The district's access to therapists also could make troubled kids less forthcoming in therapy, she said.

Parents and teachers have no such qualms because of the way that students—either current or former—have been handled after they make a threat, said Ami Prichard, president of the Jeffco Parent Teacher Association.

"The focus is how can we help this child," said Ms. Prichard, a teacher and parent in the district. "It's not about going out and looking for kids to put on a watch list."

The tracking continues for the most troubling cases and has no set time limit. "If there continues to be concerns, we would continue to monitor," Mr. McDonald said.



School faculty, law enforcement and case workers meet to evaluate threats that specific students pose.

# President Sends Mixed Signals on Gun Legislation

By NATALIE ANDREWS  
AND KRISTINA PETERSON

**WASHINGTON**—A day after President Donald Trump called for a sweeping overhaul of U.S. gun policy, lawmakers appeared divided on what they would support, with some pitching their own plans and others calling for Mr. Trump to keep up the public pressure.

Mr. Trump made waves in the gun debate Wednesday by backing some approaches backed by Democrats and others embraced by Republicans in a White House meeting with lawmakers. On Thursday, GOP

senators said they were waiting to hear more from the White House, including clarity on which among the many ideas batted around by Mr. Trump were his top priorities.

Press secretary Sarah Huckabee Sanders said Mr. Trump has "laid out a number of things he'd like to see" but made no commitment on what legislation he would sign.

Potentially complicating matters, the timeline for legislation in response to the recent school shooting in Parkland, Fla., remained unclear. Senate Majority Leader Mitch McConnell (R., Ky.) said Thursday the

Senate would focus on a banking bill next week, not on guns.

On Wednesday, Mr. Trump backed a proposal by Sen. Pat Toomey (R., Pa.) and Sen. Joe Manchin (D., W.Va.) that would expand background checks to all sales online and at gun shows, with some carve-outs, such as exempting gun sales or transfers between family members. The White House said Mr. Trump spoke with Mr. Toomey on Thursday.

The Manchin-Toomey bill narrowly failed in the Senate in 2013. Currently, federal law requires background checks only for sales by federally li-

censed dealers, though some states have added their own requirements. If it were to pass the Senate, it is seen as having a very difficult time clearing the House, GOP aides said this week.

In the Wednesday meeting, Mr. Trump also appeared to back tougher restrictions on purchasing some weapons, such as age limits. He also dashed conservative hopes that he would support a "reciprocity" rule, which would allow gun owners who legally carry concealed firearms in one state to carry them in the other 49 states, a goal of the

National Rifle Association.

Mr. Trump also raised eyebrows in the meeting Wednesday when he suggested that guns could be taken away from some potentially dangerous individuals without due process in certain situations.

These and other comments from Mr. Trump in recent days appeared to put him at odds with the stance of the NRA. Amid questions about whether he would push policies the NRA opposes, the president sat down with the group on Thursday night.

Chris Cox, executive director of the NRA Institute for

Legislative Action, tweeted it was a "great meeting" with Mr. Trump and Vice President Mike Pence.

"We all want safe schools, mental health reform and to keep guns away from dangerous people," said Mr. Cox. He said that Messrs. Trump and Pence "support the Second Amendment, support strong due process and don't want gun control."

Mr. Trump followed with his own tweet, that saying it was a "good (Great) meeting" with the NRA.

—Louise Radnofsky contributed to this article.

# Trump Ally's Help Sought in IMDB Probe

A Republican fundraiser close to President Donald Trump was in negotiations to earn tens of millions of dollars if the Justice Department

the talking points, the prime minister was advised to emphasize Malaysia's work with the U.S. on North Korea, while arguing against the U.S. legal pursuit of the IMDB matter. It isn't clear if anything came of the talking points.

The details of the purported effort to influence the Justice Department probe were included in emails from Mr. Broidy's and his wife's accounts that were provided to the Journal.

Mr. Broidy was a vice chairman for the Trump campaign's joint fund with the Republican Party during the 2016 campaign. He gave more than \$160,000 last year to the Republican National Committee, where he is a national deputy finance chairman.

Chris Clark of Latham & Watkins LLP, on behalf of Mr. Broidy and Ms. Rosenzweig, who runs Colfax Law Office Inc., said in a statement that Ms. Rosenzweig's law firm was engaged by Pras Michel, a member of the 1990s hip-hop group the Fugees and a friend of Mr. Low, "to provide strategic advice as part of a broader team to Mr. Low."

The statement adds: "During the course of this engagement a number of strategies were discussed with Mr. Broidy, Mr. Michel, and other members of the team. But at no time did Mr. Broidy or Ms. Rosenzweig, or anyone acting on their behalf, discuss Mr. Low's case with President Trump, any member

of his staff, or anyone at the U.S. Department of Justice."

Mr. Clark said neither Colfax Law nor Mr. Broidy has ever represented Malaysia or any of its officials "in any capacity."

"We are concerned that the Wall Street Journal is in possession of internal drafts of documents that were never used, and that were never intended to be shared with third parties," he said. "We question the legality and propriety of the manner in which the documents were obtained."

Mr. Low didn't respond to a request for comment on the arrangement. He has denied

wrongdoing in the IMDB matter. Multiple investigations in Malaysia into IMDB closed without finding wrongdoing.

Mr. Michel didn't respond to a request for comment. The Justice Department declined to comment.

Mr. Najib, who oversaw IMDB and gave Mr. Low control over investment decisions, has been keen for the Justice Department to drop its probes.

The department alleges Mr. Low helped siphon off at least

\$4.5 billion from IMDB, between 2009 and 2015. U.S. authorities allege in civil lawsuits that "Malaysian Official 1," which people aware of the matter say is a reference to Mr. Najib, received \$681 million from IMDB into his personal accounts. Mr. Najib has denied taking money for personal gain and he was cleared by Malaysia's attorney general of any wrongdoing.

In September 2017, Mr. Trump invited Mr. Najib to the White House to discuss trade. Ahead of that trip, Mr. Broidy sent an email to a colleague at his firm that appears to outline how Mr. Najib should approach the visit. On IMDB, the talking points say the U.S. probe "has caused unnecessary tension." A spokesman for Mr. Najib didn't respond to a request for comment.

National security adviser H.R. McMaster and a member of the White House Counsel's Office advised Mr. Trump that Mr. Najib might lobby him to ask the Justice Department to shut down the IMDB probe, and that he should respond that he wouldn't interfere, a White House official said. Mr. Najib didn't raise the issue in his meeting with the president, nor did Mr. Trump, the official said. The White House didn't respond to a question about whether Mr. Trump discussed the probe with Mr. Broidy.

—Aruna Viswanatha contributed to this article.

Home Security. Done Right.

Introducing the all new SimpliSafe.

It's smaller, faster and stronger than ever.

There are no contracts. And no nonsense.

All at prices that are fair and honest.

It's home security. Done right.



**SimpliSafe**

Right now get Free Shipping at [SimpliSafe.com/WS](http://SimpliSafe.com/WS)

## WORLD NEWS

## Putin Boasts of New Nuclear Weapons

Russian president shows images of weapons he says could breach U.S. defenses

Russia has developed an array of nuclear weapons capable of penetrating U.S. missile defenses, the country's president, Vladimir Putin, said Thursday, sharpening rhetoric against the West and intensifying an arms race with Washington.

*By Thomas Grove,  
Michael Gordon  
and James Marson*

In language reminiscent of the Cold War, Mr. Putin used his annual state-of-the-union address to boast about Russia's military prowess and put on a display of new armaments, including intercontinental ballistic missiles and underwater drones.

"Efforts to contain Russia have failed," Mr. Putin said to Russia's political elite gathered in the Kremlin's St. George's Hall, speaking before large screens displaying images of the weapons.

Amid applause from the audience, a video showed a digital animation of a cruise missile fired from northern Russia flying across the Atlantic Ocean, evading missile defenses, then circling around the southern tip of South America before heading north toward the U.S.

Most of the weapons Mr. Putin highlighted are already well known to the U.S., whose missile defenses are designed to counter the actions of rogue states rather than of Moscow. He did surprise some U.S. analysts by announcing that Rus-



Vladimir Putin, aided by animated video, spoke in Cold War tones. Below, a rendering of one of the weapons he said can't be intercepted.

sia would field a new nuclear-powered, air-launched cruise missile.

Mr. Putin's demonstration of might is further evidence of a general ratcheting up of sophisticated arms development among the world's largest military powers. A Pentagon review last month made it known that the U.S. would undertake a major upgrading of its air-, land- and sea-based strategic nuclear forces, at a cost the Congressional Budget Office has estimated at \$1.2 trillion.

China is also upgrading its arsenal, though its nuclear force is much smaller than those of the U.S. and Russia. Moscow and Washington



have both announced they are meeting their obligations under the 2010 New Strategic Arms Reduction Treaty, which limits each side to 1,550 strategic nuclear warheads. Hopes have vanished that the accord

would be followed by one mandating deeper cuts.

Instead, the two sides are concentrating on updating systems allowed under that treaty and deploying weapons that fall outside its scope.

Mr. Putin's speech, in part, appeared designed to send a message that Russia would spare no effort to maintain its own nuclear capability.

"What worries me most is the resurgence of a dynamic to outmatch the other side with new nuclear weapons," said Hans M. Kristensen of the Federation of American Scientists, which is critical of the American and Russian nuclear modernization plans.

Franklin Miller, a former Defense Department official who advised the Pentagon on its nuclear-modernization plans, said the new U.S. systems are needed to maintain the American nuclear deterrent, however much Russia

might not like them.

"I think Putin understands that U.S. has awakened from its somnolence on nuclear issues," Mr. Miller said. "If he understands that Russia should not carry out the first use of a nuclear weapon, all is well."

Most of new systems touted by Mr. Putin on Thursday appear to be designed mainly to evade or penetrate limited U.S. antimissile defenses.

Among the weapons displayed on screens behind Mr. Putin was a new Sarmat heavy intercontinental missile that he said was capable of reaching any point on the globe. The Pentagon has long anticipated that system would be deployed next year. Last month's nuclear review also indicated that the Pentagon was aware of the nuclear-armed torpedo Mr. Putin touted, which could be used to attack U.S. ports and submarine bases.

There was a new twist in Mr. Putin's highlighting of a Russian program to develop nuclear-powered cruise missiles, which he said had undergone a successful test launch at the end of last year and would have an unlimited range.

The Russian president seemed to be sending a message that if the U.S. expands its defenses against ballistic missiles, Russia can circumvent them, U.S. analysts suggested. The U.S. has long maintained that the main purpose of its antimissile defenses is to block an attack by a rogue state like North Korea, and that they aren't nearly capable of undermining Russia's nuclear deterrent.

"The Russians seem to have more confidence in the U.S. ballistic missile defense than even the staunchest U.S. advocates do," Mr. Kristensen said.

## Italy Parties Press Cases Before Vote

BY GIOVANNI LEGORANO AND PIETRO LOMBARDI

ROME—Italian political parties made their closing arguments ahead of national elections, pressing their case with the millions of citizens who remain undecided ahead of this weekend's parliamentary vote.

Former Prime Minister Silvio Berlusconi and his center-right coalition on Thursday sought to maintain recent momentum that could bring him within striking distance of winning a majority. The anti-establishment 5 Star Movement—led by Luigi Di Maio—offered a list of ministerial candidates in an attempt to present the party as ready to govern.

According to the latest polls, the center-right coalition, which includes the anti-immigration League and two smaller parties, would get about 38% of the votes.

The 5 Star Movement could emerge as the biggest single party with 28% of the votes. The ruling center-left Democratic Party trails behind both, with just under 23% of declared voting intentions.

## Busy Belgian Port Becomes Cocaine Gateway

BY VALENTINA POP

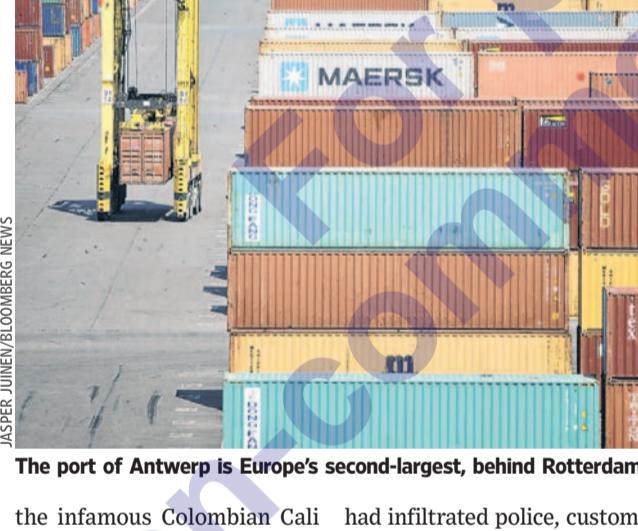
ANTWERP, Belgium—Europe's largest container port for bananas has also become the continent's gateway for another tropical product: cocaine.

Last year, 41 metric tons of cocaine, with a street value of roughly \$2.5 billion, was seized in Belgium, according to Belgian customs officials. Most moved through Antwerp's port, Europe's second-largest, behind Rotterdam. In more than half of the seizures, customs officials say, the cocaine was placed in banana containers that came from some of the top cocaine-exporting countries: Colombia, Peru and Brazil.

Antwerp Mayor Bart De Wever says the port's proximity to Rotterdam, where many major drug organizations are based, and its success as a destination for legitimate Latin American exports explain why it is so popular with drug cartels.

"Being the first port of call for Latin America also has its disadvantages," Mr. De Wever said at a recent press conference, where he announced the formation of a group of local police, customs, tax and zoning-law offices to deal with the cocaine problem.

The so-called Kali team is named after a multiarmed Indian goddess but also echoing



The port of Antwerp is Europe's second-largest, behind Rotterdam.

the infamous Colombian Cali drug cartel, aims to disrupt cocaine traffickers' attempts to launder money and corrupt local officials. Mr. De Wever said his "war on drugs" would include extra checks on harbor personnel and on cash-heavy local businesses such as car washes and massage parlors, which, he said, are ripe for laundering drug money.

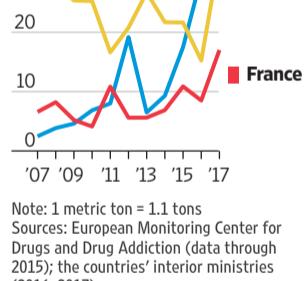
Heading the Kali team is Antwerp Police Chief Stanny De Vlieger, who last year warned that cocaine traffickers

had infiltrated police, customs and local businesses. He said members will work closely with the U.S. Drug Enforcement Administration, whose agents "are basically here every day." Dutch police are also involved in nearly all cocaine arrests because most of the arriving drugs are destined for neighboring Holland, Mr. De Vlieger said.

According to U.S. officials, Antwerp's emergence as a main drugs gateway to Europe—supplanting Spain and Portugal—is

### Flemish Connection

Belgium's port of Antwerp has become a major entry point for cocaine into Europe. Amount seized, by country:



Note: 1 metric ton = 1.1 tons  
Sources: European Monitoring Center for Drugs and Drug Addiction (data through 2015); the countries' interior ministries (2016–2017)

THE WALL STREET JOURNAL.

linked to a recent jump in the production of cocaine in Latin America, as well as the ease of shipping it in cargo containers. DEA agents are in Europe to help local authorities, but also to protect the U.S. from a resurgence in Latin American drug operations, U.S. officials said.

"Every thousand-kilo load that comes here simply strengthens the criminal organizations, whether they're in Colombia, Peru or Brazil," a U.S. official said. "This means they can more easily send their

Mr. Pritchard didn't specify which digital companies P&G had reduced spending with, but one of the biggest reductions was with Google's YouTube. P&G suspended advertising on the popular online video service a year ago after ads appeared alongside objectionable videos.

YouTube has added more human reviewers and given marketers more control over where ads appear, while Facebook's recent newsfeed algorithm changes helped address concerns over the quality of content on its platform.

"P&G is a great partner to Facebook," Facebook said in a statement. "We're proud of the work we've done together, particularly in the areas of third-party verification and brand safety." Google declined to comment.

P&G said it hasn't reduced its overall spending, but has shifted those digital dollars into other areas.

For their part, big ad agency companies that have traditionally bought advertising space on behalf of marketing clients are under pressure to reinvent themselves to remain relevant as the industry changes.

Advertisers also want agency-holding companies like WPP to streamline their complicated organizations—alphabet soups of agencies that were assembled through years of acquisitions. Mr. Pritchard called for companies to combine their creative and media operations to foster better collaboration.

The ad giants haven't made that bold of a move yet, but are working to come up with ways for clients to work with advertising staff that was previously siloed.

"We have to alter our model," WPP Chairman and Chief Executive Martin Sorrell said in an interview.

This year alone, WPP has

announced the merger of its public-relations firms Burson-Marsteller and Cohn & Wolfe and said that it would consolidate five of its branding agencies into one. In 2017, it combined its media agencies Maxus and MEC to form Wavemaker; moved its digital agency Possible into its customer-relationship marketing business Wunderman; and created WPP Health & Wellness out of its four large healthcare agencies.

WPP's results Thursday showed that the changes so far haven't been enough to counter the industry's headwinds.

In the fourth quarter, organic net sales were down 3.4% in North America, 2.6% in Western Continental Europe and 3% in Asia Pacific. The bright spot was the U.K., which rose 9.1%.

"2017 for us was not a pretty year," Mr. Sorrell said.

—Stacy Meichtry contributed to this article.

## ADS

Continued from Page One

Alphabet Inc.'s Google in an increasingly complex media environment.

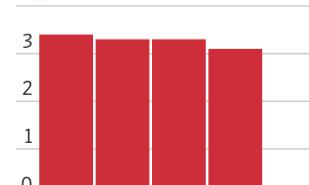
WPP shares tumbled 8.2% in London, and the news affected rivals including Publicis Groupe SA, which fell 3.4% in Paris.

Marketers aren't cutting their ad spending overall. Global ad spending is projected to rise 4.3% this year, according to GroupM. But, as they contend with pressures on their businesses, marketers are focusing on how to rein in costs paid to agencies, limit the number of agencies they work with, and make ad spending more efficient. They are also bringing in-house some creative and ad-buying functions once handled by agencies.

"It's time to disrupt this ar-

### Pullback

WPP's organic net sales, change from a year earlier



Note: Net sales exclude currency moves and deals  
Source: the company

THE WALL STREET JOURNAL.

dollars, he said.

P&G, whose brands include Tide, Pampers and Crest, has said that it is looking to cut an additional \$400 million over three years in agency and production costs, having already saved around a combined \$750 million in recent years.

"Once we got transparency, it illuminated what reality was," said Mr. Pritchard. P&G then took matters into its own hands and voted with its

Mr. Pritchard didn't specify which digital companies P&G had reduced spending with, but one of the biggest reductions was with Google's YouTube. P&G suspended advertising on the popular online video service a year ago after ads appeared alongside objectionable videos.

YouTube has added more human reviewers and given marketers more control over where ads appear, while Facebook's recent newsfeed algorithm changes helped address concerns over the quality of content on its platform.

"P&G is a great partner to Facebook," Facebook said in a statement. "We're proud of the work we've done together, particularly in the areas of third-party verification and brand safety." Google declined to comment.

P&G said it hasn't reduced its overall spending, but has shifted those digital dollars into other areas.

For their part, big ad agency companies that have traditionally bought advertising space on behalf of marketing clients are under pressure to reinvent themselves to remain relevant as the industry changes.

Advertisers also want agency-holding companies like WPP to streamline their complicated organizations—alphabet soups of agencies that were assembled through years of acquisitions. Mr. Pritchard called for companies to combine their creative and media operations to foster better collaboration.

The ad giants haven't made that bold of a move yet, but are working to come up with ways for clients to work with advertising staff that was previously siloed.

"We have to alter our model," WPP Chairman and Chief Executive Martin Sorrell said in an interview.

This year alone, WPP has

## WORLD NEWS

# Brazil Emerges From Recession

BY JEFFREY T. LEWIS

SÃO PAULO—Brazil's economy returned to growth in 2017 after two years of contraction, as investment spending, agriculture and industrial production helped pull the country out of its worst recession on record.

Gross domestic product expanded a seasonally adjusted 0.1% in the fourth quarter from the third, and grew 1.0% during 2017, Brazilian statistics agency IBGE said Thursday. GDP increased 2.1% in the fourth quarter of 2017 from the year-earlier period.

The long-awaited recovery came after confidence returned to the country's businesses and consumers as price increases slowed, interest rates fell and the country's tumultuous political situation started to settle down.

"We can see clearly that the level of confidence of our clients is improving, that started in general last year," said Marcos Camara, chief executive of Paranapanema SA, a Brazilian maker of copper products including piping, wires and sheeting.

His company has seen an increase in demand from the automotive, electronics and refrigeration sectors, among others, and has hired about 200 new workers in the past six months while adding a third shift to Paranapanema's São Paulo plant to keep up with the surge, Mr. Camara said.

Investment, as measured by gross fixed-capital formation, increased 2% in the fourth quarter from the third, and grew 3.8% from a year earlier, IBGE said. Industrial activity rose 0.5% and 2.7% over the same periods.

Brazil's motor-vehicle industry has been both a driver and a beneficiary of the improving economy. Car production in Brazil jumped more than 25% in 2017 from 2016, as domestic sales rose and exports surged, according to Brazil's National Association of Motor Vehicle Makers, or Anfavea. The group expects an even better year in 2018, forecasting an increase in domestic car sales of 11.7% and a 5% improvement in exports.

Agriculture was another strong performer for Brazil's economy in 2017.

Though the sector experienced no growth in the fourth quarter from the third, it expanded 6.1% in the fourth quarter from the year-earlier period, IBGE said.

—Paulo Trevisani contributed to this article.

# Egypt Extends Crackdown in Sinai

BY JARED MALSIN

CAIRO—Egypt's military has discarded a deadline to stamp out armed groups in the Sinai Peninsula that have killed hundreds of civilians, raising questions about the government's ability to deal with the Islamic State-linked insurgency before a presidential election this month.

Days before the Thursday target date set by President Abdel Fattah Al Sisi to "stabilize" Sinai, Egypt's military chief of staff said it would take more time, citing the difficulty of rooting out militants from residential areas.

The president, who is expected to win a second term in a March election in which his only credible challengers have been jailed or removed from contention, has been assailed for his security record. His vow to take control of Sinai followed a November attack in which gunmen killed more than 300 civilians at a mosque in north Sinai—the deadliest in Egypt's modern history.

The country's military launched what it called a "comprehensive operation" on Feb. 9. The armed forces have tried for years to contain the insurgency.



Egyptian soldiers and police special forces have been conducting a campaign against militants in the northern Sinai Peninsula.

Unlike the Islamic State's core group in Iraq and Syria, the branch in the north Sinai controls no significant territory. In a particular challenge to military forces, it instead strikes military or civilian targets before retreating into hiding.

Mr. Sisi's vow has been prominent, "but it wouldn't be the first self-imposed deadline for victory that comes and goes," said Zack Gold, an analyst on Sinai with the American research institute CNA.

The militants have increasingly targeted civilians across Egypt, undermining Mr. Sisi's claim to represent a regional bulwark against extremism. After coming to power following a military coup in 2013, Mr. Sisi promised security but the insurgency has mushroomed during his time in power, becoming one of the deadliest satellite groups affiliated with Islamic State.

On Thursday morning, the armed forces spokesman is-

sued a daily update on the campaign, saying the air force had destroyed two suicide car bombs and struck nine other "terrorist" targets. Thirteen militants and two army officers were killed in the fighting, the spokesman added.

Gen. Joseph Votel, the top U.S. military commander in the region, said Egypt's army had succeeded in containing the violence to the northeastern section of the Sinai Peninsula.

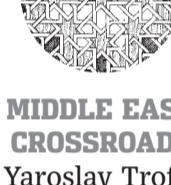
"However, without a com-

prehensive whole of government strategy to defeat ISIS-Sinai, the threat will persist and grow," he told lawmakers on the House Armed Services Committee in prepared testimony on Tuesday.

Separately on Thursday, Amnesty International expressed renewed concern about the Egyptian military's use of indiscriminate weapons in the campaign.

—Amira El Fekki contributed to this article.

# Mideast Elections Are Coming, but Change Isn't



## MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

DUBAI—It's election season in the Middle East. The fact that few seem to care about the outcome of these votes shows just how much authoritarian restoration and sectarian conflict transformed the region after the 2011 Arab Spring briefly stoked its peoples' democratic hopes.

Egypt is holding a presidential election this month. Lebanon will pick a new parliament and government on May 6, its first national election in nearly a decade. A week later, Iraqis will go to the polls for the first time since Islamic State's spread and defeat upended the country's politics.

In none of these cases is the direction of the countries holding the vote likely to change significantly—either because the elections

themselves have turned into a meaningless ritual (as in Egypt), or because the fractured nature of societies and the power of armed militias make electoral results secondary to deal making among factions (as in Lebanon and Iraq).

Egypt, whose Tahrir Square protests that ousted longtime President Hosni Mubarak in 2011 inspired a wave of revolts against authoritarian leaders across the Middle East, is now more authoritarian than it's been in decades. The country's democratic experiment was squelched in 2013, after military chief Abdel Fattah Al Sisi ousted the increasingly unpopular—but elected—President Mohammed Morsi of the Muslim Brotherhood.

**M**r. Sisi, whose own popularity is suffering amid a painful austerity program that saw the slashing of food and fuel subsidies, took no chances with the March 26-28 election. One potentially strong rival, retired Gen. Sami Anan—who had been fired as military chief of staff by Mr. Morsi—was detained in January, shortly after announcing his intention to challenge Mr. Sisi.

"This election is a procedural formality," said Michael Wahid Hanna, a senior fellow at the Century Foundation think tank in New York. "It's a poor vehicle for the renewal of legitimacy even in this kind of authoritarian setting because they are intolerant of anything even approaching a legitimate contest."

In Lebanon, the main political divide between the pro-Western and pro-Saudi "March 14" alliance and the pro-Iranian "March 8" alliance backed by the Hezbollah militia became increasingly blurred after Hezbollah and regime victories in Syria tilted the region's balance of power in Tehran's favor. The October 2016 power-sharing agreement to elect Hezbollah's preferred choice, Christian former general Michel Aoun, as president while giving the prime minister's position to the "March 14" leader, Sunni politician Saad Hariri, sealed the acceptance of Hezbollah's de facto dominance.

Since then, Mr. Hariri—except for statements made during his forced sojourn in Saudi Arabia in November—and several other key leaders

of what used to be the "March 14" alliance have grown even more conciliatory toward Hezbollah.

C onfronting Hezbollah "is no longer on the table—because of what happened geopolitically, and because everyone—be it Aoun or Hariri—have accepted the modus vivendi with Hezbollah," said Bassel Salloukh, a political scientist at the Lebanese American University in Beirut.

A similar dynamic is unfolding in Iraq, where pro-Iranian Shiite militias inspired by Hezbollah are also running as political parties. Just as with Hezbollah, their ability to wield political power both inside and outside the government of Prime Minister Haider al-Abadi derives from their weapons—and is only loosely linked to the number of votes they will get in the May 12 elections.

"Nothing is going to fundamentally change in how Iraq is governed," said Fanar Haddad, a specialist of Iraqi politics at the National University of Singapore. "It's likely that the election will yield another coalition government headed by Abadi," he said.

"There is no coherent opposition that can easily outflank him."

## WORLD WATCH



TRANSIT CHECK: Conservation activists protest the construction of the Chinese-funded Standard Gauge Railway, which would cut through the center of the Nairobi National Park in Kenya.

## IRAQ

## Abadi Faces Pressure Over Foreign Troops

Parliament called for a timetable for the withdrawal of foreign troops, putting pressure on Prime Minister Haider al-Abadi ahead of May elections as he seeks to prevent a resurgence by Islamic State militants.

Mr. Abadi declared victory over the terror group three months ago, but the militants have reverted to guerrilla warfare in northern Iraq.

A majority of lawmakers who attended a parliament session on Thursday voted in favor of a motion obliging Mr. Abadi to

draw up a clear timetable for the withdrawal of foreign troops.

A spokesman for the prime minister couldn't be reached to comment.

—Ghassan Adnan and Isabel Coles

## VENEZUELA

## Presidential Election Is Delayed Until May

The election agency said a presidential vote planned for April 22 will be pushed back to May 20 after the government reached a deal with some opposition candidates.

The head of the National Elec-

toral Council, Tibisay Lucena, said candidates will have until Friday to register. The electoral body proposed holding the vote at the same time as elections for state legislatures and municipal councils.

Ms. Lucena said the government agreed to invite a United Nations mission to Venezuela to monitor the election.

The announcement comes after President Nicolás Maduro's main rival, Henri Falcón, launched his candidacy on Tuesday, defying calls from the opposition alliance's two dozen parties to boycott the race over accusations it will be rigged. Mr. Falcón, a former state governor, had called on Mr. Maduro to postpone the vote.

—Ryan Dube

VOCIER

## The world's first zero-crease carry-on



SAVE \$25

Code SV25

"Anyone who flies frequently will see why this new carry-on is a sensation"

Jury German Design Award

VOCIER.com

## IN DEPTH

## KOREA

*Continued from Page One*

checkpoint. One was a Chinese businessman going to check on equipment stuck in his garment factory in the North Korean port of Rason, which he closed in November after China began enforcing a newly adopted United Nations ban on North Korean exports of garments. His plant shutdown snuffed out the jobs of 200 North Korean workers, half of whose pay was going to the Pyongyang government.

On a visit to Rason a few days earlier, the businessman said, prices for goods such as Chinese-made batteries were up at least 50% from last year because recent sanctions prevent new supplies being imported, while prices for North Korean seafood had fallen by half since a U.N. ban on its export last year caused a glut on the local market.

"There were more than a dozen garment factories like ours in Rason, and thousands of people in the seafood industry," he said. "Now, none of those people have jobs."

Other Chinese traders concurred, some saying their crab and squid had been sitting in warehouses in Rason for months. In January, they said, Chinese border guards stopped letting traders bring into China even a small personal allowance of North Korean cigarettes.

The slowdown doesn't capture the total picture of cross-border trade. Smuggling persists across the river that forms the border with China, and on a larger scale at sea: Since late January, Japanese military planes have spotted four instances of North Korean ships appearing to take on cargo from other vessels in international waters.

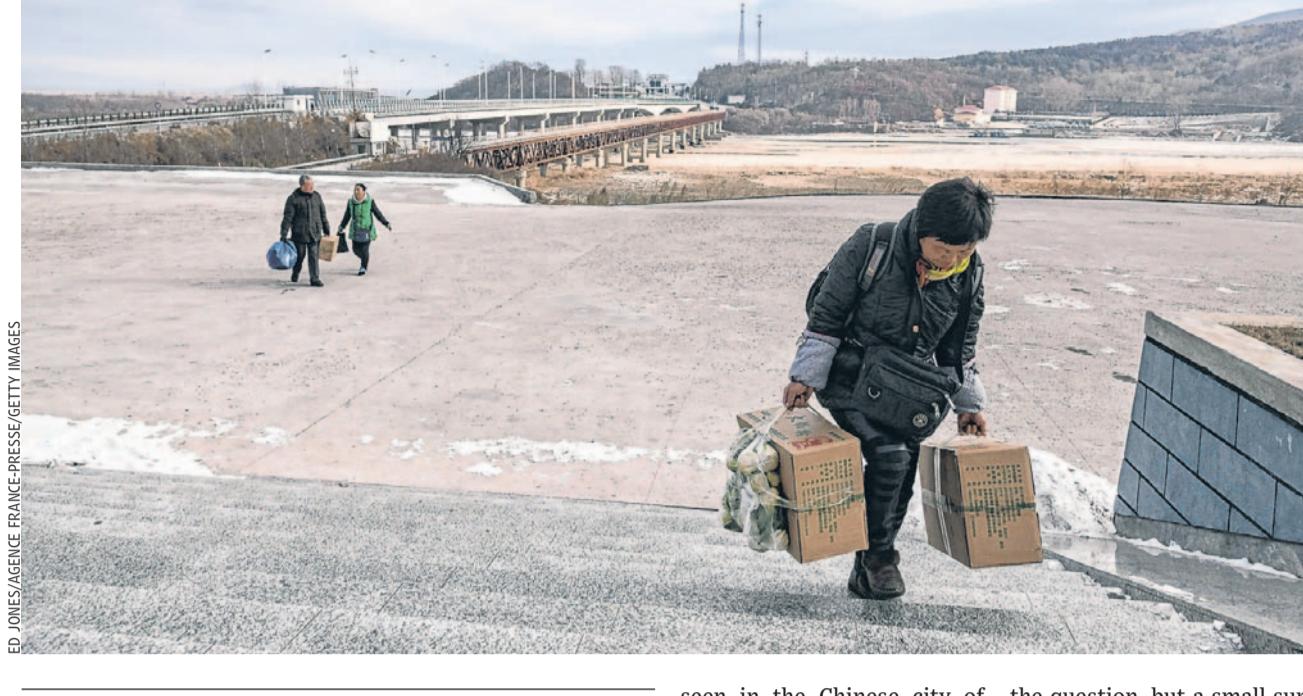
Still, the drop-off in official trade with China, which normally accounts for 90% of North Korea's total, is a blow to Pyongyang. China's imports from North Korea dropped by a third in 2017, the Chinese government says, and in December were down 82% from a year earlier. Chinese exports to North Korea declined year-on-year every month since July, with oil-product exports falling to almost zero since October.

## Going home

Many foreign officials monitoring border activity are skeptical of China's official data, noting that they don't include the crude oil it continues to export, and that Beijing can relax enforcement at any point. But even they agree its trade with North Korea plummeted in recent months.

The train to Pyongyang now is often filled with North Korean workers heading home, as countries from Poland to the United Arab Emirates enforce sanctions that impose limits on U.N. members employing North Koreans. The result is another hit to North Korea's hard currency supply.

The question now is whether economic pain will persuade North Korean leader Kim Jong Un to change his nuclear strategy. Mr. Kim hinted in a New Year's Day speech that sanctions were taking a toll, saying the economy had



ED JONES/AGENCE FRANCE PRESSE/GETTY IMAGES



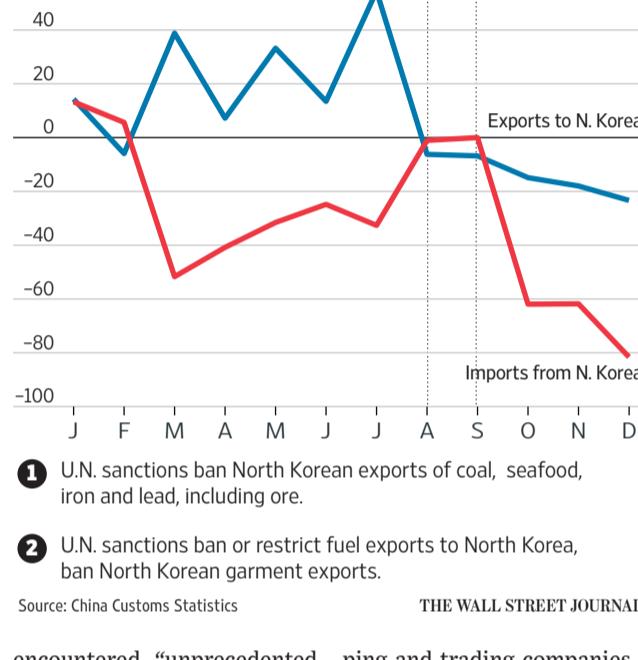
THE WALL STREET JOURNAL.

**People arrive on the North Korean side of the border near the Chinese city of Hunchun. Increased Chinese enforcement of trade sanctions is putting pressure on North Korea that the U.S. hopes might lead it to reassess its arms program.**

## Sanctions Bite

A decline in China's imports from North Korea accelerated dramatically in late 2017, after two new rounds of U.N. sanctions. Chinese exports to the country also dropped on a year-on-year basis every month since July.

Chinese trade with North Korea, % change per month in 2017 vs. same month in 2016



Source: China Customs Statistics

THE WALL STREET JOURNAL.

encountered "unprecedented impediments." North Korean officials, however, have repeatedly said sanctions would never persuade the country to abandon its nuclear program.

Realistically, trade sanctions won't starve North Korea of the resources for a nuclear arsenal, say experts. For one thing, the North Koreans continue to earn cash through means such as cybertheft and hidden arms sales to the Middle East and Africa.

The government also can divert resources to arms development, transferring pain to the hinterlands. U.S. officials hope Mr. Kim would be reluctant to sacrifice economic growth he promised to deliver alongside nuclear arms.

The window for talks is narrowing rapidly, with Trump administration officials saying North Korea may be just months away from an ability to launch a missile attack on the U.S. mainland. While signaling openness to preliminary talks with Pyongyang, Washington is pursuing maximum pressure through U.N. and unilateral sanctions to force Mr. Kim to commit to denuclearization. A week ago, the Trump administration levied what it called the largest-ever package of North Korea sanctions, hitting scores of ship-

ping and trading companies.

South Korean President Moon Jae-in said Sunday a senior North Korea representative he met with expressed willingness to talk with U.S. officials. The White House is skeptical, saying North Korea earlier canceled a meeting between Vice President Mike Pence and a sister of Mr. Kim at the time of the Olympics.

China's foreign ministry said Beijing would continue enforcing U.N. sanctions despite losses for China. North Korean officials couldn't be reached for comment.

## Hard to measure

It isn't easy to assess the effects in North Korea, whose government tightly restricts foreigners' movements, forbids most citizens from contact with outsiders and doesn't publish economic data.

Traders, diplomats, satellite images and other sources suggest the impact is cushioned by North Korean businesspeople and officials who stockpiled foreign goods and foreign currency.

North Korea currently isn't facing any new food shortages, visitors to the isolated country say, and the elite can still access luxury goods. Well-dressed North Koreans were

seen in the Chinese city of Dandong in January loading grapes and kiwi fruit onto a train bound for the capital.

In the next few months, however, domestic food stocks and foreign currency reserves are expected to run down, say Western officials and foreign experts on North Korea, leaving the country with few ways to pay for imports of either essential goods or luxuries.

Prior to trade sanctions, Mr. Kim, party elites and North Korean businesspeople likely held at least \$3 billion of hard currency, estimates

Kim Byung-Yeon, an economics professor at Seoul National University. He calculates that Pyongyang has run a trade deficit of around \$1.5 billion since March 2017 and that its gross domestic product shrank by around 2% last year. The professor said a more severe contraction seems inevitable this year if North Korea keeps burning through cash reserves.

Without imported fuel, spare parts and raw materials needed for agricultural and industrial output, some aid workers and experts say food shortages could emerge.

North Korea "doesn't let the outside world see, but things have started to become very difficult," said Jin Qiangyi of Yanbian University in Yanji, China. "If we push it harder, we should consider that there might be a crisis, and a lot of people could starve."

North Korea's elite have grown accustomed to luxuries such as iPads and skiing, say visitors and defectors, and are increasingly conscious of conditions elsewhere through smuggled copies of soap operas and other contraband.

A scientific sampling of North Korean opinion is out of

the question, but a small survey secretly carried out, while limited in scope, may provide some insight. It found that of 50 respondents, 35 thought sanctions hurt North Korea's economy and 43 expressed ambivalent or highly negative attitudes toward the country's nuclear weapons. The North Korean respondents weren't aware they were being polled in the survey, which was carried out over the summer and fall and commissioned by the U.S.-based Center for Strategic and International Studies' "Beyond Parallel" project.

Mr. Kim's efforts to develop local industry, agriculture and markets may have made the economy more resistant to effects of sanctions. Domestic companies make a wider range of goods than before, and their managers are allowed to sell

**A trade crackdown is expected to cut into North Korea's supply of hard currency.**

surplus production directly to customers.

"I'm not worried" about sanctions, said Ri Song Ho, the factory manager at a snack and soda producer called Golden Cup Trading Co. when all reporters visited North Korea in September.

The catch for Mr. Kim is that much of the country's recent economic progress has depended on revenue from exports, especially of coal.

North Korea's economy grew 3.9% in 2016, according to South Korea's Central Bank. U.N. figures show North Korea



A truck leaves the Quanhe China-North Korea border crossing.

ASSOCIATED PRESS

Schill mentioned it to his wife, who graduated in the same class as him. He didn't think much of it.

Then Mr. Schill woke up Christmas morning and looked under the tree. There was an envelope containing an application to register the license plate GTHCGTH in Wisconsin.

He was ecstatic. He told the DMV it stood for something his mom used to say: "Go to happy, child, go to happy."

The plate arrived in January.

Chuck Landis may be the bravest of all since he owns GTHC tags in North Carolina and has since 1984. Wherever he goes, people take pictures of his car, whether they love it or hate it.

Lying to get it would have been pointless, he says. He didn't think it could be considered offensive. Besides, people know what GTHC means in North Carolina.

A friend of his had GTHC before him, but then moved out of the state. Mr. Landis was waiting to snatch it up. Later, his friend wanted it back. Mr. Landis shook his head. "We weren't that good friends," he says.

criteria needed for it to have been originally approved.

Mr. Dennard wasn't the originator of the movement. He only popularized it. All of this came about because of a big-time bet, an unexpected friendship, and two very large men who crammed themselves into a tiny sports car.

The rise of the GTHCGTH plate began with Holt Gardiner, a 1991 Duke alum who had a good feeling about the 2010 Duke team. He was so

confident before the season he went to Las Vegas and bet on Duke to win it all. If he won, he told himself, he'd buy himself the car he always dreamed about.

Duke made the tournament as a No. 1 seed and played in the Houston regional. Mr. Gardiner traveled to watch the games and hit it off with Mr. Dennard. A week after they met, Duke was cutting down the nets, and Mr. Gardiner had a big pile of money waiting for

him.

He knew what he wanted to buy: a Lotus Evora, painted Duke blue. The person selling him the car just so happened to be a North Carolina alum.

They became friends, and Mr. Gardiner vowed to get a license plate to appropriately rib him.

But he worried the California DMV might reject GTHCGTH. State law prohibits vanity plates that include terms of contempt, hostility or ones that can be insulting. So on his form, he wrote that it stood for "Go Together Higher Cameron Go Together Higher"—a mishmash of gibberish but including a reference to Duke's arena, Cameron Indoor Stadium.

He got the plate and returned to his Carolina friend to show it off on the car he had bought from him. "He started laughing," Mr. Gardiner said. "And crying."

That summer, Mr. Dennard came to visit. Mr. Gardiner picked him up at Los Angeles International Airport and the two men—Mr. Dennard at 6 foot 8 and Mr. Gardiner just 2 inches shorter—squished into a Lotus that barely fits one of



MORRIS JONES

Kenny Dennard, a former Duke player, with his GTHCGTH plate.

## DUKE

*Continued from Page One*

Mr. Dennard boasts he knows of fans from at least 10 states who drive around with GTHCGTH. He adds to a spreadsheet and photo collage every time fans tell him they have secured it.

The Wall Street Journal checked online DMV records for states where available, and found at least 21 instances where GTHC or GTHCGTH were taken.

Some don't allow vanity plates to reach seven characters. In the District of Columbia, a request for the GTHC plate yielded a message that "the requested personalized tag has been deemed unacceptable by the DMV." GTHCGTH was available but "subject to approval by the DC DMV," a message on the D.C. DMV website read. (The DMV didn't respond to requests for comment.)

A Texas DMV spokesman said if it receives a written complaint about a personalized license plate, it would review the plate based on the

them. Mr. Dennard immediately wanted the same plate.

"I think he was on the phone with the Texas DMV as soon as he got in the car," Mr. Gardiner says.

Now Mr. Gardiner lives in Nevada, and obtained the plate there. As soon as he left California, it was immediately scooped up by someone else. Meanwhile, Duke fans who follow Mr. Dennard on social media have clamored to get their own.

Mac Dyke worked as a doctor in Houston and knew Mr. Dennard had the Texas GTHCGTH. When Dr. Dyke moved to Fargo, N.D., he had two priorities: Get a house. And get that license plate.

He went into the DMV sheepishly. He didn't think they would know what it meant. There aren't many Duke or North Carolina fans in the area.

When asked, "I told them it was my children's names," Dr. Dyke said. "It's not my children's names." He got the plate.

Mark Schill, a 1990 graduate from Duke, lives in Wisconsin and heard about Mr. Dennard's plate. Then Mr.

# GREATER NEW YORK

## Mayor's Pick for Schools Chief Decides Against It

Miami-Dade County superintendent says he backed out to keep his promise to children

New York City lost its pick to run the nation's largest school system in a meeting, live-streamed for all to see.

Miami-Dade County Public Schools superintendent Alberto Carvalho stunned City Hall by rejecting the job. His reversal

*By Leslie Brody,  
Melanie Grayce West  
and Arian Campo-Flores*

came after he spent the morning listening to a parade of Miami residents begging him to stay during a meeting called by the Miami-Dade County school board chairwoman and streamed live.

Mayor Bill de Blasio said he was surprised, confused and disappointed, but had already resumed a search for a new chancellor and had interest from many candidates. "If he wasn't interested in the job, I

don't know why he flew up here several times and had incessant conversations about all the details and agreed to the release of the information publicly," the mayor said of Mr. Carvalho at a press conference Thursday afternoon.

Mr. Carvalho said he broke a commitment to an adult to keep a promise to children in Miami. As an immigrant from Portugal who once washed dishes and bussed tables, he said two young undocumented students who asked him to stay had particular power.

"I just don't know how to walk away from that type of connection," he said at the press conference. The most important factor, he added, was "the emotional attachment that over the last 18 hours I had come to realize is far stronger than probably the most coveted education position in the country."

The retiring chancellor, Carmen Farina, would keep working through this month, the mayor said. He added that Mr. Carvalho hadn't signed a contract, but had accepted the job more than a week ago, and com-

pensation had been negotiated.

After Mr. de Blasio's office put out a statement announcing the appointment Wednesday evening, Mr. Carvalho and the mayor talked by phone around 8 p.m. to discuss next steps, the mayor said. "All systems were go," the mayor said.

But Mr. Carvalho's offices said he hadn't accepted and declined to comment further. On Thursday morning, the superintendent of Miami-Dade County Public Schools was still mum. It seemed like he was treating the board meeting in Miami as a farewell tour, as dozens of parents, teachers, students and others heaped praise on his leadership. His refusal to reveal his decision built up the suspense of a reality television show, prompting a Twitter hashtag, #TheCarvalhoShow.

After about two hours, the superintendent asked for a five-minute break. It ended up lasting longer. He returned and said he needed to talk with the person who made him the job offer before disclosing his next step. That was the honorable way to handle breaking a promise, he said.



Alberto Carvalho and six-grader Max Sultz, who asked him to stay as Miami-Dade County schools chief.

ise, he said.

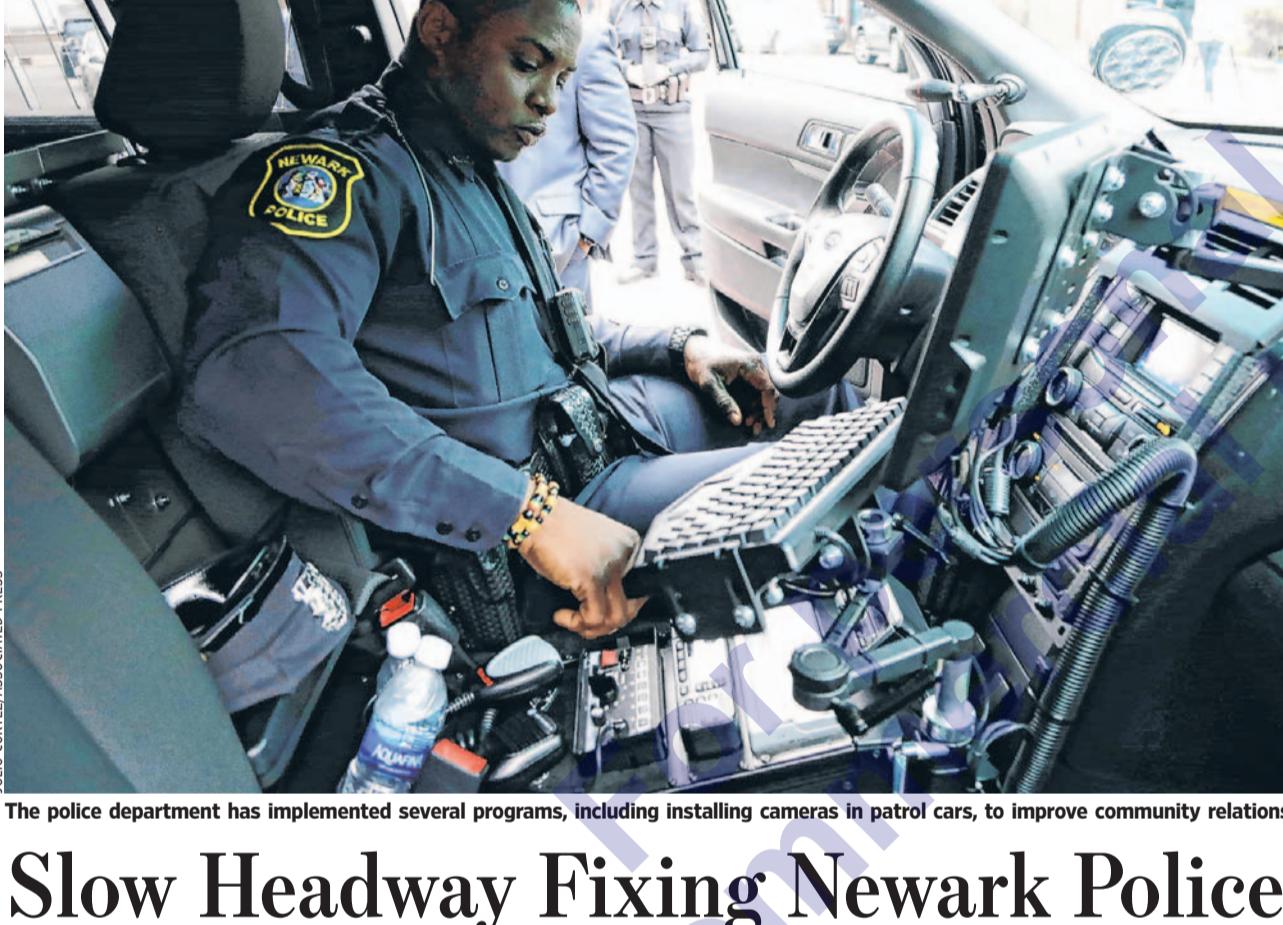
He came back and announced he was staying in Miami. The Twitter hashtag changed to #CarvalhoChaos.

City Hall officials said Mr.

Carvalho was to be paid \$353,000, to match his Miami salary. Ms. Farina made roughly \$235,000. Since she retired before taking the job, she also drew a pension of about

\$210,000.

Perla Tabares Hantman, chair of the Miami-Dade County School Board, said the board didn't offer any inducements to keep Mr. Carvalho.



The police department has implemented several programs, including installing cameras in patrol cars, to improve community relations.

## Slow Headway Fixing Newark Police

BY KATE KING

Two years after Newark, N.J., agreed to overhaul its police department, officers have yet to receive the training that Justice Department officials said was necessary to eliminate deep-rooted bias and other problems.

Newark reached a settlement in March 2016 to change its policing practices after a three-year federal investigation found "troubling patterns" of officers using excessive force, targeting minorities for unconstitutional searches and stealing civilian money and property. Residents and activists said they have seen some changes and believe police administrators want to improve policing in the city, but more progress is needed.

The court-appointed independent monitor, former New Jersey Attorney General Peter Harvey, said in his most recent progress report, published in January, that Newark has been slow to provide the resources needed to train officers on how to interact with the community. Newark police officials said they were waiting for the monitor to approve several new department policies before beginning training.

Emily Turonis, who works for the neighborhood organization Ironbound Community Corporation, said residents continue to report disrespectful treatment ranging from unlawful and excessively forceful searches to officers cursing at them.

"The [police] leadership is more open, but there's a lack of ability to enforce it on the ground," she said. "We're still seeing the same problems."

Newark Public Safety Director Anthony Ambrose said police are working with the federal government and have written new policies on practices such as use of force, bias-free policing, searches, arrests, body and car cameras. The department

### Justice Department Reducing Program

Newark's police department was one of the last agencies placed under federal monitoring before President Barack Obama left office.

Last year, Attorney General Jeff Sessions said the Justice Department would pull back on such interventions.

### Work in Progress

Citizen complaints against Newark police officers

500 complaints



Source: Newark Police Department

THE WALL STREET JOURNAL.

felded 334 citizen complaints against officers last year, down from 386 in 2015. The number of lawsuits filed against Newark police for cases such as car pursuits, false arrests or excessive force dropped by two over the last year, to 32 from 34, with payouts dropping to \$580,000 from \$738,000.

"I think we've made some great strides," Mr. Ambrose said.

Police misconduct in Newark dates back to at least the 1960s, when the beating of a black taxi driver by police officers sparked days of rioting that killed 26 people and caused an estimated \$10 million in damage. The riots accelerated an exodus of residents from the city, worsening violent crime and economic malaise.

Stephen Rushin, an assistant professor of law at Loyola University Chicago who has studied federal involvement in police departments, said that the Trump administration's new approach likely won't affect existing settlements.

The challenge for Newark is ensuring that policing reforms stay in place after federal officials leave, he said. "The federal government can't be regulating the police department at that

In recent years, homicides have fallen and developers have broken ground on a host of new projects. In January, Newark was one of 20 cities picked by Amazon.com Inc. as a potential location for its second headquarters, a distinction local leaders said reflected its revitalization. New Jersey and the city have also offered \$7 billion in state and local incentives.

Federal intervention in the police department has reduced the number of violent confrontations between police and residents, longtime activist Larry Hamm said. Mr. Hamm's group, the People's Organization for Progress, hasn't received as many requests for help from residents whose family members were beaten or killed by the police.

"Since the federal government has come in, anecdotally speaking, there seems to be a decrease in the number of brutality cases," said Mr. Hamm, who organizes demonstrations to protest police misconduct. "Has it actually brought about the structural reforms? I'm not sure."

Newark residents say they are still treated disrespectfully by police officers, according to Fatimah Muhammad, deputy director for Equal Justice USA. The criminal-justice-reform organization brings Newark resi-

level forever," he said.

The law allowing federal officials to investigate and overhaul local police departments accused of misconduct was passed by Congress in 1994.

It was spurred to action after Los Angeles police officers were videotaped in 1991 beating black motorist Rodney King.

Since then, the Justice Department has intervened in more than 40 law-enforcement agencies around the country.

dents and police together to discuss how trauma on both sides affects the community.

"You can have whatever policy you want on the books, what is the experience for people on the ground?" Ms. Muhammad said. "It takes a lot more to get these ideas into the bones of rank and file."

In his report, the federal monitor strongly recommended that Newark hire someone to oversee police training, saying the delay in planning and executing programs was a "major concern."

Mr. Ambrose said that the department can handle the training internally, but Newark Mayor Ras Baraka said he now backs hiring an outside consultant. The police-department overhaul has already cost about \$2 million.

Newark, a city that has long struggled with poverty and strained budgets, is responsible for the full cost of complying with the federal settlement. Expenses are expected to total more than \$7 million by 2021.

James Stewart Jr., president of the Newark police union, said officers are open to training on how to better interact with the community.

"We recognize that our job would be a lot easier if the community was on our side and trusted us," he said.

## Slain Children's Mother Testifies Against Nanny

BY ZOLAN KANNO-YOUNGS

The mother of two young children stabbed to death in their New York City home took the witness stand Thursday and described the horror of returning home to find their bloodied bodies in a bathtub with their nanny standing before them, a knife in her hand.

More than five years after Marina Krim walked into her Upper West Side apartment with her 3-year-old daughter and discovered her other two children dead, she finally confronted the nanny, Yoselyn Ortega.

"I need a look because my hands are tingling right now. You are just out of this world," an emotional Ms. Krim said to Ms. Ortega from the witness stand. "She's a liar."

The testimony came after opening statements in the trial of Ms. Ortega, 55, who is charged with two counts of first-degree murder and two counts of second-degree murder for the killings of 6-year-old Lucia Krim, also known as Lulu, and 2-year-old Leo.

The trial will force jurors to decide whether Ms. Ortega had a psychotic episode when she killed the Krim children, as argued by the defense, or if she murdered the children in a rage against her employer.

Courtney Groves, the assistant district attorney in the case, is arguing that Ms. Ortega planned to kill the two children while Ms. Krim was out with her 3-year-old. Ms. Groves said Ms. Ortega was angry at Ms. Krim because she thought Ms. Krim made her work too much.

Ms. Ortega "viciously and violently slaughtered Lucia and Leo Krim on October 25, 2012, intentionally and deliberately with the full understanding of what she was doing," Ms. Groves said.

Lucia tried to fight back, Ms. Groves said, but was stabbed 30 times.

Valerie Van Leer-Greenberg, Ms. Ortega's attorney, is arguing

that her client wasn't in her right mind at the time of the killing. She said her client didn't receive mental-health treatment from 1962 to 1982, when she lived in her homeland of the Dominican Republic, because of the stigma that came with the diagnosis.

"Yoselyn Ortega lacked substantial capacity to know or appreciate the nature of her acts, of her conduct" on the day of the killings, Ms. Van Leer-Greenberg said. She said Ms. Ortega suffered from depression, psychotic thinking and hallucinations.

On the day of her children's killings, Ms. Ortega was supposed to bring Lucia to dance class and bring Leo back home for a nap. When Ms. Krim went to the dance class to get Lucia, she began panicking when she didn't see her daughter.

*'I just lost my two best friends, I don't know how else to say it,' the mother said.*

When she returned to her apartment, she noticed the light was on in the bathroom. Holding her 3-year-old daughter's hand, she walked to the door. "Why is it so f—ing quiet?" Ms. Krim remembered thinking.

She said she immediately knew her children were dead when she saw their bodies in the bathtub. She said their eyes were still open. The defendant stood in front of them with both hands on a knife and stabbed herself in the neck.

"I hate you!" Ms. Krim screamed at the defendant before running out of the apartment with her daughter, she said.

"These two kids were my best friends," Ms. Krim said. "I just lost my two best friends, I don't know how else to say it."

—Corinne Ramey contributed to this article.



The defense says Yoselyn Ortega wasn't in her right mind when she killed the children. Prosecutors say she was mad at their mom.

## GREATER NEW YORK

# New York City's Starving-Artist Culture and More...

Composer Philip Glass Talks About Music and Life as He Prepares to Host Annual Benefit Concert at Carnegie Hall

BY CHARLES PASSY

At 81, Philip Glass could be called one of the elders of contemporary American music.

The Baltimore-born, New York-based composer rose to prominence more than 40 years ago as a pioneer of the repetitive style often dubbed minimalism.

His groundbreaking, avant-garde opera "Einstein on the Beach" has now been seen in countless productions around the world.

Today, his output encompasses 25-plus operas, 11 symphonies (with a 12th on the way) and several film scores, to say nothing of collaborations with such popular artists as Paul Simon, David Bowie and Linda Ronstadt. He also continues to perform his music with the Philip Glass Ensemble.

This season, Mr. Glass holds the Debs Composer's Chair at New York's Carnegie Hall. The position is a residency that incorporates a number of events and performances at the hall. For example, on March 6, the JACK Quartet will give the U.S. premiere of Mr. Glass's String Quartet No. 8, which was co-commissioned by Carnegie Hall.

On Saturday, Mr. Glass will serve as artistic director of the Tibet House U.S. 31st annual benefit concert, also at Carnegie Hall.

The composer has been involved with Tibet House, which raises awareness of Tibetan culture, since the organization's inception in the 1980s.

This weekend's program features performers including Carly Simon, Patti Smith and the Resistance Revival Chorus.

The Wall Street Journal

spoke recently with Mr. Glass at his East Village home. Here, edited excerpts:

**How important has New York been to you as a composer?**

I knew at a very early age I was going to come to New York. I instinctively knew that the action was here, and that the people I wanted to work with would be coming to New York. They wouldn't be coming to Baltimore.

**You came of age when the starving-artist culture was alive and well in the city, so to speak. Could somebody like you succeed in the city today?**

It's a question I even ask myself. When I came to New York, I worked three days a week [as a mover, plumber and cabdriver at various points]. I had enough money to live on. And I lived by myself in a loft. My first rental was \$30 a month. People almost faint when they hear that.

**And yet, even as the cost of living increases here, artists don't seem to stop coming.**

I figured [the scene] would move West. So the next center would be Los Angeles, which kind of happened. And after that it would be Tokyo, which also kind of happened. But New York never ceded its centrality.

**You've spent much of your career crossing the divide between high art and popular art. Was that by design or is it just the way it happened?**

It's neither. It's who I am. My father had a little record store in Baltimore. I became the buyer. And that meant buying everything from what we used to call hillbilly music to Beethoven string quartets. I had to know everything.

But the thing I remember the most at the record store



New York-based composer Philip Glass will serve as artistic director of the Tibet House U.S. 31st annual benefit concert at Carnegie Hall on Saturday. Below, Mr. Glass, who rose to prominence more than 40 years ago, leads his ensemble during a rehearsal in 1974.

was that my father would be at the cash register, or a woman who worked there named Rachel. Someone would hand her \$5. So the connection of art to money, it was wired into my brain.

**Why has the Tibet House been so important to you? You were even part of its founding.**

At that time, Tibet was not something that people thought about very much. Most people wouldn't be able to find Tibet on the map. Even today, most people wouldn't.

The Tibet House benefit con-

**certs have always had a great mix of artists. Do you have a strong hand in the programming?**

One person really can't do it. I have ended up with a committee. We start with a list of artists we'd like to have. And any person we mention, somebody will know the manager or the agent.

It's a very big help that we're at Carnegie. I've been with countless artists, and they've never played at Carnegie because when they play New York, they'll be at Madison Square Garden. They're like kids. They say, "I'm at Carnegie Hall!"



## New Jersey Gold Coast Properties



The Wall Street Journal's popular special advertising feature will fuel the conversation around the Hudson Waterfront's up and coming new projects, while celebrating the attractions and diverse culture of living on New Jersey's Gold Coast.

This section, distributed to our Greater New York audience, provides a targeted opportunity to reach serious property seekers with an eye toward space, lifestyle and access.

Publish Date: April 13 | Close Date: March 30 | Section: Mansion

For advertising opportunities, please contact:  
Deborah Falcone at [deborah.falcone@wsj.com](mailto:deborah.falcone@wsj.com) | 212.597.5790

THE WALL STREET JOURNAL.  
[classifieds.wsj.com](http://classifieds.wsj.com)

Photo: Avora, Weehawken

© 2018 Dow Jones & Company, Inc. All Rights Reserved.

## City Shelter Population Is Flat For the First Time in a Decade

BY MARA GAY

The number of people living in city shelters held steady last year for the first time in a decade—a victory, say New York City officials, given the difficulty of combating homelessness.

A year after Mayor Bill de Blasio unveiled a five-year plan to reduce homelessness, the number of people living in city shelters remained flat at 60,000 in 2017. His initiative is aimed at reducing homelessness by 2,500 over the next five years.

"We're on the right track," said Steve Banks, commissioner of the city's Human Resources Administration. "We are certainly aware that there is more to get done."

Homelessness in New York City had been rising sharply for the past 15 years as rents have soared, including during the administrations of Mayors Michael Bloomberg and Rudy Giuliani.

Under Mr. de Blasio's plan, the city has opened 11 of the 90 new shelters called for; an-

other six shelters are expected to open by June.

The city has reduced the use of private apartment buildings as temporary shelters, known as cluster sites, Mr. Banks said. The number of cluster sites was cut nearly in half over the past year to about 1,500 units from about 3,600. Mr. de Blasio, homeless advocates and others have said the sites are less secure than other forms of shelter, and have worse conditions.

The de Blasio administration declined to disclose the budget for its homelessness initiative, but spending on homelessness is expected to reach more than \$1 billion this year, according to city budget documents.

Meanwhile, about 11,000 people are living in 92 hotels paid for by the city, up from 8,200 people in 84 hotels last year. Mr. Banks said the rise is due to using hotels as a bridge to reduce cluster sites.

New York City has used the practice since at least the 1970s, when Mayor John Lindsay's administration on occa-

sion famously put up homeless families in the Waldorf Astoria. Mr. Banks said the city is paying an average of \$175 a night for each room.

By another, rarely used federal measure, it appears New York City's shelter population increased over the past year. But the U.S. Department of Housing and Urban Development includes privately run shelters as well as city-run shelters. In December, the agency listed the number of people living in shelter in New York City as 72,565, up from 70,685 in 2016, an increase of 2.7%.

The de Blasio administration, as is common practice for cities, just counts city-run shelter populations. Officials say they are confident homelessness is trending in the right direction in New York City.

Mr. de Blasio, a Democrat, promised to take on income inequality as mayor. When he took office in 2014 there were 50,689 people in city shelters, well below the 60,000 at the end of his first term.

## GREATER NEW YORK WATCH

NYPD

**Ex-Police Official Takes Plea Deal**

A former high-ranking New York Police Department official pleaded guilty Thursday to misusing police resources in what federal prosecutors called a bribery scheme.

A 2016 indictment accused former Deputy Chief Michael Harrington and another NYPD official of accepting bribes from two businessmen in exchange for actions including providing police escorts and helping the businessmen get out of tickets. Mr. Harrington faces up to six months in jail under a plea deal.

A lawyer representing Mr. Harrington didn't respond to a request for comment. The NYPD said Mr. Harrington had retired from the department.

—Corinne Ramey

IN THE COURTS

**Man Sues Hospital Over Shooting**

A medical resident wounded in an assault-rifle attack by a doctor at a New York hospital has sued the institution and a gun shop.

Justin Timperio's lawsuit filed Wednesday in Manhattan federal court seeks unspecified damages.

Authorities said a doctor who had been forced to resign from Bronx Lebanon Hospital two years earlier amid a sexual harassment claim opened fire inside the hospital on June 30, killing a doctor and hurting six others. Police said the doctor, Henry Bello, killed himself.

Mr. Timperio's lawsuit said the hospital had insufficient security. The hospital didn't immediately comment on the lawsuit.

—Associated Press

CONNECTICUT

**Lawmaker Is Urged To Resign Over Texts**

A state legislator was under pressure Thursday to resign because of a series of text messages he allegedly sent to a teenage girl in 2015.

Democratic House Speaker Joe Aresimowicz called on Democratic state Rep. Angel Arce of Hartford to step down in a letter released publicly Thursday.

The Hartford Courant reviewed the messages, which were apparently sent from Mr. Arce's Facebook Messenger account and provided by the teen, and reported they "were not obscene but unusually familiar and affectionate."

A message was left seeking comment with Mr. Arce's legislative office.

—Associated Press

Photo: Avora, Weehawken

© 2018 Dow Jones & Company, Inc. All Rights Reserved.

# LIFE & ARTS



## AND THE OSCAR GOES TO...

### ANALYSIS

## ...Something You Probably Didn't See

The gap is widening between the movies that win Academy Awards and the ones that top the box office

BY BEN FRITZ

**"THE LORD OF THE RINGS:** The Return of the King" won the Oscar for best picture in 2004. It also topped the box office, grossing \$377 million domestically.

Its success with both moviegoers and Academy Awards voters was no fluke: Between 1983 and 2005, every best picture winner was among the 25 highest-grossing releases during the year it opened. Often they were among the top two, including such hits as "Titanic," "Forrest Gump," "Rain Man" and "Terms of Endearment."

That string was broken in 2006 when "Crash" won best picture but came in No. 49 at the box office. That started a new streak in which just four of the last 12 best picture winners have been among their year's 25 highest-grossing releases, and none has ranked higher than No. 15.

The Academy Awards are meant to be a lovefest celebrating the best Hollywood has to offer. But the disconnect between its 7,000-plus voters and the moviegoing public signals the love-hate relationship the film industry has with its audiences and even itself. The result is that the most prestigious movie prize there is, an awards show meant to unite the public around a shared love for the big

screen, is becoming increasingly irrelevant.

The only best-picture nominee in 2018 that could improve on the dismal record of the past 12 years would do it by a hair: "Dunkirk," a long shot for Sunday's top prize, was the 14th highest-grossing movie of 2017. Leading contenders "Three Billboards Outside Ebbing, Missouri," "The Shape of Water" and "Get Out" are currently ranked 55, 50, and 15, respectively.

It isn't coincidence that the era of low-grossing Oscar winners has also been the era of the franchise film, during which superheros, Jedi knights and remakes of films you loved 25 years ago have come to dominate the box office. Those types of movies are overwhelmingly what audiences prefer, particularly outside the U.S.

That is good news for the studios that release those movies and the people who work on them. But even those buying their third Tesla with profits from the eighth "Fast & Furious" aren't necessarily living their Hollywood dream. Many filmmakers are cinephiles who got into the business because of their love for quirky, original, low- to mid-budget dramas.

But such films, even when successful on their own modest financial terms, struggle to gain box-office traction. The average American sees about four movies a year, and most of those are the "event" Please see MONEY page A12



THE ENDURING AESTHETE

## AT 89, JAMES IVORY IS ON HIS GAME

An Oscar nod for the 'Call Me by Your Name' screenplay gives new momentum to the writer of sumptuous films

BY ERICH SCHWARTZEL

Beverly Hills, Calif.

**JAMES IVORY** is a man who maintains a certain aesthetic standard.

Throughout his day, the writer and director avoids what he calls "visual poisoning," which arises when "your eye cannot see or find harmonies" and is bombarded instead with images that are "awful, ugly, formless." It's even been known to knock him out.

"I was once someplace so awful, I just kind of closed my eyes and drifted away," he said.

There is scant visual poisoning in Mr. Ivory's movies, such as "A Room With a View" and "Howards End," and even less among the northern Italian countryside, fresh produce and jaw lines in his latest film "Call Me by Your Name." On March 4, he is favored to win an Academy Award for best adapted screenplay for his work on André Aciman's novel about a summer romance between 17-year-old Elio and Oliver, a 24-year-old classics scholar. In recent weeks, he has won nearly every major precursor to the Oscar, including honors from the Writers Guild of America and the British Academy of Film and Television Arts.

Mr. Ivory, who is 89, has been here before, having been nominated in past years for three Academy Awards. For 55 years, he



Writer James Ivory, top, in London in February and above, Armie Hammer, left, and Timothée Chalamet in the film 'Call Me by Your Name.'

was known as half of the Merchant-Ivory power couple behind "The Remains of the Day," "The Golden Bowl" and other features. These and other films released in the 1980s and 1990s by Mr. Ivory and Ismail Merchant, who died in 2005, featured sweeping vistas, period costumes and English accents, with characters who hid soaring emotions beneath circumspect glances. Although celebrated for films labeled "Oscar bait," Mr. Ivory has never won an Academy Award.

Now, 24 years after his most recent nomination

Please see IVORY page A14



Stars of best-picture winners and nominees, from left: Gary Oldman in 'Darkest Hour'; Tom Hanks in 'Forrest Gump'; Russell Crowe in 'Gladiator'; Meryl Streep in 'The Post'; Leonardo DiCaprio and Kate Winslet in 'Titanic.'

OLIVER BURSTON

FROM TOP: JUDE EDGINTON FOR THE WALL STREET JOURNAL; SONY PICTURES CLASSICS

FRONT PAGE: EVERETT COLLECTION (3); 20TH CENTURY FOX

## LIFE &amp; ARTS | THE OSCARS

## FASHION

# You Can't Win Best Costume With Denim

When it comes to the wardrobe and makeup Oscars, hoop skirts and beasts usually prevail

BY JOHN ANDERSON

**ON OSCAR NIGHT**, the safe bet in the categories of costume design and hair and makeup is on ball gowns, royal robes and outrageous prosthetics. That's why Melissa Toth suspects she will never win an Academy Award.

The New York-based designer came up with the costumes for several Oscar-nominated films, including Casey Affleck's Carhartt couture in "Manchester by the Sea," Kate Winslet's frocks in "Eternal Sunshine of the Spotless Mind" and Frances McDormand's bandanna and jumpsuit in this year's best picture contender "Three Billboards Outside Ebbing, Missouri." But these are contemporary films, where the designer aims not for a statement but for subtlety—which seldom gets much Oscar love.

"You put my kind of costumes on a mannequin and they look ridiculous," Ms. Toth says. "You'd say, 'Why is this worthy of anything?' And maybe it's not worthy of anything, when it's disassociated from the performance of the actor."

It's the same story with makeup. "We ask ourselves, 'Is it real? Do you absolutely believe it?'" said Leonard Engelman, one of the three governors of the hair and makeup branch of the Academy. His fellow governor Kathryn Blondell says the makeup or hair artist works with the cinematographer to create believable illusions. Veteran cinematographer Richard Crudo describes these artists' work as "something that feels all of a piece, where nothing stands out, nothing calls attention to itself. It should support the story in the most invisible ways."

Therein lies a contradiction: Sunday's Academy Awards ceremony inevitably will include paens to the collaborative nature of filmmaking. But the artists who help give audiences a believable contemporary experience at the cinema seldom end up with statuettes.



"It's Pavlovian," says Jeffrey Kurland, a Hollywood costume designer ("Dunkirk"), and an Academy governor for 12 years. "You go toward the biggest, the shiniest. The bigger the hoop on the skirt, the more attention it's going to get. It's just a fact." Will it change? "It should," Mr. Kurland says.

Until the mid-'60s there were separate Oscars for color films and black and white ones. Edith Head, who holds the record with eight awards for costume design, was honored for "All About Eve" in 1951, "A Place in the Sun" in 1952 and "Roman Holiday" in 1954, all black and white films that were contemporary for their time. "Black and white was where contemporary design would be recognized," Mr. Kurland says. "Then wiser minds than mine decided to eliminate it."

Like many designers, Mr. Kurland emphasized that in contemporary films, rather than period pieces, costumes are more crucial to the storytelling process precisely because they are so familiar.

"When you're designing a contemporary movie, you get a lot of opinions," says Catherine George ("Okja," "The Night Of," "Snowpiercer"). "Producers see it as shopping. They'll tell you if it's sexy enough or masculine enough. When it's a period movie, people are out of their depth."

They're more in awe of it. They don't say, "That's from 1842, not 1872." With contemporary, it's a gut reaction." Ms. George expressed some dissatisfaction with Oscar's treatment of her craft but acknowledged the caprices inherent in awards season. "Isn't it the same with the best picture?" she asked. "It's not always the best picture."

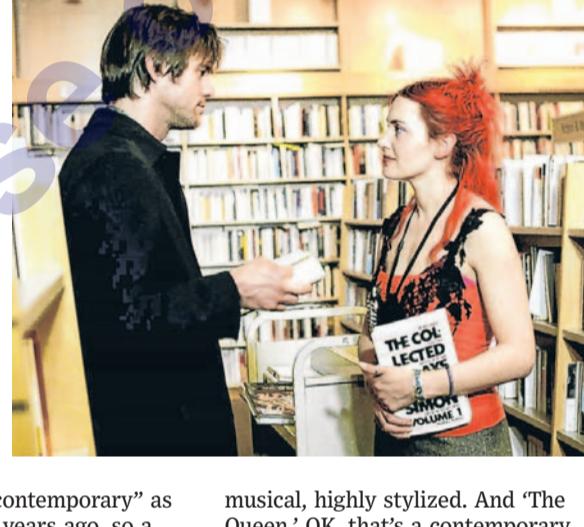
Recently, the Academy honored "Fantastic Beasts and Where to Find Them"—a Harry Potter period piece replete with fur-collared overcoats and strange creatures—with the Oscar for



For best-costume Oscars, period pieces often outshine contemporary films. Melissa Toth, above, didn't win Oscars for her costume designs for 'Manchester by the Sea,' below, and 'Eternal Sunshine of the Spotless Mind,' at bottom.



A sketch, above, for Frances McDormand's jumpsuit in 'Three Billboards Outside Ebbing, Missouri,' left.



CLOCKWISE FROM TOP: ZAROHI KUHN; EVERETT COLLECTION (2); GREGORY LAGUA; FOX SEARCHLIGHT PICTURES

costume design. The previous year, the award went to the survivalist scorched-earth togs of "Mad Max: Fury Road."

Two recent best-picture winners, "Spotlight" and "Birdman," received no costume nominations. "Argo," which won best picture in 2013 and another nominee that year, "Zero Dark Thirty," also had no costume nods. "Brokeback Mountain," a best-picture contender for 2006, wasn't nominated for costume design.

The Costume Designers Guild, which has a contemporary design

award, defines "contemporary" as no more than 25 years ago, so a film like "American Hustle," which was released in 2013 but set in the late-1970s and early-1980s, is considered a period piece. The film was nominated for an Oscar for costume design. But over the past 30 years, only three winners of the Guild's contemporary design awards also received Oscar nods for costume design: "Pleasantville," "The Queen" and "La La Land."

"Look at 'Pleasantville,'" Mr. Kurland says. "Half of it is period, set in the '50s. 'La La Land' is a

musical, highly stylized. And 'The Queen,' OK, that's a contemporary film." But there's not much else.

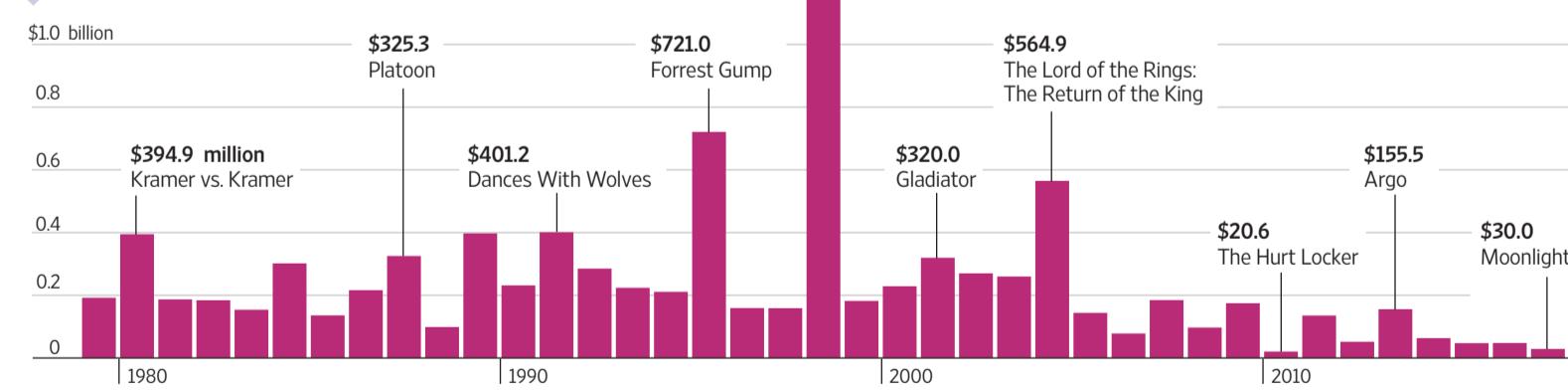
What impresses people are "period costumes, fantasy costumes, ice-skating costumes, anything that makes people say, 'My God, that's beautiful, it's incredible how that was made,'" Ms. Toth says. "The kind of costume design I do, and all the best contemporary work, is part and parcel of the character. It looks like the characters got dressed. You don't see the hand of the costume designer. You don't want to know there was a costume designer."

## MONEY

### Best, Not Biggest

Over the last 10 years, the Oscar for best picture was won by movies that weren't widely seen. Nine out of the 10 lowest-grossing winners were released in the past 12 years.

#### Domestic gross for best picture winners, in 2018 dollars



Continued from page A11  
movies like "Wonder Woman" and the latest "Star Wars" sequel.

So why do they get so little love on Oscar night? "Wonder Woman" and "The Last Jedi" received overwhelmingly positive reviews, after all, garnering even higher Rotten Tomatoes scores than Academy Award nominees for best picture "The Post" and "Darkest Hour."

The Academy's voting suggests that "Wonder Woman" and "Star Wars" don't reflect the way Hollywood sees itself—or the sensibility it tries to convey in an awards show watched by millions.

Not long ago, Hollywood didn't have to decide between its real self and how it wished to be seen. Audiences turned out in droves at movie theaters to watch captivating dramas based on original scripts, because they were much easier to find there than on network television. The economics of the film business, driven by American moviegoers and healthy DVD sales, made such films profitable.

Hollywood was proud of the movies audiences loved. And so Academy voters didn't feel bad awarding best picture to blockbusters like "Gladiator," "The Silence of the Lambs" and "Platoon." Or perhaps it was that audiences were eager to head to the theater and fork over their money for such high-quality pictures.

Either way, the catastrophic decline in DVD sales, the growing importance of foreign markets like China, and moviegoers' infatuation with cinematic brands like Marvel have brought an end to that era.

The divide between Oscar voters and moviegoers may only grow in



Willem Dafoe in 'Platoon,' 1987's best-picture winner.



Kevin Costner in 1991 winner 'Dances With Wolves.'



Jodie Foster in 1992 winner 'The Silence of the Lambs.'



Alex Hibbert and Mahershala Ali in 2017 winner 'Moonlight.'

the coming years as streaming services become the way more of us watch feature films. Netflix's entry into original motion pictures has been greeted with a mixed response at best in Hollywood, where many believe movies are made to be seen in theaters.

It is easy to dismiss Oscar voters as out of touch with the moviegoing

public, but that didn't suddenly become a problem in the past decade. The movie business has steadily changed, so that the films audiences adore are no longer the ones that entertainment-industry professionals think are the best they have to offer.

The Academy has been letting in new, younger members at a rapid

clip in the past few years, which could change this dynamic. A victory for "Get Out," considered by most Oscar analysts to be unlikely but possible, would start to bridge the gap between Hollywood and the people who fill multiplexes. Generating \$176 million at the box office, the horror flick with a race-relations message was a surprise hit, though

far behind last year's blockbusters such as the "Beauty and the Beast" remake and the second "Jumanji."

The best shot, though, may come in a year, when we find out whether the members of the Academy are ready to honor what is already sure to be one of 2018's highest-grossing and best-reviewed movies: "Black Panther."

## LIFE &amp; ARTS | THE OSCARS

## PERFORMANCES

# Actors Do Double (or Triple) Duty In Picks for Best Picture

**THIS YEAR'S BEST-PICTURE** race features some recurring faces. An unusually large number of actors appear in several movies nominated for the evening's biggest prize, including Timothée Chalamet in two turns as a moody teenager ("Call Me by Your Name," "Lady Bird") and Bradley Whitford as a man with a secret ("Get Out") and a man wrapped up in an effort to get the truth out ("The Post").

The Academy says it's not unusual for an actor to appear in two best-picture nominees in a single year, such as Amy Adams in the 2014 race ("Her" and "American Hustle") or Geoffrey Rush in 1999 ("Shakespeare in Love" and "Elizabeth"). What's less common, though, is an actor appearing in three nominees. That has happened only a handful of times, usually when the Academy has expanded its best-picture pool to more than five titles.

Thomas Mitchell and Claudette Colbert did it in the 1930s, and John C. Reilly pulled it off in 2002 when he starred in three of the five nominees ("Chicago," "Gangs of New York" and "The Hours"). Michael Stuhlbarg—a memorable presence this year in "The Shape of Water," "The Post" and "Call Me by Your Name"—joins their ranks and has a triple chance of storming the stage at the end of the night. —Erich Schwartzel

Kathryn Newton



'Three Billboards'

Ms. Newton is in a memorable flashback as the daughter in 'Three Billboards' and makes a brief appearance as a classmate in 'Lady Bird.'



'Lady Bird'

Caleb Landry Jones



'Get Out'



'Three Billboards'

Mr. Jones recorded his audition for 'Three Billboards' while on the set of 'Get Out.' (His co-star Catherine Keener read opposite him as Frances McDormand's Mildred Hayes.)

Bradley Whitford



'Get Out'



'The Post'

Audiences have two chances to root against Mr. Whitford's characters—a racist mastermind and a newspaper exec fighting publication.

Tracy Letts



'Lady Bird'

The stage actor and playwright appears opposite two best-actress nominees: Saoirse Ronan in 'Lady Bird' and Meryl Streep in 'The Post.'



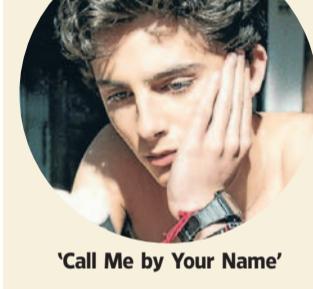
'The Post'

Timothée Chalamet



'Lady Bird'

Mr. Chalamet also has his own best-actor nomination for 'Call Me by Your Name.'



'Call Me by Your Name'

Nick Searcy



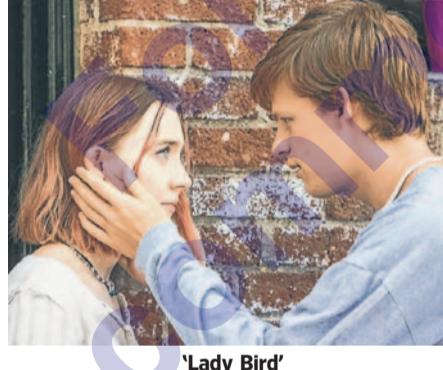
'Three Billboards'

The two authority figures Mr. Searcy plays, a Catholic priest and government official, both get their comeuppance.



'The Shape of Water'

Lucas Hedges



'Lady Bird'

Mr. Hedges, who had his breakout role in 'Manchester by the Sea,' this season plays a theater kid and a grieving brother.



'Three Billboards'

## MOLEKULE

## Don't Grow Mold. Destroy it.

Existing air purifiers try to trap mold on HEPA filters, where it can grow and be released back into the air. Molekule is the only air purifier that completely destroys mold. Its unique nanotechnology breaks down the spores, removing them from the air quickly and permanently, leaving nothing but truly clean air in your home.



\$75  
OFF

CODE: AIRE3  
Offer Ends 03/15/2018

Michael Stuhlbarg



'The Post'



'The Shape of Water'



'Call Me by Your Name'

Mr. Stuhlbarg's roles cover three decades: the '60s ('Shape of Water'); the '70s ('The Post') and the '80s ('Call Me by Your Name'). Despite acclaimed performances, he wasn't nominated.

★★★★★

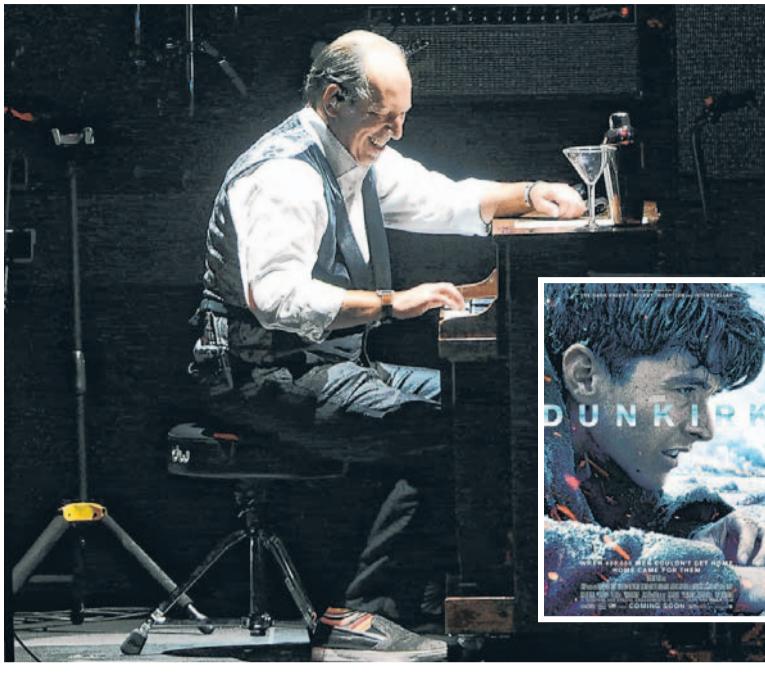
"With the Molekule running, I wake up rested and clear-headed, with no congestion."

- Michael Rockwell

One of Time Magazine's 25 best inventions of 2017

[Molekule.com](http://Molekule.com)

## LIFE &amp; ARTS | THE OSCARS



MUSIC REVIEW | By Jim Fusilli

## Scores Get Back to Supporting Roles

Unlike years past, the nominees support story and character without overwhelming the film

**BESET IN RECENT YEARS** by blunders regarding what's nominated and what wins the Best Original Score Oscar, the Academy of Motion Picture Arts and Science has it right this time around: The winning work for Best Original Score, to be presented on Sunday, will meet the standards for an award that's intended to recognize a substantial body of original music that serves as dramatic underscoring.

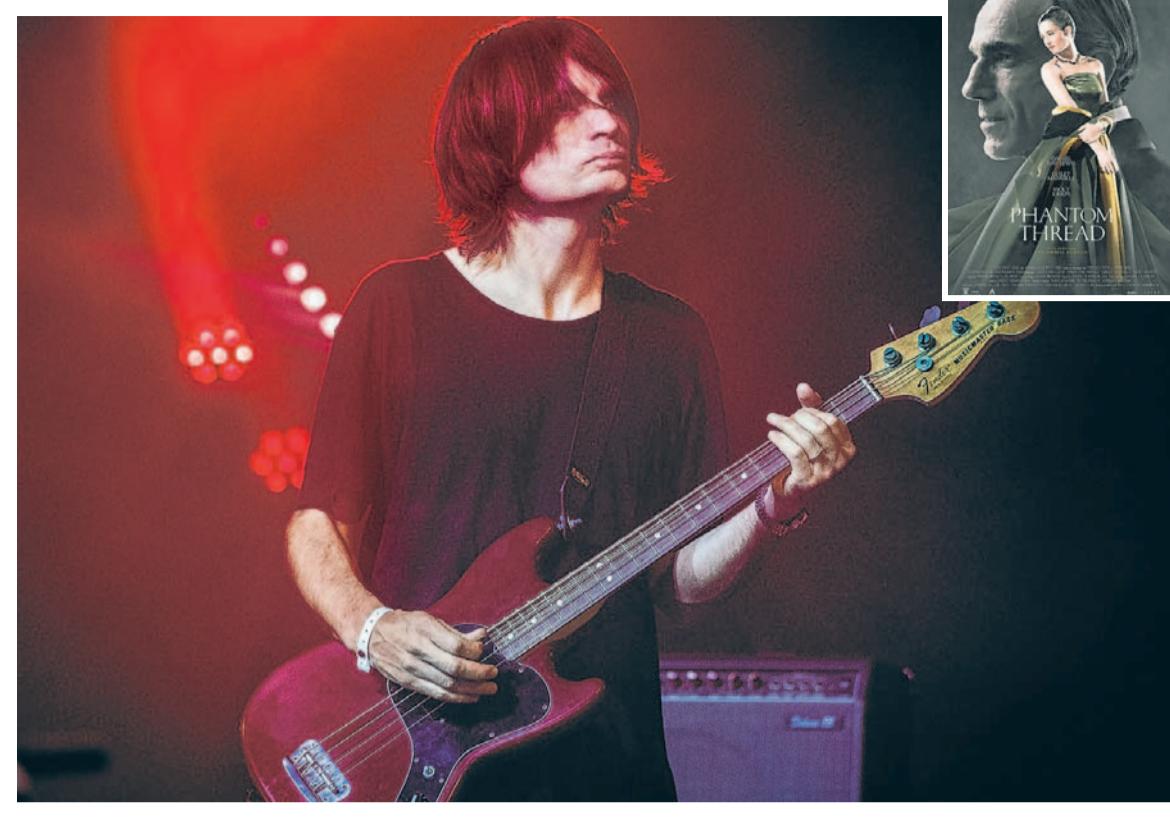
Each in its own way, this year's five nominees serve splendidly in support of story and character. They are Hans Zimmer's score for "Dunkirk"; John Williams's for "Star Wars: The Last Jedi"; Jonny Greenwood's for "Phantom Thread"; Alexandre Desplat's for "The Shape of Water"; and Carter Burwell's for "Three Billboards Outside Ebbing, Missouri."

Mr. Zimmer's gyring electronic score reflects the dread and tension one might have experienced during enemy attacks designed to thwart the 1940 evacuation of the Dunkirk beaches. In essence, it's one long piece of music that works in very tight alliance with the imagery—often making it easier to overlook in context—while serving to unite the film's action. In the relentless music are the synthesized musical equivalents of racing machinery, rapidly beating hearts, threatening storms, ghostly screams and time ticking toward eternity, as well as traces of the orchestral score Mr. Zimmer and his colleagues composed and abandoned; a new variant of Edward Elgar's "Nimrod" theme from his "Enigma Variations" is

used effectively.

Among Mr. Williams's five Oscars (out of 51 nominations) is one for 1977's original "Star Wars," which began a franchise for which he's scored eight films. By necessity, his "The Last Jedi" score borrows from his earlier music for the series: As certain leitmotifs follow characters from film to film, Mr. Williams deftly reinvents them to create additional visceral connections, as when he draws from the original "Imperial March (Darth Vader's Theme)" to define the character of Vader's grandson, Kylo Ren. His effective new underscoring includes an affecting emotional palette for the relationship between the aging, demoralized Luke Skywalker and emerging hero Rey.

For "Phantom Thread"—a tale set in 1950s London about Reynolds Woodcock, a fastidious fashion designer who is as troubled as he is gifted, and Alma, the woman who disrupts his life—Mr. Greenwood crafted a romantic score that, particularly in two long, sumptuous pieces that open the film, recalls the period's popular, classically influenced orchestral works. But as the story turns, the music takes on an icy, modernist edge, thus matching what Woodcock calls "the air of quiet death." And yet beauty is never far away, as reflected by Mr. Greenwood's lovely piano themes and sweeping violins. Sinister humor is concealed in plain view in "Phantom Thread" and Mr. Greenwood dresses it with discretion. Throughout, he underpins with warmth and intelligence the con-



Hans Zimmer scored 'Dunkirk,' above left; Jonny Greenwood scored 'Phantom Thread,' above; John Williams scored 'Star Wars: The Last Jedi,' below



flict in Woodcock, who, in his quest for order and perfection, comes to understand the value of surrender.

Mr. Desplat wrote a wonderful and appropriate score for "The Shape of Water," a film in which a love story, a Cold War spy drama and a parable about institutional prejudice are wrapped inside a sci-fi fantasy about Elisa, a mute woman, and an amphibian man-god. Flutty flutes reflect the former's vibrancy, while an accordion and bandoneón explain the national origins of the latter—and

the sounds come together, often with orchestral splendor, as the story unfolds. When danger mounts, Mr. Desplat's compositions become more strident with kettle drums, distant French horns and darting strings, but the score's overarching sense of tenderness isn't abandoned. Though it utilizes the era's pop tunes and clips of musical numbers from a previous generation, Mr. Desplat's music binds an ambitious film that has a big heart and a message of hope.

Mr. Burwell's score for "Three Billboards" is the only nominee that relies primarily on the folk idiom. The film opens with a brief quotation from a mid-19th-century comic opera by Friedrich von Flotow that flows into an original theme featuring acoustic guitars, mandolin and a stomp-clap rhythm. Despite its bizarre twists, the film is rooted in tragedy; a low-moaning clarinet and the dark rumble of piano add to the sense of disquiet. Brief orchestral cues reveal an unsuspected sympathy

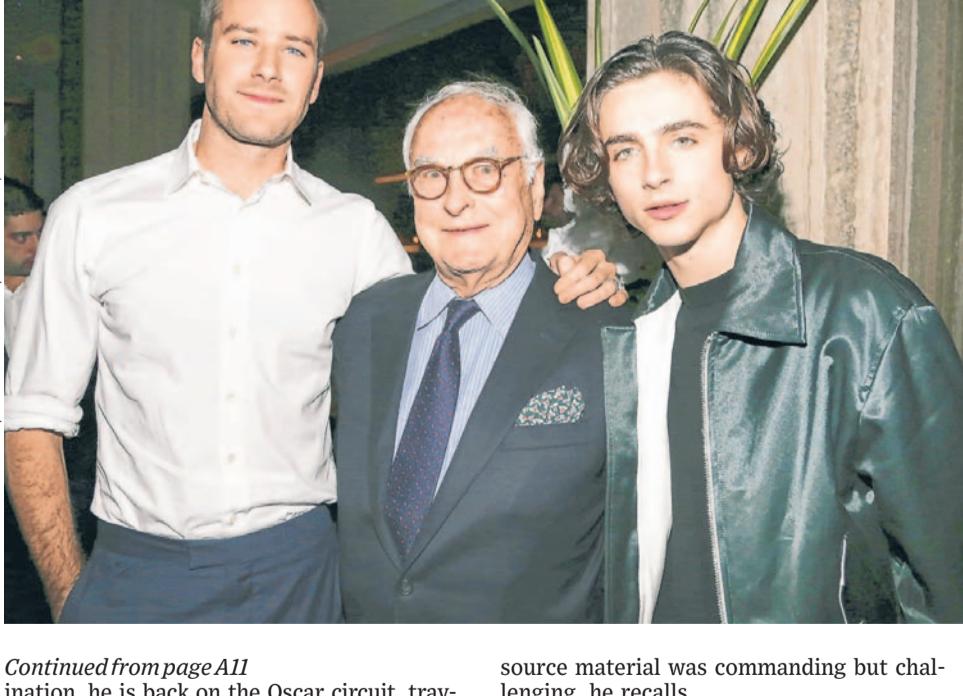
Alexandre Desplat conducting 'The Shape of Water' score session, left; Carter Burwell scored 'Three Billboards Outside Ebbing, Missouri,' below



between the mother of the rape-and-murder victim and the sheriff she accuses of callous inaction. As do the other nominated works, the underscoring by Mr. Burwell illuminates subtext and complex character. In this case, it helps viewers navigate a sardonic film with a slippery moral center.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at [jfusilli@wsj.com](mailto:jfusilli@wsj.com) and follow him on Twitter @wsjrock.

## IVORY



Continued from page A11  
invention, he is back on the Oscar circuit, traveling to Los Angeles from his home in New York for interviews and appearances at Academy screenings. In the 2018 Oscar race, Mr. Ivory stands out not only for his age and tweed jacket but also for a long career that tracked shifting cultural norms and produced lush, beautiful films.

Mr. Ivory hasn't stopped working since he and Mr. Merchant became partners in life and business after meeting at a New York City screening in 1961. Several years ago, the producers of "Call Me by Your Name" asked Mr. Ivory to write the screenplay. The

source material was commanding but challenging, he recalls.

It's no wonder a man vulnerable to visual poisoning would be drawn to the story, which unfolds over six sunny weeks in Italy. During the summer of 1983, Elio (Timothée Chalamet, who received an Oscar nomination for the role) falls in love with Oliver (Armie Hammer), a graduate student visiting to study with Elio's father in the family's book-lined estate.

In Mr. Aciman's novel, Elio's evolution is chronicled through interior monologues by a narrator reflecting on the past. Mr. Ivory's script scraps the narration and, through



Mr. Ivory, flanked by actors Armie Hammer, left, and Timothée Chalamet in New York. At right, Hugh Grant in Mr. Ivory's 1987 film, 'Maurice.'

scenes of intentional avoidance or outright flirting (over a piano rendition of Bach's "Zion hört die Wächter singen," no less), charts how Elio's attitude toward Oliver changes from irritation to adoration.

It's the teenage rite of passage of "Does that person love me? No, they hate me," Mr. Ivory said. Born in Berkeley, Calif., the year before the Great Depression, he was raised in Oregon by parents who had "scarcely emerged from the Oscar Wilde phase" of criminalizing homosexuality.

"The question of queerness was unthinkable and unspeakable," said Mr. Ivory, echoing a line from the movie, when Elio's

mother reads a fairy tale about a knight pinning for a princess. Is it better, the knight asks, to speak or to die?

In 1987, Merchant-Ivory forced the conversation by releasing "Maurice," an adaptation of E.M. Forster's novel of gay love among the Cambridge set in early 20th-century England. Mr. Forster wrote the novel around 1913 but it was published posthumously in 1971. "When 'Maurice' came out, it was more like a lesson that was needed about not living a lie," Mr. Ivory said.

In "Call Me by Your Name," beauty stands out in an ugly world. The movie is a form of escapist entertainment. It may have all kinds of other tones and meanings and so forth, but it is a very charming, very lovely love story about some young people in a beautiful place in a beautiful time of year," Mr. Ivory said. "We want something like that, I think."

Mr. Ivory isn't the oldest Oscar nominee this year. That distinction belongs to Agnès Varda, the documentarian nominated for "Faces Places," who was born about a week earlier than Mr. Ivory. But he may be among the busiest. The parade of awards shows and dinners has led to some troubling sights. The night before, Mr. Ivory discovered that the hem of his tuxedo trousers had come loose.

With momentum from "Call Me By Your Name," Mr. Ivory has approached potential backers about his next project—an adaptation of "Richard II," which he has struggled to get off the ground.

"If you go to a film financier and you talk about a Shakespeare film, that is not what they want to hear. That does not...gladden their heart, let's say," he said. "Now I'm seeing flickers of interest."

"Call Me by Your Name" has also made Mr. Ivory an unlikely star among teenagers, with many in tears when they meet him after screenings.

"These kids who are crying grew up in a completely different world, where Elio and Oliver's story was not unspeakable," he said. "It was speakable, and maybe thrilling."



GETTY IMAGES (3); BRIGITTE LACOMBE (DESPLAT); BENJAMIN EALOVEGA/AMAZON STUDIOS (BURWELL); EVERETT COLLECTION (5)



## SPORTS

SPORTS | By Jason Gay

## What Were MIT, ESPN and Obama Hiding?



Over its 12-year history, the MIT Sloan Sports Analytics Conference has evolved into a sort of merry Comic-Con for the growing sports analytics business. It's a place where smart people talk about new ways to interpret the games they love. Influential sports people go to Sloan, which takes its name from the Sloan School of Management, the business school at the Massachusetts Institute of Technology. ESPN is the lead, presenting sponsor.

I've never been to Sloan. The Journal prefers to send intelligent people, like our basketball reporter, Ben Cohen, who's attended several Sloans, though not this year's, which took place on February 23 and 24 in Boston.

Like a lot of folks, I was intrigued when I saw that Sloan had lined up former President Barack Obama to appear at last Friday's session. But I was surprised when I saw that Obama's on-stage interview with Sloan co-founders Jessica Gelman and Daryl Morey (the latter the GM of the Houston Rockets) would be off the record—its contents not for public dissemination.

Sloan underlined the policy with the following ask: "During President Obama's panel, the following will not be permitted, without exception: photography, video recording, streaming, and social media posting - including the use of Twitter, Facebook, Instagram, Snapchat, and other platforms."

Sloan wasn't done: "Following the panel, the sharing or reporting of its contents on public platforms, including social media, will not be permitted. Those who fail to adhere to this policy will be subjected to removal from the conference and denied tickets to future SSAC conferences."

My reaction to this move is basically... eesh. I try to make this column a high-horse free zone, but giddy up, everybody: Sloan, MIT, ESPN, President Obama, his office and all involved with this conference should be embarrassed by this off-the-record admonition.

It's true that former Presidents and CEO types do give private, paid speeches that are closed to the press—last year, President Obama reportedly gave several, including one at a health care conference put on by the financial services firm Cantor Fitzgerald. His price for such a speech has been reported at \$400,000.

Sloan is not that type of clam-bake. Obama's speech was paid (fun fact: Author Michael Lewis



MARK WILSON/GETTY IMAGES

Barack Obama tosses a basketball at a ceremony for the 2015 University of Connecticut women's basketball team.

was one magic elf who helped connect Sloan to the President's camp), and it was indeed a big deal—the former President spoke to a packed room of 3,500 at the Boston Convention and Exhibition Center. But Sloan has a clear affiliation with a university.

Sloan's also a major, unabashed media-fest. It's understood that ESPN had no hand in the planning of the Obama conversation, but the list of 2018 attendees includes 50 names from ESPN, and at least 20 more ESPN people were listed as moderators or panelists. Numerous other media organizations and personalities were also in attendance.

What I'm trying to say (high horse neigh) is that this is the exact kind of event that should never happen in secret—universities and especially media organizations are supposed to be in the business of getting public figures to speak on the record.

I wasn't the only one confused. "This was a classic lose/lose/lose," Bob Ley, the longtime ESPN journalist and anchor of Outside the Lines, wrote to me in a text message. "Conference organizers come off looking like a brigade of self-important pocket-protector stat worshippers. Journalists who acquiesced should go back to the front desk for their cojones, where they checked them."

"The ultimate hilarious irony is that nothing Mr. Obama said was revelatory," Ley continued. "Thank goodness someone did the right thing and leaked the speech."

That's the funniest part—earlier this week, Reason magazine obtained and published audio of President Obama's conversation, and it was hardly controversial.

Obama went into a charming but careful half-court offense, offering anecdotes from his own use of data in politics, advocating for

workplace diversity, expressing concern over misinformation in the social media ecosystem, and dishing a bit of sports chat (he said if he were an NBA free agent, he'd pick the San Antonio Spurs).

Not exactly state secrets.

I called John A. Walsh, a former ESPN executive vice president who spent 27 years at the network and is regarded as a Godfather of journalism at the network ("a retired suit," he called himself.)

Walsh is a Sloan original—he's on the conferences's honorary executive board, and estimates he's attended 10 of the conferences, though not this year's.

Walsh said he wasn't told that the Obama chat was going to be off the record. If he had been, he said, he'd have called it "crazy."

"Just tell him it's going to be on the record," Walsh said. "What the heck is he going to say that's going to be embarrassing? Is he going to

be critical of Trump's algorithm? Is he going to second-guess the personnel decisions of the New Jersey Generals?"

I tried taking it up with Sloan. A media representative for the conference declined commenting beyond emailing me the off-the-record notice. Morey and Gelman did not return messages. ESPN PR also declined comment.

On Tuesday, a spokesperson for MIT offered this explanation:

"MIT hosts meetings and conferences on a daily basis. They can be on the record, off the record, or a combination of the two. We believe that for events on our campus, the organizers and the speakers they welcome ought to be able to decide together whether what a given speaker says is on or off the record."

Meh. It's one thing if Willy Wonka comes in for an off-the-record chit-chat with the gang in Industrial Economics. It's entirely a different deal you're hosting a recent President of the United States.

"I don't like it," said Dan Kennedy, a journalism professor at Northeastern University. "It's inappropriate for a university to be associated with this kind of off-the-record request." (Disclosure: Kennedy and I worked together 20 years ago at the Boston Phoenix.)

And what about President Obama? A source familiar with Obama's thinking (I know, I know—the irony of using an unnamed source here—but Sloan started this) said the President "periodically gives speeches and participates in question-and-answer sessions of various kinds." The source emphasized that \$2 million from President Obama's paid speeches will go to Chicago programs offering jobs and training to low-income youth.

"Our initial understanding was that reporters wouldn't be attending the Q-and-A," the Obama source said of the Sloan appearance. "But subsequently, we were informed that they'd been invited and had agreed to the off-record nature of the event."

Clearly, something got lost in translation.

In that vein, a head's up: Next Monday, I'll be interviewing the Golden State Warriors general manager, Bob Myers, at the Wall Street Journal CIO conference. Per Journal policy, the conversation is entirely on the record, even if Bob asks me how many points I averaged on the varsity basketball team.

That's a trick question. I never made the varsity basketball team. I have a feeling I'll never be invited to Sloan, either.

## MLB

## THE ART OF PITCHING FREE AGENTS

The Cubs have mastered free agency by selling players on everything outside baseball



he wants, he gets him," pitcher Jon Lester said. "And just about every one of the free agents has taken less money to come here."

Granted, the Cubs routinely have one of the largest payrolls in baseball. They can simply outbid the competition much of the time.

But Lester is correct in saying that quite a few of the Cubs' recent signings spurned more lucrative deals elsewhere. That phenomenon includes big-money players like Lester and outfielder Jason Heyward as well as reliable journeymen and role players.

"They sell the crap out of, 'We value you as a person,'" one agent said. "A majority of teams try to do that. But they are the ones doing it at the highest level."

"If the Yankees offer \$130 [million] and the Red Sox offer \$130 and the Cubs offer \$125, most guys would pick the Cubs," said another.

It has become common for teams to woo prospective free agents with DVDs and high-tech multimedia presentations. That includes the Cubs: Heyward, who inked an eight-year, \$184 million deal before the 2016 season, said he received a video showcasing the team and the city of Chicago.

Yet the Cubs approach differs from most rivals. They typically cast a relatively small net, homing in on a few coveted targets, which demonstrates to players the Cubs' level of commitment and desire for them. Agents say that the Cubs often don't move much from their initial offer, but in a way that positions them as straight-shooters.

"I felt like in other situations, there was still something going on behind closed doors," Lester said. "With the Cubs, it was like, 'Here it is. This is what we've got.'"

Perhaps most important, the Cubs push harder than most for an in-person sit-down. Heyward said they like these get-togethers because it enables them to "get a sense of what's important to him and get a sense of who he is."

When he entered free agency this winter, relief pitcher Steve Cishek solicited other players for

advice on his potential landing spots. Several mentioned how well the Cubs treat wives and children, something Cishek called "a huge deciding factor."

As conversations with the Cubs progressed, they mentioned that they have a kids' room at Wrigley Field, and recommended local attractions for his family to visit while he was on road trips, like the Chicago Children's Museum and the Lincoln Park Zoo.

They also sold him on living arrangements, highlighting neighborhoods where many of the players reside. When Cishek played for the Seattle Mariners, players were spread across the area, and he liked that in Chicago, they lived near each other. Cishek signed a two-year, \$13 million contract.

It wasn't always this way for the Cubs. When they pursued Lester after the 2014 season, they had just lost 89 games and hadn't reached the playoffs since 2008, not to mention the championship drought that was more than a century old. All they could sell him on was the vast collection of coveted prospects they had acquired under Epstein and Heyward, a group that would turn into Kris Bryant, Kyle Schwarber and Javier Baez.

They did have one advantage. Lester knew the Cubs' executives from his time pitching for the Boston Red Sox, where Epstein and Heyward both worked previously. Trusting them, Lester rejected a larger offer from the San Francisco Giants to sign with the Cubs for \$155 million over six years.

The rest is history. The Cubs finished with 97 wins in 2015 and reached the first of three consecutive National League Championship Series, a run that includes a curse-breaking World Series title in 2016. They are once again the favorites in the NL Central. As Heyward put it, "We have something that we're proud of here to sell."

More often than not, players buy it, rushing to join an organization where they believe they'll be happy. "Money can't buy that," Heyward said.

BY JARED DIAMOND

**Mesa, Ariz.** **TYLER CHATWOOD** thought he knew what to expect when he met with the Chicago Cubs this offseason to discuss the possibility of joining them as a free agent. He assumed he would hear plenty about the Cubs' recent on-field success, their plan for him in the starting rotation and, of course, the boatload of money they could offer to lure him.

Instead, president of baseball operations Theo Epstein and general manager Jed Hoyer took the conversation in a direction that

surprised and disarmed him: They recommended the best physicians and hospitals in the area for his pregnant wife.

"They had never met me or my wife, and they were giving me doctors' names," said Chatwood, a 28-year-old right-hander. "They were already going to put us in contact with the OB/GYN over there."

He duly signed a three-year, \$38 million contract with the Cubs.

This is the secret weapon that enables the Cubs to practically hand-select talent: a compelling personal touch that goes beyond players' value on the field. In many cases, that means appealing

to the people most important in their lives—their families.

"We feel like all of those things are exceptionally important," Hoyer said. "There's more than just playing. There's a whole life outside baseball."

This approach has helped transform the Cubs into the most attractive free-agent destination in the sport, an organization that players in its sights rarely turn down. In an interview with the Athletic after ace Yu Darvish became the latest big name to choose the Cubs, his agent, Joel Wolfe, compared their recruitment might to Alabama football.

"Usually when Theo has a target

## OPINION

## How to Probe the FBI



POTOMAC WATCH  
By Kimberley A. Strassel

Donald Trump is rightly frustrated that so many in Washington and the media refuse to take seriously the evidence that the government abused its surveillance powers during the 2016 election. Still, let's remember who the bad guys are in this story. Hint: not Attorney General Jeff Sessions or Justice Department Inspector General Michael Horowitz.

Mr. Trump's Wednesday tweetstorm included a blast at both men after news that Mr. Sessions had asked Mr. Horowitz to look into whether the Federal Bureau of Investigation went rogue when it asked the Foreign Intelligence Surveillance Court for a warrant against ex-Trump aide Carter Page. The president complained that Mr. Horowitz will "take forever, has no prosecutorial power and [is] already late with reports on [James] Comey, etc." He berated the inspector general as "an Obama guy" and asked why Mr. Sessions won't use "Justice Department lawyers" to investigate "massive FISA abuse." And then, of course: "DISGRACEFUL!"

Hardly. The Sessions request is the best—arguably the only—way to get an honest assessment of 2016 out to the public. Congressional Republicans are doing excellent work, but they face Democratic sabotage and a biased media. The Justice Department has no business investigating itself, and any finding from the Trump Justice Department would be cast as tainted. The last thing anyone should want is another special counsel, who would bring still more controversy and really would "take forever."

No one should underestimate the power of the inspector general. Congress created these watchdogs in 1978 after the nightmare of trying to pry information out of a crooked Nixon administration. Inspectors general were deliberately placed within the executive branch and empowered to seek out information in ways that Congress can't, even with subpoenas—including by demanding quick and comprehensive access to documents and promptly interviewing relevant officials. But inspectors general are still accountable; They go through extensive vetting before appointment and have a statutory duty to report to Congress. Most take their duty of neutrality seriously.

**Trump is wrong.  
Inspector General  
Michael Horowitz is  
the man for the job.**

And no one should underestimate Mr. Horowitz's ability to plumb the FISA case. The gripe that Mr. Horowitz is an "Obama guy" is silly. Inspectors general don't serve set terms, and it is normal for them to span administrations. Mr. Horowitz was sworn in during the Obama presidency, but he also served under George W. Bush on the U.S. Sentencing Commission. He is so highly regarded that only a few years ago his fellow inspectors elected him chairman of the Council of Inspectors General on Integrity and Efficiency, which oversees standards and training.



Horowitz on Capitol Hill, July 26, 2017.

Further, Mr. Horowitz proved willing to take on irregularities during the Obama years. In 2012, just six months on the job, he issued a scathing report on "Fast and Furious," the gun-walking scandal. He ultimately recommended 14 officials for disciplinary action, and the report led to the resignation of a senior Obama appointee.

In 2015, he led the fight against an outrageous Obama administration legal opinion claiming inspectors general could not access agency wiretaps, grand jury testimony or credit information unless they first got permission from the agency they were inspecting. It was a naked attempt to block oversight, and Mr. Horowitz persuaded 68 of the 74 inspectors general to sign a letter of protest. He also testified in favor of the Inspector General Empowerment Act of 2016, which restored those rights. Congress passed it without dissent.

Most important, Mr. Horowitz has proved willing to work alongside congressional investigations, and appears to be a fan of transparency. If Mr. Trump were paying attention, he'd know that the only reason the public has seen the damning text messages between FBI colleagues Peter Strzok and

Lisa Page is because Mr. Horowitz demanded them and did not object when Congress asked for them. And when the FBI claimed to have lost a tranche of those texts, it was Mr. Horowitz's office that recovered them. A Horowitz probe should be no bar to Congress continuing its work, or to the declassification of the underlying documents.

Mr. Horowitz has 450 special agents, auditors, inspectors and attorneys on his staff, and he is said to be nearly done with his investigation into the FBI's handling of the Clinton email scandal a little more than a year after he started it. He'll have more than enough resources to delve quickly into the FISA case, in all its complexity.

True, inspectors general lack prosecutorial power. Their job is to review evidence, establish whether crimes have been committed, and make referrals for action. Senate Judiciary Chairman Chuck Grassley had already asked Mr. Horowitz to investigate FISA abuse, and many in Congress are eager for the inspector general to deliver both facts and a judgment on whether there was abuse or criminal behavior.

Mr. Horowitz's greatest asset is his neutrality. The public is reeling from narratives and counter-narratives, even as it has been denied the ability to see much of the evidence. This is a chance for an independent report of the facts. If Mr. Trump wants to see the Russia rumble finally get to an honest end, he'll let Messrs. Sessions and Horowitz get on with their jobs.

Write to [kim@wsj.com](mailto:kim@wsj.com).

## Modesty on Instagram Is a Tough Balance

**HOUSES OF  
WORSHIP**  
Orthodox Jewish fashion blogging may sound like an oxymoron.

Yet the unlikely social-media phenomenon has taken off, particularly on Instagram. Today the best known modesty bloggers have thousands of followers and shape how countless Jewish women dress across the world. But is it all kosher?

Orthodox women face a host of sartorial challenges thanks to prohibitive rabbinical dress-code guidelines. When in public, they must cover their shoulders and knees at all times. Married women are required to cloak their hair. Modesty fashion bloggers claim to offer less-restrictive solutions to the challenges presented by such rules. Layering solves the no-shoulders precept. Luscious, celebrity-like wigs have the hair covering covered, while trendy maxi-skirts screen the knees.

These blogs aren't only about working around rules: Some even infuse their platform with biblical teachings and spiritual growth maxims. It isn't unusual for a blogger to publish a petition for prayer, followed by a runway image of the newest Burberry dress.

"Being in the fashion industry, you are surrounded with all kinds of trends and styles. So you have to be strong and put a barrier in between the not-so-modest trends," Rachelle Yadegar, an Orthodox modesty blogger in Los Angeles, told me in January. "I would love to just throw on a pair of light-wash denim jeans and a slouchy T. But I don't."

Although the bloggers ostensibly try to advance principles of modesty, it isn't always clear whether their material is consistent with the spirit of Jewish law. Chavie Lieber, an Orthodox Jew and reporter at the fashion site Racked, is skeptical. "The subculture of modest fashion bloggers who hawk luxury merchandise while idealizing something as personal as the laws of *tzniut*"—Hebrew for modesty—"has always been confusing to me," she said. "The entire emphasis seems to be on the exterior without considering what else modesty means."

From a traditional Jewish perspective, the notion of modesty extends to both sexes, and far beyond the technicalities of skin exposure. Micah the prophet established the principle that God requires of mankind to *hatzne lechet*, or walk humbly before the Lord. Moses is

labeled in biblical texts as the humblest man on earth.

"The challenge is to be attractive without being attracting," according to Rabbi Efrem Goldberg, who runs an Orthodox congregation in Boca Raton, Fla. "Dressing provocatively through tightness, style or suggestion, even if covering all the right places, violates not only the spirit of the laws of modesty, but the letter of the law as well."

**Orthodox Jewish  
women trade fashion  
tips and photos  
online. Is it kosher?**

One modesty blogger—who boasts more than 30,000 Instagram followers—often posts photos with shoes or bags that likely cost more than some of her followers' monthly rent. The same fashionista in August 2017 shared a picture of herself wearing a diamond-encrusted Cartier watch while kneading challah dough, the weekly Jewish ritual meant to invoke Kabalistic charm. Another blogger, who colors her posts with more-religious messaging, once shared a photo of herself at a medieval rabbi's gravesite.

But even skeptics like Ms. Lieber sympathize with Orthodox women who feel uninspired by their clothing: "If the idea is to be a muse for the Jewish community, then power to them. There's definitely a need for that in the fashion community." It's the overt materialism that "just doesn't align with Jewish values."

"Our mission is to engage the mundane and elevate it, to embrace the physical and transform it into spiritual opportunity and experience," said Rabbi Goldberg. "If approached in this way, 'modest fashion' is not an oxymoron, but rather an attempt to appreciate the aesthetic of fashion, an expression of the beauty of God's world."

*Halakha*, Hebrew for Jewish law, directly translates as "walking." The name serves as a reminder that Judaism isn't merely a legal code but an all-encompassing lifestyle. While Judaism doesn't mandate austerity or self-abnegation, its focus—at least according to the rabbis—ultimately is on the depth of the soul. If *Halakha* is to be met, modesty blogging might require more soul-searching and fewer brand names.

Ms. Neuer is a writer in New York.

## We Need Our Private Space

By Mark R. Whittington

One of the more controversial aspects of President Trump's new space policy is his plan to privatize the International Space Station. The savings, around \$3 billion a year, would be plowed into a lunar exploration program. Under the proposal, the American portion of the ISS would be turned over to a commercial entity.

Sen. Bill Nelson (D., Fla.) is not amused. "The administration's budget for NASA is a nonstarter," he said in a statement. "Turning off the lights and walking away from our sole outpost in space at a time when we're pushing the frontiers of exploration makes no sense." Even before the transition plan was revealed, other major space players in Congress, including Sen. Ted Cruz (R., Texas), expressed skepticism.

This reaction seems to stem from a misreading of the Trump administration's intentions. The new policy in no way suggests that America will abandon low Earth orbit to go back to the moon. Instead, it suggests that the administration is preparing for the next stage of space exploration.

**Trump is setting the stage for commerce in low Earth orbit.**

Just as the end of the space shuttle program heralded the beginning of private space flight, the end of the old space station will usher in the era of the commercial development of low Earth orbit.

Apart from reforming operation of the ISS, how would commercializing low Earth orbit work? At least three

companies—Bigelow Aerospace, Axiom Space, and NanoRacks—have plans to deploy private space stations by the early 2020s. Bigelow already has worked with NASA by attaching a small-scale prototype of its inflatable space station module to the ISS.

The aim would be to develop commercial markets for these new private space stations to ensure their independence. They could be serviced by commercial spaceships such as the Boeing Starliner and the SpaceX Dragon at a much lower cost than NASA currently pays to maintain the International Space Station.

Private companies such as Bigelow are as enthusiastic about the privatization plan as politicians are angry.

The International Space Station, meanwhile, may remain operational only until 2024. In theory, the orbiting laboratory could keep flying

until about 2028, before radiation and micrometeorites wear it down. If the international partners cannot agree to a four-year extension without the U.S., it will have to retire sooner.

The Trump administration should be applauded for starting the transition from a government-owned space station to the era of commercial space facilities. The process would be necessary even if money were not needed to take Americans back to the moon.

America should not abandon low Earth orbit. But that goal cannot be fulfilled by clinging to the International Space Station indefinitely. It can only be accomplished by commercial space stations, freeing NASA to lead the great push to the moon, to Mars—and beyond.

Mr. Whittington is a writer in Houston.

BOOKSHELF | By David M. Shribman

## Nothing But Net

## Basketball: Great Writing About America's Game

Edited by Alexander Wolff  
(Library of America, 462 pages, \$35)

Long past his basketball prime but still in the prime of his life, the great Bill Russell several years ago traveled to Hanover, N.H., to accept an honorary degree from Dartmouth. There, I met the Boston Celtic immortal and showed him the paperback I had brought along for the occasion—my copy of his 1966 as-told-to autobiography. I mentioned that it had been my favorite book as a young basketball enthusiast. "Did you read that book?" he thundered, looking down on me, a Lilliputian. "Yes, I did," I replied, gamely. "Well," he said, "I never have."

Sadly but justifiably, "Go Up for Glory" is not anthologized in the Library of America volume on great basketball writing, but Bill Russell is in its pages, and so is Oscar Robertson, and Pete Maravich, and Michael Jordan, and Meadowlark Lemon, and Larry Bird—and Michelle Marciniak, the point guard that Tennessee coach Pat Summitt recruited back in the early 1990s so close to Ms. Summitt's due date that she nearly gave birth to her son on the Marciniak family couch. The baby did fine, and so did Ms. Marciniak, who was voted MVP in the Lady Vols' run to the 1996 national championship.

"Basketball: Great Writing About America's Game" is like an all-star game between hard covers. It is also a volume that can be easily dipped into—the way Wilt Chamberlain used to dip into his free-throw shots, though the reader's efforts will be better rewarded. (In one season, the Big Dipper sank only 38% of his tries.) Among the offerings is an excerpt from "My Losing Season," the novelist Pat Conroy's memoir of playing for The Citadel in 1966-67, when the team managed only an 8-17 performance. But the win-loss record was beside the point, not least for spectators. "What a good thing it is to go to games," Conroy wrote. "What strange joy is felt as you leave the flatness of your daily life, the fatigue of routine, and the killing sameness of jobs to move among thousands toward a brightly lit field house at night."

Elsewhere in the anthology Bob Cousy, the Boston Celtic guard in the 1950s and early 1960s, is memorialized in a lovely essay by the New Yorker's Herbert Warren Wind. Indeed, literary portraits abound: Frank Deford on Bobby Knight, John McPhee on Bill Bradley, Alexander Wolff on John Wooden. (Mr. Wolff, a longtime Sports Illustrated writer and now an author, is the anthology's editor.) Here, too, are excerpts from the diary of Tom Meschery, the NBA forward who played for a decade in Philadelphia, San Francisco and Seattle and then decided to swap the foul line for the literary life, getting a masters of fine arts and studying with Mark Strand, the Pulitzer Prize-winning poet.

But what may resonate most are the glimpses of basketball far from the big time. In an excerpt from "The City Game" (1970), Pete Axthelm chronicles pick-up games in New York's black neighborhoods. The hamlet of Milan is at the center of Edith Roberts's "Indiana's Town of Champions." Back in the 1950s, in a defeat-Goliath story for all time, Milan's team won the state championship, a feat that would inspire the 1986 film "Hoosiers." Here is Roberts's snapshot from the day the Milan Indians played their famous game:

**Portraits of famous figures abound—Bobby Knight, Bill Bradley, Pete Maravich. But there are glimpses of the game far from the big time.**

"By noon there was no one left in town but a few dogs, the postmaster and barber Russel (Rabbit) Hunter, who explained his odd behavior by stating he didn't deserve a ticket because he hadn't attended all of the school's games during the season. But to show his heart was with the boys, a sign in his window read: 'CLIP 'EM CLOSE, INDIANS!'"

Then there is Douglas Bauer's memoir of Prairie City, Iowa, in the late 1950s and early 1960s, when the girls' high-school team played in six-to-a-side, half-court matches before the boys' games. The girls' playing in those days had much in common with women's tennis today—it was more competitive and more engaging to watch than the men's version. "I have a clear memory of looking up into the balcony, its bleachers rising like a cliff wall, where the farmers and merchants, the town's strongest fans, sat in the dim, attic light," Mr. Bauer writes. "Many of them put on their coats after the girls' game had ended. They knew they had just seen the best basketball they would watch that evening, and they were going home. Let the boys lose in front of their parents and their girl friends."

Peter Goldman, whose reports from presidential campaigns once graced the pages of Newsweek, is represented here by "Requiem for a Globetrotter," an account of the 1977 death of Leon Hillard. The basketball magician who played for the Harlem Globetrotters a half-century ago was killed by his wife in a domestic confrontation. Mr. Goldman tells the story of how Hillard "got messed up with his Sandra. Yelled at her, chased her downstairs at her mama's, kicked open the door and walked into a .38 slug coming out."

In an evocative foreword, Kareem Abdul-Jabbar says of his experience playing for school teams in the 1960s: "The better I played as an individual, the more of a statement I was making about the negative stereotypes about blacks that were prevalent at that time." The anthology makes it clear that basketball is often a sport played by people struggling for and eventually personifying (literally and otherwise) upward mobility.

It is also a sport of fluid motion and rhythmic grace and, at times, poetical. Tom Meschery may not be in the basketball hall of fame, but his verse has earned him a place in the Nevada Writers Hall of Fame. The poet Donald Hall, in his own essay, calls basketball "the purest sport of bodies," one that celebrates "improvisation, invention, and imagination." Bill Russell can always relive his own poetry and that of others in Mr. Wolff's splendid anthology.

Mr. Shribman is executive editor of the Pittsburgh Post-Gazette.

## Coming in BOOKS this weekend

The mysterious Agatha Christie • The Kerner Commission at 50 • Florence Gould's charmed life • Alan Seeger's rendezvous with death • What drives explorers to the ends of the earth • Sam Sacks on short stories • & more

## OPINION

## REVIEW &amp; OUTLOOK

## Trump's Tariff Folly

**D**onald Trump made the biggest policy blunder of his Presidency Thursday by announcing that next week he'll impose tariffs of 25% on imported steel and 10% on aluminum. This tax increase will punish American workers, invite retaliation that will harm U.S. exports, divide his political coalition at home, anger allies abroad, and undermine his tax and regulatory reforms. The Dow Jones Industrial Average fell 1.7% on the news, as investors absorbed the self-inflicted folly.

Mr. Trump has spent a year trying to lift the economy from its Obama doldrums, with considerable success. Annual GDP growth has averaged 3% in the past nine months if you adjust for temporary factors, and on Tuesday the ISM manufacturing index for February came in at a gaudy 60.8. American factories are humming, and consumer and business confidence are soaring.

Apparently Mr. Trump can't stand all this winning. His tariffs will benefit a handful of companies, at least for a while, but they will harm many more. "We have with us the biggest steel companies in the United States. They used to be a lot bigger, but they're going to be a lot bigger again," Mr. Trump declared in a meeting Thursday at the White House with steel and aluminum executives.

No, they won't. The immediate impact will be to make the U.S. an island of high-priced steel and aluminum. The U.S. companies will raise their prices to nearly match the tariffs while snatching some market share. The additional profits will flow to executives in higher bonuses and shareholders, at least until the higher prices hurt their steel- and aluminum-using customers. Then U.S. steel and aluminum makers will be hurt as well.

Mr. Trump seems not to understand that steel-using industries in the U.S. employ some 6.5 million Americans, while steel makers employ about 140,000. Transportation industries, including aircraft and autos, account for about 40% of domestic steel consumption, followed by packaging with 20% and building construction with 15%. All will have to pay higher prices, making them less competitive globally and in the U.S.

Instead of importing steel to make goods in America, many companies will simply import the finished product made from cheaper steel or aluminum abroad. Mr. Trump fancies himself the savior of the U.S. auto industry, but he might note that Ford Motor shares fell 3%

## A Shady Joint-Employer Ambush

**T**rump appointees endure aggravating pat-downs by the White House ethics office to serve. But many could be barred from serving in any functional capacity if a National Labor Relations Board Inspector General's interpretation of ethics rules is applied more broadly.

On Monday the NLRB, at the prodding of Inspector General David Berry, vacated its *Hy-Brand* ruling that had overturned the Obama-era "indirect control" joint-employer standard. The board's 2015 *Browning-Ferris* decision rewrote 30 years of labor law by holding contractors responsible for their subcontractors' employees if they exercised indirect control over their employment conditions.

Under *Browning-Ferris*, any business that utilizes a sub-contractor or temp agency could be deemed a joint employer. Corporations could be on the hook for the employees of their franchisees. One goal was to make it easier for unions to organize workers in fragmented workplaces with multiple subcontractors. Unions could also bring deep-pocketed corporations to the bargaining table.

In December the new Trump board majority with its *Hy-Brand* decision reversed *Browning-Ferris* and reinstated the prior "direct control" standard. But after unions and Democratic Senators howled, Mr. Berry launched an investigation into whether board member Bill Emanuel had violated conflict-of-interest rules by participating in the case.

A White House executive order requires executive-agency appointees to recuse themselves from a "particular matter involving specific parties" that are "directly or substantially" related to a former employer or client. Mr. Emanuel never represented *Hy-Brand*. But Leadpoint Business Services, the subcontractor in the *Browning-Ferris* case, was a client of his former employer, the law firm Littler Mendelson.

Mr. Berry, who was appointed by two former NLRB members during the Bush Administration, concluded that Mr. Emanuel should have recused himself from *Hy-Brand* since the ruling overturned *Browning-Ferris*. Forget that Leadpoint wasn't "directly" or "substantially" involved in the "particular" case.

According to Mr. Berry, the board's *Hy-Brand* decision incorporated dissenting opinions in *Browning-Ferris* and thus "consolidated the two cases into the same 'particular matter involving specific parties.'" Leadpoint would have been affected by *Hy-Brand*, though so would many employers.

In other words, Mr. Berry is setting a new indirect conflict-of-interest rule. Under Mr. Berry's standard, Mr. Emanuel likely could not participate in any decision that would overturn *Browning-Ferris*. That means the Trump majority on the board would be unable to reverse the

## His tax on aluminum and steel will hurt the economy and his voters.

Thursday and GM's fell 4%. U.S. Steel gained 5.8%. Mr. Trump has handed a giant gift to foreign car makers, which will now have a cost advantage over Detroit. How do you think that will play in Michigan in 2020?

The National Retail Federation called the tariffs a "tax on American families," who will pay higher prices for canned goods and even beer in aluminum cans. Another name for this is the Trump voter tax.

The economic damage will quickly compound because other countries can and will retaliate against U.S. exports. Not steel, but against farm goods, Harley-Davidson motorcycles, Cummins engines, John Deere tractors, and much more.

Foreign countries are canny enough to know how to impose maximum political pain on Republican Senators and Congressmen in an election year by targeting exports from their states and districts. Has anyone at the White House political shop thought this through?

Then there's the diplomatic damage, made worse by Mr. Trump's use of Section 232 to claim a threat to national security. In the process Mr. Trump is declaring a unilateral exception to U.S. trade agreements that other countries won't forget and will surely emulate.

The national security threat from foreign steel is preposterous because China supplies only 2.2% of U.S. imports and Russia 8.7%. But the tariffs will whack that menace to world peace known as Canada, which supplies 16%. South Korea, which Mr. Trump needs for his strategy against North Korea, supplies 10%, Brazil 13% and Mexico 9%.

Oh, and Canada buys more American steel than any other country, accounting for 50% of U.S. steel exports. Mr. Trump is punishing our most important trading partner in the middle of a Nafta renegotiation that he claims will result in a much better deal. Instead he is taking a machete to America's trade credibility. Why should Canada believe a word he says?

\* \* \*

Mr. Trump announced his intentions Thursday, so there's still time to reconsider. GOP Senators Orrin Hatch (Utah) and Ben Sasse (Nebraska) spoke up loudly against the tariffs, but a larger business and labor chorus is required. Mr. Trump is a bona fide protectionist so he won't be dissuaded by arguments about comparative advantage. But perhaps he will heed the message from the falling stock market, and from the harm he will do to the economy, his voters, and his Presidency.

## A bureaucratic inside job reverses a key labor law decision.

But wait—President Trump in January appointed to the board John King, a former partner of Morgan, Lewis and Bockius. The employment-management law firm has represented McDonald's and other big-name clients like Google, Amazon, Marriott and Xerox. What's the chance that any of these businesses could be indirectly affected by a labor case before the board?

The upshot of Mr. Berry's expansive interpretation of White House ethics rules—which are not legally binding—is that anyone who worked in industry could not participate in a decision or rule-making that affects a former employer or client. This would make overturning Obama-era rules next to impossible.

Mr. Berry has also set a double standard since he identified no conflict-of-interest when he examined Obama NLRB appointee Craig Becker's participation in cases that directly involved his former employers at the Service Employees International Union.

\* \* \*

We wrote about this in 2010, but Mr. Becker refused to recuse himself because "under Federal labor law, the President is entitled to appoint individuals to be Members of the Board who share his or her views." The Berry standard seems to be that board members from business are conflicted at the NLRB but those who worked for unions aren't.

\* \* \*

Perhaps someone should inspect Mr. Berry. The left-leaning ProPublica website broke the story of Mr. Berry's investigation a month ago with a leaked letter from Mr. Emanuel responding to questions about his involvement in *Hy-Brand*. Recall that Republican Terence Flynn was compelled to resign from the board in 2012 after a report by Mr. Berry found he had shared internal deliberations with former NLRB members.

Yet Democratic board member Mark Pearce let slip at an American Bar Association meeting Sunday night that an important decision on the *Hy-Brand* case would be issued the next day. Senators Elizabeth Warren and Patty Murray also announced this week that another ethics report into Mr. Emanuel's misconduct was forthcoming.

Mr. Berry, how did they know? *Hy-Brand* should file a motion for reconsideration, and Mr. Emanuel ought to issue a dissent arguing that he is being improperly excluded from the joint-employer matter. His forced recusal would set an awful precedent for public service. If liberals want to challenge *Hy-Brand*, they can do so in federal court. Meanwhile, the *Hy-Brand* reversal adds impetus for the Senate to take up bipartisan legislation that the House passed last year codifying the direct-control joint-employer standard.

## LETTERS TO THE EDITOR

## A Clear and Present Danger of TD Syndrome

I'm not convinced that William A. Galston made his case that President Donald Trump is "a man incapable of discharging [his] duties" ("The Clear and Present Danger of Trump," Politics & Ideas, Feb. 21). He was elected by a clear majority of the Electoral College, as have been all our presidents. President Trump has used his Twitter account, generally to his advantage, to establish his viewpoint which the mainstream media refuses to report. He has repeatedly been very clear that the Russians tried to interfere with our election and probably cooperated with the Hillary Clinton campaign, but didn't collude with the Trump campaign. He wrote the book on negotiations and would like improved relations with Russia, but realizes that is unlikely for now. Since there are no grounds for impeachment, progressives push for use of the 25th Amendment. This is inappropriate.

Our electoral process worked as intended in 2016. The people didn't "go badly astray" and no suppressive measures are needed for our protection. Throughout our history of vigorously fought presidential elections, once the winner has been determined, the people unite to work together for the good of our country. That is what is lacking now. That is the cause of any chaos.

RALPH HARDER  
Sutter Creek, Calif.

Mr. Galston: Continue to speak truth to power. Vice President Mike Pence, the cabinet and Congress must be patriots and "defend the Constitution and laws of the United States against all enemies, foreign and domestic"—or do nothing, and elections and history will judge.

RANDALL JORDAL  
Evergreen, Colo.

Mr. Galston has been clearly overwhelmed by Trump derangement syndrome. The fact that the Russians continue to work, as they always have, to undermine American

democracy and global influence is a given that hardly needs presidential affirmation.

A real threat to our democracy is the erosion of our faith in the integrity of American institutions and the continuing attempts of the left (and possibly some in federal law enforcement and intelligence agencies) to delegitimize a duly and fairly elected president.

It is truly unfortunate that Mr. Galston is unsatisfied with the "ordinary checks and balances" of our Constitution. Any "extraordinary" attempt to remove an American president from office needs to be rejected as lawless and dangerous to our enduring republic.

TOM NEWMAN  
Scottsdale, Ariz.

Mr. Galston is right in admonishing President Trump for defending Vladimir Putin when the U.S. intelligence community asserts that Russia worked to undermine our most basic constitutional processes during the past election. Our president's ego will not allow him to accept such a determination.

Perhaps it's time for President Trump's entire cabinet to question his unwillingness and apparent inability to deal with proven reality. It may be time for calling it quits with our abnormal president. He's been given plenty of time to normalize and he fails to see the need to do so. He was a hero in beating Hillary Clinton and saving our Supreme Court from disaster, but his unusual and unacceptable ways of performing and not performing have left us no choice.

JOHN MELANGTON  
Stuart, Fla.

If Mr. Galston had absorbed the wisdom of President Obama in his 2012 debate with Mitt Romney, he would have realized that the Cold War has been over for 30 years and Russia is no longer a threat.

PAUL HOEDEMA  
Edina, Minn.

## Why Doesn't Sen. Warren Take a DNA Test?

What Jason L. Riley and those who are constantly harping on whether or not Elizabeth Warren is part Native American forget is Ms. Warren grew up in Oklahoma ("Elizabeth Warren Lectures Native Americans About Pocahontas," Upward Mobility, Feb. 21). Ms. Warren and I were in the same high-school class at Northwest Classen in Oklahoma City.

Most of us who grew up in Oklahoma in the 1950s and '60s had many friends who were (or whose families said they were) "part Indian." Given the history of the state (Indian Territory before it became Oklahoma), it was easy to believe anyone whose family had been in the state a generation or two was "part Indian."

Those who condemn Ms. Warren for believing her family's story of Native American ancestry should remember it's sometimes difficult to separate fact from fiction in those old family stories. After all, didn't Donald Trump and his father claim to be of Swedish descent?

LARRY ROTH  
Kansas City, Mo.

By taking up an affirmative-action "slot" in an organization, Ms. Warren denied that position to a qualified minority. Throughout her professional career, she has cheated qualified

BEN M. ENIS  
Henderson, Nev.

## But New Orleans Really Is Built in a Major Flood Zone

Sen. John Kennedy (Letters, Feb. 14) takes offense at the people of New Orleans being characterized as "repeat flood offenders grazing on a trough of federal handouts" and recommends still more government funding to make the National Flood Insurance Program financially sound. After Katrina, taxpayers shovelled in \$120 billion to rescue New Orleans and its environs, which is surrounded on three sides by Lakes Pontchartrain, Borgne and Cataouatche/Salvador. This area is near the Gulf of Mexico, bisected by the Mississippi River and built on land at an average elevation of 0.5 meters below sea level. I rest my case.

KEN IMBODEN  
San Jose, Calif.

## Nobody Gets Fired When The Bureaucrats Mess Up

I agree with Daniel Henninger's assessment of the federal government as "too big to succeed" ("The FBI's Parkland Fail," Wonder Land, Feb. 22). There is an inherent lack of accountability in the public sector. We can expect that after an "extensive and thorough investigation" it will be announced once again that the failure was "systemic" in nature, which is government-speak for, "None of us are going to lose our jobs over this massive screw up."

Oh sure, perhaps a political appointee or two will fall on their sword to stem the criticism (as "Brownie" did after the Katrina fiasco), but the career bureaucrats whose obligation it is to protect us from these types of threats will escape largely unscathed.

If we are to expect improvements in our ability to counter threats to our well-being, regardless of their intent, incompetent government employees who fail significantly in their obligation to protect us need to start losing their jobs.

KEVIN MALONEY  
Suffield, Conn.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"You're in conferences all morning. How many interruptions shall I schedule?"

## OPINION

# A Hillary Staffer Goes To CPAC

By Annafi Wahed

**M**ake sure to check in with "us!" one friend told me. "Try not to get killed," another warned. I wasn't off to a war zone or a spy mission in Moscow. I was riding a bus from New York to Washington to attend the Conservative Political Action Conference.

To be sure, I'm a tiny, talkative South Asian woman who spent four months on Hillary Clinton's 2016 campaign staff. I wasn't exactly in my element surrounded by people in "Make America Great Again" hats chanting "Lock her up! Lock her up!" But there was more to CPAC than that. In four

**'Try not to get killed,' a friend warned. But I was greeted with open arms.**

days, I spoke with more than 100 conservatives, most of whom greeted me with open arms and thanked me for being there and having an open mind. They happily engaged me in meaningful political conversation and invited me for drinks and after-parties.

Where some saw a circus, I saw a big tent. I spoke with Jennifer C. Williams, chairman of the Trenton, N.J., Republican Committee and a transgender activist. Twenty feet away, I spoke with a religious leader who opposes same-sex marriage. While a panelist touted capital punishment, several attendees crowded the Conservatives Concerned About the Death Penalty booth. Hours after President Trump recast Oscar Brown Jr.'s song "The Snake" as an ugly anti-immigrant parable, several influential Republicans were asking me, a naturalized citizen, how they can support my startup.

In retrospect, I'm embarrassed at how nervous I was when I arrived. I found myself singing along to "God Bless the USA" with a hilariously rowdy group of college Republicans, having nuanced discussions about gun control and education policy with people from all walks of life, nodding my head in agreement with parts of Ben Shapiro's speech, and coming away with a greater determination to burst ideological media bubbles.

Among liberals, conservatives have a reputation for being closed-minded, even deplorable. But in the Washington Republicans I encountered at CPAC, I found a group of people who acknowledged their party's shortcomings, genuinely wondered why I left my corporate job to join Mrs. Clinton's campaign in 2016, and listened to my arguments before defending their own positions.

Although CPAC attendees were as passionate about policy as my liberal friends, they took a more lighthearted approach. At one after-party, they alternated between taking selfies with Milo Yiannopoulos and engaging in a thoughtful, substantive discussion with a Democrat. One notable exchange: I exclaimed, "Of course the Department of Education is necessary!" which drew the rejoinder, "Great! Let's make 50 of them!"

As I look back on all the people who greeted me warmly, made sure I didn't get lost in the crowd, and went out of their way to introduce me to their friends, I can't help but wonder how a Trump supporter would have fared at a Democratic rally. Would someone wearing a MAGA hat be greeted with smiles or suspicion, be listened to or shamed down?

At Hillary rallies, we always filled the stands with our biggest supporters. At CPAC, most of the few liberals in attendance had media credentials, as I did. I'm new to this, but shouldn't we want to engage with people who aren't convinced of our viewpoints? Why aren't there more conservatives at Democratic rallies and more liberals at CPAC? What are we afraid of?

**Ms. Wahed is founder of TheFlipSide.io, a daily digest of liberal and conservative commentary.**

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

Rupert Murdoch  
Executive Chairman, News CorpGerard Baker  
Editor in ChiefMatthew J. Murray Karen Miller Pensiero  
Executive Editor Managing Editor

Jason Anders, Chief News Editor; Thorold Barker, Europe; Elena Cherney, Coverage Planning;

Andrew Dowell, Asia; Neal Lipschutz, Standards;

Meg Marco, Digital Content Strategy; Alex Martin, Writing; Mike Miller, Features &amp; Weekend;

Christopher Moran, Video; Shazna Nessa, Visuals;

Rajiv Pant, Technology; Ann Podd, News Production; Matthew Rose, Enterprise;

Michael Siconolfi, Investigations; Nikki Waller, Live Journalism; Stephen Wisneski, Professional News; Carla Zanini, Audited &amp; Analytics

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT: Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS: 1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

# Xi Jinping's Ideological Ambitions

By Richard McGregor

**X**i Jinping isn't going anywhere. This week the Chinese Communist Party proposed amending the country's constitution to abolish presidential term limits. Under the current rules, Mr. Xi is due to step down in 2023, after two terms. Once that formal constraint is eliminated, there will be nothing to stop him from staying in office however long he likes—as the Communist Party's chief and China's president.

Behind this news, sidelining constitutional restraints is a deeper trend: Under Mr. Xi's leadership, the Communist Party is devouring China's governing institutions while promoting its ideology for export like never before. Mr. Xi's message to the world is that autocracy is a viable system of government. That makes China not only an economic and security rival for the U.S. but an ideological one.

If such a change isn't obvious, that may be because the old habits of Leninist secrecy die hard. The Communist Party's powerful departments that control personnel and policy still do not list their phone numbers or display signs outside their offices. Likewise, the party continues to enforce a strict code of silence about its internal operations.

But elsewhere the party has become more open about its grip on business and society. To take one example, Chinese state companies listed abroad have long filed misleading prospectuses that omitted the party's pivotal role in their operations, including the hiring and firing of senior executives. Recently Beijing reversed course. Some state companies listed in Hong Kong now include in their articles of association a broad description of the party's role in "managing the overall situation." The meaning of this change is clear:



Chinese President Xi Jinping in Hanoi, Nov. 12, 2017.

KHAM/AP/GTET IMAGES

Power over corporate decisions and personnel that the party used to wield behind the scenes can now be exercised explicitly.

Meanwhile, the party has solidified its formerly haphazard effort to establish cells inside large Chinese private enterprises, as well as within foreign companies and joint ventures operating inside China. Any substantial private company, whether local or foreign, is now expected to include party cells.

## World communism isn't Beijing's goal, but it is encouraging the spread of authoritarianism.

Since the party sits above the law, this means that core functions of state-owned enterprises and private companies alike are free from legal and regulatory oversight. European businesses have tried to push back. "A fundamental change of this nature would introduce an additional layer of governance and would have

serious consequences for the independent decision-making ability" of these ventures, the European Chamber of Commerce in China said in a statement last year. But Beijing has airily dismissed these objections as little more than a failure by foreigners to understand Chinese corporate governance.

This new direction is being set at the top. As Mr. Xi said in October at a party conference that convenes every five years: "Government, the military, society and schools, north, south, east and west—the party leads them all." He delivered the same message to the world in December at a conference in Beijing hosted by the Communist Party. Delegations from more than 100 countries attended, according to a Reuters report, including Myanmar's Aung San Suu Kyi and representatives from the United Russia party and America's Republican National Committee.

Yes, Beijing is flaunting its growing diplomatic and military power on the world stage, but it goes far beyond that. Increasingly, China is promoting its system as an alternative to Western democracy, something that was rare even five years ago.

Mr. Xi now talks about the "China solution" for a world facing political and financial turmoil. In place of such uncertainties, which Beijing blames on the West, Mr. Xi lauds China's "wisdom" of global governance.

In steering China toward his vision, Mr. Xi has had to be more open about both the communist system and the country's ambitions. Since Mr. Xi came to power in 2012, he has centralized power in his office and within the party, while allowing the policy-making functions of the broader bureaucracy to wither. Overseas, China has become more strident in its drive to become a superpower, particularly in Asia, where it aims to dislodge the U.S. as the dominant force.

At the December conference, Mr. Xi promised that Beijing "will not import other countries' models, and will not export the China model." But this is true only up to a point. The Chinese system, which combines a Leninist-style party with a centuries-old bureaucratic culture, can't easily be replicated elsewhere. What Mr. Xi is really promoting is something else: the idea that authoritarian political systems are not only legitimate but can outperform Western democracies.

China's rivalry with the U.S. is not the same as the Soviet Union's competition during the Cold War, which pitted capitalism against Marxism. Beijing formally follows the dictates of Marxism-Leninism, but its ideology is one of state power. Although China has always been ready to support other autocracies when doing so was in its interest, Mr. Xi's party is now touting itself forcefully as an example of a governing system that works.

It is a pity, then, that America's political system remains in such upheaval. Rarely has the soft power of a thriving democracy been more needed.

**Mr. McGregor is a senior fellow at the Lowy Institute in Sydney.**

## The EU's Hungary Problem Is the EU

**Budapest**  
Europe's biggest problem with Hungary is that Europe doesn't have any good ways to deal with a problem like Hungary. A brief visit here ahead of April's elections shows the extent to which that truth is challenging the European Union's central beliefs about itself.

Prime Minister Viktor Orban on April 8 will win his third consecutive term since 2010—his fourth term overall, including his first stint from 1998–2002. The main question is whether his Fidesz party can eke out a two-thirds supermajority in Parliament, which would enable Mr. Orban to amend the constitution at will.

This feels like another blow to democracy. Mr. Orban said in 2014, in a speech that rang alarm bells around the West, that he aspires to build an "illiberal state" on the model of Singapore, China, Russia or Turkey. He's succeeding. Press freedom has deteriorated as the government has withdrawn its taxpayer-funded advertising from unfriendly outlets, and as ownership has been consolidated in the hands of Orban loyalists. In rural areas, independent newspapers have disappeared.

The major media are turning into propaganda arms for Fidesz, and Mr. Orban is using them to Orwellian effect by creating a foreign bogeyman to rally patriotic fervor. The bogeyman is George Soros, the left-wing Hungarian-born American financier. On a random Wednesday in February, the front pages of at least three big newspapers contained attacks on Mr. Soros for supposedly conspiring in various ways against Hungary. These particular fusillades didn't appear overtly anti-Semitic, but that's common enough too.

American and British conservatives may spar with Mr. Soros on policy, but sometimes the enemy of your enemy is also your enemy. Mr. Orban

is using the anti-Soros sentiment he has stirred up to justify clamping down further on Hungarian civil society. The so-called Stop Soros Law under debate would impose a 25% tax on foreign donations flowing into civil-society groups and other non-governmental organizations, whether Soros-funded or not.

Do these illiberal factors alone explain why Fidesz is cruising to an all-but-unopposed victory? No, because, let's be honest, the rest of Hungarian politics is a mess.

The center-left Hungarian Socialist Party, in power until 2010, thoroughly discredited itself by mismanaging the gathering economic crisis, and allegations of its corruption are widespread. Even under the electoral rules Mr. Orban has rigged in his favor, a coordinated resistance could peel away parliamentary seats held by Fidesz. But the opposition parties fight with one another rather than make any serious attempt to cooperate, let alone to address public dissatisfaction with the economy or the EU. The closest Hungary comes to a viable opposition is Jobbik, until recently (and perhaps still) a scarily right-wing party attempting to remake itself as a respectable center-right opposition.

The insoluble problem for the EU

is figuring out where in all this the legitimate democracy ends and the illiberalism begins.

Mr. Orban's nationalist attacks on Mr. Soros, who is accused of scheming to saddle Hungary with hundreds of thousands of unwelcome migrants, are preposterous. But so is Brussels's expectation that Hungary and other countries express "solidarity" with

## Prime Minister Viktor Orban masters Europe's legalisms while flouting its democratic aspirations.

Germany's moral preening in unilaterally inviting so many economic migrants to Europe in 2015. Mr. Orban's friendship with Vladimir Putin is surely a strategic threat to the West—a camel's nose under the EU and NATO tents, which is alarming given Hungary's procedural capacity to veto important decisions. But is Mr. Orban the biggest Russia-related threat in the West? Or might that crown go to Germany, with its determination to build a new pipeline allowing Russian gas to bypass Ukraine?

None of this is offered as an excuse for Mr. Orban. Rather, it's to note that so often the democracy standard boils down to "I'll know it when I see it." In contrast, the EU's approach to Hungary and other democratic backsliders is to consult its legalistic checklist. Hence the "Article 7 procedure" to maybe strip Poland of EU voting rights—but only after stultifying debates about what precise criteria should be used to measure judicial independence.

Mr. Orban, who trained as a lawyer, is adept at trampling on the spirit of the EU's democratic norms while tiptoeing around the letter of any specific legal provision Brussels might invoke against him. He's got the EU pegged. "I know it when I see it" requires some level of political discretion and democratic assent. The EU has neither. It can work only in carefully agreed checklists. And when an aspiring strongman like Mr. Orban finds ways around the checklist, the EU struggles to respond.

This isn't how the European Union thinks of itself, to judge from all the language in its founding treaties about being a guardian of human rights and freedom. But Mr. Orban is showing that this is how the EU is.

## A Bad Obama Labor Rule, Resurrected

By Andy Puzder

**T**he National Labor Relations Board dealt small businesses a blow on Monday when it brought back an Obama-era definition of what constitutes an employer. The reversal means that more companies will be classified as "joint employers" of their franchisees' workers and contract staff, subjecting these businesses to greater risk and stricter regulations. Congress should end this bureaucratic meddling by passing the Save Local Businesses Act, which would provide clarity to small businesses by reinstating the old standard.

Before the Obama administration, the NLRB had long upheld a common-sense definition of who is an employer. For a "joint employer" relationship to exist, both companies needed to "meaningfully affect" the workers by participating in processes such as hiring, firing, discipline and supervision.

In 2015 an activist NLRB, dominated by President Obama's appointees, overturned this precedent in its *Browning-Ferris* decision. This ruling expanded the definition of an employer to include entities with "indirect" control over job conditions. This broad standard threatened to upend the entire franchise business model, as well as all other forms of contracting.

New NLRB members appointed by President Trump reversed this overreach last December with the *Hy-Brand* ruling. But two Democratic senators, Patty Murray and Elizabeth

Warren, convinced the NLRB's inspector general that the board member who cast the deciding vote had a conflict of interest, because he had previously worked at the law firm that represented the defendant in *Browning-Ferris*. So now the Obama-era standard prevails once more.

The definition of "employer" isn't a mere semantic question. The NLRB's decision to revert to the 2015 definition puts hundreds of thousands of small businesses and millions of jobs at risk. As the former chief executive of CKE Restaurants, which owns Carl's Jr. and Hardee's, I saw firsthand how the franchise model empowers entrepreneurs, often from humble backgrounds, to achieve the American dream by becoming small-business owners.

I also saw how a broad joint-employer standard would disrupt this model by making franchisors liable for the countless managerial decisions their franchisees make each day. If a manager at one franchised McDonald's location in Chattanooga commits a labor violation, the franchisor could be sued even though executives at McDonald's headquarters don't decide which workers mop the floors in each restaurant or how they're compensated.

To protect themselves from lawsuits, franchisors would be forced to increase their control over every piddling labor decision. Franchisees would become owners in name only, unable to negotiate even their employees' pay. Who would risk time and money investing in a business they were unable to manage?

**Mr. Puzder is a board member of the Job Creators Network and author of "The Capitalist Comeback: The Trump Boom and the Left's Plot to Stop It," forthcoming in April.**

**D**OW JONES  
News Corp

Matthew J. Murray Karen Miller Pensiero  
Executive Editor Managing Editor

Rupert Murdoch Executive Chairman, News Corp

Gerard Baker Editor in Chief

Robert Thomson Chief Executive Officer, News Corp

William Lewis Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:  
Mark Musgrave, Chief People Officer;  
Edward Roussel, Innovation & Communications;  
Anna Sedgley, Chief Operating Officer;  
Katie Vannbeck-Smith, President

OPERATING EXECUTIVES:  
Ramin Beheshti, Product & Technology;  
Jason P. Conti, General Counsel;  
Frank Filippo, Print Products & Services;  
Steve Grycek, Customer Service;  
Kristin Heitmann, Chief Commercial Officer;  
Nancy McNeill, Advertising & Corporate Sales;  
Christina Van Tassel, Chief Financial Officer;  
Jonathan Wright, International  
DJ Media Group;  
Almar Latour, Publisher;  
Kenneth Breen, Commercial  
Professional Information Business;  
Christopher Lloyd, Head;  
Ingrid Verschuren, Deputy Head

EDITORIAL AND CORPORATE HEADQUARTERS:  
1211 Avenue of the Americas, New York, N.Y., 10036  
Telephone 1-800-DOWJONES

## WORLD NEWS

# South Korea Presses Talks With North

President Moon tells Trump of intent to continue momentum of diplomacy with foe

BY ANDREW JEONG

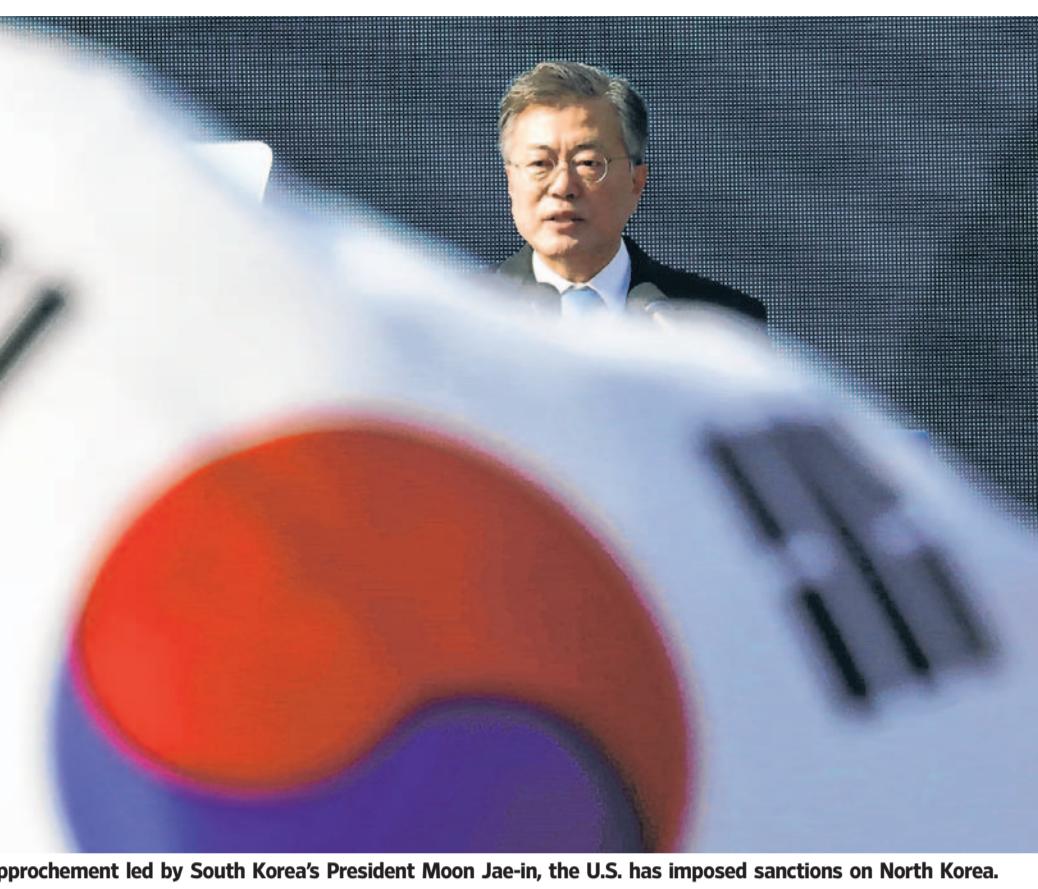
SEOUL—South Korean President Moon Jae-in told President Donald Trump that he would send a special envoy to North Korea to follow up on a visit by the sister of leader Kim Jong Un to Seoul, the South Korean presidential office said.

The presidential office suggested the decision was part of an effort to continue diplomatic efforts after a series of exchanges between the two Koreas around the Winter Olympics in Pyeongchang, South Korea, which wrapped up on Sunday.

The announcement came after a 30-minute phone call on Thursday between Messrs. Trump and Moon in which the two allies agreed to "maintain and push forward" the momentum of inter-Korean talks, a spokesman for the South Korean presidential office said.

"Both leaders agreed to continue close coordination during the coming inter-Korean talks," said Yoon Young-chun, the presidential spokesman. He didn't identify the special envoy or say when the trip would take place.

The recent inter-Korean



Despite an inter-Korean rapprochement led by South Korea's President Moon Jae-in, the U.S. has imposed sanctions on North Korea.

rapprochement comes after a year of tension in which North Korea demonstrated gains in its development of nuclear-tipped long-range missiles.

The Trump administration has sought to maintain pressure on North Korea, and on Feb. 23, amid the Olympics di-

plomacy, levied what it called its largest ever North Korea sanctions package.

The move reflected tensions between Seoul and Washington over some aspects of North Korea policy, with Mr. Moon pursuing engagement alongside sanctions, while the

Trump administration has stressed sanctions with minimal engagement—and threatened military action.

Some senior U.S. officials described North Korea's diplomatic efforts around the Olympics as a propaganda ploy to weaken U.S. sanctions

efforts and drive a wedge between Seoul and Washington.

The recent departure of the top U.S. diplomat on North Korea, Joseph Yun, added to the uncertainty about the Trump administration's interest in talks with Pyongyang. Mr. Yun's departure highlighted an-

other gap as the prospect for talks grows: The post of U.S. ambassador to South Korea has been left vacant for 13 months.

South Korea's diplomatic efforts advanced quickly in February with two visits by senior-level North Korean delegations, the first led by Kim Yo Jong, the sister of North Korea's leader, and the second by Kim Yong Chol, a senior North Korean military official who isn't related to Kim Jong Un.

Kim Yo Jong delivered a handwritten letter from Kim Jong Un to Mr. Moon and proposed a summit between the two Koreas in Pyongyang. Mr. Moon hasn't committed to going, saying only that he hoped to create the right conditions for such a summit meeting.

During the second visit, Kim Yong Chol told Mr. Moon that Pyongyang would be "fully willing" to talk with Washington.

The Koreas had received special approval from the International Olympic Committee to allow North Korean athletes to compete in the Olympic Games. The two Koreas formed a joint women's ice-hockey team.

North Korea refrained from conducting missile or nuclear-weapons tests during the Winter Games. Meanwhile, Seoul and Washington agreed to postpone annual military exercises with the U.S. until after the Paralympics end on March 18.

## Australia Raises Its Profile in South China Sea

BY ROB TAYLOR

CANBERRA, Australia—Australia said it has increased its naval presence in the South China Sea in response to concerns about regional stability, as Beijing expands its military footprint in the disputed waterway and faces accusations of interference in Australia's affairs.

The Australian Defense Minister Marise Payne's remarks to a parliamentary

hearing Thursday highlight officials' unease about China's rising military capability and concerns among the U.S. and its allies about Beijing's intentions. Separately during the hearings, a senior envoy described Canberra's relations with China as "difficult."

Beijing claims ownership of nearly all the South China Sea, an artery for global trade where several nations have competing maritime claims. China has built artificial islands there equipped with radar installations, runways and missile shelters, despite a 2016 tribunal ruling that invalidated its claims.

Ms. Payne said Thursday that the U.S. ally had made a "quite significant increase" to its military presence in the South China Sea and elsewhere to Australia's north in the past 18 months, including exercises and port visits with Japan, South Korea, Indonesia and the Philippines.

Late last year, six Australian warships led by a carrier sailed through the South China Sea, the country's largest naval deployment in three decades. Chinese media said at the time Australia was aiding U.S.-led efforts to encircle China.

The U.S. has urged security partners in Asia to join it in freedom-of-navigation operations designed to challenge Beijing's territorial claims and assert navigation rights.



Kayakers paddle past Australian warships moored in Sydney.

## Tomorrow Transform Your Tomorrow

Discover the new mattress and sleep system crafted for unrivaled comfort and support  
by the world's leading sleep experts at Serta Simmons Bedding.

  
Convenient  
Delivery in a Box

  
Free 2-3 Day  
Shipping & Returns

  
365 Day  
Mattress Trial

  
In-Home Setup  
& Mattress Removal

**Buy Online Now for Our Limited Time Offer  
\$125 off\* Use Code: GIFT5**

tomorrowsleep.com



\*Valid on purchases worth \$500 or more at [tomorrowsleep.com](http://tomorrowsleep.com) thru 03/18/18. TS00012-24-139943-3

# BUSINESS & FINANCE

© 2018 Dow Jones &amp; Company. All Rights Reserved.

\*\*\*\*\*

THE WALL STREET JOURNAL.

Friday, March 2, 2018 | B1

**S&P** 2677.67 ▼ 1.33%    **S&P FIN** ▼ 1.85%    **S&P IT** ▼ 1.70%    **DJ TRANS** ▼ 0.49%    **WSJ \$IDX** ▼ 0.26%    **LIBOR3M** 2.025    **NIKKEI (Midday)** 21097.35 ▼ 2.89%    See more at [WSJMarkets.com](http://WSJMarkets.com)

## Wells Wealth Business Under Fire

In latest setback, bank discloses independent probe of unit's marketing practices

BY EMILY GLAZER

**Wells Fargo** & Co.'s problems are expanding to its wealth-management business.

The Justice Department in late 2017 told the bank to conduct an independent investigation of its wealth-management business after whistleblowers from the bank alleged sales problems to the agency, people familiar with the matter said.

Wells Fargo on Thursday disclosed the board's investigation in a securities filing, saying it was "in response to in-

quiries from federal government agencies."

The bank said the board's review is assessing "whether there have been inappropriate referrals or recommendations, including with respect to rollovers for 401(k) plan participants, certain alternative investments, or referrals of brokerage customers to the company's investment and fiduciary services business."

The bank tapped law firm **Shearman & Sterling** to conduct the investigation, the people said.

The claims include business conducted at Wells Fargo's brokerage division, which is known as Wells Fargo Advisors. Wells Fargo's former head of that division, Mary Mack, was named in July 2016 to clean up its re-

tail-banking business. More recently, she was promoted to also lead its consumer-lending unit.

Chief Executive Timothy Sloan reiterated in a release that the bank is "committed to a thorough review of many processes" and "when we discover a problem, we are moving to find the root cause and fix it."

A spokeswoman for the Justice Department said it doesn't "confirm, deny or otherwise comment on the existence of an investigation."

Shares of Wells Fargo slid 1.9% to \$57.31 Thursday.

It is unclear exactly what Shearman & Sterling has found so far in its investigation, which the bank disclosed is in the "preliminary stages," according to the filing.

Shearman & Sterling has represented the bank's board since Wells Fargo disclosed widespread sales-practice problems in September 2016. It also spearheaded a 113-page report on the bank's sales-practices issues.

The April 2017 report was a long-anticipated deep dive into the questionable sales conduct affecting as many as 3.5 million accounts that dated to 2002 and ultimately resulted in a \$185 million regulatory penalty in September 2016.

The bank has faced continued problems since then. Most recently, the Federal Reserve announced an unprecedented enforcement action capping the bank's assets. The Fed also said the bank would be replacing four members of its board in 2018. The bank has said it is

confident it will satisfy the requirements of the Fed action.

On Thursday, Wells Fargo also said its longest-serving directors—John S. Chen, Lloyd H. Dean, and Enrique Hernandez Jr.—along with director Federico Peña will retire at the bank's annual shareholder meeting on April 24. Mr. Dean chairs the board's human-resources committee and Mr. Hernandez for years chaired the risk committee.

Last year, Wells Fargo said it also improperly charged around 800,000 auto-loan customers and up to 110,000 mortgage customers. The bank has said it is in the process of refunding those customers more than \$100 million.

—Lalita Clozel contributed to this article.

## Stocks Tumble, Extending Losses

BY MICHAEL WURSTHORN

The Dow Jones Industrial Average fell more than 400 points in a rocky session Thursday, extending its losing streak to three days and stalling the modest rebound the index had staged in recent weeks.

The blue-chip index swung roughly 743 points from its high to its low during the day as investors fretted over the ramifications of new steel and aluminum tariffs unveiled by President Donald Trump.

It was the Dow's third consecutive day with a decline of at least 1%, a streak the index hadn't suffered since January 2016. Meanwhile, Wall Street's fear gauge, the Cboe Volatility Index, surged to its highest reading since the Dow and the S&P 500 tumbled into correction territory on Feb. 8.

The Dow declined 420.22 points, or 1.7%, to 24608.98. The S&P 500 shed 36.16 points, or 1.3%, to 2677.67, while the Nasdaq Composite fell 92.45 points, or 1.3%, to 7180.56. It was the third consecutive day of declines for all three indexes.

The losses wiped out the Dow's gains for the year, putting it down 0.4% for 2018. Over the past three sessions, the index has fallen 1,100.29 points, or 4.3%. The S&P 500 is barely in the black for 2018 with a gain of 0.2%, and the Nasdaq remains up 4%.

Mr. Trump's decision to slap tariffs on steel and aluminum imports further stoked investors' fears of rising inflation because the levies will likely push the price of goods higher.

Investors also worried it could spark a trade war with foreign countries, several of which already had warned the U.S. that such an action could prompt them to retaliate.

"This is going to be effectively a tax increase," said Brian Nick, chief investment strategist at Nuveen. "Certainly on some businesses and many consumers, and it will be counteracting the fiscal stimulus. In a vacuum, growth will be a bit lower this year because of the higher tariffs on goods that a lot of people buy."

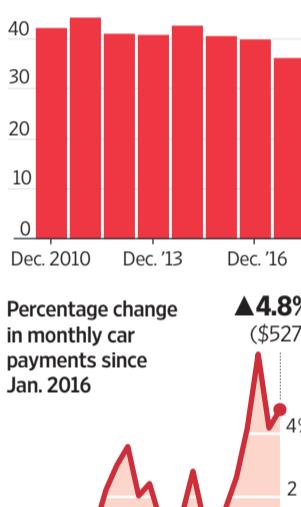
All 11 major sectors of the S&P 500 fell, led by declines in

Please see STOCKS page B2



### Credit Crunch

Share of securitized car loan balances that lenders recovered after subprime borrowers stopped paying



Note: Recovery rates based on reposessing and reselling cars  
Sources: S&P Global Ratings (car loan balances); Edmunds (car loan payments); Photo: Luke Sharrett/Bloomberg News

THE WALL STREET JOURNAL.

## Buying New Wheels Gets More Difficult

BY ADRIENNE ROBERTS AND ANNAMARIA ANDRIOTIS

Auto sales slumped in February as tightening credit conditions, higher interest rates and stingy discounts drove up monthly payments and slowed the U.S. car business even as the broader economy rolled along.

During the sales boom of past years, automobiles got more expensive due to the in-

duction of new technology and a migration to heftier trucks and SUVs, but consumers could afford them with the help of easy credit and a flood of incentives. Now dealers say they face a tougher sell.

"I can't match previous payments," Ali Reda, a salesman at Les Stanford Chevrolet in Dearborn, Mich., said. "Buying power is more limited."

Mr. Reda set the all-time U.S. sales record for an indi-

vidual salesman in 2017, but keeping that pace this year will be tough, he said. Customers are being more heavily scrutinized, with banks turning cautious on giving loans to buyers with balances on their credit cards, for instance.

Overall U.S. vehicle sales dropped 2.4% in February to 1.3 million, according to AutoData Corp. Of the major auto makers, only Toyota Motor Corp. registered an increase

for the month.

Brian Allan, a senior director at the Southern California dealership group Galpin Motors, said he is seeing some credit tightening, but considers it appropriate.

"I would call it a little bit more responsible, but it's subtle," Mr. Allan said. The problem of a higher monthly payment can be "cured with a little bit more down payment," he said.

Mr. Allan said he explains to customers that most cars have improved fuel economy and more infotainment offerings. "Your payment may be up \$50, but you'll save in fuel," he said. "We sell the whole expense structure."

Mr. Allan said he has also seen an increase in leasing.

**General Motors** Co.'s chief economist, Mustafa Mohatarem, said the broader economy

Please see CARS page B2

## Blackstone CEO Reaps \$800 Million Payday

BY RYAN DEZEMBER AND MARK MAREMONT

**Blackstone Group** LP Chief Executive Stephen Schwarzman took home at least \$800 million in 2017, one of the largest paydays ever at a publicly traded company and the latest affirmation of Wall Street's postcrisis rebound.

The haul, detailed Thursday in a regulatory filing, underscores the ascendancy of firms that manage private investment funds for institutions and the wealthy. Blackstone, which collects fees for managing clients' money and keeps a slice of investment gains, has benefited lately from robust markets for stocks, debt and real estate as well as banks' retreat from businesses such as specialty lending, into which Blackstone has expanded.

It's likely that Mr. Schwarzman, 71 years old, took home significantly more than the \$800 million disclosed by the firm. Over the past five years, his position has yielded him more than \$3.2 billion, largely in dividends and fund payouts. Mr. Schwarzman is known to remark that his salary, \$350,000, is similar to the starting pay

for the firm's greenest investment professionals.

The sums paid Mr. Schwarzman rank with some of the largest gains in corporate history. In 1987, junk-bond pioneer Michael Milken was paid more than \$550 million raising debt that fueled the corporate takeovers on which the likes of **KKR** & Co. and Blackstone were built. Two decades later, hedge-fund manager John Paulson pocketed \$5 billion when his fund's huge wager against the subprime mortgage market paid off during the foreclosure crisis.

Compensation for Wall Street chiefs and deal makers has been on the rise in recent years alongside major stock indexes. The heads of **Goldman Sachs Group** Inc., **Citigroup** Inc., **JPMorgan Chase & Co.**, **Bank of America** Corp. and **Morgan Stanley** collectively received about \$126 million, the highest annual tally since 2006, the year before financial markets melted down. On average, the banks' chief executive officers were paid \$25.3 million apiece, up 17% from 2016, securities filings show.

Beyond Wall Street, Silicon Valley and the shale boom have showered company executives with compensation packages that are

### INSIDE



#### CEOS PRESSED TO TAKE SIDES IN GUN DEBATE

#### SOCIAL RESPONSIBILITY, B3



#### QUALCOMM BID IGNITES FIGHT IN WASHINGTON

#### DEALS, B10

### STREETWISE | By James Mackintosh

## Don't Count on Fed to See All

Part of the grip central bankers have on markets comes from their mystique. The Federal Reserve holds sway over the price of money, which gives it hard power. But the Fed's soft power is almost as valuable: Its pronouncements on the future of the economy provide the baseline for investor

forecasts, and not only because they are trying to work out what the Fed will do with interest rates.

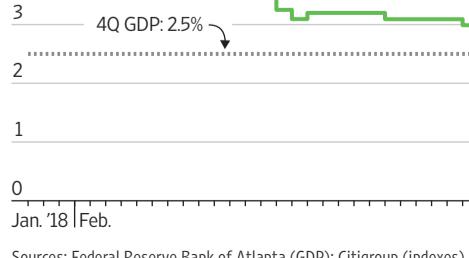
The Fed's aura of invincibility has been dented over the past decade. Yet those listening to new Fed Chairman Jerome Powell testify to Congress this week showed little willingness to question his foreknowledge about the economy.

He expressed confidence

#### Nowcasting the Economy

As more economic data have been released, forecasts for first-quarter U.S. GDP growth have been revised down.

#### GDP Now estimate



Economic data recently beat forecasts mostly due to 'soft' surveys, not 'hard' figures.

#### Citi U.S. Economic Surprise Index



THE WALL STREET JOURNAL.

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Facebook.....B2,B5
AirAsia.....B6	Fiat Chrysler.....B2
Airbus.....B6	Fly Leasing.....B6
Alibaba Group.....B10,B11	Ford Motor.....B2
Alphabet.....A1,A3,B4	Foxconn Industrial.....B11
Amazon.com.....B6,B12	Foxconn.....B10,B11
AMC Networks.....B6	G
American Outdoor.....B3	Gap.....B3
Anheuser-Busch.....B6	General Motors....B1,B2
Ant Financial.....B10	Glencore.....B11
Apollo Global.....B2	Goldman Sachs....B1,B12
Archer Daniels.....B12	Green Century Capital Management.....B6
B	H - I
Baidu.....B10,B11	Honda Motor.....B2
Bank of America.....B1	Huawei.....B10,B11
BBAM.....B6	IEX Group.....B11
Best Buy.....B3,B12	Invitation Homes.....B2
Blackstone Group.....B1	J
Boeing.....B2	JPMorgan....B1,B10,B12
Broadcom.....B10	K
Bunge.....B12	Kinder Morgan.....B2
Burberry Group.....B3	KKR.....B1
C	Kohl's.....B3,B12
Caterpillar.....A4	L
CEFC China Energy...B11	L Brands.....B12
Celgene.....B12	Long Blockchain.....B10
Century Aluminum....B2	LVHM.....B3
Citigroup.....B1	M
Counterpoint.....B11	Macy's.....B3
D	Microchip Technology....B3
Deere.....A4	Microsemi.....B3
Delta Air Lines.....B3	Morgan Stanley....B1
Dick's Sporting Goods B3	M&T Bank.....B2
E - F	N
Eastman Kodak.....B10	Nintendo.....B4
Equifax.....B3	O
Exxon Mobil.....B5	P

Nissan Motor.....B2

Nordstrom.....B3

O - P

Oppo Electronics.....B11

Overstock.com.....B10

Patterson.....B12

PepsiCo.....A1

Polaris Industries....A4

Procter & Gamble....A1,A6

Publis Group.....A8

Q - R

Qualcomm.....B10

Riot Blockchain.....B10

Rosneft.....B5,B11

S

Shanghai Dasheng....B11

T

Tencent.....B10,B11

Toyota Motor.....B1

Twitter.....B4,B5

U - V

Unilever.....A1

U.S. Steel.....B2

Vivo Electronics.....B11

W

Walmart.....B3

Walt Disney.....B6

Weinstein.....B6

Wells Fargo.....A1,B1

WHP Group.....B12

Wynn Resorts.....B6,B11

X

Xiaomi.....B10,B11

Xiaopeng Motors.....B10

Zions Bancorp.....B2

X - Z

Xiaomi.....B10,B11

Zhang, Shengfeng....B11

Zuckerberg, Mark.....B2

## INDEX TO PEOPLE

A	Harris, Joshua.....B2
Alles, Mark.....B12	Hernandez, Enrique Jr.....B1
B	Holz, Jared.....B12
Ben Ammar, Tarak.....B6	K
Black, Leon.....B2	Kimishima, Tatsumi...B4
Burkle, Ron.....B6	Kinder, Richard.....B2
Byrne, Patrick.....B10	Kravis, Henry.....B2
C	Kuehl, Brian.....A4
Cabana, Mark.....B12	L
Cagle, Casey.....B3	Landis Weaver, Rosanna.....B2
Caintic, Vincent.....B2	Liu, Shiyu.....B11
Chen, John S.....B1	M
Clarida, Richard.....A2	McGreevy, Jim.....A4
Cochran, Chris.....B6	Milken, Michael.....B1
Contreras-Sweet, Maria.....B6	Mohatarem, Mustafa.....B1
Cornyn, John.....B10	N
D	Nick, Brian.....B1
Deal, Nathan.....B3	O
Dean, Lloyd H.....B1	O'Hara, Sean.....B2
Dell, Michael.....M8	P
Dorsey, Jack.....B4	Paulson, John.....B11
G - H	
Giddis, Kevin.....B11	

Peña, Federico.....B1

Pittenger, Robert.....B10

Porges, Geoff.....B12

Pritchard, Marc.....A8

R

Remy, Ray.....B11

Roberts, George.....B2

Roe, John.....B6

Rowan, Marc.....B6

S

Schell, Connor.....B6

Schneiderman, Eric.....B6

Schwartzman, Stephen.....B1

Silver, Nate.....B6

Sloan, Timothy.....B1

Sommers, Mike.....A4

Sorrell, Martin.....A8

T - W - Z

Tisci, Riccardo.....B3

Weinstein, Bob.....B6

Weinstein, Harvey.....B6

William Dudley.....A2

Wine, Scott.....A4

Zhang, Shengfeng....B11

Zuckerberg, Mark.....B2

The share sales would be done through one or more public stock offerings whose timing would depend on market conditions and other factors, the filing said. HNA's stake in the company is currently worth around \$1.4 billion.

HNA, an airlines-to-hotels conglomerate which until recently was one of China's most acquisitive private companies, in the fall of 2016 agreed to buy a 25% stake in **Hilton Worldwide Holdings** Inc. from private-equity firm Blackstone Group LP for \$6.5 billion.

Hilton Worldwide subsequently split itself up into three publicly listed companies, including Park Hotels and another firm called Hilton Grand Vacations Inc., giving HNA a 25% stake in all three companies.

A spokesman for Park Hotels declined to comment. HNA declined to comment on whether it plans to sell its ownership in the other Hilton entities.

The asset-disposal plans mark a comedown for HNA, which recently went on an aggressive global acquisition spree, buying a large stake in Deutsche Bank AG, office towers in New York and London, and money managers, aircraft lessors and other businesses. Many of the acquisitions, including its purchase of stakes in the Hilton entities, were funded with the help of borrowed money. HNA has around \$100 billion in outstanding debt.

Anbang Insurance Group Co., another acquisitive Chinese company, was also a big buyer of U.S. hotels and resorts in recent years. Anbang last week was seized by China's insurance regulator and is expected to sell some of its assets in the U.S.

China's HNA Group Co. is planning to sell its entire stake in a U.S. company that owns dozens of Hilton hotels and other properties, accelerating plans to dispose of its overseas assets following a Chinese government clampdown on companies' spending abroad.

A securities filing this week from **Park Hotel & Resorts** Inc., a New York-listed real estate investment trust that owns Hilton resorts, convention centers, airport hotels and other properties across the country, said units of HNA are planning to pursue sales "of some or all" of the 25% stake they own in the company.

Since last summer, HNA's borrowing costs have climbed and the company has been struggling to raise cash to meet its near-term debt obligations.

In addition, the Chinese government has raised concerns about what it has called "irrational" investing abroad by some of the country's large private conglomerates including HNA, putting pressure on them to sell real estate and other overseas assets.

Anbang Insurance Group Co., another acquisitive Chinese company, was also a big buyer of U.S. hotels and resorts in recent years. Anbang last week was seized by China's insurance regulator and is expected to sell some of its assets in the U.S.

Continued from the prior page

could lend the industry a hand as the year rolls on. "The impact of tax reform and tax refunds aren't being felt fully by consumers yet. We expect consumer spending to pick up as tax cuts are reflected in paychecks."

Buyers, however, may not find the kind of deals they are looking for.

Auto lenders have been tightening underwriting standards over the past year in an attempt to guard against loan losses. One reason for the shift: Used-car values, which were strong for several years following the financial crisis, have sagged as more pre-owned inventory hits the market. Those used cars are collateral for the loans and leases that buyers need to finance a \$30,000 automobile.

**Nissan Motor** Co.'s compact car Sentra, which starts at

Feb. 220,905

Note: Percentage change is from February 2017

193,362

▼ 6.9%

▼ 6.8%

▼ 4.5%

▼ 1.0%

▼ 4.3%

▼ 5.0%

▼ 0.1%

▼ 0.2%

▼ 0.3%

▼ 0.4%

▼ 0.6%

▼ 0.7%

▼ 0.8%

▼ 0.9%

▼ 1.0%

▼ 1.1%

▼ 1.2%

▼ 1.3%

▼ 1.4%

▼ 1.5%

▼ 1.6%

▼ 1.7%

▼ 1.8%

▼ 1.9%

▼ 2.0%

▼ 2.1%

▼ 2.2%

▼ 2.3%

▼ 2.4%

▼ 2.5%

▼ 2.6%

▼ 2.7%

▼ 2.8%

▼ 2.9%

▼ 3.0%

▼ 3.1%

▼ 3.2%

▼ 3.3%

▼ 3.4%

▼ 3.5%

▼ 3.6%

## BUSINESS NEWS

# Equifax Data Breach Hits Over 147 Million

BY ANNAMARIA ANDRIOTIS

**Equifax Inc.** said more U.S. consumers were affected by its large data breach last year than originally disclosed.

The company on Thursday said that it identified about 2.4 million U.S. consumers whose names and partial driver's license information were stolen. The company said the consumers affected "were not in the previously identified" population of cyberattack victims.

That brings the total number of U.S. consumers whose personal information was compromised by the breach to 147.9 million, up from 145.5 million previously.

This is the second revision to the numbers that the company has made since disclosing the breach in September. Equifax had initially said that about 143 million U.S. consumers had been affected.

The new information was disclosed as part of the Atlanta-based company's continuing analysis into the data that was compromised in the attack. Equifax said its analysis into the impact of the breach continues.

The company also reported fourth-quarter earnings rose

40%, to \$172 million, beating expectations due to a benefit from the new U.S. tax law and revenue growth in international markets. The U.S. division of Equifax that works closely with banks and other lenders reported a drop in year-over-year revenue, while overall operating expenses rose 8% as the company deals with security improvements and litigation costs.

The latest breach findings are based on a new methodology the company is using to conduct further analysis of the impact of the event. It said its original findings were centered on people whose Social Security numbers were compromised.

Equifax has also been looking at other government-issued identifiers, and as part of that probe found that there were partial driver's license information, like strings of digits of driver's license numbers, and names. That is how it found the additional 2.4 million people who were affected. The company said those consumers' information was stolen by the hackers.

The company said these additional people's Social Security numbers weren't affected by the hack.

## Burberry Enlists Italian Designer



**Burberry Group PLC** named Italian designer Riccardo Tisci as creative director, seeking to revive its fortunes as the British fashion label struggles with weak sales in the U.S., its largest market.

Mr. Tisci was previously the creative director of French couture house Givenchy, a unit of **LVMH Moët Hennessy Louis Vuitton**, leaving in 2017 after 12 years. His high-concept designs helped turn around the brand, which was losing money when he started on

—Matthew Dalton

the job. Revenue had increased nearly sevenfold and operating profit was €51 million (\$62 million) by 2016.

But now Mr. Tisci, 43 years old, has the task of reviving a larger company grappling with the problems that department stores face in the U.S. market, which accounts for more than one-fifth of Burberry's global sales. Burberry relies on department stores for 30% of its revenue in the U.S., much higher than other luxury brands.

—Matthew Dalton

CHINA CIRCUIT | By Li Yuan

# People Can Undermine Digital Rule



While Americans and Europeans debate whether the internet and social media are undermining democracy, a big question for many Chinese is whether cutting-edge technology strengthens autocratic rule.

China's government is embracing technologies to monitor its population. A national plan to develop artificial intelligence highlights its "irreplaceable role in effectively maintaining social stability." Surveillance cameras with facial recognition, policing platforms that crunch big data, and the monitoring of smartphones and social media are being deployed.

To some Chinese, it seems their movements, habits and thoughts can be tracked by a government with unchecked power.

So is a digital dictatorship all powerful?

It's a question that author Wang Lixiong set out to answer in his dystopian novel "Ceremony." Released by Taiwan's Locus Publishing in December, "Ceremony" describes a China in 2021 that isn't far off from how the nation is today. The leader wants to stay in office beyond mandated term limits and uses an anticorruption campaign to vanquish rivals. Surveillance is ubiquitous.

In the end, the ruler is assassinated by his tech-savvy spy chief, using mini-drones in the shape of bees. The outcome, Mr. Wang said, underscores the vulnerability of a digital dictatorship.

"The Achilles' heel for a regime like this is that it needs the assistance of people who understand technology," he said. "These people



A surveillance camera in Shanghai. China is embracing technologies to monitor its population.

In August, Tencent had to take down two AI-enabled chatbots from QQ, its popular messaging app. One gave a simple "No" when asked "Do you love the Communist Party?" The other chatbot said its "China Dream"—a slogan associated with Mr. Xi—was to go to America.

Then there's bureaucratic rivalry, which Ms. Sacks said is an underappreciated factor holding back Beijing's ambitions. "Right now different government departments have different pieces of that data pie, and they don't want to share that information," she said.

**W**hen I told her that the spy chief in Mr. Wang's book is the state security minister who has access to nearly all data in the country, she responded: "That person doesn't exist yet in the Chinese bureaucracy."

In "Ceremony," the government embeds chips that combine radio-frequency identification tags and nanotechnology in shoes to monitor the whereabouts of its citizens.

I told Mr. Wang that those technologies seem less sophisticated than what's already in use in Xinjiang, China's Central Asian frontier region. There, the government has deployed facial-recognition cameras,

smartphone readers, DNA collection and data-crunching policing systems to try to quell sporadic antigovernment violence by militant Muslims.

"Reality beats fiction all the time, especially in China," he replied.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

## Suit Says YouTube Used Hiring Quotas

By KIRSTEN GRIND AND DOUGLAS MACMILLAN

YouTube last year stopped hiring white and Asian males for technical positions because they didn't help the world's largest video site achieve its goals for improving diversity, according to a civil lawsuit filed by a former employee.

The lawsuit, filed by Arne Wilberg, a white male who worked at Google for nine years, including four years as a recruiter at YouTube, alleges the division of Alphabet Inc.'s Google set quotas for hiring minorities. Last spring, YouTube recruiters were allegedly instructed to cancel interviews with applicants who weren't female, black or Hispanic, and to "purge entirely" the applications of people who didn't fit those categories, the lawsuit claims.

A Google spokeswoman said the company will vigorously defend itself in the lawsuit. "We have a clear policy to hire candidates based on their merit, not their identity," she said in a

*The move will add to the controversy about politics in Silicon Valley.*

statement. "At the same time, we unapologetically try to find a diverse pool of qualified candidates for open roles, as this helps us hire the best people, improve our culture, and build better products."

People familiar with YouTube's and Google's hiring practices in interviews corroborated some of the lawsuit's allegations, including the hiring freeze of white and Asian technical employees, and YouTube's use of quotas.

Mr. Wilberg's lawsuit, filed in January in California's San Mateo County Superior Court, alleges that Google discriminated against him for his sex and race, retaliated by firing him when he complained, and in the process violated antidiscrimination laws. Mr. Wilberg declined to comment through his attorney.

The lawsuit highlights the tension facing the technology industry as it tries to boost minority hiring, a stated goal of many large companies, including Google. It also threatens to ignite simmering controversy about Silicon Valley's politics and whether its predominantly liberal ideology is affecting how firms operate.

Google in particular has found itself in the middle of the gender debate following dueling lawsuits in January, one that alleged the company discriminated against women, the other claiming discrimination against conservative white men.

Mr. Wilberg, 40, alleges he complained to multiple managers at YouTube about its hiring practices over the past two years, and elevated those complaints to Google managers before he was ultimately fired last November.

Employers are allowed to undertake initiatives to promote diversity hiring, employment lawyers say. But under Title VII, the federal antidiscrimination law, employers aren't allowed to make hiring decisions based on race and gender among other protected classes. That means they can't employ practices like hiring quotas based on race or only hiring one type of minority candidate, attorneys say. Such practices would also run afoul of California law.

Google's internal website says "there is no such thing as a 'diversity headcount'" at the company, according to one employee. The site also says it has a small program that allows hiring managers to bring on candidates from underrepresented groups.

Silicon Valley has faced public scrutiny over the amount of diversity in its workforce. The technology industry is more white (68.5%) than the overall U.S. private-sector workforce (63.5%), according to data collected by the Equal Employment Opportunity Commission in 2014. Women make up about 30% of employees at leading tech companies in Silicon Valley, while they account for about 49% of workers at non-tech firms in the same region.

## Nintendo's Switch Revamp on Back Burner

BY TAKASHI MOCHIZUKI

year that begins April 1.

The company has high hopes for its Nintendo Labo cardboard toy kit, which goes on sale in April and is aimed at attracting parents looking for an educational toy for their children. The kits contain cardboard pieces that can be assembled into pianos, cars, robots or other toys that work with the Switch hardware and use it as a brain.

The Labo is one of the steps planned by Nintendo to lure a wider range of customers. Company data shown to investors suggest current Switch owners are mostly game fans drawn by Nintendo titles such

as "Super Mario Odyssey" and "The Legend of Zelda: Breath of the Wild."

The people familiar said expanded Switch features in the coming year could also include additional network-related features and peripherals to be attached to its USB Type-C port.

But they said changes to the Switch itself—like a smaller version of the machine—were unlikely this year as Nintendo focuses on better manufacturing and shipping of the current model.

In its first year, the Switch was frequently in short supply, and procuring key components remains a challenge.



Nintendo's videogame console will interact with a cardboard toy kit.

Own a Complete, Final-Year 1921  
**Morgan Dollar Collection**  
The Last Ever Minted!

Prized by collectors, genuine final-year Morgan Silver Dollars were struck in 1921 and never again.

Now, for a limited time, get all three for the special price of \$99 - SAVE 52% off the regular price of \$208.00 - with FREE shipping. Your complete hand-selected collection will arrive in a FREE custom presentation case showcasing the famous last-year 1921 Morgans from each United States Mint that struck them - Philadelphia, Denver and San Francisco! Each coin is encapsulated and preserved in an Air-Tite holder.

Take advantage of this limited-time offer to own these handsome silver coins from America's past - struck for the last time over 95 years ago and guaranteed authentic by Littleton Coin Company.

You'll also receive our fully illustrated catalog plus other fascinating selections from our Free Examination Coins-on-Approval Service, from which you may purchase any or none of the coins - return balance in 15 days - with option to cancel at any time. Order now and SAVE!

Mail coupon or order online at [www.LittletonCoin.com/specials](http://www.LittletonCoin.com/specials)

**SPECIAL OFFER FOR NEW CUSTOMERS ONLY**

✓YES! Please send me the Complete Final-Year Morgan Dollar Set(s) indicated below for only \$99 each - reg. \$208.00, plus FREE shipping (limit 5 sets). Also send my FREE 2016 Ronald Reagan Presidential Dollar (1 per customer, please)

How Many (limit 5 sets): \_\_\_\_\_

Total Cost @ \$99.00 per set: \$\_\_\_\_\_

Shipping & Handling: \$ **FREE!**

Total Amount: \$\_\_\_\_\_

45-Day Money Back Guarantee of Satisfaction

**Method of payment:**  
 Check or Money Order payable to Littleton Coin Co.  
 VISA     MC  
 AMEX     DISC  
 Please send coupon to:  
**Littleton Coin Co.  
Dept. 4V7408  
1309 Mt. Eustis Rd  
Littleton NH 03561-3737**

Card No. \_\_\_\_\_ Exp. Date \_\_\_\_ / \_\_\_\_  
 Please print clearly \_\_\_\_\_

Name \_\_\_\_\_ Address \_\_\_\_\_ Apt# \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

E-Mail \_\_\_\_\_

America's Favorite Coin Source • TRUSTED SINCE 1945

## Twitter CEO Vows To Battle Misuse

BY GEORGIA WELLS

Twitter Inc. Chief Executive Jack Dorsey said Thursday he isn't proud of how his company handled malicious activity on the social-media platform, the latest mea culpa from a Silicon Valley leader following revelations of Russian efforts to amplify divisions in American society beginning before the 2016 U.S. presidential election.

While Mr. Dorsey previously expressed regret for not moving fast enough to fix abuse on Twitter, his latest remarks showed an awareness that the company needs to prevent problems instead of simply reacting to content that violates its rules.

"We aren't proud of how people have taken advantage of our service, or our inability to address it fast enough," Mr. Dorsey said in a string of more than 10 posts on Twitter. "While working to fix it, we've been accused of apathy, censorship, political bias, and optimizing for our business and share price instead of the concerns of society. This is not who we are, or who we ever want to be."

In his posts, Mr. Dorsey also said Twitter is looking to hire outside experts to help it measure the quality of conver-

sations on the social network, echoing concerns expressed recently by Facebook Inc. Chief Executive Mark Zuckerberg.

Twitter, Facebook and Alphabet Inc.'s Google came under fire last year over revelations the Internet Research Agency, a pro-Kremlin troll farm in Russia, spread content on the three platforms in an attempt to sway public discourse in the U.S.

**Jack Dorsey**  
says: 'We  
aren't proud of  
how people  
have taken  
advantage of  
our service.'

The three companies faced questions from congressional investigators in the fall about why they weren't able to prevent such manipulation.

Twitter was criticized particularly for not providing more detailed information at the hearing.

Mr. Dorsey on Thursday stressed that the platform must be more open in reporting its progress. "Definitely don't believe this will be easy," he said in one of his posts.

## BUSINESS NEWS

# Russians Tried to Sway U.S. Energy Debate

Congressional report says propaganda group's aim was to aid Russia's oil industry

BY GEORGIA WELLS  
AND TIMOTHY PUO

A Russian-backed propaganda group used social media in an attempt to disrupt the U.S. energy industry and influence energy policy, according to a new congressional staff report.

Unlike other Russian campaigns to stir political unrest in the U.S., this effort by the tech-savvy Internet Research Agency is characterized as mostly one-sided, agitating against American fossil-fuel production in a way lawmakers believe was aimed at benefiting Russia, the world's largest oil producer.

## BUSINESS NEWS

# Group Agrees to Buy Weinstein Assets

Investors backed by Ron Burkle to spend \$500 million to assume debt, launch new firm

BY BEN FRITZ

An investing group said it reached a last-minute deal to acquire the assets of **Weinstein Co.** Thursday, potentially allowing the embattled movie studio to avoid a planned bankruptcy and laying the groundwork to settle government lawsuits stemming from allegations that former co-chairman Harvey Weinstein had engaged in sex-

ual misconduct.

Backed by investor Ron Burkle and led by businesswoman Maria Contreras-Sweet, the buyers would assume \$225 million in Weinstein Co. debt and commit to invest about \$275 million to launch a new company, said a person with knowledge of the deal.

In a statement, Ms. Contreras-Sweet said her team had "reached an agreement to purchase assets from The Weinstein Company in order to launch a new company, with a new board and a new vision that embodies the principles that we have stood by since we began this process last fall."

"The deal provides a clear path for compensation for victims and protects the jobs of our employees," said a spokeswoman for Weinstein Co. "We consider this to be a positive outcome under what have been incredibly difficult circumstances."

The developments followed negotiations on Thursday at the offices of New York Attorney General Eric Schneiderman that included Weinstein Co. board members Bob Weinstein, Lance Maerov and Tarak Ben Ammar, the people familiar with the matter said. A spokeswoman for Harvey Weinstein didn't immediately respond to

request for comment.

Mr. Schneiderman's lawsuits against Weinstein Co. and its co-chairman, Bob Weinstein, could be settled when a sale closes, according to people familiar with the matter. A civil suit against Harvey Weinstein would continue in that scenario, one of these people said.

The talks included a settlement fund worth up to \$90 million for victims of alleged sexual assault and harassment by Harvey Weinstein, two of the people said.

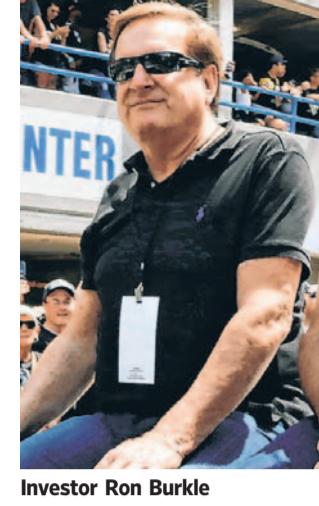
The fund would include \$10 million currently owed to Bob Weinstein by the company, a \$10

million letter of credit from the buyers, \$20 million from insurance and an estimated \$50 million from the sale of unreleased Weinstein Co. movies.

The deal would also resolve Weinstein Co. concerns that it was so short on cash it might not be able to cover payroll and other expenses until a sale closes, said a person close to the sale.

The buyers have agreed to purchase more than 90% of Weinstein Co. assets including its film library and television business, the person added.

—Erich Schwartzel and Keach Hagey contributed to this article.



Investor Ron Burkle

GENE J. PUSKAR/ASSOCIATED PRESS

## Suitors For Nate Silver's Website Narrow

BY BENJAMIN MULLIN

The list of suitors for Nate Silver's data-driven website FiveThirtyEight has narrowed to a few, as the statistics guru prepares to move on from a nearly five-year tie-up with **Walt Disney Co.'s** ESPN.

The final contenders include ABC News, the Athletic website and the Atlantic, according to people familiar with the matter.

ABC News, another Disney unit, is a logical home for FiveThirtyEight, one of the people said, because Mr. Silver's expertise in polling and political analysis would be especially useful as midterm elections approach this fall. Early on, the site became known for its presidential election forecasts.

The sale process, which has stretched on for months, is expected to conclude in the coming weeks, one of the people said. The deadline for submitting bids passed last week.

ESPN decided to explore a sale of FiveThirtyEight last year due to a variety of factors.

Chief among them was a desire by the company to increase the site's focus on sports and take a harder look at expenses at a time when cable TV networks, including ESPN, are under pressure from cord-cutting, the people said.

"FiveThirtyEight is a tremendous asset to ESPN," said Connor Schell, executive vice president of content at ESPN.

"We've long had conversations about whether there are better ways to support FiveThirtyEight's non-sports content, and those conversations have accelerated both in contract renewal discussions with Nate and with the 2018 midterm elections approaching. We are working in concert with Nate and his team to find the best ongoing home for FiveThirtyEight. Data and analytics remain an important part of ESPN's sports storytelling."

ESPN bought the site in 2013, but Mr. Silver retained ownership of the statistical models used in its journalism.

Each finalist would be a very different home for Mr. Silver.

The Atlantic is a leading magazine and digital publisher. The Athletic is a subscription-focused sports company.

ABC News would offer Mr. Silver and his team broad TV exposure. In the case of ABC, the deal would be a transition to a corporate sibling, not a sale.

—Shalini Ramachandran contributed to this article.



The e-commerce giant is under pressure from investors to discuss food spoilage at its grocery operations, which include Whole Foods.

## PAY

*Continued from page B1*  
founders with huge paydays.

**Facebook** Inc. founder and CEO Mark Zuckerberg had a \$3.3 billion payday in 2013 from exercised stock options.

Stock awards paid out \$1.1 billion to Richard D. Kinder, a co-founder of pipeline company **Kinder Morgan Inc.**, in 2011.

For Blackstone and its rivals, such as KKR and **Apollo Global Management LLC**, the soaring stock market has enabled them to profitably sell shares of companies they own while rising real-estate prices have created an outlet to unload assets as well. The gains have enabled these firms' founders to consistently reap nine-figure annual paydays from dividends and investment profits.

Blackstone last year sold a big chunk of its Hilton Worldwide Holdings Inc. stock, pushing its profits on the 2007 hotel takeover to about \$14 billion. Early in the year, it listed shares of its **Invitation Homes Inc.**, the country's largest rental homeowner by number of houses.

KKR's founding cousins, Henry Kravis and George Roberts, each collected more than \$170 million in 2017. Apollo's Leon Black took home \$209 million last year, while co-founders Joshua Harris and Marc Rowan received \$132 million and \$101 million, respectively.

Pension managers and others have flocked to these firms' funds in hopes of bolstering returns weakened by years of historically low yields on other investments.

Investors committed \$453 billion to private-equity funds and \$107 billion to private debt funds in 2017, both records, according to data provider Prequin.

Mr. Schwarzman and a partner founded Blackstone in 1985 as a merger advisory business with \$400,000 and a secretary. At the end of 2017, it managed \$434.1 billion. For the first time, Blackstone did not disclose profits generated by the personal investments in its funds by him and other top executives. In past years, the firm has disclosed such payments, ranging from \$11 million to \$85 million.

Blackstone said in its filing that it paid its roughly 2,360 employees a median salary of \$218,449.

Some are skeptical that the large paydays for top Wall Street executives are fully justified at a time of soft wage growth and concern over wealth inequality.

"Does that mean these individuals performed better? No, it just shows they were in the right place at the right time," said Rosanna Landis Weaver, who heads executive compensation research at shareholder advocacy firm As You Sow.

## Food-Waste Query on Amazon's Plate

BY HEATHER HADDON AND LAURA STEVENS

Investors are pushing **Amazon.com Inc.** to explain the extent to which food from its expanding grocery operations goes to waste.

**Green Century Capital Management Inc.** and other investors asked the Securities and Exchange Commission on Thursday to force Amazon to let shareholders vote on a proposal asking the company to outline its plans for mitigating the environmental impact and cost of wasted food.

"This is such a sizable and tangible issue for a company as large as Amazon," said Leslie Samuelrich, president of Green Century. "We are just trying to assess the business risk."

Amazon in January told the Boston-based mutual fund that food waste wasn't material and that the e-commerce giant was already working to reduce it. Amazon said food-waste costs represented less than 1% of operating expenses and assets last year, allowing it to exclude the proposal under SEC rules.

Grocers, restaurants and food-service companies waste food worth \$55 billion a year, according to ReFED, a nonprofit working on food-waste reduction. Food retailers are responsible for food waste valued at some \$18 billion a year, roughly double the sector's profit from food sales.

More investors are pushing companies to change food-

waste and packaging practices that they see as a potential drag on profits in a low-margin business. Many companies are responding. Hilton Worldwide Holdings Inc., Walmart Inc. and other food retailers are working with shareholders who have raised such concerns. Costco Wholesale Corp., Target Corp. and Chipotle Mexican Grill Inc. have acknowledged similar investor requests.

"Food retailers are struggling with top-line sales growth, and they are looking for other areas to cut," said Chris Cochran, ReFED's executive director and a former Walmart senior manager.

Dunkin' Brands Group Inc. received a shareholder request earlier this year to assess the environmental impact of its coffee-container pods. The company's supplier agreed to make them recyclable by 2020. Walmart responded to concerned shareholders last year with a 160-page strategy for reducing food waste.

And in 2016, Starboard Value LP criticized Darden Restaurants Inc. for the ample servings of free breadsticks at its Olive Garden restaurants during a larger proxy battle.

"Most customers will not eat all of the breadsticks, creating an enormous amount of waste," Starboard wrote to investors.

Darden started enforcing its guidelines for breadstick serving size more strictly and made changes to its board of directors.

Amazon's history of fight-

### Frittered Away

Waste in the retail food industry totals nearly \$55 billion a year.



Source: ReFED  
THE WALL STREET JOURNAL.

ing investor-led proposals suggests the company is unlikely to be so relentless.

Amazon has petitioned the SEC to remove 15 shareholder resolutions from the list of proxies to be considered at its last two annual meetings, according to ISS Analytics, the data arm of Institutional Shareholder Services Inc. Only Exxon Mobil Corp. has challenged more proxy resolutions.

Amazon has challenged resolutions on proxy access, packaging, animal cruelty and environmental emissions. Amazon receives a high number of shareholder resolution requests, ISS said.

Most shareholder proposals are resolved or dropped. The SEC often rules in favor of investors in the minority of pro-

posals it reviews, said John Roe, head of ISS Analytics.

An SEC spokeswoman declined to comment.

Green Century and other shareholders, owners of a roughly \$50,000 combined stake in the approximately \$723 billion market-value company, asked Amazon last fall to discuss food waste in the context of the retailer's growing role in the U.S. food system.

Amazon's 18% share of online food and beverage sales last year was larger than that of any other retailer, according to the consultancy Packaged Facts.

And while analysts estimate online grocery sales still only comprise only about 2% of the total market, they are forecast to grow rapidly.

Amazon has struggled for years to profitably deliver groceries, in part because of the logistical complexities of shipping perishable items and low customer density outside big cities. Last year, the company eliminated delivery to some ZIP Codes as it also acquired the urban-focused Whole Foods Market chain. Whole Foods declined to comment.

Amazon has petitioned the SEC to remove 15 shareholder resolutions from the list of proxies to be considered at its last two annual meetings, according to ISS Analytics, the data arm of Institutional Shareholder Services Inc. Only Exxon Mobil Corp. has challenged more proxy resolutions.

Amazon has challenged resolutions on proxy access, packaging, animal cruelty and environmental emissions. Amazon receives a high number of shareholder resolution requests, ISS said.

Amazon is "relentlessly focused" on reducing costs and improving efficiency when it comes to food spoilage, the company added. It also donates food to nonprofits.

## Boards Urged to Get Tougher on Sexual Harassment

BY JOANN S. LUBLIN

A powerful group of pension funds wants corporate boards to do a better job of fighting sexual harassment, following a recent wave of alleged misconduct that toppled top executives in several industries.

In a report released on Thursday, the Council of Institutional Investors urges directors to consider recouping executive pay from alleged harassers, encouraging staff to divulge sexual misconduct to the board, ensuring the board learns about every settlement of a harassment

case and revising rules for office romances, among other recommendations.

The CII represents 130 pension funds that manage more than \$3.5 trillion in assets. It often takes strong stances on governance issues.

Businesses with executives accused of sexual harassment "may face legal charges, and the financial costs can be severe," the council's report said.

Directors should be "providing leadership on corporate culture, including combating sexual harassment," the report added.

The report includes only

broad recommendations and doesn't lay out thresholds for taking action.

**Wynn Resorts Ltd.** lost about \$2.1 billion from its market capitalization on Jan. 26, the day a Wall Street Journal article described behavior that amounted to a decades-long pattern of alleged sexual misconduct by CEO and founder Steve Wynn. He said it was "preposterous" that he would assault a woman.

Mr. Wynn resigned on Feb. 6 and subsequently lost hundreds of millions of dollars in severance pay.

Regulators probing the alleged misbehavior have raised

pointed questions with implications for the casino operator's directors, long criticized for their close ties to Mr. Wynn.

Overall, "boards have not been taking a close look at how their companies are managing the risk of sexual misconduct," said Amy Borrus, deputy director of CII, in an interview. "Many boards are struggling to do the right thing."

As of last summer, 88% of boards hadn't adopted a plan to deal with sexually inappropriate behavior in the workplace, according to a survey by Boardlist, a marketplace

for female board talent in tech. Boardlist's poll covered 414 individuals, nearly all of whom serve on public and private company boards. The rest are venture capitalists.

Businesses often try to claw back executive rewards following a corporate scandal or financial restatement, but clawbacks tied to sexual misconduct are rare.

Instances of sexual harassment should trigger recovery of pay, "particularly where senior executives are involved or problems of supervised employees are endemic," the CII report recommended.



FiveThirtyEight's Nate Silver

TANYA MOUTZALIAS/ASSOCIATED PRESS

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average



## S&amp;P 500 Index



## Nasdaq Composite Index



Bars measure the point change from session's open

Nov. Dec. Jan. Feb.

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## Major U.S. Stock-Market Indexes

	Dow Jones		S&P		Nasdaq Stock Market					
	High	Low	Latest Close	Net chg	% chg	High	Low	52-Week % chg	YTD % chg	3-yr. ann.
Industrial Average	25185.35	24442.56	<b>24608.98</b>	-420.22	-1.68	7505.77	5793.83	22.5	4.0	13.1
Transportation Avg	10535.73	10259.57	<b>10330.72</b>	-51.27	-0.49	1995.23	1681.04	6.9	-2.2	7.2
Utility Average	678.89	665.26	<b>668.75</b>	-0.06	-0.01	11373.38	8783.74	9.4	-2.7	4.6
Total Stock Market	28149.26	27458.09	<b>27650.20</b>	-330.50	-1.18	29630.47	24125.20	11.9	-0.1	8.0
Barron's 400	713.63	699.06	<b>704.48</b>	-5.43	-0.76	757.37	610.89	12.2	-0.9	7.9

## Nasdaq Stock Market

Nasdaq Composite	7307.84	7117.66	<b>7180.56</b>	-92.45	-1.27	7505.77	5793.83	22.5	4.0	13.1
Nasdaq 100	6892.38	6687.44	<b>6750.54</b>	-103.88	-1.52	7022.97	5332.53	25.9	5.5	15.0

## S&amp;P

S&P	500 Index	2730.89	2659.65	<b>2677.67</b>	-36.16	-1.33	2872.87	2328.95	12.4	0.2	8.4
MidCap 400	1879.18	1844.10	<b>1858.09</b>	-6.52	-0.35	1995.23	1681.04	6.9	-2.2	7.2	
SmallCap 600	928.03	909.03	<b>917.14</b>	-4.20	-0.46	979.57	815.62	7.7	-2.0	8.9	

## Other Indexes

Russell 2000	1522.47	1494.29	<b>1507.39</b>	-5.06	-0.33	1610.71	1345.24	8.0	-1.8	6.9
NYSE Composite	12716.45	12435.87	<b>12518.73</b>	-133.82	-1.06	13637.02	11324.53	8.1	-2.3	4.2
Value Line	551.47	541.19	<b>545.22</b>	-3.54	-0.65	589.69	503.24	4.2	-3.0	2.0
NYSE Arca Biotech	4585.17	4466.26	<b>4511.48</b>	-64.72	-1.41	4939.86	3449.61	26.3	6.9	5.1
NYSE Arca Pharma	539.28	526.55	<b>530.81</b>	-7.43	-1.38	593.12	498.46	3.5	-2.6	-2.1
KBW Bank	113.61	110.57	<b>111.19</b>	-1.51	-1.34	116.52	88.02	14.3	4.2	15.4
PHLX® Gold/Silver	79.12	76.80	<b>78.93</b>	0.66	0.85	93.26	76.42	-2.5	-7.4	0.9
PHLX® Oil Service	136.03	132.67	<b>133.85</b>	-0.17	-0.13	176.26	117.79	-24.1	-10.5	-12.5
PHLX® Semiconductor	1367.44	1324.97	<b>1340.14</b>	-21.88	-1.61	1392.86	960.01	37.5	7.0	23.3
Cboe Volatility	25.30	19.57	<b>22.47</b>	2.62	13.20	37.32	9.14	90.3	103.5	19.0

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	16,410.0	268.18	0.48	<b>0.18</b>	271.44	267.63
PwrShrs QQQ Tr Series 1	QQQ	8,434.1	165.02	0.54	<b>0.33</b>	166.71	163.87
VanEck Vectors Jr Gold	GDXJ	3,255.9	31.86	-0.03	<b>-0.09</b>	32.01	31.82
General Electric	GE	3,012.2	14.04	0.02	<b>0.14</b>	14.13	14.00
Van Eck Vectors Gold Miner	GDX	2,820.9	21.61	0.04	<b>0.19</b>	21.64	21.55
Cnsmr Staples Sel Sector	XLP	2,667.9	53.29	...	<b>unch.</b>	53.29	53.19
iShares iBoxx \$ HY Cp Bd	HYG	2,570.4	85.27	...	<b>unch.</b>	85.62	85.27
AT&T	T	2,567.0	36.10	0.10	<b>0.28</b>	36.37	36.00

## Percentage gainers...

Gap Inc	GPS	598.3	34.69	2.99	<b>9.43</b>	35.60	31.38
Arrowhead Pharmaceuticals	ARWR	7.1	6.73	0.45	<b>7.17</b>	6.73	6.28
Splunk	SPLK	417.3	99.50	5.86	<b>6.26</b>	100.00	93.64
Ambarella	AMBA	122.0	48.50	2.83	<b>6.20</b>	49.20	43.00
Adaptimmune Therap ADR	ADAP	5.1	8.48	0.44	<b>5.47</b>	8.48	8.04

## ...And losers

Babcock Wilcox Ent	BW	129.2	4.65	-1.44	<b>-23.65</b>	6.09	4.30
--------------------	----	-------	------	-------	---------------	------	------

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.							
March	3,1045	3,1215	3,0805	3,0995	-0,0080	6,229		
May	3,1285	3,1475	3,0980	3,1230	-0,0095	149,975		
Gold (CMX)	-100 troy oz.; \$ per troy oz.							
March	1310,40	1318,10	1301,80	1302,90	-12,60	665		
April	1319,30	1322,30	1303,60	1305,20	-12,70	343,146		
June	1325,60	1327,60	1309,30	1311,00	-12,70	102,869		
Aug	1328,50	1333,30	1315,40	1316,80	-12,70	27,264		
Oct	1337,50	1337,50	1322,50	1322,60	-12,90	4,359		
Dec	1341,30	1345,10	1327,40	1328,70	-13,10	38,589		
Palladium (NYM)	-50 troy oz.; \$ per troy oz.							
March	1032,00	1032,00	981,95	983,15	-64,05	114		
June	1036,80	1038,05	969,90	973,20	-64,40	27,399		
Sept	1015,25	1015,25	965,95	968,45	-63,50	706		
Platinum (NYM)	-50 troy oz.; \$ per troy oz.							
March	986,20	987,30	956,50	957,80	-30,30	73,847		
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.							
March	16,350	16,465	16,090	16,200	-0,124	1,517		
May	16,430	16,565	16,160	16,276	-0,131	149,945		
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.							
April	61,66	61,82	60,18	60,99	-0,65	482,408		
May	61,45	61,64	60,02	60,80	-0,67	263,197		
June	61,10	61,29	59,67	60,44	-0,70	304,369		
July	60,62	60,80	59,23	59,98	-0,69	137,565		
Dec'19	54,44	54,71	53,48	54,16	-0,30	120,322		
NY Harbor UrsLD (NYM)	-42,000 gal.; \$ per gal.							
April	1,9109	1,9120	1,8625	1,8855	-0,0180	130,219		
May	1,9126	1,9133	1,8644	1,8857	-0,0193	71,208		
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.							
April	1,9289	1,9335	1,8777	1,8964	-0,0282	138,443		
May	1,9431	1,9482	1,8944	1,9107	-0,0286	87,228		
Natural Gas (NYM)	-10,000 MMBtu; \$ per MMBtu.							
April	2,671	2,731	2,642	2,698	.031	315,680		
May	2,700	2,756	2,672	2,729	.033	206,306		
June	2,737	2,792	2,714	2,768	.033	81,935		
July	2,782	2,833	2,756	2,812	.033	101,015		
Sept	2,778	2,825	2,753	2,803	.030	73,138		
Oct	2,789	2,840	2,767	2,817	.029	121,756		

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
<b>Agriculture Futures</b>								
<b>Corn (CBT)</b> -5,000 bu.; cents per bu.								

March	374,00	379,00	▲	372,00	378,75	4,25	14,594
May	381,50	386,50	▲	379,50	386,25	4,25	746,071
Oats (CBT)	-5,000 bu.; cents per bu.						
March	261,50	268,00		260,00	269,00	.60	36
May	270,25	276,00		276,00	273,50	.35	4,863
Soybeans (CBT)	-5,000 bu.; cents per bu.						
March	1043,75	1057,50	▲	1041,00	1057,50	12,50	8,689
May	1053,75	1068,75	▲	1050,75	1068,00	12,50	389,284
Soybean Meal (CBT)	-100 tons; \$ per ton.						
March	392,00	394,50		386,70	394,00	-.20	3,893
May	392,20	398,00		386,00	397,20	.25	230,755
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.						
March	32,04	32,30		31,66	32,12	.16	3,334
May	32,29	32,59		31,93	32,39	.16	248,228
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.						
March	124,00	124,75		124,00	124,00	.03	327
May	125,00	126,00		124,50	125,00	-.04	6,588
Wheat (CBT)	-5,000 bu.; cents per bu.						
March	491,25	506,25	▲	482,75	505,50	21,00	2,385
May	495,50	518,00	▲	489,50	515,50	20,50	230,047
Wheat (KCO)	-5,000 bu.; cents per bu.						
March	519,75	545,00	▲	518,50	543,00	21,25	140,644
Wheat (MPLS)	-5,000 bu.; cents per bu.						
March	608,00	620,00		608,00	620,00	14,00	636
May	621,25	636,00		619,50	634,75	13,00	32,128
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.						
March	144,900	145,475		143,600	145,050	.300	12,354
April	147,000	147,400		145,450	146,750	-.250	19,085
Cattle-Live (CME)	-40,000 lbs.; cents per lb.						
April	123,650	123,900		122,325	123,325	-.050	136,107
June	115,750	115,975		114,500	115,500	-.100	128,665
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.						
April	67,500	67,825		66,875	66,975	-.250	85,119
June	80,800	81,150		79,975	80,075	-.600	51,586
Lumber (CME)	-100,000 bd ft., \$ per 1,000 bd ft.						
March	516,60	517,70		507,00	513,00	-.360	1,596
May	491,70	494,50		491,70	491,70	-.100	4,697
Milk (CME)	-200,000 lbs., cents per lb.						
March	14,04	14,09		13,96	14,04	.02	4,363
April	14,07	14,11		13,90	14,00	-.11	3,472

Coffee (ICE-US)	-37,500 lbs.; cents per lb.						
March	121,35	122,00		121,35	122,45	1,40	95
May	122,05	124,05		121,50	123,95	1,95	136,676
Sugar-World (ICE-US)	-12,000 lbs.; cents per lb.						
May	13,45	13,72		13,28</			

# BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

### Footnotes:

- I-New 52-week high.
- L-New 52-week low.
- dd-Indicates loss in the most recent four quarters.
- FD-First day of trading.
- H-Does not meet continued listing standards.
- If-Late filing.
- q-Temporary exemption from Nasdaq requirements.
- t-NYSE bankruptcy.
- V-Trading halted on primary market.
- W-Bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. on the previous day.

Thursday, March 1, 2018

Net Stock Sym Close Chg

A B C

ABB **ABB** 24.02 -0.27

AES **AES** 10.96 -0.09

Aflac **AFL** 87.66 -1.22

AGNC Inv **AGNC** 17.98 -0.04

AGNC Homs **ANGI** 14.90 -0.11

Ansys **ANSS** 158.74 -1.20

ASML **ASML** 191.93 -3.46

ATT&T **T** 36.00 -0.30

AbbottLabs **ABT** 58.79 -1.54

AbbVie **ABBV** 113.84 -1.99

Abiomed **ABMD** 265.71 -2.47

Accenture **ACN** 156.45 -1.86

ActivisionBlv **ATVI** 72.01 -4.21

AcuityBrands **AVY** 147.69 -1.12

Adient **ADNT** 59.85 -2.21

AdvadevSystems **ADBE** 206.03 -3.10

AdvanceAuto **AAP** 117.51 -3.26

AdvMicroDevns **AMD** 119.00 -0.21

AdvSemEngnx **ASX** 6.91 -0.09

Aegon **AEG** 6.81 -0.11

AerCap **AER** 49.55 -0.06

Aetna **AET** 176.45 -0.61

AffiliatedMtrs **AMG** 185.37 -2.39

AgilentTechs **A** 67.38 -1.21

AignicCoEagle **AGNE** 38.66 -0.57

AirProducts **APD** 160.08 -0.34

AlcatelArabs **ACM** 67.92 -0.46

AlaskaAir **ALK** 64.65 -0.15

Albemarle **ALB** 96.01 -4.42

Alcoa **AA** 45.07 -0.10

AlexandraEst **ARE** 122.60 -1.29

AlexionPharm **ALXN** 115.11 -2.34

AlliancEnergy **LNT** 38.49 -0.05

Allstate **ALL** 92.06 -0.20

AllyFinancial **AFY** 27.40 -0.50

AlnylmPharm **ALNY** 119.13 -1.03

Alphabt **GOOG** 1071.43 -32.51

Alphabt **GOOG** 1069.52 -35.21

Altaba **ABA** 73.74 -1.11

AlticeUSA **ATUS** 18.71 -0.51

Altria **MOT** 62.43 -0.52

Alkermes **AKR** 57.43 -0.33

Allegany **Y** 59.83 -12.29

Allegion **ALL** 82.07 -2.04

Allergan **AGN** 146.19 -6.03

AllianceData **ADS** 235.35 -5.61

AlliancEnergy **LNT** 38.49 -0.05

Allstate **ALL** 92.06 -0.20

AllyFinancial **AFY** 27.40 -0.50

AlnylmPharm **ALNY** 119.13 -1.03

Alphabt **GOOG** 1071.43 -32.51

Alphabt **GOOG** 1069.52 -35.21

Altaba **ABA** 73.74 -1.11

AlticeUSA **ATUS** 18.71 -0.51

Altria **MOT** 62.43 -0.52

Alkermes **AKR** 57.43 -0.33

Allegany **Y** 59.83 -12.29

Allegion **ALL** 82.07 -2.04

Allergan **AGN** 146.19 -6.03

AllianceData **ADS** 235.35 -5.61

AlliancEnergy **LNT** 38.49 -0.05

Allstate **ALL** 92.06 -0.20

AllyFinancial **AFY** 27.40 -0.50

AlnylmPharm **ALNY** 119.13 -1.03

Alphabt **GOOG** 1071.43 -32.51

Alphabt **GOOG** 1069.52 -35.21

Altaba **ABA** 73.74 -1.11

AlticeUSA **ATUS** 18.71 -0.51

Altria **MOT** 62.43 -0.52

Alkermes **AKR** 57.43 -0.33

Allegany **Y** 59.83 -12.29

Allegion **ALL** 82.07 -2.04

Allergan **AGN** 146.19 -6.03

AllianceData **ADS** 235.35 -5.61

AlliancEnergy **LNT** 38.49 -0.05

Allstate **ALL** 92.06 -0.20

AllyFinancial **AFY** 27.40 -0.50

AlnylmPharm **ALNY** 119.13 -1.03

Alphabt **GOOG** 1071.43 -32.51

Alphabt **GOOG** 1069.52 -35.21

Altaba **ABA** 73.74 -1.11

AlticeUSA **ATUS** 18.71 -0.51

Altria **MOT** 62.43 -0.52

Alkermes **AKR** 57.43 -0.33

Allegany **Y** 59.83 -12.29

Allegion **ALL** 82.07 -2.04

Allergan **AGN** 146.19 -6.03

AllianceData **ADS** 235.35 -5.61

AlliancEnergy **LNT** 38.49 -0.05

Allstate **ALL** 92.06 -0.20

AllyFinancial **AFY** 27.40 -0.50

AlnylmPharm **ALNY** 119.13 -1.03

Alphabt **GOOG** 1071.43 -32.51

Alphabt **GOOG** 1069.52 -35.21

Altaba **ABA** 73.74 -1.11

AlticeUSA **ATUS** 18.71 -0.51

Altria **MOT** 62.43 -0.52

Alkermes **AKR** 57.43 -0.33

Allegany **Y** 59.83 -12.29

Allegion **ALL** 82.07 -2.04

Allergan **AGN** 146.19 -6.03

AllianceData **ADS** 235.35 -5.61

AlliancEnergy **LNT** 38.49 -0.05

Allstate **ALL** 92.06 -0.20

AllyFinancial **AFY** 27.40 -0.50

AlnylmPharm **ALNY** 119.13 -1.03

Alphabt **GOOG** 1071.43 -32.51

Alphabt **GOOG** 1069.52 -35.21

Altaba **ABA** 73.74 -1.11

AlticeUSA **ATUS** 18.71 -0.51

Altria **MOT** 62.43 -0.52

Alkermes **AKR** 57.43 -0.33

Allegany **Y** 59.83 -12.29

Allegion **ALL** 82.07 -2.04

Allergan **AGN** 146.19 -6.03

AllianceData **ADS** 235.35 -5.61

AlliancEnergy **LNT** 38.49 -0.05

Allstate **ALL** 92.06 -0.20

AllyFinancial **AFY** 27.40 -0.50

AlnylmPharm **ALNY** 119.13 -1.03

Alphabt **GOOG** 1071.43 -32.51

Alphabt **GOOG** 1069.52 -35.21

Altaba **ABA** 73.74 -1.11

## BANKING &amp; FINANCE

# Banker Joins E-Car Venture

BY JULIE STEINBERG

One of **JPMorgan Chase & Co.**'s top bankers in Asia is making the leap to China's surging electric-vehicle sector.

Brian Gu, JPMorgan's chairman of Asia Pacific investment banking, is leaving to join Chinese electric-car manufacturer **Xiaopeng Motors**, said people familiar with the matter. The 45-year-old will join as vice chairman and president and lead the Guangzhou-based startup's global strategy, fundraising and international partnerships, the people said.

Mr. Gu will retain some ties to the bank, serving on an Asia advisory council as an adviser to JPMorgan, the people said.

The company, also known as Xpeng, is backed by Chinese e-commerce giant **Alibaba Group Holding Ltd.** and **Foxconn Technology Group**, which co-led a \$2 billion yuan (\$347 million) funding round in January that included other investors.

Xpeng was co-founded in 2014 by former Alibaba executive He Xiaopeng, who is its chairman. The company is preparing to start sales of its first electric cars in the second half of this year, after showcasing an electric sport-utility vehicle in January during the Consumer Electronics Show in Las Vegas.

Xpeng also plans to raise more than \$1 billion in additional funding this year, after raising \$790 million so far, executives have said.

Alibaba and two other Chinese internet giants, **Tencent Holdings Ltd.** and **Baidu Inc.**, have invested billions into electric vehicles and autonomous driving startups.

Mr. Gu, who has worked as a banker for two decades, will start at Xpeng around the end of March. A top China banker, he advised on Alibaba's \$25 billion initial public offering in 2014; financial-technology giant **Ant Financial Services Group**'s \$4.5 billion private fundraising in 2016; and Chinese smartphone company **Xiaomi Corp.**'s \$1 billion syndicated loan financing in 2014.

He is joining Xpeng at a time of growth for the company and the industry. Sales of electric passenger cars in China rose 72% to 578,000 last year, four times the number sold in the U.S. Chinese manufacturers have been supported by government subsidies and consumers are incentivized to buy electric vehicles, which produce less pollution.

Mr. Gu, who joined JPMorgan in Hong Kong in 2004, has also served as the bank's co-head of Asia Pacific M&A and co-head of the technology, media and telecommunications group.

# STREET

Continued from page B1

There are a few reasons to cast doubt on Mr. Powell's belief that the economy has strengthened this year. More broadly, investors should shrug off the idea that the Fed has any special insight into what will happen a year from now. Central-bank prognostications should be treated not as a guide to the economy, but merely as a guide to how officials might react to what happens.

A month ago, the market consensus had already shifted to a belief in synchronized global growth and a much stronger U.S. economy in the short run. But data since then have begun to disappoint, and while it is far too soon to dismiss the idea of faster growth, it doesn't seem to have arrived as quickly as was first thought.

The clearest sign comes from the Atlanta Fed's "GDP Now." Its econometricians use incoming data to build a live forecast of the current quarter's growth rate. Strong surveys pushed it to predict

# Qualcomm Bid Ignites Administration Fight

Members of a U.S. national security panel are locked in a dispute over a hostile takeover

By Kate O'Keeffe, Ted Greenwald and Stu Woo

bid for chip giant **Qualcomm Inc.**, pitting officials in the departments of Justice and Defense against Treasury Secretary Steven Mnuchin.

In a meeting Tuesday, members of the Committee on Foreign Investment in the U.S., known as CFIUS, debated whether the panel has the right to weigh in on Singapore-based **Broadcom Ltd.**'s bid of \$117 billion for Qualcomm before a deal is struck, according to people briefed on the matter.

Qualcomm is a leader in semiconductor technology and the development of standards for 5G, the next generation of wireless technology that could enable self-driving cars and other innovations. Some members are concerned that if Broadcom buys Qualcomm, it could sell parts of the company and hobble American prospects of eclipsing China in the race to develop the technology, the people familiar with the matter said.

CFIUS, which can advise the president to block takeovers by foreign companies on national-security grounds, is chaired by the Treasury De-

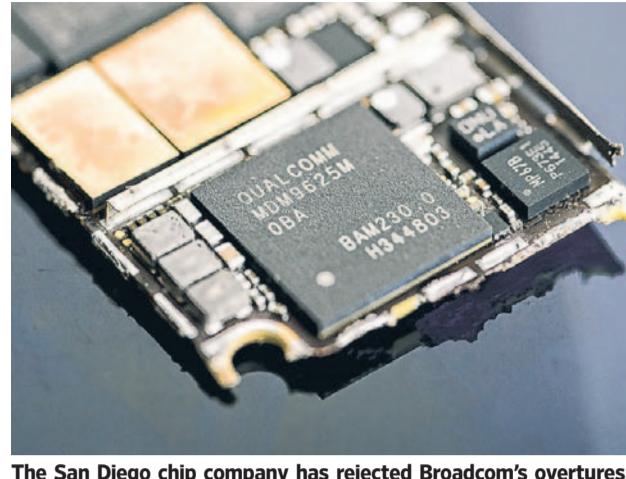
partment and includes members from other agencies, including Justice, Homeland Security, Defense and Energy. Representatives from those four agencies believe CFIUS should begin reviewing the deal before next Tuesday, when Qualcomm shareholders are to vote on a slate of directors nominated by Broadcom, the people said.

San Diego-based Qualcomm has rejected the takeover bid, but Broadcom is trying to put six directors on its 11-person board to pave the way for a deal. The combined company would be the market leader in a variety of chips for smartphones and data centers.

The debate is a delicate matter for the White House because President Donald Trump has celebrated an earlier pledge by Broadcom to move its headquarters from Singapore to the U.S. An aggressive review by CFIUS could hinder the company's deal proposal, which is already far from assured.

The White House declined to comment. Broadcom said Thursday that the company is "committed to reincorporating from Singapore to the U.S." and expects to receive approval for the move by the end of its fiscal second quarter in May. Qualcomm declined to comment.

Typically, CFIUS reviews attempts by foreign entities to



The San Diego chip company has rejected Broadcom's overtures.

buy controlling stakes in U.S. companies as opposed to bids for board control, and there are few if any recent precedents involving a situation like this.

But some members of CFIUS believe the proposed deal raises national-security concerns, even at this preliminary stage, because Qualcomm does sensitive work for the U.S. government, according to the people familiar with the matter.

They argue that if the panel doesn't act before the board vote, it could set a dangerous precedent and make proxy battles the preferred approach for foreign companies seeking to evade a review.

In regard to the 5G concerns, Chinese companies, es-

specially telecommunications-equipment giant **Huawei Technologies Co.**, have been the most aggressive in the process of setting global standards. The company has been effectively barred from the U.S. market since a 2012 congressional report said China might use Huawei's equipment to spy or disable telecom networks. A Huawei spokesman said no government has ever asked it to spy on or sabotage another country.

Qualcomm and Huawei, which is also the world's No. 3 smartphone brand, compete for patents, too.

The CFIUS officials' broad concern is that a weakened Qualcomm could allow Huawei to further its already strong position in the telecom-equip-

ment industry, eventually leaving U.S. carriers, such as AT&T Inc., no choice but to use its gear.

Senate Majority Whip John Cornyn (R., Texas) warned Mr. Mnuchin recently that Huawei "will win the race for 5G," and he urged CFIUS to take immediate action on Broadcom's bid. Sen. Cornyn and Rep. Robert Pittenger (R., N.C.) are pushing legislation to expand CFIUS's jurisdiction, taking particular aim at Chinese technology deals.

Broadcom has said that if required by antitrust regulators, it would sell Qualcomm's businesses making chips for Wi-Fi networks and processing radio signals, areas where the companies make overlapping products. Broadcom also has agreed in principle to divest itself of unspecified businesses of its own, if necessary, according to an open letter recently issued by Qualcomm.

In the Tuesday meeting, some CFIUS representatives asked why the panel hadn't begun its review of Broadcom's bid, according to the people who were briefed.

Mr. Mnuchin, who has endorsed the congressional CFIUS bill and generally supports tightening scrutiny of foreign investment, told his colleagues he wasn't sure the panel had jurisdiction to commence a review yet because the deal hasn't happened.

# Overstock.com Shares Fall on Crypto Probe

BY PAUL VIGNA

**Overstock.com Inc.** shares fell 4.4% Thursday after the company's cryptocurrency-focused subsidiary, tZero, said the Securities and Exchange Commission was investigating its sale of digital tokens.

In a securities filing, the online retailer said the SEC requested information about tZero's initial coin offering, or ICO, in December. The company said in the filing that it is complying with the investigation.

Overstock shares ended at \$57.75, down \$2.65, after earlier falling as much as 10%.

The SEC action is part of a widespread probe into the frenzied cryptocurrency market, where the agency is seeking information from both startups selling the tokens and firms advising them. The probe followed a series of warning shots earlier from the top U.S. securities regulator suggesting that many token sales, or initial coin offerings, may violate securities laws.

Overstock launched tZero in August 2015 as an alternative platform for trading securities. It announced the token offering in 2017.

In Thursday's filing, the company said it raised \$100 million, from 1,100 purchasers, of a planned \$250 million offering of tokens. The tokens haven't yet been issued, the company said, and it gave no assurance that it will ever issue the tokens.

The SEC is "clearly doing a sweep of this whole industry," said Patrick Byrne, chief executive of Overstock.

Overstock filed for its offering to be under classifications that would exempt it from a traditional securities filing.



The SEC's request for information about Overstock's tZero unit is part of a widespread inquiry into the cryptocurrency market.

Most of the offerings, Mr. Byrne said, should be classified as securities, even though issuers in many cases are claiming they are not. "We all know they're securities," he said.

**Eastman Kodak Co.** in January said it would launch its own cryptocurrency, KodakCoin, helping its shares double. Other

firms, including the former biotech company **Riot Blockchain Inc.** and former ice tea company **Long Blockchain Corp.**, have said they would switch to investing in bitcoin and digital-currency technology.

Shares of such companies came under pressure Thursday

amid fears that they, too, will face SEC scrutiny. Shares of Kodak slipped 5.7%, while Riot Blockchain fell 4.3% and Long Blockchain dropped 0.4%. None of the companies has disclosed SEC probes.

—Chelsey Dulaney contributed to this article.



The Fed's Jerome Powell said the economy has strengthened, which some took as a hawkish shift.

estimated chances of four rate increases and push up Treasury yields. If we assume Mr. Powell has no special insight into where the economy is going, the question is whether his comments should lead us to think the Fed will be more hawkish under his leadership. The answer is no.

Continued moderate

growth is no reason for gloom. Neither, though, is it a reason to raise the

turns out to be correct.

Mr. Powell's and the Fed's reaction functions matter a lot, but his view of the economy will be proved right or wrong long before the Fed has to decide on a fourth rate increase in the fourth quarter of the year.

Mr. Powell's assessment of the jobs market should

further undermine the notion that the Fed has a crystal ball. He said both that the natural rate of unemployment was "somewhere in the low 4s" and that the median Fed policy-maker forecast of 4.6% "sounds about right to me." The explanation lies in uncertainty: "it could be 5 and it could be 3 1/2," he told the House.

Investors seeking certainty are looking for the wrong thing, but it is refreshing to have it spelled out quite so clearly. The big question in the U.S. jobs market is whether there are lots of discouraged and part-time employees ready to rejoin the workforce as the economy strengthens, limiting wage pressures. The Fed's view: "The only way to know is to, is to find out," Mr. Powell said.

Investors can't wait. If next week's nonfarm-payrolls report brings a repeat of January's surprisingly strong wage figures, it would push up inflation expectations, lead to another bond selloff and probably hurt stocks again. On this, as so much else, investors need to form their own opinions, not rely on central bankers.

## MARKETS



Chinese officials want the smartphone maker to list its shares on the mainland. A Xiaomi exhibit at the Mobile World Congress in Barcelona this week.

# Beijing Dials Up Pressure on Xiaomi

Chinese authorities have asked smartphone maker **Xiaomi Corp.** to list its shares on the mainland, according to people familiar with the situation.

By Julie Steinberg,  
Liza Lin  
and Dan Strumpf

tion. They said the company is considering doing so with a dual listing, as it already plans a Hong Kong initial public offering for the second half of the year.

Beijing-based Xiaomi aims to raise at least \$10 billion, according to people familiar with the matter, which would make the IPO one of the largest globally this year. The company is targeting a valuation of \$80 billion to \$100 billion, one of the people said.

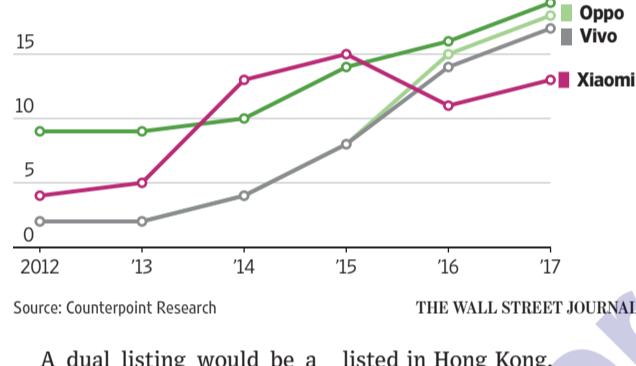
Xiaomi was valued at nearly \$46 billion when it last raised funds privately in 2014.

A Xiaomi spokeswoman declined to comment. Representatives of the China Securities Regulatory Commission didn't return requests to comment.

## Sales Recharge

After losing ground to rivals, Xiaomi has recovered some share in China's smartphone market.

### Smartphone market share in China, by shipments



Source: Counterpoint Research

Some market participants and analysts say regulators could encourage more technology companies by loosening listing rules. Only companies that have been profitable for three consecutive years, or that obtain special approval from a state council, can apply to go public.

**Foxconn Industrial Internet Co.**, a subsidiary of Taiwan-based electronics contract manufacturer **Foxconn Technology Group** that was established less than three years ago, recently won approval from the state council to seek a Shanghai IPO.

The participants and analysts say securities regulators could also expedite the IPO review process, which takes as long as 18 months, for companies that are industry leaders.

After a meeting in early January with internet, artificial intelligence and biotech companies, Zhang Shenfeng, assistant chairman of the China Securities Regulatory Commission, said the agency aims to "keep the good companies at home" and allow them to go public as soon as possible, according to a statement. Three weeks later, commission Chairman Liu Shiyu said at a conference that China's listing rules could be changed to help support more technology and new-economy companies.

A dual listing could benefit Xiaomi. The company, founded in 2010, sells its phones mostly in China, and could draw interest from the many domestic investors familiar with its brand.

Xiaomi has increased its global smartphone market share by expanding into new markets such as India and Spain. In China, it fell from the top spot in 2014 and 2015 to fourth place the past two years, trailing **Huawei Technologies Co.**, **Oppo Electronics Corp.** and **Vivo Electronics Corp.**, according to **Counterpoint Research**. But after declining in 2016, Xiaomi's China market share rose last year.

—Stella Yifan Xie contributed to this article.

# Prices of Treasurys Surge on Trump Tariffs

By DANIEL KRUGER

U.S. government bonds rallied after President Donald Trump announced he would impose tariffs on imports of steel and aluminum, which investors said could curb economic growth.

**CREDIT MARKETS** The yield on the benchmark 10-year U.S. Treasury note posted its biggest one-day decline since Sept. 5—0.067 percentage point—to 2.802% from 2.870% Wednesday. Yields fall as bond prices rise.

Mr. Trump on Thursday announced his decision to impose tariffs of 25% on imported steel and 10% on imported aluminum.

The tariff announcement "has gotten the stock market on the wrong foot and put a bid into bonds," said Ray Remy, head of fixed-income trading at Daiwa Capital Markets America Inc. "I think we've all been taught that tariffs are no good."

Bonds had advanced earlier after Federal Reserve Chairman Jerome Powell told the Senate Banking Committee he didn't see decisive evidence that steady declines in unemployment and less slack in the

## 2.802%

Yield on the benchmark 10-year Treasury note

labor market had led to a breakout in wage gains. That helped ease some investors' concerns about broader price pressures. "Nothing in that suggests to me that wage inflation is at a point of acceleration," Mr. Powell said.

That outlook was milder than his comments on Capitol Hill on Tuesday, some analysts said, when he emphasized the outlook for faster inflation. Investors viewed that emphasis as an indication the Fed could accelerate its pace of rate increases to four from the three that policy makers penciled in at their December meeting.

With his initial, more expansive comments, Mr. Powell "has given himself some optionality" about how to approach the question of how quickly the Fed should raise rates, said Kevin Giddis, head of fixed-income capital markets at Raymond James.

The biggest concern for bond investors has "always been about the inflation story," Mr. Giddis said.

## Treasury Auctions

The Treasury Department plans to auction \$96 billion in securities next week. Details (all with minimum denominations of \$100):

◆ **Monday:** \$51 billion in 13-week bills, a reopening of an issue first sold on Dec. 7, 2017, maturing June 7, 2018. Cusip number: 912796PZJ.

Also, \$45 billion in 26-week bills, dated March 8, 2018, maturing Sept. 6, 2018. Cusip number: 912796PY9.

Noncompetitive tenders for both issues must be received by 11 a.m. EST Monday and competitive tenders by 11:30 a.m.

# Securities Tied to CEFC China Energy Sink



Investors worry CEFC could be taken over by the government.

Shares and bonds of companies linked to a large Chinese energy and financial conglomerate plunged Thursday after a prominent local magazine said the conglomerate's chairman had been questioned by Chinese authorities.

The report in Chinese magazine Caixin said Ye Jianming, the 40-year-old founder and chairman of **CEFC China Energy Co.**, had been investigated recently but didn't say which regulatory department had questioned him or what the reason was.

The report couldn't be independently verified and the article, originally published in Chinese, was removed from Caixin's website within a few hours. An English version of the report remained online.

Mr. Ye couldn't be reached to comment. Thursday night in Asia, CEFC China's Chinese-language website said the company is operating normally. It said it had noticed "irresponsible reports" by some media about Mr. Ye that had "no factual basis," but it didn't provide details. Shanghai's police, China's Public Security Ministry and the Communist Party's

anticorruption agency didn't reply to requests to comment.

The sell-off reflected sensitivities around the Chinese government's yearlong crack-

down on big, acquisitive private-sector conglomerates. Investors quickly drew parallels to Anbang Insurance Group Co., a conglomerate that was

## Deep Loss

Share price of Shanghai Dasheng Agriculture Finance Technology in Hong Kong trading Thursday



Note: HK\$1 = 0.13 U.S. dollar  
Source: Wind Info

THE WALL STREET JOURNAL.

seized last week by China's insurance regulator. In June, Anbang's chairman, Wu Xiaohui, was detained by a special investigative unit in China, and he was recently charged with economic crimes.

CEFC China is a privately held conglomerate that in September agreed to buy a 14.2% stake valued at about \$9 billion in Russia's state-con-

trolled oil company PAO Rosneft from commodities giant **Glencore PLC** and the Qatar Investment Authority. The deal for the Rosneft stake was expected to be completed in the first half of 2018, Glencore said last week.

Rosneft's Moscow-listed shares fell 2.1% Thursday, while Glencore sank 2.7% in London.

In China, Hong Kong and Singapore, securities issued by a half-dozen companies linked to CEFC lost between 8% and 41% of their value and some were suspended from trading Thursday. The Hong Kong-listed shares of **Shanghai Dasheng Agriculture Finance Technology Co.**, in which CEFC has a large stake, slid as much as 76% at one point before ending down 41%.

Investors are highly vigilant to any rumors surrounding large private enterprises," said Shen Meng, director of investment bank Chanson & Co. in Beijing. He said they worry that CEFC could be taken over by the Chinese government or state-owned enterprises.

—Stella Yifan Xie and Kersten Zhang

# Nasdaq Sues IEX Over Stock-Exchange Technology Patents

By ALEXANDER OSIPOVICH

**Nasdaq Inc.** is suing stock-exchange operator **IEX Group Inc.** for alleged patent infringement, punching back at an upstart that is trying to challenge larger rivals.

The lawsuit accuses IEX of infringing seven of Nasdaq's patents for electronic-trading technology after the startup was founded in 2012, according to a copy of the lawsuit provided by Nasdaq to The Wall Street Journal.

IEX hired at least four of Nasdaq's technology employees in 2012 and 2013, who then helped develop IEX's trading systems, the suit states, without identifying the employees.

"The lawsuit seeks to stop, and obtain fair compensation for, IEX's unauthorized use of Nasdaq's intellectual property," Nasdaq said in a press release.

It said the suit was filed Thursday in federal court in New Jersey.

"This is yet another attempt by Nasdaq to obstruct an innovative new competitor," an IEX spokesman said.

The patent dispute opens a new front in the battles between IEX—which is featured in Michael Lewis's 2014 best-selling book "Flash Boys"—and the incumbent exchanges. IEX has long accused Nasdaq and the New York Stock Exchange of favoring high-speed traders over ordinary investors and said it is seeking to build a fairer marketplace. The NYSE and Nasdaq have rejected such accusations.

IEX, which handles less than 3% of U.S. stock-trading volume, is seeking to break into the NYSE and Nasdaq's effective duopoly over U.S. corporate listings, by persuading companies to switch their listing venue to IEX.

But the fledgling listings effort has suffered difficulties, including a longer-than-expected wait for regulatory approval and the downfall of casino mogul Steve Wynn. Mr. Wynn, a vocal supporter of IEX, had said he wanted **Wynn Re-**

sorts Ltd.

to list on the upstart exchange.

Mr. Wynn last month resigned from leadership roles at the casino company.

The Nasdaq suit alleges that IEX infringed Nasdaq patents for systems and processes used to run an electronic stock exchange. One is related to a data feed that publishes information from the closing auctions that Nasdaq conducts at 4 p.m. each weekday. The auctions, a key component of the plumbing of U.S. financial markets, determine the final end-of-day price

for thousands of securities and exchange-traded funds.

The suit quotes IEX as having said in the past that its closing-auction data feed "is substantially similar to...the Nasdaq Net Imbalance Order Indicator." IEX used such language in a U.S. regulatory filing.

Last year, Nasdaq filed a similar patent-infringement suit against another exchange operator, Miami International Holdings Inc., which Miami International called "frivolous." That suit is pending.

## MARKETS

## Treasury Bears Sharpen Their Claws

Wagers that prices will decline hit a record last month as Fed stoked the fire

By DANIEL KRUGER  
AND GUNJAN BANERJI

Bond investors remain on edge after last month's big price swings across financial markets, with bearish bets on Treasury futures prices reaching a high in February.

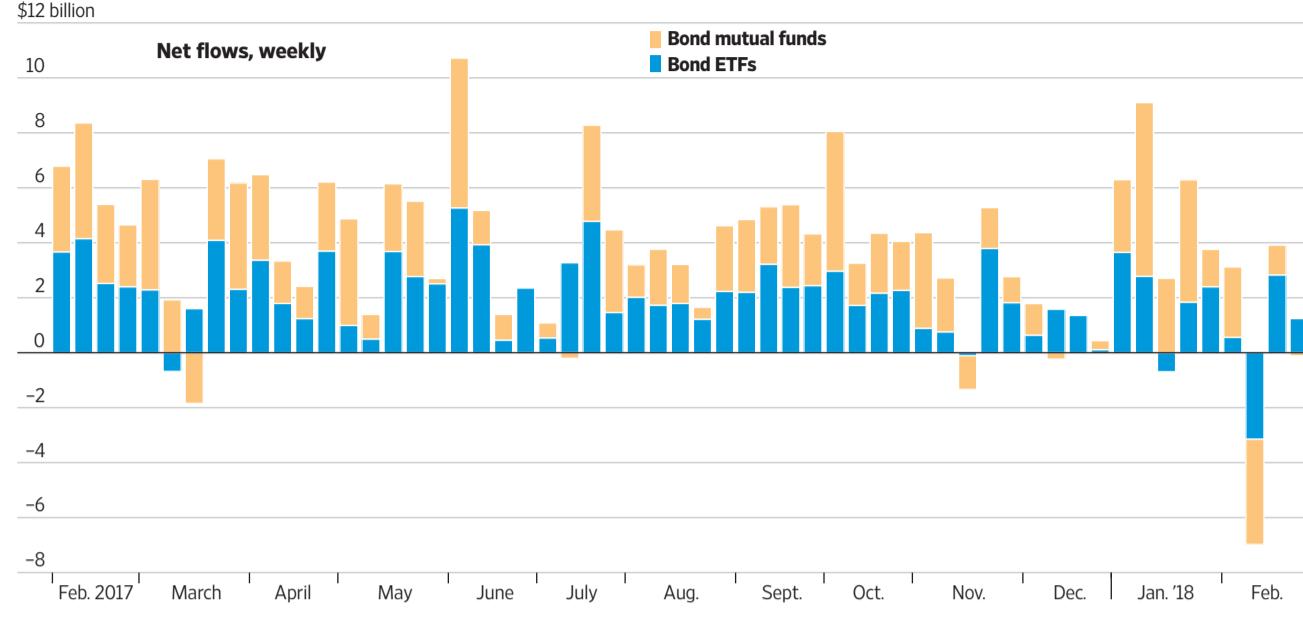
Those jitters were triggered this week by Federal Reserve Chairman Jerome Powell's congressional testimony about the prospects for rising growth and inflation, which sparked a new bout of selling that sent yields back near multiyear highs and nearly reversed three days of gains. Bond yields rise when prices fall.

Signs of worry have proliferated recently. Futures markets show investors recently held the most bearish positioning on record in data going back to 2003. Bidding at February's Treasury auctions declined as the supply of bonds rose. During the week ended Feb. 14, investors pulled the largest amount from fixed-income mutual funds and exchange-traded funds since just after the presidential election. And Treasury market volatility, as measured by Bank of America Merrill Lynch's MOVE index, recently hit its highest level since April.

In a sign of heightened volatility, the 10-year Treasury yield fell the most since Sept. 5, to 2.802% after President Donald Trump's announcement Thursday of tariffs on steel and aluminum imports.

Such extremes of positioning and volatility add to pressures that drove investors to sell bonds in the first two months of the year, with the 10-year yield climbing above 2.9%. Such pressures include the prospect of future inter-

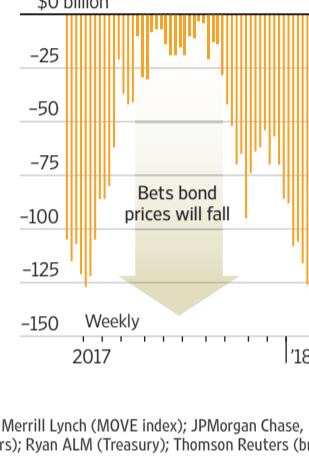
Rising volatility and concerns about inflation have spooked bond investors recently.



Bank of America Merrill Lynch's MOVE index



Net speculative wagers on bond futures\*



Yield on 10-year Treasury note



10-year break-even rate



\*All maturities, adjusted for duration.

Sources: EPFR Global (flows); Bank of America Merrill Lynch (MOVE index); JPMorgan Chase, Commodity Futures Trading Commission (wagers); Ryan ALM (Treasury); Thomson Reuters (break-even rate)

est-rate increases, concerns about accelerating inflation—which chips away at the purchasing power of bonds' fixed payments—and a widening federal budget deficit pushing the Treasury Department to boost debt sales, increasing the supply of bonds.

The selling is worrying to some investors. Though rising rates can signal increasing economic health, this year's

half-percentage-point climb in the yield on the 10-year Treasury note was a major factor behind the recent stock-market tumble, forcing investors to reconsider valuations based on lower yields.

The 10-year yield is a key barometer for financial markets, influencing borrowing costs for individuals, corporations, and state and local governments, along with calcula-

tions used to evaluate stock prices.

Mr. Powell did little to alleviate those concerns in congressional testimony this week. The new Fed chairman's comments that inflation pressures are strong and that fiscal policy is playing a supporting role in economic growth helped snap three days of gains for the 10-year note.

Economic growth can lure investors into riskier assets and push the Fed to raise interest rates.

Those nerves are evident in recent data on Treasury futures, which showed investors recently accumulated the biggest wager that yields on 10-year Treasurys will rise since 2003, when the government began tracking the data, according to a **JPMorgan Chase & Co.** report parsing data

across different Treasury maturities from the Commodity Futures Trading Commission. Investors can use Treasury futures to make directional bets or hedge other parts of their portfolios.

It is the latest indication that some investors expect sustained declines in bond prices, after the worst start to the year for Treasurys since 2009, some analysts said.

The market has "come around to the view that rates are going to be higher," said Mark Cabana, a rates strategist at Bank of America Merrill Lynch.

One-sided positioning in futures markets can exacerbate market moves, some analysts said, potentially setting up large swings in bond prices in coming months, after 2017 was the calmest year in almost four decades.

Fears of rapidly rising yields and concerns about a pickup in inflation have fed these positions, some analysts said.

Some economists now expect as many as four interest-rate increases from the Fed this year, more than the three signaled by the central bank. Analysts also said the additional borrowing resulting from recent tax cuts could push yields higher.

Some warn that if yields continue to quickly rise, the bond market could spark a new pullback in stocks. If the 10-year yield darts to 4.5% by the end of the year, stock prices could take a severe hit, wrote **Goldman Sachs Group Inc.** analysts in a Feb. 24 note.

Wagers that the 10-year Treasury yield is about to break above 3% for the first time in four years face obstacles, however. Many investors have said that as yields approach that level, the debt becomes more attractive to investors. Others point to the decline in oil prices in February as a sign inflation data could weaken.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

## Trade War Could Spread to Soy

President Donald Trump is spoiling for a fight with China on steel and aluminum. But in China, it is looking like a good year to pick a fight with U.S. farmers. The trick: picking winners from losers in an agricultural trade war.

Trade tensions between Washington and Beijing are rising. The Trump administration slapped tariffs on solar-panel and washing-machine imports in January, and is poised to further restrict imports of steel and aluminum—markets in which China is a dominant player. U.S. metals executives were summoned to the White House on Thursday and told new curbs would be approved next week.

How might China respond? One possibility is soybeans. The country imported \$12.4 billion of American soybeans last year to feed its pigs. China relies on these imports to keep feed prices low, which

in turn keeps low the politically sensitive price of pork. The meat is China's staple protein, and a sizable component in household budgets.

But China is arguably now in a better position to handle disruption from American soy. Food-price inflation has been running negative for over a year thanks to agricultural reforms, rebounding pork supply and a global grain glut. The strengthening Chinese yuan also is weighing on the price of imported foodstuffs.

What little inflation there is in China—consumer prices rose 1.5% in January—has been more down to services. Housing, medical care, education and entertainment accounted for nearly 80% of the rise in China's headline price index that month.

U.S. farmers' leverage with China, meanwhile, is exceptionally weak. Farm debt is high and incomes

## Well Fed

China consumer prices, year-over-year change



are falling. Global soybean prices remain mired at barely half their 2012 peak. And Brazil, America's main competitor for the Chinese soy market, is growing another bumper crop.

Brazil's 2017-18 soybean harvest is expected to clock in at 112 million metric tons, the second highest ever, according to Reuters' February survey—

surpassed only by last year's record of 114 million.

Investors in American agricultural giants like **Bunge** and **Archer Daniels Midland** could take a hit if drooping Chinese demand harms American soy prices: China sucks up more than half of U.S. soybean exports.

One company that could benefit if soy tariffs lead to higher Chinese pork prices is Hong Kong-listed **WH Group**, which owns U.S. pork processor Smithfield Foods Inc. and is both a major importer of pork to China and a domestic pork producer.

China won't be able to wean itself entirely off U.S. soy: It still needs to import a reasonable volume to tide it over during the Brazilian winter growing season. But low food prices at home, a strong currency, and a world awash in South American soybeans gives it plenty of room to toy with soy.

—Nathaniel Taplin

## OVERHEARD

It turns out that no one likes visiting the dentist—not even salesmen for one of the country's largest dental supply companies.

Shares of **Patterson Cos.**, which gets more than 40% of its revenue from its dental segment, plunged by 24% on Thursday after the company reported results for its fiscal third quarter.

Sales of equipment fell by more than 10% from the same period a year earlier. The company highlighted "sales force disruptions" as a main reason.

What could be bugging them? Possibly a Federal Trade Commission suit accusing Patterson and two competitors of illegally restraining competition by refusing to sell to buyers groups that negotiate bulk discounts for small dental practices.

The company last month denied the allegations and said any remedy wouldn't involve cash. Shareholders may still feel a little pinch.

## Can Best Buy, And Kohl's Stay Winners?

For a certain group of retailers—the winners, as they might like to think of themselves—there is an awful lot of optimism in the air. How much of that success is due to their efforts and how much comes from the strong economy is the big question for investors.

On Thursday, **Best Buy** and **Kohl's** both reported fourth-quarter earnings and revenue that surpassed expectations. At Best Buy, which had its first holiday season free of competition from bankrupt RadioShack and Hhgregg, same-store sales grew 9%. At Kohl's, same-store sales were up 6.3%, compared with a decline of 2.2% a year earlier.

"I don't remember the last time Best Buy put up numbers like that," said Anthony Chukumba, a retail analyst at Loop Capital. "They are post-Amazon. They've become the poster child for how to compete in this environment."

Both Kohl's and Best Buy are calling for same-store sales in 2018 to be flat to up 2%—a solid outlook given their relatively strong 2017.

Investors now have the tricky task of figuring how much of the companies' performance is due to their success at controlling inventory and fighting back against Amazon, and how much is due to the lowest jobless numbers in decades. Certainly some competitors haven't done so well: On Wednesday **L Brands**, which owns Victoria's Secret and Bath & Body Works, said it expects lower profits in 2018.

At minimum we know that an economy this good won't go on forever. The real test of retailers' staying power will come when fortunes shift and wallets don't open so freely. —Elizabeth Winkler

## Celgene's Missteps Becoming Too Frequent for Investors

## Adverse Events

Celgene share price



main mission—to diversify away from blockbuster cancer drug Revlimid before generic competition arrives in coming years—hasn't gone smoothly.

The bad news came quickly last year. Celgene announced a separate, closely watched Crohn's disease drug had failed in clinical trials in October. That was one reason Celgene slashed its 2020 guidance for sales and profit the following week.

Celgene has turned to acquisitions to diversify its portfolio, but that hasn't helped matters. Celgene acquired Ozanimod when it bought Receptos for \$7.2 billion in 2015. That deal now looks like a bust.

the underlying problem isn't the drug's clinical safety or efficacy data.

Tuesday's revelation is the latest in a series of management missteps since CEO Mark Alles took the top job in 2016. His

Celgene bought two companies in January that won't soon contribute to earnings.

Shares are down about 40% since Oct. 4, when Celgene hit a record close of \$146.52 a share.

The stock seems cheap at seven times that 2020 adjusted earnings forecast. But many investors have lost faith in Celgene. "We have heard the buy-dip [Celgene] thesis before. Five or so times since \$140," wrote Jefferies trader Jared Holz in a note to clients.

"How many self-inflicted wounds are excusable?" wondered Leerink analyst Geoff Porges.

There aren't any obvious ways for Celgene to boost earnings.

Improved results in the clinic would certainly help, but that will take a long time.

Returning more cash to shareholders might seem appealing, but that strategy is rarely successful in biotech. One scenario envisions an activist investor showing up and trying to replace management or pushing for a sale.

Celgene needs to reverse its fortunes. If management can't change the narrative, the risk is that shareholders will do it for them.

—Charley Grant

Keeping secrets:  
Behind Michael Dell's  
blockbuster buy  
**M8**



# MANSION

The worst thing about movie-making  
is that it's like life: Nobody can go  
back to correct the mistakes.'

—Pauline Kael, film critic

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

© 2018 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Friday, March 2, 2018 | **M1**

## Skyscrapers Star on the Big Screen

To symbolize power, wealth and greed, filmmakers go 'on location' to swanky high-rises.



'FIFTY SHADES OF GREY' In Seattle's Escala building, a penthouse the size of the fictional Christian Grey's sold for \$8 million in November 2016. Right, actors Jamie Dornan and Dakota Johnson.

WUQAN ANG FOR WSJ (ESCALA); UNIVERSAL/EVERETT COLLECTION



'TOWER HEIST' Trump International Hotel & Tower in Manhattan, model for the 2011 film, has 23 units listed for sale, from a \$999,000 studio to a 4,415-square-foot, three-bedroom asking \$30 million.

FROM LEFT: MICHAEL CZERWONKA FOR WSJ; WARNER BROS./EVERETT COLLECTION



'HER' Monthly rents in WaterMarke Tower in L.A. range from \$3,100 for a one-bedroom to \$16,500 for one of its 2,800-square-foot penthouses, such as the one used for the film with Joaquin Phoenix.

FROM LEFT: MICHAEL CZERWONKA FOR WSJ; WARNER BROS./EVERETT COLLECTION

BY KATY MC LAUGHLIN

**WHEN HOLLYWOOD** production designer Nelson Coates had to create a high-rise penthouse for the handsome, fetishist, billionaire title character

in the "Fifty Shades of Grey" films, the third of which was released last month, there was no question which Seattle building he would live in.

It had to be Escala, the real 31-story downtown Seattle high-rise that is named in the books and films. Mr. Coates carefully studied Escala's floor

plans and designed a set that re-created for the latest two films the best the building has to offer: 5,200-square-feet of space, floor-to-ceiling windows and sweeping views. The films introduce the building with a huge glowing rooftop sign.

Please turn to page M4

## REAL ESTATE BY ROBOT

Always Be Computing? A new crop of companies bets that robots will upend the real-estate business; 'It was a little weird,' one client says.

BY KATY MC LAUGHLIN

**RIGHT BEFORE** Laura Franco went to look at a three-bedroom apartment for rent in Santa Clara, Calif., in mid-January, she got a surprising text message from the property manager, Zenplace.

"They said a robot would meet me at the property. I thought, 'a robot?'" said Ms. Franco, 31, an event planner and bartender. When she arrived at the listing, a text message provided her with a



MICHAŁ CZERWONKA FOR THE WALL STREET JOURNAL

code she used to let herself in. Then a long-necked white robot on wheels, with a screen that looks like a small tablet, rolled up to her. The face and voice of Rabia Levy, a real-estate agent at Zenplace, greeted Ms. Franco from the screen and told her to follow the robot around as it gave her a tour.

"It was a little weird," said Ms. Franco, who signed a deal last week for a \$3,925-a-month apartment she found through Zenplace. "It was like she was there

Please turn to page M6

INSIDE

**MIAMI BEACH**  
Renowned party house lists for \$40 million  
**M2**



**BREWERY REBORN**  
17th-century building in Bruges is transformed



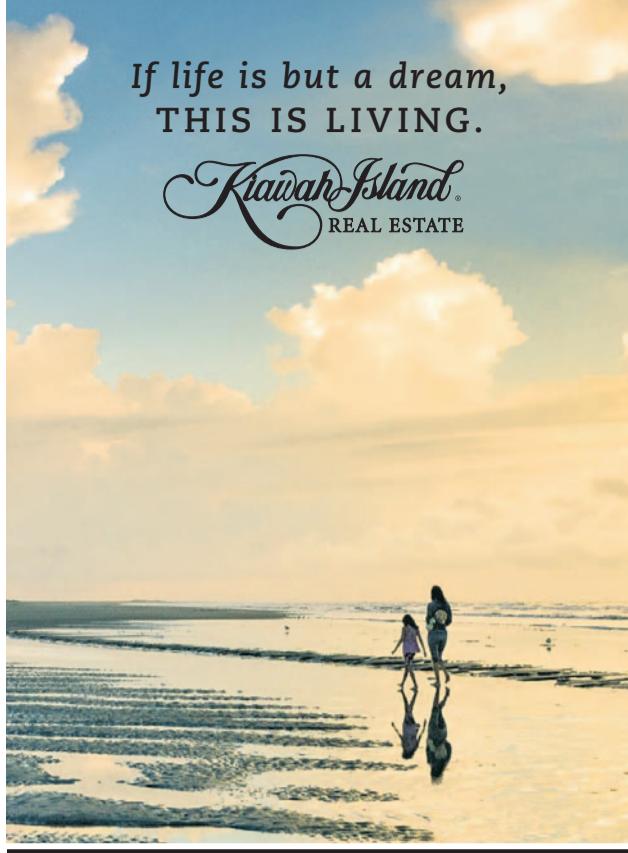
Work with one of the most respected names worldwide to find your perfect home.

Browse our luxury home collection at [bhsluxurycollection.com](http://bhsluxurycollection.com)

BERKSHIRE HATHAWAY  
HomeServices

LUXURY  
COLLECTION

©2018 BH Affiliates, LLC. Real estate brokerage services are offered through the network member franchises of BH Affiliates, LLC. Most franchisees are independently owned and operated. Berkshire Hathaway HomeServices and the Berkshire Hathaway HomeServices symbol are registered service marks of HomeServices of America, Inc. Information not verified or guaranteed. If your property is currently listed with a broker, this is not intended as a solicitation. Equal Housing Opportunity.



If life is but a dream,  
THIS IS LIVING.

Kiawah Island<sup>®</sup>  
REAL ESTATE

Mother Nature created it. We perfected it.  
It's time to pick your place in paradise.

[Kiawahisland.com](http://Kiawahisland.com) • 866.312.1780

Obtain the Property Report required by Federal Law and read it before signing anything. No Federal or State agency has endorsed or judged the merits of value, if any, of this property. This is not intended to be an offer to sell nor a solicitation of offer to buy real estate in any jurisdiction where prohibited by law. This offer is made pursuant to the New York State Department of Law's Simplified Procedure for Homeowners Associations with a De Minimis Cooperative Interest (CPS-7). The CPS-7 application (File No. HO16-0007) and related documents may be obtained from the sponsor. This project is registered with the State of New Jersey Department of Banking and Insurance Real Estate Commission. Obtain and read the NJ Public Offering Statement before signing anything (NJ Reg#16-15-0012). AN AFFILIATE OF KIAWAH PARTNERS.

## LUXURY REAL ESTATE DESERVES A LUXURY AUCTION<sup>®</sup>



MARCH 27<sup>TH</sup> | NEW VERNON, NJ

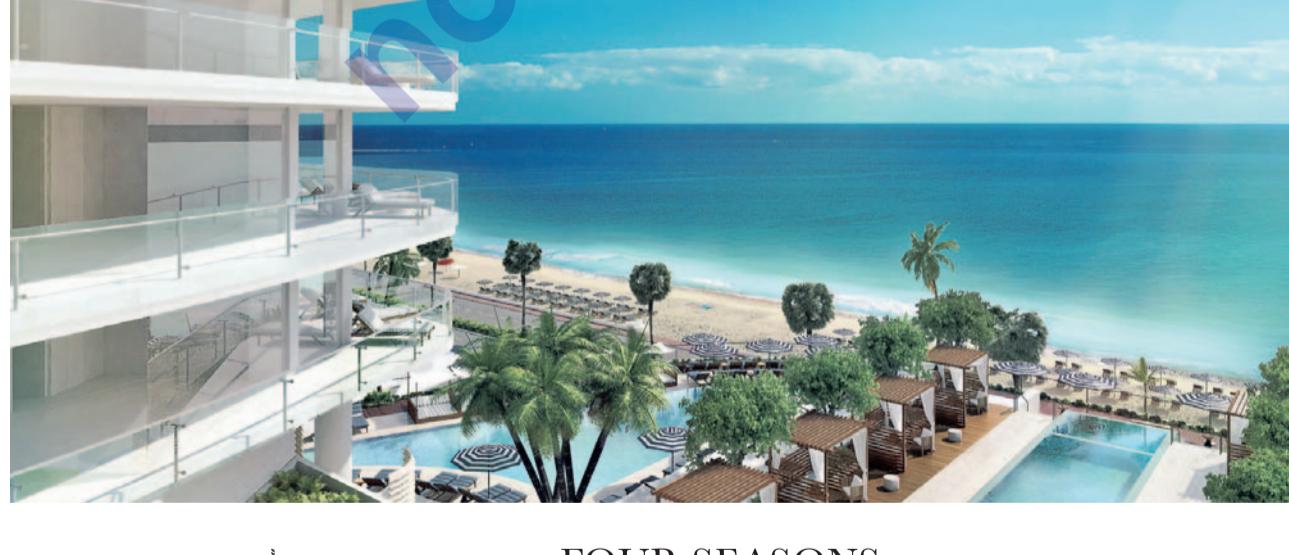
PREVIOUSLY OFFERED FOR \$8 MILLION.  
NOW SELLING WITHOUT RESERVE!

Luxurious, 10-Acre Suburban Manor with  
In-Ground Pool, 6-Stall Barn and More!  
Within only 40 miles of NYC.

COMING IN JUNE:  
LUXE COUNTRY HOME IN  
REDDING, CT!

800.674.3325  
[NewJerseyLuxuryAuction.com](http://NewJerseyLuxuryAuction.com)

NJ property listed and offered for sale by Kienlen Lattmann Sotheby's International Realty (Lic#0903100). Listing Agents Berly Teale (Lic#0559674) and Lisa Geffroy (Lic#1539382). CT property listed and offered for sale by Al Filippone Associates LLC (REB#0789142) of William Raveis Real Estate (REB#0751800). Listing Agent Andrew Whiteley (RES#0770852). Platinum Luxury Auctions LLC is a registered Foreign Limited Liability Company with the state of New Jersey (ID#0450234983) and Connecticut (ID#1263399) performing auction and auction-marketing services as part of these transactions, and is not performing any real estate brokerage services where prohibited. Sotheby's International Realty, the Sotheby's International Realty logo and affiliate logos are registered or unregistered service marks used with permission. Neither Sotheby's International Realty Affiliates LLC, nor any of their affiliated companies is providing any product or service in connection with this event other than as required by applicable law. NJ bid calling by New Jersey Auctioneer Alfred J. Roccia (Lic#9486638).



## FOUR SEASONS PRIVATE RESIDENCES FORT LAUDERDALE

A New Oceanfront Destination for Five-Star Living

This oceanfront property, perfectly positioned overlooking the Atlantic Ocean and yacht-lined Intracoastal Waterway, features 90 residences from 1-4 bedrooms, including furnished and fully-appointed as well as unfurnished options available. Enjoy living at its best with an array of Four Seasons services and amenities in the comfort of your home.

Occupancy 2020 | 40% SOLD  
Preconstruction pricing until April 30th, 2018

+1 (954) 324.2487 | [FORT525RESIDENCES.COM](http://FORT525RESIDENCES.COM)

505 N Fort Lauderdale Beach Blvd. #CU7 Fort Lauderdale, FL 33304

BROKER PARTICIPATION WELCOME.

ORAL REPRESENTATIONS CANNOT BE RELIED UPON AS CORRECTLY STATING THE REPRESENTATIONS OF THE DEVELOPER. FOR CORRECT REPRESENTATIONS, REFERENCE SHOULD BE MADE TO THE DOCUMENTS REQUIRED BY SECTION 718.503 FLORIDA STATUTES, TO BE FURNISHED BY THE DEVELOPER TO BUYER OR LESSEE.



FORT LAUDERDALE

A PROJECT BY FORT PARTNERS



## MANSION

### PRIVATE PROPERTIES

# Saudi Royals List L.A. Estate



(T-B) MARK SINGER; LUX HUNTERS; RANDY ROBINSON

A Los Angeles compound owned by Saudi royalty is coming on the market for \$110 million.

The Beverly Hills estate, located on about 14 acres, features more than 35,000 square feet of interior space, as well as manicured outdoor spaces with tree-lined promenades, a tennis court and a swimming pool, according to the listing.

It features a dramatic courtyard entrance with a water fea-

ture and additional guest and staff residences. The formal entryway has a retractable roof.

"It's a magnificent retreat for someone who wants to get away," said the listing agent, Jeff Hyland of Hilton & Hyland. "There's a spectacular private driveway and, from up there, you can see the ocean all the way to Catalina Island."

The owner of the property is Canessa Investments N.V., a business entity affiliated with the late Saudi Prince Saud al-

Faisal, who died in 2015, and his wife, Princess Johara bint Faisal, according to property records and legal filings. The prince served as his country's foreign minister from 1975 until 2015. It wasn't clear if Princess Johara, who couldn't be reached for comment, still lives at the property.

The compound was previously shopped around quietly by the real-estate agents Josh and Matt Altman of Douglas Elliman for \$145 million, but

was never publicly listed for sale, according to people familiar with the situation. The Altman brothers didn't immediately respond to a request for comment.

The neighboring property, known as the Palazzo di Amore, is the decadelong project of real-estate investor Jeff Greene and was previously listed for \$195 million in 2014. The price has since been lowered to \$129 million.

—Katherine Clarke



## A MIAMI BEACH PARTY HOUSE IS LISTED FOR \$40 MILLION

A once-famed Miami Beach party house is hitting the market for \$40 million, but that doesn't include the dining room's two stripper poles.

The waterfront mansion on Star Island was once owned by the colorful real-estate developer Thomas Kramer, who made a fortune in South Florida real estate in the 1990s and was known for throwing extravagant parties. But he lost the home to creditors after a lengthy legal battle, and the possessions he left behind—including a custom-made coffin and a dining table with two stripper poles on top—were auctioned in February, says Chuck Throckmorton of Kozyak Tropin & Throckmorton, a sellers' attorney.

Credited with helping to revive Miami Beach's South of Fifth neighborhood in the

1990s, the Germany-born Mr. Kramer's projects included the Portofino Tower condominium and a nightclub named "Hell." He hosted epic parties at his home, explaining in an interview through the messaging service WhatsApp that he had the coffin on hand "because I wanted to die like Elvis Presley on overdose in party mode."

He paid \$2 million for one of the property's lots in 1992 and \$3.85 million for the other one in 1996, according to public records.

Mr. Kramer had invested in

South Beach real estate using

money from his then-wife's

stepfather, late German busi-

nessman Siegfried Otto, said

Mr. Throckmorton. But a legal

dispute over those funds

arose between Mr. Otto's fam-

ily and Mr. Kramer.

—Candace Taylor

## FORMER AOL EXECUTIVE ASKS \$15 MILLION FOR HISTORIC HOME

Internet pioneer Steve Johnson, a tech entrepreneur and former AOL executive, is listing his mid-1800s home in Cambridge, Mass., for \$15 million, making it one of the most-expensive homes on the market in the Boston area.

The three-story, Greek Revival-style house sits about a mile from Harvard University, where Mr. Johnson received a master's degree in 1985. He later moved to California and founded the Newport Beach-based Johnson-Grace Co., which developed digital data-compression technologies. The company was acquired by America Online in 1996 for about 1.6 million shares, or



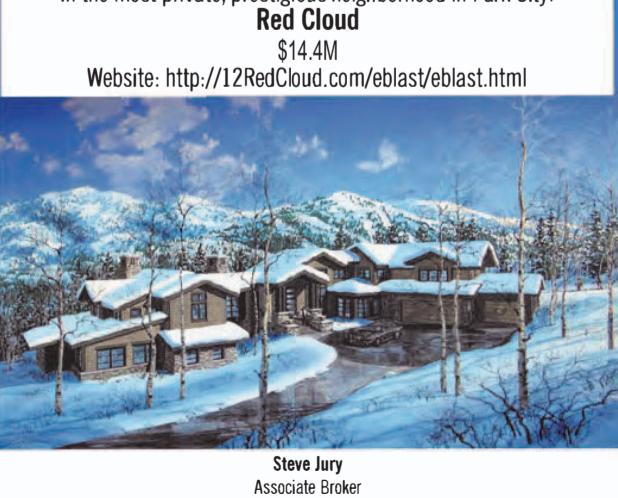
roughly \$72.8 million, The Wall Street Journal reported at the time. Mr. Johnson returned to Boston after leaving AOL around 2000, he said, purchasing this house in 2003 for \$5.2 million, according to public records. He is now a venture capitalist.

The six-bedroom property is about 9,400 square feet. Mr. Johnson said he and his wife, Rosemarie, spent two years renovating. "We changed everything," said Mr. Johnson, 59, adding that because he and his wife are now empty-nesters, they want to downsize. The listing agents are Gail Roberts and Ed Feijo of Coldwell Banker. —Candace Taylor



► See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion).

Email: [privateproperties@wsj.com](mailto:privateproperties@wsj.com)



Deer Valley: Brand New – Spectacular View – Ski In/Ski Out

8 Bedrooms – 12 Bathrooms

11,003 Square Feet

Contemporary Design

In the most private, prestigious neighborhood in Park City:

Red Cloud

\$14.4M

Website: <http://12RedCloud.com/eblast/eblast.html>



Steve Jury

Associate Broker

Keller Williams Real Estate / Park City

435.602.5555 • [SteveJury@cox.net](mailto:SteveJury@cox.net)

EQUAL OPPORTUNITY LENDER

BROKER PARTICIPATION WELCOME.

ORAL REPRESENTATIONS CANNOT BE RELIED UPON AS CORRECTLY STATING THE REPRESENTATIONS OF THE DEVELOPER. FOR CORRECT REPRESENTATIONS, REFERENCE SHOULD BE MADE TO THE DOCUMENTS REQUIRED BY SECTION 718.503 FLORIDA STATUTES, TO BE FURNISHED BY THE DEVELOPER TO BUYER OR LESSEE.

PLANS, FEATURES AND AMENITIES SUBJECT TO CHANGE WITHOUT NOTICE. ALL ILLUSTRATIONS AND PLANS ARE ARTIST CONCEPTUAL RENDERINGS AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. THESE MATERIALS ARE NOT INTENDED TO BE AN OFFER TO SELL, OR SOLICITATION TO BUY A UNIT IN THE CONDOMINIUM, SUCH AN OFFERING SHALL ONLY BE MADE PURSUANT TO THE PROSPECTUS (OFFERING CIRCULAR) FOR THE CONDOMINIUM AND NO STATEMENT SHOULD BE RELIED UPON UNLESS MADE IN THE PROSPECTUS OR IN THE APPLICABLE PURCHASE AGREEMENT. IN NO EVENT SHALL ANY SOLICITATION, OFFER OR SALE OF A UNIT IN THE CONDOMINIUM BE MADE IN OR TO RESIDENTS OF ANY STATE OR COUNTRY IN WHICH SUCH ACTIVITY WOULD BE UNLAWFUL. FOR NEW YORK PURCHASERS ONLY, THE COMPLETE OFFERING TERMS ARE IN THE CPS-12 APPLICATION AVAILABLE FROM THE OFFEROR. FILE NO. CP17-0076, FORT PARTNERS, LTD., THE PROJECT DEVELOPER. THE PROJECT IS BEING DEVELOPED BY MVR LAUDERDALE, LTD., A MEMBER OF THE MVR GROUP OF COMPANIES. THE FORT PARTNERSHIP USES THE FOUR SEASONS TRADEMARK AND LOGO OF FOUR SEASONS HOTELS LIMITED AND A LICENSED AGREEMENT WITH FOUR SEASONS HOTELS LIMITED. THE MARKS "FOUR SEASONS," "FOUR SEASONS HOTELS AND RESORTS" ANY COMBINATION THEREOF AND THE TREE DESIGN ARE REGISTERED TRADEMARKS OF FOUR SEASONS HOTELS LIMITED IN CANADA AND U.S.A. AND OF FOUR SEASONS HOTELS (BARBADOS) LTD. ELSEWHERE. EXCLUSIVE MARKETING & SALES DOUGLAS ELLIMAN DEVELOPMENT MARKETING. EQUAL OPPORTUNITY.

## MANSION

## BALANCE SHEET

# At Home In a Belgian Brewery

The daughter of a Bruges beer-making family carves out a home

BY J.S. MARCUS

**ANNE VANNESTE** left

France some six years ago to return to her native Bruges in Belgium, where she and her family own a historic brewery. In need of a place to live, she embarked on the adventure of transforming an all but abandoned space on the brewery compound into a bright new home.



"This house has probably been transformed a million times," said Ms. Vanneste, a 36-year-old naval architect, showing the new version of her centuries-old, double-gable home in the village-like center of the city, where her mother's family has been running De Halve Maan, (the Half Moon), the city's oldest continuous brewery, since the 1850s. In addition to her stake, Ms. Vanneste runs the brewery visitor center.

She and her family spent about \$800,000 on a gut renovation to convert the brewery complex's low-ceiling, second-story storage space into a contemporary home.

The 400-year-old building, with a 600-year-old basement, now contains a 2,700-square-foot apartment with two bedrooms, one bathroom and several outdoor spaces. Its interior is a mix of modern features, such as a transparent staircase, but with vintage detailing and family antiques—Biedermeier-style furnishings from her grandfather Henri Maes, who ran the brewery from the 1950s to the 1980s.

The ground-floor shop has been continuously rented out—now to a souvenir seller—but the upper floor had been ignored for decades.

"It was more or less empty and more or less a ruin," Ms. Vanneste says. A ground-floor entrance leads

to a second-floor open-plan kitchen, dining and living area. One step above is the master bedroom and bath, and the spaces under the double eaves are now a guest bedroom and makeshift den.

Bruges, a late-medieval superpower, is known today for its picturesque canals and well-preserved, gabled houses, many dating to the 15th century. It had slipped into a long decline after 1500, when its access to the North Sea silted up. Kept intact for centuries by its status as a provincial backwater, the city was restored gradually over the 20th century. Ms. Vanneste's building dates to the 17th century, she estimates.

Belgian empty-nesters are the latest wave attracted to the city, an hour's drive north of Brussels. But it also has a core of longstanding denizens like the Maes clan of Ms. Vanneste's mother.

The brewery's two prize-winning brands—Brugse Zot and Straffe Hendrik—are made behind Ms. Vanneste's home in the compound, which includes a restaurant, bar, brewing facilities, shop, and the home of an uncle.

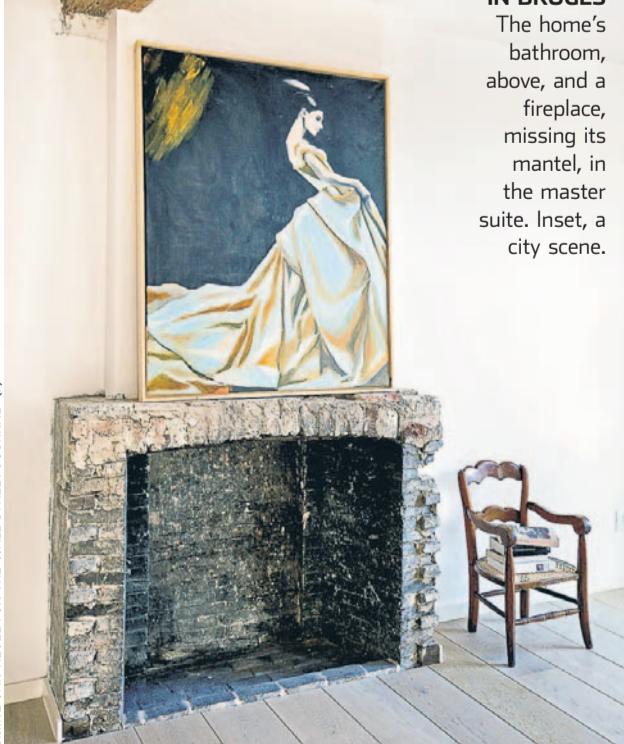
Renovators face considerable challenges in the center of Bruges, a Unesco World Heritage site. They must deal with a host of regulations—and at least two building commissions.

They also tend to pay a premium to restore existing fittings or to commission new ones to resemble the originals. Ms. Vanneste spent about \$315,000 on structural elements, including \$45,000 on steel, T-shaped inserts that had to be placed inside the centuries-old wood beams to stabilize the brick building.



**IN BRUGES**

The home's bathroom, above, and a fireplace, missing its mantel, in the master suite. Inset, a city scene.



**ON TAP** Anne Vanneste, top, right, created an open-plan kitchen area in her gut renovation, top. The family's De Halve Maan brewery, above left, is a complex that now includes the new two-gable home, right.



She also paid more than \$37,000 to restore her vintage wooden doors and windows, which have antique handles and latches. Then for contrast, she added a sleek, transparent staircase from the second floor to the new third floor created from an unused attic.

"I didn't want to make new stairs look like old ones," she says.

She hired Tom Vanhee, 44, a Brussels-based architect, to help refashion the space. Architects working in Bruges's historic core need special certification, she explains, and Mr. Vanhee has done several local projects. His experience, she says, "was a huge advantage."

Even so, it took them more than a year to secure building permits for the three-year project.

The two saw eye-to-eye on just about everything, she says, with one exception: the kitchen. Mr. Vanhee argued for a compact kitchen, but Ms. Vanneste, who likes to entertain, put in a large island and an array of cabinets. She spent about \$25,000 on the space and its Miele appliances.

Ms. Vanneste, who moved into the finished home in 2015, still has a long to-do list, including a shower for her guest room. And she is still deciding on lights for the kitchen and dining area.

She left room for an elevator so that the senior generation of her family might use the space should she move. At one point, she considered putting a small swimming pool in what is now the garage for the use of her family, who all live nearby, but the cost was prohibitive, she says. The atmospheric basement, with late-medieval decorations, is used to store barrels of her family's heritage beer.

In her bedroom, a few steps above the open-plan second floor, Ms. Vanneste has an exposed-brick fireplace. Its wooden mantel went missing during the renovation, and she is mulling what, if anything, to do about it. "I'm used to it," she says.



## KEY COSTS

Structural work, roof

**\$315,000**

Woodwork

**\$102,000**

Kitchen

**\$25,000**

Bathroom

**\$40,600**

Heating, ventilation

**\$44,000**

Plasterwork

**\$23,400**

Electricity

**\$33,000**

Interior steel detailing, including new stairs

**\$28,000**

Flooring

**\$12,300**

Steel balcony

**\$12,300**

Design fees

**\$92,000**

**THE ESTATES AT ACQUALINA™**

*The World's Finest Residences®  
At The World's Finest Resort*

MIAMI

NOW UNDER CONSTRUCTION | DELIVERY 2020

LOBBY DESIGNS BY KARL LAGERFELD

3 TO 7-BEDROOM RESIDENCES FROM \$4.2 TO \$9 MILLION  
PENTHOUSES & SINGLE-FAMILY HOMES FROM \$12 TO \$36 MILLION  
TO SCHEDULE A PRIVATE SHOWING CONTACT US AT  
+1 855 825 1725 OR SALES@ESTATESATACQUALINA.COM  
www.estatesatacqualina.com  
RESORT RESERVATIONS: +1 855 818 6855



## MANSION

## SKYSCRAPERS STAR ON THE BIG SCREEN

*Continued from page M1*  
 (That part is movie magic; no such sign exists.) A penthouse the size of the fictional Christian Grey's sold for \$8 million in November 2016.

On Oscar night March 4, there will be no award for "best building," but maybe there ought to be. Hollywood has long been fascinated by skyscrapers, pitting them against monsters like "King Kong," using them to signify modernism and post-war progress in "The Fountainhead," and setting them alight in action movies like "The Towering Inferno" and "Die Hard." These office buildings represented the apex of capitalism, ambition and hubris.

The love of filming in the air continues, but today cinematic skyscrapers increasingly play the role they do in real life, as the homes of the rich and powerful. And just like real-estate developers, filmmakers seem engaged in a race to place characters in ever bigger, taller and more luxurious high-rises.

By setting characters in real residential skyscrapers, film productions can trade on the real-life allure of these buildings, while adding elements on sets or in post-production that don't exist.

"Her," a 2013 science-fiction movie, shows a future world where luxury high-rise living is available to the middle class. Much of the action takes place in a penthouse in WaterMarke Tower, a 35-story building in increasingly trendy downtown Los Angeles.

"Tower Heist," released in 2011, tells the story of a group of working stiffs exacting revenge on a rich swindler in a Manhattan high-rise that was modeled after Trump International Hotel & Tower on the edge of Columbus Circle.

For buildings, a starring



'SKYSCRAPER' Dwayne Johnson and an imaginary Hong Kong high-rise star in a film due in July.

role in a major movie can be a mixed bag, in terms of marketability and reputation.

At Escala, which began selling its 270 condos in 2010, prices have nearly doubled

since launching. Today, the smallest units—910-square-foot one-bedrooms—sell for

about \$850,000 and the largest penthouses, at 5,200-square-feet, have sold for \$8 million. Yet, Erik Mehr, Escala's sales and marketing director, said that while the movie "made the building very famous," it might have turned off some buyers offended by its theme.

Prices at Escala soared because of the local market, not the movie, Mr. Mehr added. The median per-square-foot price for condominiums in the top fifth of the Seattle market rose by 57% between 2011 and 2017, according to Trulia, a real-estate website. Meanwhile, after the release of the first film, tour buses began driving by, pointing out the "Fifty Shades" building on the loudspeaker, which annoyed some residents.

Young women gathered out front. One resident would offer to take pictures, then jokingly introduce himself as "Christian Grey," the movie's protagonist. Other homeowners are embarrassed by the attention, Mr. Mehr said.

By contrast, WaterMarke Tower, also completed in 2010, has benefited from appearing in the movie "Her," as well as in at least 20 shows and productions, said general manager Chad Vasquez. Rents today range from \$3,100 for an 826-square-foot one-bedroom to \$16,500 for one of four 2,800-square-foot penthouses like the one used in "Her." Through fees it charges productions, the building earns \$100,000 to \$200,000 a year, Mr. Vasquez said.

Jason Jones, president of location-services company Key Loco, was impressed enough with the two-bedroom unit in "Her" to sign an annual lease for it last summer for "just under \$15,000 a month," he said. But his goal wasn't to imitate the lifestyle of the

apartment's celluloid resident, played by actor Joaquin Phoenix. Instead, he was intrigued by its value as a film location, he said.

After signing the lease and buying furniture, Mr. Jones and a business partner "just about broke even" in 2017 by renting the penthouse to a television show, a production company filming a commercial, an independent film and other shoots.

"When it is vacant, I can use it to entertain clients. It also gives me a place to stay when I'm downtown," he said.

Sales at Trump International, which has 158 units on floors 23 through 52, slumped between 2015 and 2017. Prices per square foot were down 18.5%, based on five condo sales in 2015 and two in 2017, according to CityRealty, a New York City real-estate website. Eric Trump, executive vice president development and acquisition for the Trump Organization, cautions that the sales figures are misleading because of the small sampling of sales in the data. Today, 23 units in the building are listed for sale, from a studio for \$999,000 to a 4,415-square-foot, three-bedroom unit listed for \$30 million, said CityRealty.

With the building's developer now president of the U.S., there are factors beyond a Hollywood movie affecting the marketability of the building. It is the site of occasional protests. There also has been a softening in the luxury condo market in Manhattan: The median per-square-foot price for condominiums in the top fifth of the market fell 2.4% between 2015 and 2017, after several years of dramatic increases, according to Trulia.

Filming on location in high-rise buildings is notoriously

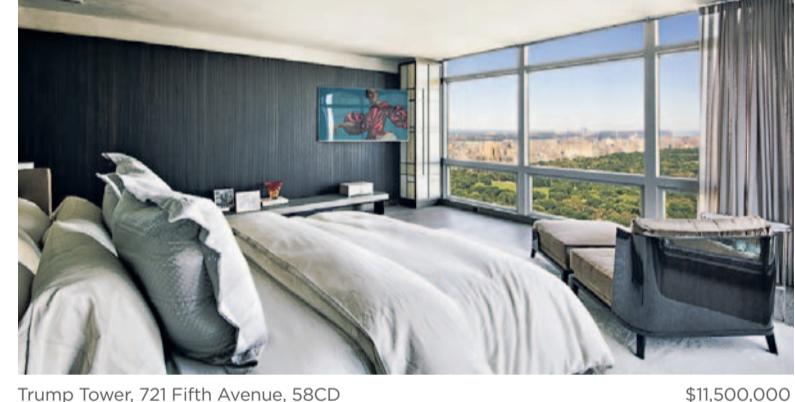
## EXCLUSIVE PROPERTIES

## BERKSHIRE HATHAWAY | New York Properties HomeServices



The Leonori, 26 East 63<sup>rd</sup> Street, PHB  
5 Bedrooms | 5.5 Bathrooms  
Reba Miller 646.677.1067

\$16,950,000  
Condominium  
[phbleonori.com](http://phbleonori.com)



Trump Tower, 721 Fifth Avenue, 58CD  
2 Bedrooms | 2.5 Bathrooms  
Farah Moinian 646.677.1041 | A. Laurance Kaiser IV 646.677.1039 | Craig Dix 646.677.1038

\$11,500,000  
Condominium



The Carlton, 21 East 61<sup>st</sup> Street, 9E  
3 Bedrooms | 3.5 Bathrooms  
Reba Miller 646.677.1067

\$8,995,000  
Condominium  
[21e61st.com](http://21e61st.com)



116 East 66<sup>th</sup> Street, PHA  
3 Bedrooms | 3 Bathrooms  
Lorenzo Avati 646.677.1061 | Michael Lahm 646.677.1062 | Rhiannon Kubika 646.677.1063

\$4,995,000  
Cooperative



2387 56 Drive, Brooklyn  
5 Bedrooms | 5.5 Bathrooms  
Tatiana Nikichina 646.677.1028

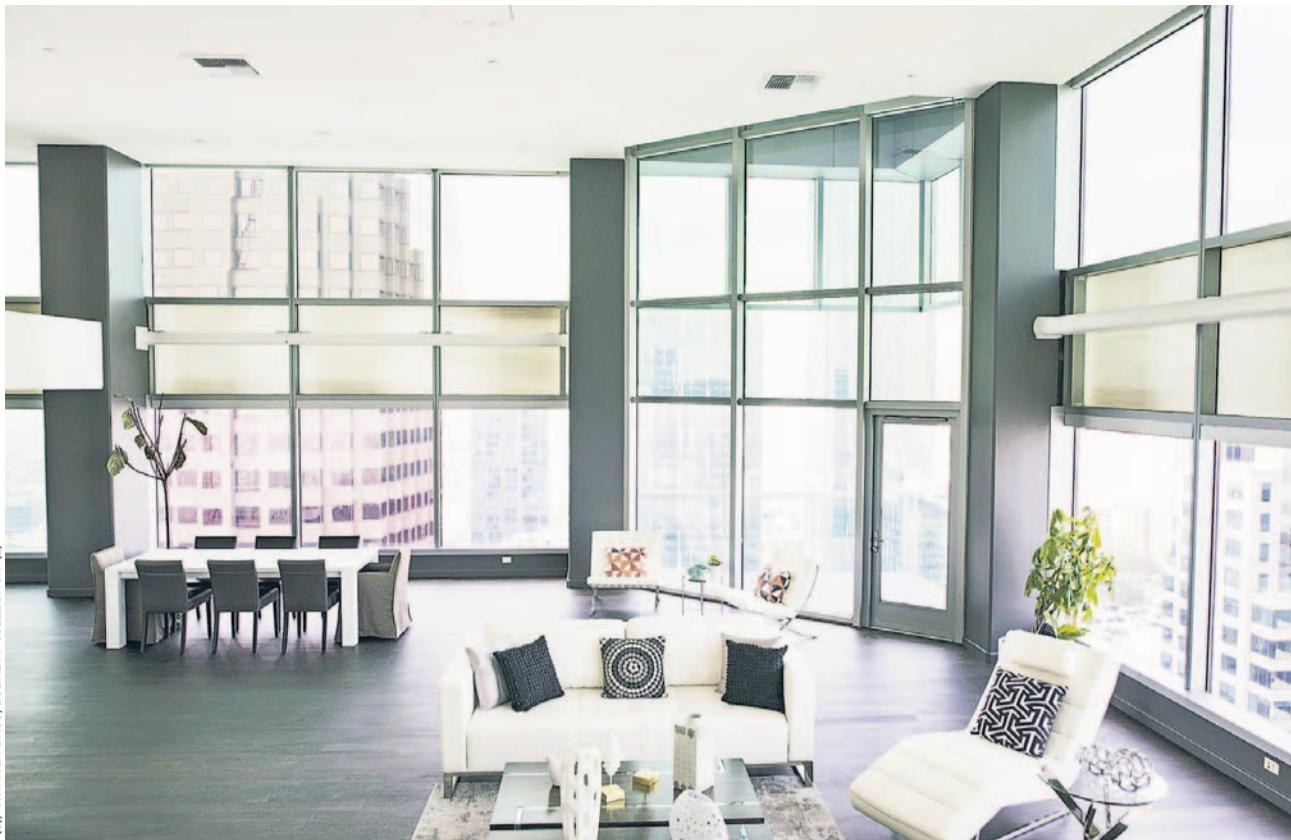
\$4,500,000  
Mill Basin Home



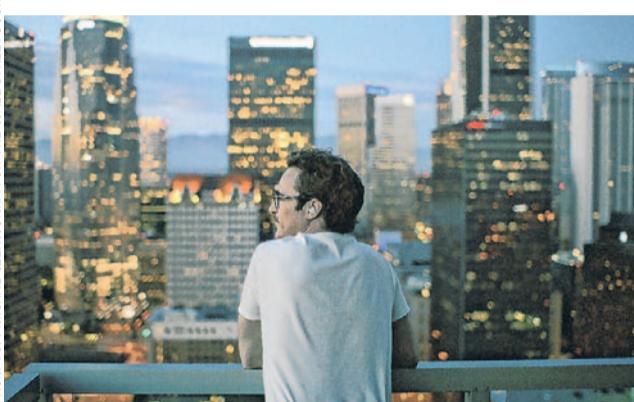
470 Park Avenue, 2C  
2 Bedrooms | 2 Bathrooms  
A. Laurance Kaiser IV 646.677.1039 | Craig Dix 646.677.1038

\$3,400,000  
Cooperative

## MANSION



**SET UP** Jason Jones in the WaterMarke unit in L.A. used for 'Her' that he leases and rents out for productions, above and left. Below, left to right: Joaquin Phoenix and director Spike Jonze.



**Ideal Modern Hamptons Living**

Water Mill - Web# 17921



\$6,295,000 - Modern Home | 5.6 Acres | Surrounded by Horse Pastures and Farm Fields | 9,000+ SF | 8BR | 8.5BA | Double-faced Fireplace | Formal Dining Room | Gourmet Kitchen | Master suite with Luxurious Bath, Private Balcony and Indoor/Outdoor Fireplace | Lower Level Includes Theater Room, Wine Cellar, Gym, Powder Room and Seating area | Pool with Spa | Beautiful Landscaping | Tennis | Minutes to Bridgehampton Village and Ocean Beaches



**CORCORAN**

Cristina Matos

Lic. Assoc. RE Broker  
631.766.3378  
[cristina.matos@corcoran.com](mailto:cristina.matos@corcoran.com)

Equal Housing Opportunity. The Corcoran Group is a licensed real estate broker located at 88 Main Street, Southampton, NY 11968.

## FLORIDA LUXURY HOMES - EXCEPTIONAL RESORT LIFESTYLE

# FLORIDA



### BOCA/DELRAY BEACH ESTATE HOMES & RESORT LIVING

Experience a year-round, world-class lifestyle at Seven Bridges - it's like country club living without all the fees.

A spectacular clubhouse offers fitness, tennis, restaurant and poolside dining, an array of activities and so much more!

A stunning selection of home designs range from 2,450 to over 7,800 a/c sq. ft. Call today and discover gorgeous new homes and incredible lifestyle.

[GLHOMES.COM/SEVEN-BRIDGES](http://GLHOMES.COM/SEVEN-BRIDGES) • (800) 616-0416

**Seven  
BRIDGES**  
BOCA/DELRAY BEACH  
\$700s - \$2 MILLION

## MANSION

## ROBOT REALTY

*Continued from page M1*  
but she wasn't there."

It's the brave new world of real estate by robot. A new crop of companies is introducing technology they say will reshape how property is rented and sold. By using robots to do some of the tasks that people normally handle—such as showing properties, creating floor plans and shooting video of homes—these firms hope to bring a leaner, more-efficient approach to the traditional real-estate business.

REX, a brokerage based in Woodland Hills, Calif., places a robot in each seller's home that answers property questions and collects data from people touring the homes. Brooklyn-based VirtualAPT invented a robot that makes three-dimensional property videos. Sunnyvale, Calif.-based property manager Zenplace's robots allow agents to communicate remotely through a screen rather than having to drive around showing properties.

Each of the companies launched in 2016 and say they are growing fast. VirtualAPT said it expects to film 10,000 residential units within the next 12 months; its clients include broker Stribling & Associates and agents with Douglas Elliman. Zenplace, which currently operates in the San Francisco Bay Area, San Jose and Los Angeles, plans to

launch in places including San Diego, New York, Texas, Washington state and Florida this year, said chief executive Rahul Mewawalla.

In January, REX announced it had received \$15 million in its latest round of funding, for a total of \$30 million in investment. REX said it listed a house per day in 2017 in Southern California and the New York area, and plans to operate in San Francisco, Austin, Denver and Dallas by the end of the year.

Traditional brokerages see value in technology but don't see robots or artificial intelligence displacing human agents or reducing their earning power. "I believe that agents are critical to transactions and always will be," said Robert Reffkin, chief executive of Compass, a New York-based real-estate brokerage. Compass has invested heavily in technology, Mr. Reffkin said, but doesn't use robots to minimize the agent's role.

The founders of REX, including chief executive Jack Ryan, believe that robots, big-data analytics and artificial intelligence will disrupt the traditional real-estate business, starting with the typical 5% to 6% commission agents charge sellers. REX charges a 2% commission. Instead of listing properties on the Multiple Listing Service, which real-estate agents use to market property to each other, REX markets houses directly to consumers on platforms including Zillow and Trulia.

Scott McNealy, the former chief executive of Sun Microsystems, said he invested in REX because he believes its technology will enable it to sell houses more efficiently than individual real-estate agents can. The robots REX places in homes "are far more intelligent than a real-estate agent," Mr. McNealy said.

Ron Foll, a 59-year-old attorney, and his wife, Lorelei, recently had Rex the Bot installed in their home in Thousand Oaks, Calif., which they have listed with REX for \$1.675 million. The bot at the Folls' is a monitor mounted on an approximately 5-foot tall platform



**A BOT BETTER?** The robots that REX places in homes, including Ron and Lorelei Foll's in Thousand Oaks, Calif., 'are far more intelligent than a real-estate agent,' says Scott McNealy, a REX investor and former Sun Microsystems CEO.



MICHAEL CERNOVSKY FOR THE WALL STREET JOURNAL (3)

with a sign that says "Ask Rex." At an open house in early February, the robot fielded questions from many of the 30 people who came to see the house, said Ms. Foll, a 64-year-old homemaker.

The bot is programmed with detailed answers to over 75 questions buyers tend to ask about houses. It records the questions each buyer asks—and feeds that information into the potential buyers' profile.

This information helps REX figure out what other homes to market to those same buyers, said Mr. Ryan. A REX employee is also on site during home showings and can provide information, too, Mr. Ryan said.

In the case of VirtualAPT, the robots that do the work are never seen by property seekers, rolling into homes to create floor plans and recording 3-D video to use in online marketing. The cost is 50 cents per

square foot, making it a relatively inexpensive way to create a higher-quality tour.

The majority of clients thus far have been residential brokerages in the tri-state area who use the robots for high-end listings, said chief executive Bryan Colin. In November, Brooklyn-based agency EXR signed a deal with VirtualAPT to create virtual tours for every property on its website.

## ADVERTISEMENT

**JOHN'S ISLAND - VERO BEACH, FLORIDA**

**Located where the "tropics begin"** sits one of the most established eastern, coastal seaside communities with 3 miles of pristine beach, 3 championship golf courses, 17 Har-tru tennis courts, pickleball, squash & Beach Club. This centrally located 3BR home sits on .52± acres and offers 5,376± GSF, fairway & lake views, architectural details and a pool.

**\$2,995,000**

[JohnsIslandRealEstate.com](http://JohnsIslandRealEstate.com)

**John's Island Real Estate Company**  
phone: 772.231.0900 [wj@johnslandrealestate.com](mailto:wj@johnslandrealestate.com)

**GREAT LIFESTYLES IN NAPLES, FLORIDA**

**Live the lifestyle** of your dreams in Naples, Florida! Gorgeous single-family residences up to 4,879 s/c sq. ft. Amazing six-acre recreation area with 13,000 sq. ft. clubhouse, resort pool, fitness, tennis, indoor sports court and much more – all included in low HOA fees. This is an incredible opportunity in a great Naples, Florida location – call today!

**From the \$400's to the \$800's** [www.glhomes.com/StoneCreek](http://www.glhomes.com/StoneCreek)

**DOWNTOWN ST. PETERSBURG FLORIDA**

**Live a fabulous Urban Lifestyle** in vibrant downtown St. Petersburg. 3 blocks from the water, artfully designed townhomes now under construction on a private, gated lane. Totaling 2,335 sq. ft., 3 bedrooms, 3 1/2 baths, 2 car garage, private elevator, and amazing rooftop terrace. Low HOA fees. Walking distance to world-class restaurants, museums, shopping, parks, marina, and Tampa Bay.

**From the \$800's to \$900's** [www.RegentLane.com](http://www.RegentLane.com)

**NJR Property Investments LLC**  
phone: 727.515.5556 email: [natalie@njrdevelopment.com](mailto:natalie@njrdevelopment.com)

**LAKE MICHIGAN FRONTAGE**

**Make it yours...** Bank owned lake front property with 240 acres of pristine vacant land and 1.25 miles of continuous Lake Michigan Frontage. Located just 18 miles north of downtown Milwaukee, 2 hours from downtown Chicago, and adjacent to quaint downtown Port Washington, with its Lake Michigan harbor, shops and restaurants.

**\$18,000,000**

**Keith Van De Laarschot**  
phone: 262.549.8595 email: [kvanlaarschot@waukeshabank.com](mailto:kvanlaarschot@waukeshabank.com)

**WHITETAIL CLUB - MCCALL, IDAHO**

**The Shore Lodge Cottages** at Whitetail Club. Four spectacular cottage models ranging in size from 1369–2490 sq. ft. plus 1-car & 1 cart garage. The ultimate weekend getaway. The lakefront clubhouse, the single-track mountain bike trail system, Nordic ski trails, indoor tennis & fitness center, & the championship golf course are all outside your doorstep.

**Priced from \$689,000 - \$889,000** [WhitetailClub.com](http://WhitetailClub.com)

**Whitetail Club Realty, LLC.**  
**Joe Carter**  
phone: 877.634.1725 Email: [jcarter@whitetailclub.com](mailto:jcarter@whitetailclub.com)

**ANNA MARIA SOUND, FLORIDA**

**Live the Margaritaville Lifestyle at One Particular Harbour** Island-style homes offer stunning sunset views, and a deepwater marina provides direct access to the Gulf of Mexico. Move-in ready homes are available for quick closing. Place your waterfront home with a rental agency for short-term rentals and make your vacation home work for you year-round.

**Waterfront Homes from the High \$400s** [OPHMintoUSA.com](http://OPHMintoUSA.com)

**One Particular Harbour by Margaritaville**  
phone: 866.713.1319

## ADVERTISEMENT

**Distinctive Properties & Estates**To advertise: 800-366-3975 or [WSJ.com/classifieds](http://WSJ.com/classifieds)

ILLINOIS

**DMG**

DAWN MCKENNA GROUP

LOCAL EXPERTISE | GLOBAL REACH



Illinois' #1 real estate agent, Dawn McKenna, is pleased to announce the Dawn McKenna Group in downtown Chicago and Naples, Florida. For local expertise and global reach in Chicago, Hinsdale, or Naples, call or visit us at:

630-546-3763 [www.dawnmckennagroup.com](http://www.dawnmckennagroup.com)

Hinsdale



New listing  
210 N. Bruner St.

Chicago



Bucktown Townhome  
2324 W. Wabansia Ave. #3

Naples



New Construction  
Fifteen 51 - The Row at Royal Harbor

8 E. Hinsdale Ave. Hinsdale, IL 60521  
Operated by a subsidiary of N RT, LLC

\* According to REAL-Trends 2016

**COLDWELL BANKER**

**GLOBAL LUXURY**

©2017 Coldwell Banker Residential Real Estate LLC. All Rights Reserved. Coldwell Banker Residential Brokerage fully supports the principles of the Fair Housing Act and the Equal Opportunity Act. Operated by a subsidiary of NRT LLC. Coldwell Banker, the Coldwell Banker logo, Coldwell Banker Global Luxury and the Coldwell Banker Global Luxury logo are service marks registered or pending registrations owned by Coldwell Banker Real Estate LLC. Real estate agents affiliated with Coldwell Banker Residential Brokerage are independent contractor sales associates and are not employees of Coldwell Banker Residential Brokerage.

# Capital Living

Capitalize on our capital in **The Wall Street Journal's** first-ever special feature focused on the growing real estate offerings in the greater DC-area.

From rentals and townhouses to single family homes and getaway properties, "Capital Living" will serve as a trusted guide on the many housing choices available for those considering living or working in our capital.

Reach an engaged Journal audience of affluent homebuyers looking to change gears towards a trending real estate market.

**Issue: March 16 | Close: March 14 | Section: Mansion**

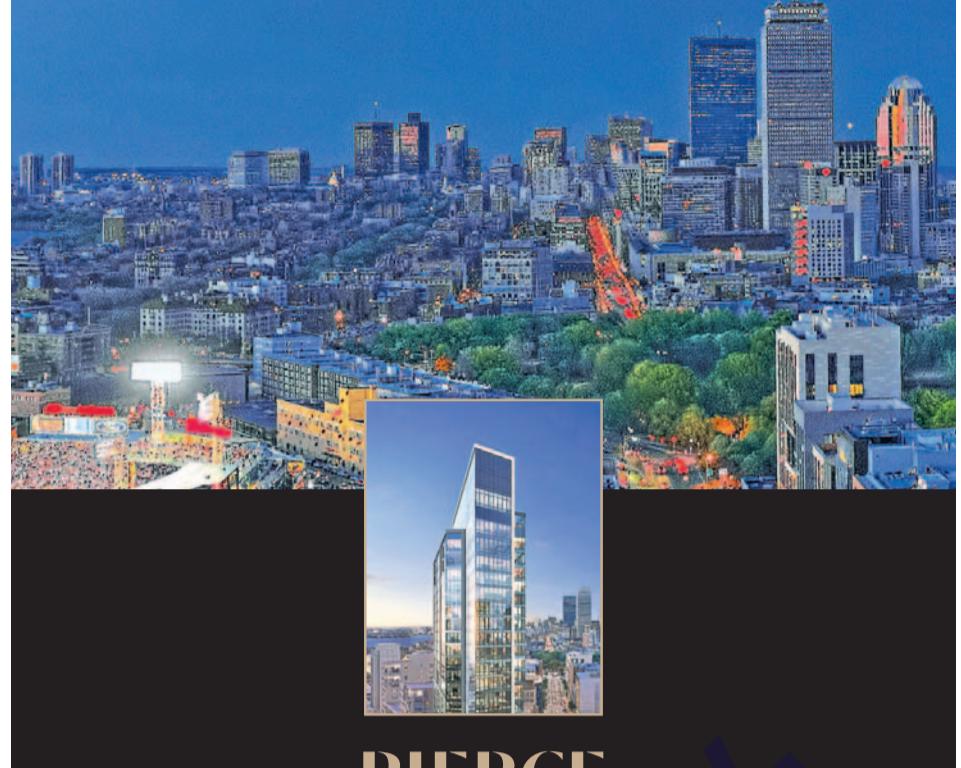
**For advertising opportunities, please contact:  
Deborah Falcone: [deborah.falcone@wsj.com](mailto:deborah.falcone@wsj.com) / 212-597-5790**

**THE WALL STREET JOURNAL.  
classified.wsj.com**

Photo Credit: VIO - Apartment Unit F Interior and Balcony, Washington DC  
© 2018 Dow Jones & Company, Inc. All Rights Reserved.

MASSACHUSETTS

## Breathtakingly Boston



**PIERCE**  
BOSTON

Gaze out your floor to ceiling windows and take in panoramic views of all this vibrant city has to offer. In the center of it all with its world class services, dramatic architecture and fine finishes, this new condominium tower is being heralded as a bright, new addition to the Boston skyline – one that has people saying the sky isn't the limit.

Please Call to Schedule a Personal Presentation.

**OVER 70% SOLD**

[pierceboston.com](http://pierceboston.com) | 617.249.6219 | [info@pierceboston.com](mailto:info@pierceboston.com)

Sales & Marketing: **The Collaborative Companies**  
Development: **Samuels & Associates and Landsea Homes**

NEW HAMPSHIRE

### Consider New Hampshire...

No Sales Tax No Inheritance Tax  
No Income Tax No Capital Gains Tax

Lake Winnipesaukee Homes  
[www.SueBradley.com](http://www.SueBradley.com)

SusanBradley@metrocast.net

WOLFEBORO

New construction in desirable Delings Cove. 4 En-suite bedrooms, Fireplace, Gourmet Kitchen, Views, Central Air, Generator, Dock

\$1,945,000

GILFORD

Stunning Adirondack, 3 bedrooms Majestic views, Outstanding quality and detail, Patios, Dock, Fireplaces

\$1,299,000

GILFORD

Phenomenal Contemporary on a sweeping lot Sandy beach, Multiple docks, Carriage House Eight garages, 350+ feet waterfront, Gym

Theater, Summer Kitchen, Game Room, Billiard Room

\$10,000,000

Susan Bradley, GRI, CRS, ABR

Coldwell Banker RB

603.493.2873 • 603.524.2255 ext.2810

NEW YORK



Rye, New York | Offered at \$7,995,000

Commanding the ultimate location on the prestigious Westchester County Club grounds, this magnificent, exquisitely restored, expanded & renovated English Tudor Manor built in 1929 is on 2.1 exceptional acres with manicured gardens, a stunning pool with pool house and extensive bluestone terraces framing the back and side lawns...all overlooking unsurpassed views of the golf course!

Michèle Flood | 914.420.6468

Kenneth Boucher | 917.302.8921

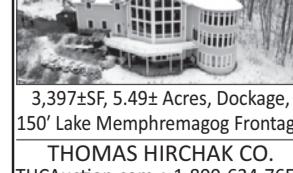
**COLDWELL BANKERHOMES.COM**

914.967.0059 | 1.800.896.8948

VERMONT

### Vermont 4BR Lake Home FORECLOSURE AUCTION

Friday, March 23 @ 11AM  
5720 Lake Rd., Newport, VT



3,397±SF, 5.49± Acres, Dockage,

150' Lake Memphremagog Frontage

THOMAS HIRCHAK CO.

THCAuction.com • 1-800-634-7653

SOUTH CAROLINA



Mother Nature created it. We perfected it.  
It's time to pick your place in paradise.

**Kiawahisland.com • 866.312.1780**

Obtain and read the Federal Property Report, NY State CPS-7 Application (File No. H016-0007), and/or NJ Public Offering Statement (NJ Reg#16-15-0012) and related documents before signing anything. No Federal or State agency has endorsed or judged the merits of value, if any, of this property. Void where prohibited by law.

MARYLAND

### WATERFRONT REAL ESTATE

*The Villa* Your dream lifestyle is a bid away

ON PISCATAWAY BAY

Onsite & Online Luxury

### WATERFRONT REAL ESTATE AUCTION



13820 Piscataway Dr. | Fort Washington, MD 20744

5 Bedrooms 4.5 Bath

4,430± Sq.Ft on 1.08± Acres

Private boat dock & Pier

List Price: \$1,000,000 Opening Bid: \$350,000

Visit [www.PrimeAuctionSolutions.com](http://www.PrimeAuctionSolutions.com)

for information packet and details

### AUCTION

Friday, March 16  
12.00 pm

AUCTION PREVIEW:  
1:00-3:00 pm

Feb 25 | Mar 4 | Mar 11



703.889.8949



703.636.2380

6020 Elm St. | McLean, VA 22101

## MANSION

# How Dell's Deal Stayed a Secret

Legal agreements and LLCs hid the tech mogul's identity in \$100.47 million sale

BY KATHERINE CLARKE

**MICHAEL DELL** managed to keep the \$100.47 million purchase of a Manhattan penthouse—a record price in New York City—secret for more than five years, thanks to a tight network of real-estate agents, architects and professionals who signed nondisclosure agreements, according to sources familiar with the deal.

Real-estate experts say the Dell sale is symptomatic of a push among ultrahigh-net-worth individuals to keep purchases under wraps for privacy, security and tax purposes. That includes silencing professionals who work on the deals and avoiding any paper trail that might be made public.

"People don't want people knowing what they spent," said Frances Katzen, a broker who has represented wealthy buyers. "You almost have to channel the purchase through three different subsidiaries to hide the buyer and most prefer to have some kind of gag order in place with the people they're working with."

Mr. Dell, founder and chief executive of Dell Technologies, bought his condo at One57, a more than 1,000-foot-tall tower on Manhattan's West 57th Street, through a limited-liability company, P89-90. His attorney, Andrea Riina of Washell Lipton Rosen & Katz, signed all documents pertaining to the sale. Mr. Dell doesn't appear to have taken out a mortgage on the property, which limited the public



**UNVEILED** Michael Dell, inset, set a New York City record when he bought a condo at One57, shown in the background.

documents available. Mr. Dell, Ms. Riina and others involved in the sale declined to comment.

Property records show Mr. Dell's entity went into contract to buy the unit in 2012, when the building was still under construction, and closed in 2014. The only information publicly available

about the apartment comes from an offering plan filed with the New York Attorney General's office, which shows that it measures 10,923 square feet with six bedrooms and six bathrooms. A New York City Department of Buildings permit filing shows only that Mr. Dell is renovating the unit and ordered its sauna be removed in favor of more storage space.

Jonathan Miller, a New York City appraiser, said using layers of LLCs to mask purchases is most common at the top end of the luxury market. "The No. 1 asset in this super-luxury market has become privacy," he said.

ADVERTISEMENT

## Distinctive Properties & Estates

To advertise: 800-366-3975 or [WSJ.com/classifieds](http://WSJ.com/classifieds)

FLORIDA

### READY TO BUY A HOME BUT NOT YET READY TO MOVE?

Luxury Custom Homes by Sarasota Florida's Award-Winning Builder John Cannon Homes

Experience Florida's Gulf Coast Living at its Best  
Sarasota | Lakewood Ranch | Siesta Key | Longboat Key



WEST INDIES CONTEMPORARY AT THE CONCESSION GOLF CLUB & RESIDENCES

4 Bedrooms | 4 1/2 Baths | 5,193 SF | Additional 3,545 SF of outdoor living space.



LUXURIOUS SPANISH MEDITERRANEAN WITHIN THE PRIVATE LAKE CLUB

4 Bedrooms | 4 1/2 Baths | 3,722 SF | Additional 842 SF of outdoor living space.

LEASEBACK OPPORTUNITIES  
[www.leasebackflorida.com](http://www.leasebackflorida.com)

#### THE BENEFITS OF A MODEL LEASEBACK

5% return on investment

Take advantage of today's prices and low interest rates

Profit from appreciation

Tax advantages (mortgage interest deduction)

Upgraded finishes and fully-furnished

Generate income before you move-in

Contact Irv and Leslie Rothschild at 941.321.9683 or Robert Dinan at 941.993.7455

CALIFORNIA

CONNECTICUT

G | The GRUBB Co.  
OAKLAND • CA  
6637 EXETER DRIVE



► OPEN SUN 2-4:30PM ◀  
In a quiet hillside neighborhood, this 2001 home offers a bright and open living space with private bedroom suites and multi-use additional rooms. The verdant landscape lends a peaceful vista from broad decks. A rare opportunity!

5BR • 5BA • \$1,095,000

— Bebe McRae —

© 510.652.2133/415

CALBRE#00875159

Pacific Oceanfront Get-a-way



Weekly-Monthly

Vacation Rentals

(760) 516-1173

Pico Bello, LLC

<https://www.vrbo.com/847714>

MASSACHUSETTS

### ABSOLUTE AUCTION CAPE COD

Relocation Forces Sale



63 Seaman's Lane  
Brewster, MA  
1,056± sf. 2BR, 1.5BA Ranch  
on .37± Acres

Deeded Rights to Pondfront Beach  
Private Road with Seasonal Pond Views

**Fri., March 23 at 11am**

Preview: Friday, March 9 (12pm-2pm)

JJ Manning AUCTIONEERS

Info, Terms, Broker Reg. & More at:

[www.JJManning.com](http://www.JJManning.com)

800.521.0111

MA Co. Lic# 3184

THE WALL STREET JOURNAL

### DISTINCTIVE PROPERTIES

SELECT RESIDENTIAL

LISTINGS EVERY

FRIDAYS IN MANSION

(800) 366-3975

[sales.realestate](mailto:sales.realestate@wsj.com)

@wsj.com

For more

information visit:

[wsj.com/classifieds](http://wsj.com/classifieds)



© 2018 Dow Jones & Company, Inc.  
All Rights Reserved.

# INSPIRE

67%

OF OUR AUDIENCE PLANS TO  
BUY A HOME WITHIN 12 MONTHS



YOUR PROPERTY HAS A HOME IN MANSION.

For more information on advertising opportunities,  
please contact: [sales.realestate@wsj.com](mailto:sales.realestate@wsj.com) | 800.366.3975

MANSION | THE WALL STREET JOURNAL.

Source: WSJ. Insights Mindset of the Luxury Real Estate Buyer, Base: Plan to purchase home in next five years (2,709).

© 2018 Dow Jones & Company, Inc. All Rights Reserved.



(L-R) ROBERT MACHADO NOA/GTY IMAGES/SIMON DAWSON/BLOOMBERG NEWS

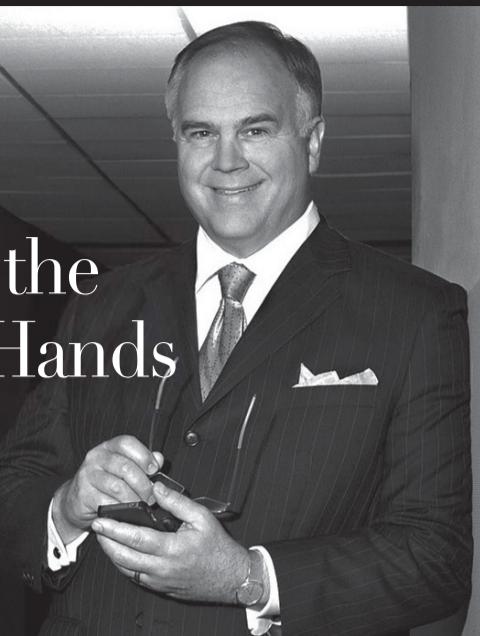
## We live here, too.

10 OFFICES  
RESIDENTIAL. RANCH and LAND. COMMERCIAL.  
527 AGENTS AND COUNTING

Briggs Freeman | Sotheby's  
INTERNATIONAL REALTY

[BRIGGSFREEMAN.COM](http://BRIGGSFREEMAN.COM)

## Real Estate Trends



### The Home in the Palm of Your Hands

For most people, the purchase of a home represents the single most significant financial transaction of a lifetime.

When someone is searching for that home, they are seeking more than just a space to simply drop their belongings. In most cases, they are in search of an emotional connection which identifies with a certain style or perspective.

As you may imagine, this kind of passionate link extends well beyond ordinary neighborhood maps and crunchy property statistics.

In that respect, the Internet has become an invaluable tool for our clients, and in the case of Briggs Freeman Sotheby's International Realty, the web has helped us connect even more directly with an increasing number of people.

Our [briggsfreeman.com](http://briggsfreeman.com) allows potential clients to immerse themselves in our collection of virtual-reality tours, high-definition videos and brilliantly displayed high-resolution photographs.

The experience is, frankly, like no other.

What's more, our association with Sotheby's International Realty — now more than 20,000 agents in nearly 70 countries and territories — and the added exposure it provides our clients is significant. From 2016 to last year, [sothebysrealty.com](http://sothebysrealty.com) grew by 24 percent, with 26 million visits. Since 2006, that represents an increase of more than 950 percent.

Did you know that more than 55 percent of all Internet searches are now conducted on a mobile device?

A whopping 63 percent of traffic to [sothebysrealty.com](http://sothebysrealty.com) comes from mobile. And nearly 60 percent of the visits to the site are from outside the United States, a statistic that happens to speak directly to the global nature of the North Texas market, and the limitless marketing advantages of our strategic alliance with Sotheby's International Realty.

At Briggs Freeman Sotheby's International Realty, we are focused on lifestyle and technology, both of which continue to enhance our connection with the growing demographics we serve. Our clients — all ages and every walk of life — are smart and digitally savvy, and they love discovering homes and all kinds of valuable information via our site, app and social media.

But no matter how a home search begins — or who's searching — it ends with something with which no amount of hardware, software, pixels and coding can compare: a passionate, professional real estate agent, who can find, advise, sell and service like nobody's business. We've got nearly 600 of those who prove it, every day.

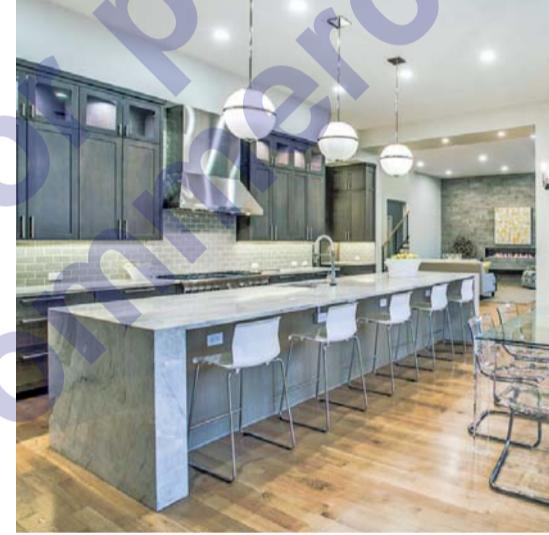
  
Robbie Briggs, President and CEO  
Briggs Freeman Sotheby's International Realty  
[rbriggs@briggsfreeman.com](mailto:rbriggs@briggsfreeman.com)



3901 Turtle Creek Boulevard, #9 | \$3,195,000  
Dallas



Brian Crawford  
214-404-8186  
[bcrawford@briggsfreeman.com](mailto:bcrawford@briggsfreeman.com)



10451 Heather Lane | \$1,549,000  
Dallas



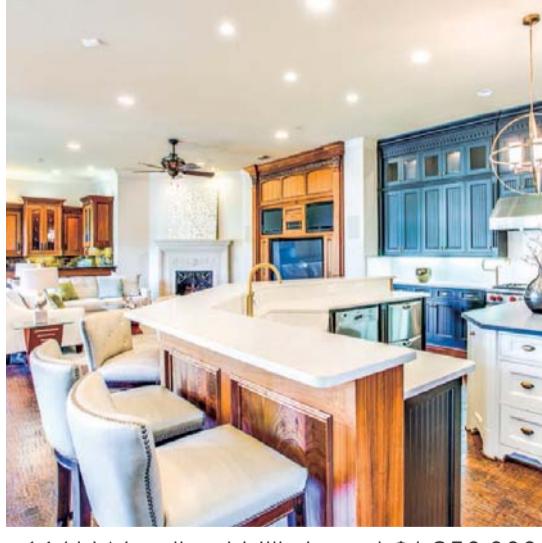
Patrick Burke  
214-862-4147  
[pburke@briggsfreeman.com](mailto:pburke@briggsfreeman.com)



66 Braewood Place | \$3,900,000  
Dallas



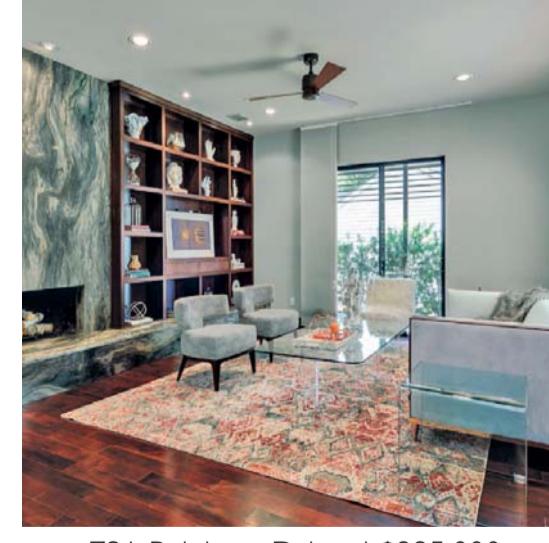
Faisal Halum  
214-240-2575  
[fhalum@briggsfreeman.com](mailto:fhalum@briggsfreeman.com)



6641 Woodland Hills Lane | \$1,350,000  
Plano



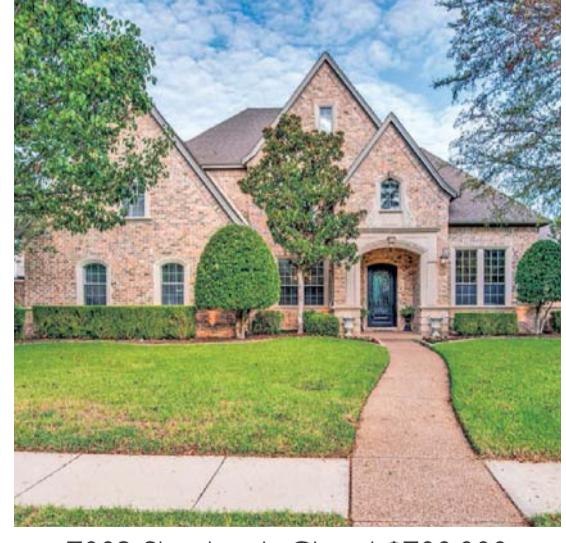
Maureen Steitle  
972-333-4996  
[msteitle@briggsfreeman.com](mailto:msteitle@briggsfreeman.com)



731 Rainbow Drive | \$995,000  
Dallas



Kate Mote  
214-562-4444  
[kmote@briggsfreeman.com](mailto:kmote@briggsfreeman.com)



7003 Shepherds Glen | \$700,000  
Colleyville



Robert Tyson  
817-980-0683  
[rtynson@briggsfreeman.com](mailto:rtynson@briggsfreeman.com)



## MANSION

HOUSE CALL | JOAN BAEZ

# Underdog's Fan Finds Her Vibrato

The folk singer moved where her father taught physics; today, a California house among oak trees

**When I was 9, my father faced a moral dilemma. After getting his Ph.D. in physics, he took a job at Cornell University on a project to improve the bulletproof windows of fighter jets. But in the late 1940s, he wasn't comfortable working for the defense industry, given the horrors of the atomic bomb.**



My father, Albert, was struggling with his conscience and needed spiritual guidance.

We became Quakers. My parents decided rather than get rich in the defense industry, my father would become a professor of physics at the University of Redlands.

That was in 1950. Around this time, I began experiencing bouts of melancholy. My mother, Joan, always said I looked as if I carried the world on my shoulders.

Our home in Redlands was a lower middle-class house, but there was something sweet about it. It was white, with a lawn in front that my mother lined with roses. We had a porch where I loved to sit and watch the world go by. By then, I shared a room with my younger sister, Mimi.

While in Redlands, my father took a year's leave to work with Unesco at the University of Baghdad in Iraq. He took us with him. The poverty and desperation for food were shocking.

Back in school in Redlands, I suddenly was Mexican. My father had come to the States from Mexico with his family in 1915. In 1936, he married my mother, who was born in Scotland. Because my name was Baez and I looked Mexican, I was placed in classes for underperforming kids.

When I was 13, one of our assignments was to write our life history in a page. In my notebook,

one ate at the same table. I was exposed to people with different backgrounds.

After my father's crisis of conscience at Cornell, we moved back to California, where he became a professor of physics at the University of Redlands.

That was in 1950. Around this time, I began experiencing bouts of melancholy. My mother, Joan, always said I looked as if I carried the world on my shoulders.

Our home in Redlands was a lower middle-class house, but there was something sweet about it. It was white, with a lawn in front that my mother lined with roses. We had a porch where I loved to sit and watch the world go by. By then, I shared a room with my younger sister, Mimi.

While in Redlands, my father took a year's leave to work with Unesco at the University of Baghdad in Iraq. He took us with him. The poverty and desperation for food were shocking.

Back in school in Redlands, I suddenly was Mexican. My father had come to the States from Mexico with his family in 1915. In 1936, he married my mother, who was born in Scotland. Because my name was Baez and I looked Mexican, I was placed in classes for underperforming kids.

When I was 13, one of our assignments was to write our life history in a page. In my notebook,



**INNER VOICE** Joan Baez in her California home last year, above, and performing in 1963, left.

I wrote, "If there's an underdog, I'm always for the underdog."

In junior high school, I sang in the choir. But I had a problem. My voice was as straight as an arrow. I needed a vibrato for warmth. One day, in the bathroom, I wiggled the flesh around my Adam's apple. As I sang, a vibrato emerged. That exercise taught me what my voice had to do.

In 1958, we moved to the Boston area when my father took a position at MIT. When I attended Boston University in the fall, I started singing for money. The guitar was never out of my hands. I sang around town and developed a following.

One day in early 1959, I was performing at a coffee shop in Cambridge when manager Albert Grossman saw me. He had me appear in Chicago, where I met folk singer Bob Gibson, who invited me to the first Newport Folk Festival that summer. We sang two songs together. My career took off.

Today, I live in Woodside, Calif., in a house built in the 1930s. I was captivated by the land and the oak trees. I've since renovated to put in larger windows to let in more light. They also let me see the forest and greenery from every room.

My favorite space is the living room, by the fireplace. It's warm and serene, and covered in adobe

tiles made by an artist friend of mine when he was in his 90s. I practice there when I'm not on tour.

Perhaps my most beloved possession is a framed note on the wall that my father wrote to me in his 90s. He didn't communicate well with his kids. In the note, he wrote, "Dearest Joanie, I love it when you visit me. From your Papa, with love." It pleases me that he finally wrote me something nice.

—As told to Marc Myers

**Joan Baez, 77, is a folk singer and guitarist who received a Grammy Lifetime Achievement Award in 2007. Her latest album is "Whistle Down the Wind" (Razor & Tie).**

NOW UNDER CONSTRUCTION



## Undeniably, MANDARIN ORIENTAL

Via Mizner, a world-class urban resort in the heart of downtown Boca Raton and home to The Residences at Mandarin Oriental, Boca Raton.

Ninety-two stunning residences combine elegance and unsurpassed amenities with the legendary service of Mandarin Oriental.

Ownership includes membership in Boca's most exclusive and exciting new private club, Via Mizner Golf & City Club.

*Private Entry Residences priced from \$1.8M.*

SALES GALLERY OPEN DAILY

10 East Boca Raton Road, Boca Raton, Florida

888 839 5566

[moresidencesbocaraton.com](http://moresidencesbocaraton.com)

BE THE ULTIMATE FAN. Be an Owner.

**PENN-FLORIDA COMPANIES**

EXCLUSIVE SALES AND MARKETING BY DOUGLAS ELLIMAN DEVELOPMENT MARKETING

The Residences at Mandarin Oriental, Boca Raton (The Residences) are not developed, sponsored, owned, offered or sold by Mandarin Oriental Hotel Group or any affiliate thereof (MOHG), and MOHG makes no representation, warranty or guarantee of any kind regarding The Residences. The developer and owner of The Residences use the Mandarin Oriental name and trademarks subject to the terms of licensable leases from MOHG which may expire or be terminated. ORAL REPRESENTATIONS CANNOT BE RELIED UPON AS CORRECTLY STATING REPRESENTATIONS OF THE DEVELOPER. FOR CORRECT REPRESENTATIONS, MAKE REFERENCE TO THIS BROCHURE, TO THE DOCUMENTS REQUIRED BY SECTION 718.503, FLORIDA STATUTES, TO BE FURNISHED BY A DEVELOPER TO A BUYER OR LESSEE. This advertisement is not an offering. It is a solicitation of interest in the advertised property. No offering of the advertised units to New York residents can be made and no deposits can be accepted, or reservations, binding or non-binding, can be made until a CFS-12 Application is filed with the New York State Department of Law. File No. CP16-0074, Tower 105 Residences, A Condominium | 105 East Camino Real Boca Raton, Florida 33432, Tower 105 Residences, A Condominium is non-marketed as The Residences of Mandarin Oriental, Boca Raton, Via Mizner Owner III, LLC | 1515 North Federal Highway Suite 306 Boca Raton, Florida 33432.

EXTRAORDINARY  
RESIDENCES AT  
MANDARIN ORIENTAL

MANDARIN ORIENTAL,  
BOCA RATON

VIA MIZNER  
GOLF & CITY CLUB

JACK NICKLAUS  
SIGNATURE  
GOLF COURSE

DOWNTOWN  
ATHLETIC CLUB

FINE DINING BY  
MICHELIN-STARRED  
CHEFS

THE SPA AT  
MANDARIN ORIENTAL

THE SHOPPES  
AT VIA MIZNER

ROOFTOP POOLS

**VIA MIZNER**  
BOCA RATON

RESIDENCES • HOTEL • RETAIL • PRIVATE CLUB