

THE WALL STREET JOURNAL.

What's News

Business & Finance

- ◆ **Commercial property** losses hammered banks on three continents, punishing their share prices and elevating in particular the hazards faced by small and regional lenders. **A1, B10, B11**
- ◆ **McKinsey's global** managing partner, Bob Sternfels, narrowly survived an effort to unseat him, garnering a majority of partners' votes by Thursday to secure a second term as leader. **A1**
- ◆ **Facebook parent Meta** Platforms posted its best quarterly sales growth in more than two years and initiated its first-ever dividend, a testament to its investments in AI that have made targeted ads smarter. **A1**
- ◆ **Apple posted a** sales increase for the holiday quarter, ending a recent slump that had been one of the company's worst earnings streaks in more than two decades. **B1**
- ◆ **Amazon.com's** quarterly sales rose faster than expected, driven by strong e-commerce sales during the holiday shopping season. **B1**
- ◆ **U.S. stocks rallied** after a sharp selloff Wednesday, with the S&P 500, Dow and Nasdaq advancing 1.2%, 1% and 1.3%, respectively. **B11**
- ◆ **Universal Music** pulled songs from TikTok after it said it failed to reach a contract to license its music to the app. **B1**
- ◆ **An activist investor** has set its sights on Mattel and is seeking big changes to boost the toymaker's lackluster stock. **B1**
- ◆ **Shell's annual profit** fell last year as the European energy sector grapples with lower oil and gas prices and weaker refining margins. **B3**

World-Wide

- ◆ **European Union** leaders agreed to a \$54 billion budget-aid package for Ukraine, locking in their financing for Kyiv for the next four years and overcoming weeks of opposition from Prime Minister Viktor Orban of Hungary. **A1**
- ◆ **U.S. forces struck** targets belonging to Yemen's Houthi rebels, continuing an effort to degrade the Iran-backed group's military capabilities without triggering a broader war in the region. **A7**
- ◆ **Defense Secretary** Lloyd Austin apologized for not disclosing his cancer diagnosis, in his first public comments about the secrecy surrounding a hospitalization in January. **A7**
- ◆ **Britain's foreign** secretary said his country could officially recognize a Palestinian state after a cease-fire in Gaza without waiting for the outcome of talks between Israel and the Palestinians on a two-state solution. **A16**
- ◆ **A Harvard Medical** School scientist who studies deadly brain tumors faces accusations that more than two dozen papers he co-wrote contain scientific images that appear doctored or copied. **A5**
- ◆ **A Russian court** ruled to extend the pretrial detention of Radio Free Europe/Radio Liberty journalist Alsu Kurmasheva for a third time since she was taken into custody in October on a charge that she failed to register as a foreign agent. **A8**
- ◆ **Members of a** Russian-language rock band critical of Moscow's invasion of Ukraine left Thailand for Israel, after a week in detention over alleged immigration violations. **A8**

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U.S. Pressure on Israel Grows Over War's Toll



STRIFE: A displaced Palestinian woman in the southern Gaza Strip tries to get a wireless signal to communicate with her relatives Thursday. The U.S. imposed sanctions against Israeli settlers and others it deemed responsible for attacks on Palestinians in the West Bank, as frustration grows in Washington with Israel's approach to the war with Hamas. **A7**

Meta Sets First-Ever Dividend As Growth Takes Off

Facebook parent posts big quarterly gains linked to AI improvements in ads

By Salvador Rodriguez

Facebook parent Meta Platforms posted its best quarterly sales growth in more than two years and initiated its first-ever dividend, a testament to its investments in artificial intelligence that have made targeted ads smarter.

The strong results come despite regulatory challenges and child-safety concerns. At a Senate hearing this week, Chief Executive Mark Zuckerberg told parents whose children were harmed by social media that he was sorry for their suffering, but he didn't say whether Meta played a role in causing harm to children.

Meta said Thursday that sales increased to \$40.1 billion in the three months through December, up 25% compared with the year-earlier period. The company also announced a \$50 billion increase in its share buyback authorization. In the third quarter of 2023, Meta reported record revenue of \$34.15 billion, up 23%.

The latest results for Meta and other tech giants show strength across the industry as companies benefit from interest in AI and resurgent spending on everything from digital ads to gadgets. Companies have emerged leaner and more profitable after slashing

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- ◆ **Apple returns to growth** path, ends tailspin..... **B1**
- ◆ **Stocks rebound, led by Big Tech**..... **B11**

Commercial Property Losses Bruise Banks Around the Globe

Investors have wondered when the pain from the downturn in commercial property would hit banks. Recent days have shown it is

By Margot Patrick, Eliot Brown and Gina Heeb

happening right now, with lenders on three continents disclosing damage and two bank leaders resigning.

New York Community Bancorp stock fell 11% Thursday, extending a steep slide that began a day earlier when the

company disclosed troubles in its commercial property book and piled away millions of dollars for potential future losses. On Wednesday, it closed down 38%, its worst day on record.

Shares of Tokyo-based Aozora Bank fell more than 20% Thursday, the maximum allowed on a single day under stock-market rules, after it said losses in its U.S. office-loan portfolio will likely lead to a net loss for the year ending in March. It would be its first annual loss in 15 years. Its president will step down on April 1, the bank said.

In Switzerland, the private bank Julius Baer said Chief Executive Philipp Rickenbacher resigned after the company took a roughly \$700 million provision on loans it said it might not get back from Austrian property landlord Signa Group. The banking group said it would shut down the unit that made the loans.

What ties them together: Banks are big lenders to real-estate owners and developers, putting them on the front line of the downturn in office-building use and falling valuations. The risks are particularly

acute for small and regional lenders, which have far higher chunks of their loan portfolios in commercial real estate than big banks do. The SPDR S&P Regional Banking ETF fell more than 3% and the KBW Nasdaq Regional Banking Index shed about 2% Thursday. U.S. markets broadly were up.

U.S. regional banks including PNC Financial Services Group, Citizens Financial Group and M&T Bank all fell 3% or more.

The pain in commercial real estate has been slow to unfold. Please turn to page A2

EU to Aid Kyiv With \$54 Billion As Hungary Relents

By Laurence Norman

BRUSSELS—European Union leaders agreed to a \$54 billion budget-aid package for Ukraine, locking in their financing for Kyiv for the next four years and overcoming weeks of opposition from Prime Minister Viktor Orban of Hungary.

The decision is a major boost for Ukraine, which could have started to run short of funds in the coming weeks to pay for salaries, pensions and other basic services. However, Ukraine is relying on still-blocked U.S. assistance to cover its full budget gap for 2024 and maintain military supplies.

EU leaders agreed to the aid package—a mix of long-term loans and grants—within minutes on Thursday following negotiations between Orban and several other EU leaders ahead of the summit. Orban had blocked the aid package at a December meeting.

Under the terms of the deal, the Ukraine aid package could be reviewed in two years to examine whether the assistance is still necessary. However, Hungary didn't win a veto, which would have given it the power to stop the assistance at that point.

"Continued EU financial support for Ukraine will strengthen long-term economic and financial stability, which is no less important than military assistance and sanctions pressure on Russia," President Volodymyr Zelensky of Ukraine

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- ◆ **Rock band critical of war** leaves Thailand..... **A8**

INSIDE



BUSINESS & FINANCE
Musk makes a push for Tesla to incorporate in Texas after Delaware ruling. **B1**



MANSION
Luxury closets get supersized, with enough space to entertain friends. **M1**

Inside the High-Stakes World Of Keeping Wordle Streaks Alive

Fans take heroic steps so they don't miss playing the many games that reset daily

By Sarah E. Needleman

Jerry Bellino became anxious soon after boarding her overnight flight home to Detroit last summer.

The plane's Wi-Fi wasn't working, which meant she wouldn't be able to use the final hours of her trip to maintain her longest streak yet of playing "Wordle" and about a dozen other games like it that reset daily, typically at the stroke of midnight.

"I was devastated," recalls Bellino, a 28-year-old education coordinator who normally checks off a handwritten list of each game after completing it to avoid accidentally skipping any. She had been playing the games for nearly a year, marking wins on her list

with a smiley face and losses with a sad face. Her travel buddy, also an avid player, suffered the same fate and was just as heartbroken. "We stared at each other in disbelief," Bellino says.

Since launching in 2021, the puzzle game "Wordle"—which calls for identifying a five-letter word in six tries—has inspired varieties of spin offs including "Bardle" (Shakespeare), "Nerdle" (math), "Gordle" (hockey), "Factionle" (trivia), "Daydle" (history), "Swordle" (Star Wars) and "Lewdle" (bad words). These mostly free games, available via web browsers or apps, unleash a new challenge once a day, so players have just 24 hours to solve each one.

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Top Leader Survives Tussle at McKinsey

By Chip Cutter and Russell Adams

Days before Christmas, McKinsey's top leader sent a note to the firm's more than 40,000 staffers asking how they would answer a simple question: "What is McKinsey?"

Bob Sternfels, the firm's global managing partner, wrote that the question had no simple answer, and he urged employees to think about how they define the consulting giant as it headed into 2024.

That keeps getting harder. McKinsey, which has long been at the pinnacle of the

consulting profession and has advised big companies and government leaders, and launched the careers of future CEOs and heads of state, is struggling to run its own shop.

Sternfels narrowly survived an effort to unseat him and install the firm's third leader since 2021. He garnered a majority of votes by Thursday to secure a second term, after failing to win enough support for re-election from partners in two earlier rounds of voting.

The voting laid bare dissatisfaction within one of the

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Senate Hopeful Has Pile of Unpaid Bills

Gov. Jim Justice is beloved in West Virginia, but not by his creditors

By Julie Steinberg and Kris Maher

WHITE SULPHUR SPRINGS, W.Va.—Jim Justice is arguably West Virginia's most popular politician and most prominent businessman. The dual feat is all the more impressive given how many people he owes money to.

A folksy native son, Justice rose to political power—he was elected governor in 2016—after assembling a sprawling collection of businesses, including coal companies, farms and even the storied Greenbrier resort. Now the 72-year-old is the favorite to succeed Joe Manchin as U.S. senator, a post that would elevate Justice to national prominence.

But the Justice empire is also well-known around the state for its unpaid bills.

Justice, his family and his companies have piled up hundreds of millions of dollars in liabilities to banks, coal companies and federal and state regulators, some of which the Justices are now disputing. At one point they even owed money to professional golfers Bubba Watson and Phil Mickelson.

The issues have extended even to basic supplies at the Justices' flagship property. The Greenbrier, a National Historic Landmark that the Justices bought out of bankruptcy in 2009, has been short on toiletries periodically because it hasn't paid

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U.S. NEWS

Powell Navigates Tricky Politics on Rates

Election-year rhetoric will put more heat on Fed officials as they focus on economy

By NICK TIMIRAOS

For Federal Reserve Chair Jerome Powell, deciding when to cut interest rates is hard enough: Too soon, and inflation could rise again. Too late, and unemployment might shoot higher.

The challenge is doubly difficult this year because he is doing it in the glare of election-year politics.

Allies of former President Donald Trump, the Republican front-runner, have argued that the central bank is seeking to help President Biden by signaling that cuts are coming.

Some Democrats inside and outside the West Wing are nervous that Biden's re-election prospects will be jeopardized by a central bank that keeps rates too high for too long after both the Fed and the administration misjudged inflation.

In a letter Tuesday, Sen. Sherrod Brown (D, Ohio), who is chairman of the Senate Banking Committee and is up for re-election this fall, urged Powell to lower interest rates soon in an effort to make housing more affordable. "Restrictive monetary policy is no longer the right tool for combating inflation," he wrote.

Fed officials insist politics won't influence their decisions. "This year is going to be a



Fed Chair Jerome Powell pictured in November. He said at a news conference Wednesday that 'we're, all of us, very buckled down and focused on doing our jobs.'

highly consequential year for the Fed and for monetary policy, and we're, all of us, very buckled down and focused on doing our jobs," Powell said at a news conference Wednesday.

In December, when the subject of election-year politics came up at a news conference, Powell said, "The minute we start thinking about those things—we just can't do that."

That hasn't stopped outside analysts from surmising that the election might nonetheless at least affect the timing of a cut. And political actors might have an interest in weighing in if only to remind the Fed, and each other, that it is being watched.

While Fed actions can al-

ways alter economic, and thus, political outcomes, the potential is heightened this year because of the unusual path inflation and interest rates have followed. When inflation first surged in 2021, shortly after Biden took office, the Fed thought inflation would soon subside and it was thus slow to raise interest rates from around zero. When it finally acted, it did so dramatically, raising rates at the fastest pace in four decades to their highest level in 23 years.

The situation has once again reversed: Inflation has slowed notably over the past six months, a "very, very positive development," Powell acknowledged Wednesday. "The case is

likely that it will continue to come down," he said.

So while the Fed held its benchmark federal-funds rate steady Wednesday in a range between 5.25% and 5.5%, it is almost certain to cut them before too long just to prevent inflation-adjusted, or real, rates from rising. When and how much the Fed cuts might affect the state of the labor market, inflation and consumer confidence on Election Day.

"This election is going to be a box canyon for Powell. The politics are going to be incredibly toxic," said Mark Spindel, chief investment officer at Potomac River Capital. "No matter what Powell does, Trump will attack him."

Beginning in the 1990s, presidents avoided publicly complaining about the Fed. Advisers to President Bill Clinton concluded that emphasizing the Fed's independence from the executive branch would be good for the economy and, in turn, the administration.

Trump broke with that tradition. He appointed Powell, a Republican, and as Trump's trade war unsettled markets, he steadily berated the Fed chair and called for lower rates. Powell led his colleagues to cut rates three times in 2019, reversing most of the increases he had made in 2018, after officials concluded inflation wasn't as big a threat as they had feared.

Biden has mostly avoided discussing Fed policy, reverting to pre-Trump tradition. As with most presidents, his primary influence on the Fed has been through appointments. In addition to reappointing Powell, Biden has named several of the Fed's board members.

It isn't unusual for the Fed to change interest rates in election years. The central bank began raising rates from historically low levels in 2004, when President George W. Bush was seeking re-election, and it unleashed a bond-buying stimulus campaign as President Barack Obama was on his quest for re-election in 2012. In 2020, it slashed rates and restarted bond-buying when the Covid-19 pandemic erupted.

◆ **Heard on the Street: Right rate is up for debate.... B12**

Apolitical DNA At Central Bank

There might be little Fed Chair Jerome Powell can do to convince the most committed partisans that the Fed isn't motivated by politics.

But he might be able to persuade the ones that matter. During his tenure, Powell has maintained close ties with lawmakers on both sides of the aisle and spoken frequently in public to showcase the Fed's apolitical DNA.

Former Fed officials dispute the suggestion that politics would weigh on when or how fast the central bank lowers interest rates this year.

"It doesn't influence the discussions," said Esther George, who served as president of the Kansas City Fed from 2011 to 2023. "The committee is already of a mind here that the stakes are high for achieving a soft landing and getting inflation down."

Fed officials will be especially focused on how they communicate because everyone inside the building "is acutely aware that, during the election year, people read Fed actions through those lenses," said George.



COME ON IN: A manatee soaked up some sun Thursday near Tampa Electric's Manatee Viewing Center in Apollo Beach, Fla. Center volunteers estimate over 1,000 of the creatures are enjoying the warm water that gets discharged from the power plant.

U.S. WATCH

WASHINGTON

Border and War Aid Bill Moving Ahead

Senate Majority Leader Chuck Schumer (D, N.Y.) said legislative text for a revised package containing aid for war-torn Ukraine as well as border-security measures would be released publicly as soon as Friday, with an initial vote set up for next week as he aims to press through growing Republican opposition.

Schumer said Thursday that discussions were going well on revisions to a \$110.5 billion package for Ukraine, Israel, Taiwan and the border, and that "we plan to post the full text" as soon as Friday and no later than Sunday. He said an initial vote would occur by Wednesday.

The release of the text marks a pivotal moment in the monthlong negotiations, finally providing the full details of the proposal for lawmakers to review.

—Siobhan Hughes

CALIFORNIA

Atmospheric River Drenches the State

Heavy rain flooded roadways and much-needed snow piled up in the mountains on Thursday as the first of back-to-back atmospheric rivers pummeled California.

The storm focused its energy on the southern and eastern parts of the state after initially hitting the San Francisco Bay Area on Wednesday.

An atmospheric river is an area where "the moisture is more confined and the winds are stronger and pushing these higher moisture values on shore," National Weather Service forecaster Bob Oravec said.

This week's "Pineapple Express"—called that because its long plume of moisture stretched back across the Pacific to near Hawaii—will be followed by an even more powerful storm on Sunday, forecasters said.

—Associated Press

Commercial Property Hits Banks

Continued from Page One

While changes in office habits that have hollowed out downtowns are nearly four years old and rates began rising two years ago, landlords have been cushioned by rent from tenants on long-term leases that have been gradually burning off.

Also on Thursday, Deutsche Bank said it increased loss provisions in its U.S. commercial loan book nearly fivefold from 2022's fourth quarter to €123 million, equivalent to \$133 million.

In all, more than \$2.2 trillion of U.S. commercial property loans are set to come due by 2027, according to the data tracker Trepp. Many banks have given short extensions to loans that were due to expire over the past two years, putting the day of reckoning off to the future.

"The commercial real-estate pain in the office sector is just starting," Anne Walsh, the chief investment officer of Guggenheim Partners Investment Management, said last month at the World Economic Forum in Davos, Switzerland.

She said small and midsize lenders especially face substantial numbers of loans to office landlords that refinance in the next 24 months, and likened the situation to a "rolling

recession" for banks that could drag on for some time.

Some of the biggest risks come at the maturity of loans, which tend to run five to 10 years in term.

As cheap loans from an era of low rates and high prices come due, landlords are increasingly unable to find new loans to replace them.

The warnings revived fears that troubles in the banking sector could resume after last March's banking crisis, though many investors remain sanguine that most banks have ample reserves to absorb losses. Falling interest rates could also help provide relief among stressed borrowers. The Federal Reserve this week signaled it was thinking about when to lower interest rates but hinted a cut wasn't imminent.

Regulators have been watching carefully and worry about the prospects for further contagion into the financial sector, particularly if there were to be a significant recession.

The International Monetary Fund warned in an October global financial stability report of an outside chance that global commercial property prices could fall significantly further this year, "potentially creating a vicious cycle of tighter funding conditions, falling CRE prices, and bank losses, with broader implications for macrofinancial stability."

The Aozora results highlight the fear that the impact from elevated borrowing costs have yet to fully percolate through the system. It

also shows how stress in one part of the globe can ripple broadly.

The bank, a medium-size lender, isn't considered a systemic player in Japan. It has assets of around \$55 billion, which by comparison is around the size of the 40th-largest bank in the U.S. But it isn't alone in having exposure to the U.S. market.

Japanese financial firms have increased investments in U.S. commercial real estate in recent years to diversify their portfolios. Aozora said the office loans are mostly in large cities such as Chicago and Los Angeles and make up 6.6% of its total loans. It has a \$1.89 billion U.S. office-loan portfolio.

The problems at Julius Baer, a specialist in managing money for the ultra rich, is another black mark on Switzerland's reputation, less than a year after the demise of Credit Suisse. Julius Baer was meant to benefit from its rival's stumbles, but instead found itself in hot water over loans to an Austrian real-estate developer with a troubled legal past.

The loans were tied to companies controlled by mogul Rene Benko, who was convicted more than a decade ago on tax-fraud charges before making a comeback.

Signa, based in Innsbruck, Austria, owns a stake in Manhattan's Chrysler Building in addition to landmark, city-

center properties in Germany, Austria and Switzerland.

A cluster of Signa-owned companies and projects entered insolvency proceedings beginning in October after the group couldn't raise fresh financing. The move spread financial losses across more than a dozen banks and insurers who were its big lenders.

Despite the bad loans to Signa, Julius Baer still made a net profit for 2023.

Its shares rose Thursday after it fully provisioned for the Signa loans. The bank said it hoped to recover some of the loan amount. It had earlier flagged the loans as problematic.

NYCB, for its part, had seemed like a rare winner in the regional-banking crisis. After NYCB stepped in to buy parts of one failed lender, Signature Bank, it finished the year with its stock up sharply—while the shares of many of its peers suffered steep declines.

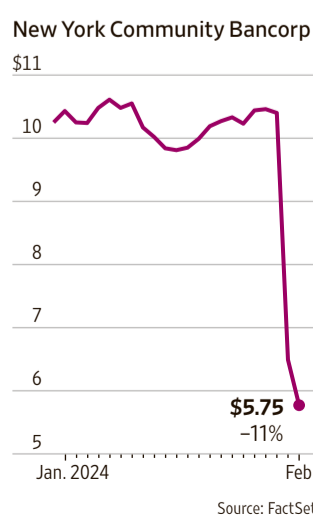
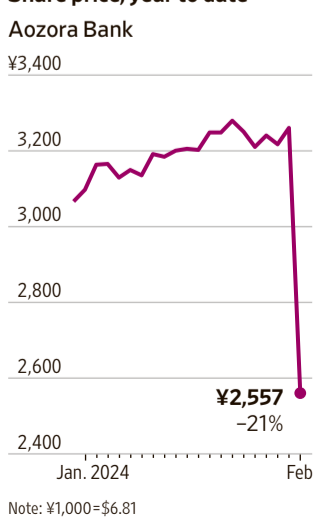
NYCB said it set aside \$552 million for future potential loan losses, largely from commercial property, up from \$62 million in the third quarter.

Its fourth-quarter loss stemmed from two properties, including one office loan that went bad after an updated valuation in the third quarter, NYCB said.

The bank said it is also grappling with the regulatory demands of having gotten larger when it bought Signature's assets last year, putting it above a \$100 billion threshold requiring stricter capital and liquidity standards.

The warnings revived fears the banking sector's woes could resume.

Share price, year to date



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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, N.Y. 10036

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

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.

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U.S. NEWS

A City in Kansas Woos Migrants To Help Fill Jobs

By ALICIA A. CALDWELL |

TOPEKA, Kan.—While many American cities are struggling with large numbers of newly arrived migrants, Topeka is inviting anyone with permission to work in the U.S. to come its way.

Like a lot of smaller cities, the Kansas capital is grappling with near-stagnant population growth and an unemployment rate well below the national average, according to city and economic-development officials. Finding people to fill its roughly 6,600 open jobs has been a struggle, they say.

The Greater Topeka Partnership, an economic-development group, has been trying to sell people on the city with its “Choose Topeka” marketing campaign, which it started in 2019. Last year, it decided to direct those efforts toward immigrants, especially those from Spanish-speaking countries.

In some other cities led by Democrats, including New York, Chicago and Denver, concerns have grown about the number of incoming migrants and their strain on resources. Migrants have been arriving by the thousands, many bused from the border by Texas state authorities.

For Topeka Mayor Michael Padilla, a Democrat in a largely Republican state, the effort to attract immigrants along with Americans living in other cities just made sense.

“We know that for our community to prosper we have to have a diverse community,” said Padilla, who is in his first term. “We have to have people here who are willing to work and make this the city they want to raise a family in, get a career in.”

Padilla said Topeka doesn’t have the resources, including

a migrant shelter, to manage even a fraction of the volume of people arriving in other cities. Instead, he said, he is happy to see his city’s population grow by encouraging foreigners with permission to work to move there.

Padilla, who describes himself politically as a cross between a conservative Democrat and a liberal Republican, and others said there has been little pushback on the effort.

The initial marketing push to immigrants included printing welcome and moving guides in Spanish. The campaign took off in the fall when Telemundo ran a segment on the effort and the benefits of moving to Topeka. TikTok videos about the segment have racked up thousands of views.

Since the news story in Spanish-language media was published, the Greater Topeka Partnership has received nearly 10,000 résumés of people looking for job-placement help to move to the region.

The partnership started the broader “Choose Topeka” campaign in 2019 to recruit workers to move to the city, in some cases offering up to \$15,000 a person to help with relocation costs.

The Spanish-language marketing effort so far has cost about \$50,000, roughly 10% of the tourism office’s marketing budget, said Sean Dixon, president of Visit Topeka and senior vice president of the Greater Topeka Partnership.

Separately, a refugee-aid group is working in Topeka to help Ukrainians find sponsors so they also can move to the



Mexican restaurants and bakeries dot the boulevards of Topeka, including Restaurante Oaxaqueño, above. Left, Eduardo Gutierrez and his wife, Lizeth Bejarano, live in Topeka with their children, Valeria and Thomas. They say they left Colombia because it became too unsafe. Valeria, right, attends a language class at a Topeka public school.



ARIN YOON FOR THE WALL STREET JOURNAL (3)

‘The cost to live here is low, and it’s not a big city,’ says one asylum-seeker.

U.S. under the Biden administration’s Uniting for Ukraine program. Yana Ross, founder and president of the aid group—Top City Promise—helped resettle more than 160 Ukrainians in the city.

Greater Topeka officials said the city’s growing Hispanic population played a role in its decision to court Spanish-speaking immigrants.

About 17% of the city of about 126,000 is Hispanic. That share has grown about 25% during the past decade while the overall population has grown by just over 1%, according to population data tracked by the Greater Topeka Partnership.

“Knowing that we have a decent sized Hispanic population here already, and that we have welcomed that community and it is part of our fabric, it seemed like a natural fit,” said Molly Howey, president of Go Topeka, which oversees the Greater Topeka Partnership and Choose Topeka program.

In east and north Topeka, Mexican restaurants and bakeries dot the boulevards. A pair of new Hispanic grocery stores has gone up in recent years, all signs that the community is growing and thriving, city and business development officials said.

Howey said officials are likely to have specific data about the economic impact of

the effort later this year, when statewide demographic survey data is released.

While Topeka is making a pitch to immigrants who can work in the U.S., word that the city is a welcoming place also has reached those lacking both permanent status and work authorization.

Eduardo Gutierrez and his wife, Lizeth Bejarano, from Colombia, arrived in the U.S. last summer on tourist visas with their 9-year-old daughter and 2-year-old son. The family, whom Gutierrez said plan to apply for asylum, settled in Topeka after a friend talked up the city.

“The cost to live here is low, and it’s not a big city,” Gutierrez said.

Bejarano said she and her husband both had white-collar jobs in Colombia, but they left because it became too dangerous to live in Colombia. So far, Topeka has lived up to its descriptions as a safe and welcoming community.

The schools have been helpful in directing their daughter to an English language program, the couple said.

Gutierrez’s family, along with his brother’s, share the first floor of a two-story duplex, and all four adults are enrolling in free English-language classes at the local library. For now they are getting by on savings and whatever day work they can find and hope to win permission to work after applying for asylum.

“We’re working on getting our papers in order, but other than that, it’s been great,” Bejarano said.

Businesses Back Topeka’s Effort

Topeka’s attempts at recruiting migrants appear to be largely welcomed, including in the existing business community.


Jay Ives, one of three owners of the Blind Tiger Brewery and Restaurant in Topeka, said he supports any effort to lure new residents. His business, he said, has about six to eight openings among a staff of about 80, and is constantly in search of new hires.

“We’ve got empty jobs here in Topeka, so bringing people to fill them is how

we grow,” the Topeka native said.

Javier Almeida, a native of Venezuela who migrated to the U.S. about a dozen years ago, has been running a small Venezuelan restaurant in Cincinnati for a decade and is looking at opening a second one in Topeka.

“We’ve had a really good reception for our food from Americans in Cincinnati. We’re a small business and we don’t want to go to a big city like New York or Chicago,” Almeida said of his choice.



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U.S. NEWS

Trump's Wealth Comes Under Siege From Civil Suits

Donald Trump has strategically sought to leverage his courtroom appearances for fundraising and to rally his

By Jacob Gershman, Corinne Ramey, Peter Grant and James Fanelli

base, but civil litigation against the former president is casting an increasingly dark cloud over his finances.

A pair of civil cases in New York—one accusing Trump of smearing an ex-advice columnist and the other of exaggerating his wealth to lenders—could end up costing Trump and his family real-estate conglomerate as much as half a billion dollars and complicate his affairs as he seeks the presidency.

The cases stand in contrast to four criminal prosecutions of Trump, who among other things is accused of plotting to overturn the 2020 election and unlawfully retaining sensitive military secrets after he left office. He has so far stayed a step ahead of prosecutors trying to secure verdicts against him before the November election.

The civil litigation has left the Republican front-runner on the back foot.

Last week a federal jury said Trump should pay more than \$83 million in damages for defaming E. Jean Carroll after she accused him of sexually assaulting her decades ago in a Bergdorf Goodman dressing room. That verdict added to the \$5 million that Carroll won from Trump last year in a related proceeding.

Separately, in state court, Justice Arthur Engoron, who

has already found Trump liable under a New York fraud statute for overstating his wealth for financial gain, is poised to decide how much Trump should have to pay in penalties. That ruling is expected any day.

State Attorney General Letitia James, a Democrat who brought the civil-fraud case, is seeking \$370 million from Trump, his eldest sons and two other co-defendants. That figure could quickly expand because Trump will have to pay interest on the judgment—at an annual rate of 9%—while he appeals, a process that could take many months, if not years.

Trump's lawyers are counting on higher courts to significantly reduce or eliminate any civil-fraud penalty Engoron imposes. They also plan to appeal the defamation award.

Trump won't have to pay the full judgments in either case right away, but if the penalty in the fraud case is large, he could have to depend on insurance companies to help structure bonds—backed by cash, investments or other assets including real estate—that would guarantee payment should his appeal efforts fall short.

It couldn't be determined how much in liquid assets Trump has at his disposal.

Appealing to donors

Trump's net worth has been estimated at \$3 billion, much of it in New York real-estate holdings, hotels, golf resorts, clubs and licensing deals. In a deposition last year, he testified to having more than \$400 million in cash.



Two civil cases against Donald Trump could complicate his affairs as he seeks the presidency.

Trump's overall finances have improved in recent years by raising cash through the sale of assets and refinancing of debt. That has allowed the Trump Organization to cut its debt and raise the amount of cash on its balance sheet.

"We have the largest cash balances we've ever had," Eric Trump said in a recent interview.

While Trump has used his legal troubles as a way to appeal to donors, it couldn't be determined whether he could use contributions from them to pay his judgments.

Under the law, candidates can use campaign funds to pay for costs that are connected to their candidacies and aren't for personal use, said Zachary Parks, a lawyer at Covington & Burling. Trump could argue that the judgments fall into that category.

Trump also could attempt to pay for judgments through other political-action committees, where donations can ar-

guably be used for a broader range of purposes. The Federal Election Commission, Parks said, has offered little guidance on whether such funds can be used to pay court judgments.

For now, Trump could suspend enforcement of any civil-fraud penalties by filing a notice of appeal and posting a bond.

Systematic inflation

The civil-fraud case centers on financial statements that Trump submitted to lenders to help him acquire hundreds of millions of dollars in financing that he used to expand his portfolio of hotels and golf resorts. Trump borrowed the money at bargain rates after promising to maintain a net worth of at least \$2.5 billion.

James sued Trump in 2022, alleging that Trump and his finance team systematically inflated the value of Manhattan skyscrapers, his palatial

Palm Beach, Fla., residence and other assets by billions of dollars to stay in compliance with lenders.

Her office claims that banks would have charged Trump interest rates several times higher had they known the truth about his finances—and is demanding that he pay back the difference.

James also wants to capture his profits on two major recent deals: the \$60 million the Trump Organization made selling its rights to operate a New York City-owned golf course in the Bronx, and \$139 million from the sale of a luxury Washington, D.C., hotel at the city's historic Old Post Office Building. She alleges that Trump used the same bogus balance sheets to win the golf-course contract and to finance the construction and development of the D.C. hotel.

Any penalties ordered by Engoron would go into state-government coffers.

Aside from financial sanc-

tions, the judge is considering whether to place other restrictions on Trump that could limit his ability to do business. The attorney general has asked the judge to restrict Trump's ability to apply for loans and acquire commercial real estate in New York. She also wants to temporarily bar his elder sons from serving as officers or directors of New York businesses.

Trump has assailed the case as a political hit job, and his lawyers say he shouldn't have to pay back anything. He met his loan obligations, and trial testimony showed that his lender Deutsche Bank sought his business and assumed Trump's net worth was substantially lower. Deutsche Bank never alleged any breach of contract, and no representatives of the bank testified that they would have priced the loans any differently.

An appeals fight would likely focus on whether the state established Trump's liability under a state fraud statute intended to combat consumer scams and corporate malfeasance harming the marketplace. Trump's lawyers have also argued that much of the attorney general's case hinges on transactions falling outside the statute of limitations.

In the defamation case, Trump's lawyers are likely to challenge the size of the verdict, as well as arguing he shouldn't be liable at all.

Watch a Video

Scan this code for a data look at the Republicans who won't vote for Trump.

Biden Addresses Middle East Conflict at Annual Prayer Breakfast



SPEAKING OUT: 'Not only do we pray for peace, we are actively working for peace, security, dignity for the Israeli people and the Palestinian people,' the president said at the Capitol Thursday.

DeSantis Spent Over \$154 Million in GOP Race—and Won Nothing

After spending millions last year in what amounted to roughly \$6,500 per vote in Iowa's Republican caucuses,

By Jack Gillum, Anthony DeBarros and Alex Leary

Ron DeSantis and his financial backers exited the presidential race with nothing to show for it.

The Florida governor and his allies racked up more than \$154 million in expenses last year to try to elbow Donald Trump out of the GOP primaries. Then came a slowdown of donations to his campaign in the fall, new data show, followed by DeSantis's distant

second behind the former president in Iowa and his withdrawal from the race days before the New Hampshire primary.

The about-face in financial windfalls for DeSantis's presidential campaign—as well as super PACs backing his candidacy—marked a stark end to a GOP hopeful seen only months ago as a viable alternative to Trump. DeSantis, 45, had argued he was the best person to beat President Biden this November.

New data show DeSantis and allied groups spent considerable resources to win over Republican voters before key GOP contests: a combined \$27 million on canvassing and field operations, at about \$8 million on payroll and about \$1.3 million on direct mail.

Much of that cash came from the pro-DeSantis super PAC Never Back Down, which had been an early financial juggernaut by pulling in more than \$145 million in total contributions this election season. About \$80 million came from a Florida political committee last year, a transfer now the subject of a Federal Election Commission complaint.

Spending by DeSantis and



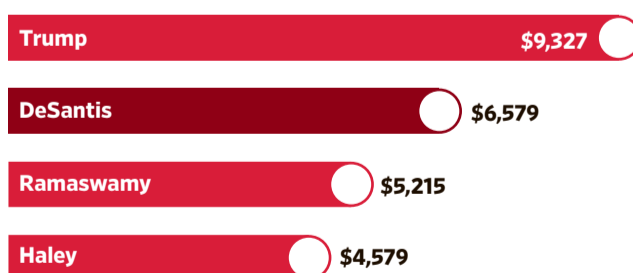
Florida Gov. Ron DeSantis

outside groups also extended to more than \$2.5 million on private jets, plus millions more on staging and lighting equipment, survey research, legal consulting and rent, according to a review of the groups' operating expenses and super PAC ads, known as independent expenditures.

Trump and his allies spent more money per vote—\$9,300—ahead of his decisive wins in Iowa and New Hampshire. Former South Carolina Gov. Nikki Haley effectively spent \$4,500 per vote, and Vivek Ramaswamy spent roughly \$5,200 per vote.

In past elections, other candidates have paid a premium for losing outcomes. Former New York Mayor Michael

Amount spent per vote in Iowa caucuses



Source: Federal Election Commission

Bloomberg in 2020 won only American Samoa in the Democratic primary after his roughly \$620 million campaign.

For all of DeSantis's early fundraising successes, his public positions and comments—and heavy spending—began to overshadow practically everything else. Neither his campaign nor Never Back Down responded to a request for comment.

The mountain of cash allowed him to outlast several other GOP candidates, but his rise and fall stand out given the sheer resources that went into the effort. His campaign was beset with mistakes from the beginning, with a disastrous, glitch-filled launch on X. He over-hired, forcing layoffs,

and attracted unwanted attention for his taste for private jets.

DeSantis turned off some donors as he began to stake out more-conservative positions than Trump, including on abortion and issues related to sexuality and gender. His comment that Russia's war with Ukraine was a "territorial dispute" also created friction with financial backers who hoped he would emerge as the clear alternative to Trump. DeSantis had a record in Florida to point to, but he didn't connect with some voters on an emotional level.

Because Never Back Down handled so many traditional campaign operations, including a widely hyped door-knocking

operation and TV advertising, strategic disputes began to emerge.

By January, it became clear that DeSantis couldn't overtake Trump. He came in second in the Iowa caucuses, garnering 23,491 votes behind Trump's 56,243, according to the Associated Press. DeSantis vowed to continue the campaign but dropped out before the Jan. 23 New Hampshire primary, endorsing Trump.

Donors provided early cues. From October through December, individual contributions to DeSantis's presidential campaign totaled \$3.7 million, a 60% drop from the previous quarter. The governor's joint-fundraising committee, Team DeSantis 2024, saw a slowdown in the fall, data show.

By New Year's Eve, his campaign was left with only \$9.7 million in the bank, making further campaigning in South Carolina and other early primary states all the more difficult.

A majority of his most recent financial supporters gave more than \$200 to his campaign, highlighting how small-dollar donors were less likely to support his primary bid than those of other candidates.

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U.S. NEWS

Science Sleuth Says Papers Use Copied Images

Harvard professor Khalid Shah's work is latest tranche to come under review

By NIDHI SUBBARAMAN

A Harvard Medical School scientist who studies deadly brain tumors is facing accusations that more than two dozen papers he co-authored contain scientific images that appear doctored or copied.

Khalid Shah is vice chair for research at the Department of Neurosurgery at Brigham and Women's Hospital and a professor at Harvard Medical School. Elisabeth Bik, a microbiologist and science-image expert, this week sent accusations about 28 studies Shah co-authored to research-integrity officials at both institutions and the journals that published them.

Shah's work is the latest tranche of papers to come under review by sleuths who are scrutinizing the scientific record for errors or fabricated data. In cases like Shah's, the former scientists are taking advantage of advanced image-analysis tools to spot copied images or scientific images that appear manipulated.

Shah declined to comment on the accusations. Dr. Paul Anderson, chief academic officer at Mass General Brigham, the health system to which Brigham and Women's belongs, said any research integrity allegations are addressed in a "robust and confidential process," but didn't comment on specifics about Shah's case.

A Harvard Medical School spokesperson said that "critical review of scientific work by peers—both before and after publication—is essential to the scientific process."

Shah hunts for ways to treat malignant brain tumors called glioblastomas using stem cells and gene-editing tools. According to his website, he is a co-author on more than 100 papers in the fields of molecular biology and cancer, and holds more than 10 patents.

Shah's work on stem cells to target tumors is the basis for the startup **Amasa Therapeutics**, according to the company's website. Shah is a member of the company's board of directors and has disclosed owning equity.

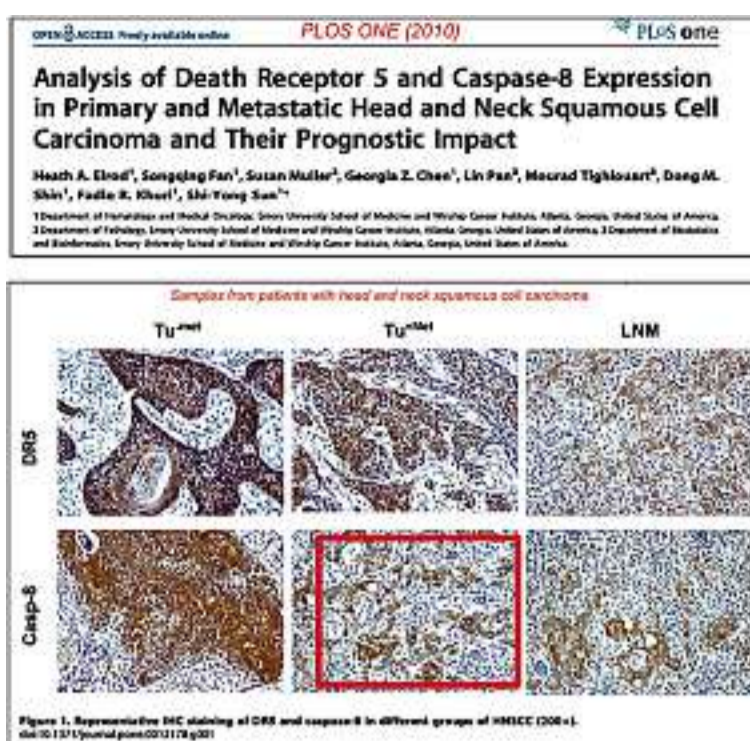
Bik has been highlighting data irregularities in studies for more than a decade and has reported about 3,000 studies to journals or institutions.

Bik used ImageTwin and her own practiced eyes to examine 88 papers that included Shah as a co-author. The software compared images in studies against a database of 51 million scientific images dating back 20 years. Bik said she found signs of image manipulation, duplications or errors in 28 papers ranging from 2001 to 2023.

Shah is listed as a first author or corresponding author on most of those 28, suggesting he either was involved in the experiments or bore final responsibility for a study.

"Most of the problems in this set of 28 could be explained by honest error," Bik said, for example if a researcher mislabeled images and pasted in the wrong ones. She added that looking at published data alone makes it difficult to distinguish an error from misconduct. "There are a couple of papers that stand out that suggest an intention to mislead."

"The sheer number of examples justify some concern," said Matthew Schrag, a neurologist and researcher at the



In a PubPeer post, above, Elisabeth Bik, below, highlighted in red an image published in a 2010 PLOS One paper that appears identical to one published in a 2022 Nature Communications paper that was co-authored by Harvard scientist Khalid Shah.

Vanderbilt University Medical Center, who outside his work at the institution reviewed Bik's assessment. Schrag said he agreed with Bik's observations in almost all cases and believes the issues warrant an institutional review.

Bik on Tuesday posted her observations on PubPeer, an online forum that scientists use to question details in published studies. On Wednesday, she emailed her allegations to Harvard Medical School's Office for Academic and Research Integrity and Mass General Brigham's Anderson, as well as several journals.

One anomaly in the group is a 2022 paper in the journal Nature Communications that has images similar to those in nearly a dozen other sources, including papers published earlier, according to Bik. "I've never seen this," she said.

Two images in the study matched photos on the website of **Sciencell Research Laboratories**, a Carlsbad, Calif. company that sells biomedical reagent supplies. Jennifer Welsch, Sciencell's vice president of research and development and scientific affairs, confirmed that the images on

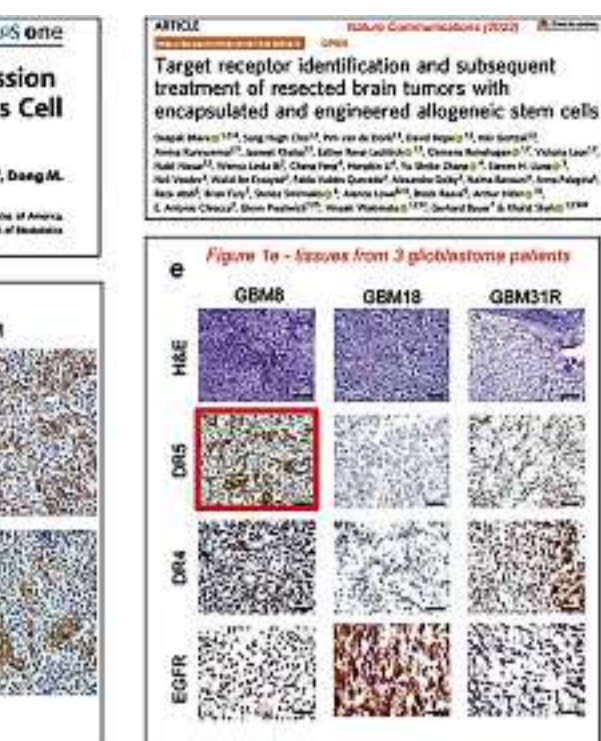


CLARA MORRI FOR THE WALL STREET JOURNAL

the website were made in-house by the company. The images show stem cells derived from human bone marrow that have distinctive features and make unique patterns within a dish, so she believed the images in Shah's study were copied, she said. "We did not provide permission for these images to be used in this publication," she said.

Chris Graf, research integrity director at Springer Nature, which publishes Nature Communications and some 3,000 other journals, said the company has received Bik's complaint and is examining the studies she flagged.

Another image in the 2022 study, described as a microscope photograph of glioblas-



Chief of Neuro-Oncology, said the journal was made aware of the issue on Tuesday and plans to investigate.

Bik said her analysis couldn't tell who may be responsible for any errors in the studies. "That is up to the institution to investigate," she said.

Harvard Medical School has about 10,440 full-time campus and affiliate faculty, according to the school's website. Misconduct accusations are first assessed for credibility by affiliate institutions where the work was conducted, and follow-up inquiries or investigations are managed by the medical school's research-integrity office, the medical-school spokesperson said.

In January, Dana-Farber Cancer Institute said that 37 corrections or retraction requests were part of a review of more than 50 studies by four top doctors, also faculty at Harvard Medical School. Harvard Business School professor Francesca Gino was placed on administrative leave last year, after data bloggers said her work contained falsified data. Gino has denied wrongdoing.

Dr. Susan Chang, editor in



Meta's Reality Labs, which makes virtual-reality gear, saw revenue surge but still posted a loss.

Meta Sets First-Ever Dividend

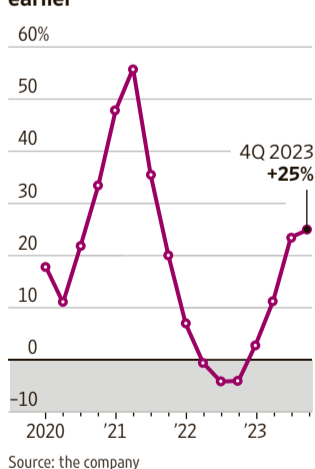
Continued from Page One jobs and other costs during the post-pandemic tech slump that started in 2021, helping send tech stocks soaring over the past year.

"Being a leaner company is helping us execute better and faster, and we will continue to carry these values forward as a permanent part of how we operate," Zuckerberg said Thursday on a call with analysts.

Meanwhile, Apple said that sales rose in the all-important holiday quarter, ending a recent slump, while Amazon reported its biggest profit in two years due to healthy online sales during the period. Earlier this week, Microsoft posted its highest profit growth in more than two years, and Google parent Alphabet marked its fourth straight quarter of accelerating sales growth, although ad sales lagged expectations.

Clouds loom. In addition to Meta's ongoing efforts to respond to harsh criticism over persistent dangers to children on its platform, it is engaged in legal battles with the Federal Trade Commission and a coalition of states, and working to comply with the European Union's Digital Markets Act. Google is fighting the first of two court battles with the U.S. government over antitrust charges, the FTC filed an anti-

Meta Platforms quarterly revenue, change from a year earlier



trust lawsuit against Amazon in September, and Apple is contending with regulators and other critics on multiple fronts.

Some analysts also think the AI hype has run far ahead of its bottom-line impact. And the tech companies, bruised by the downturn, have continued to make job cuts recently that are weighing on staff morale.

Meta's cash dividend, its first ever, would be paid at 50 cents a share.

News of the dividend and the better-than-expected results lifted Meta shares in after-hours trading. The stock jumped 14% to \$451. If Meta trades at those levels Friday, it would represent an all-time high.

Among the tech giants, Meta joins Microsoft and Apple in paying a quarterly dividend. Meta's dividend will cost the company about \$5 billion a year, based on the company's current number of shares outstanding. Meta re-

ported free cash flow of \$43 billion in 2023.

The company's Reality Labs hardware division reported revenue of \$1.07 billion in the fourth quarter, which was up more than 47% compared with a year ago. Chief Financial Officer Susan Li attributed the strong growth to sales of the new Quest 3 headset device.

This was the first time Reality Labs has generated more than \$1 billion in revenue in one quarter. Despite the strong growth, the unit remains a money loser. Reality Labs posted an operating loss of \$4.65 billion for the period.

Overall, Meta posted a net profit of nearly \$14.02 billion for the fourth quarter—more than triple the net profit that the company posted for the same period in 2022.

Threads, Meta's micro-blogging service that launched in July, now claims 130 million monthly active users, up from just under 100 million in the previous quarter.

Advertising made up 96.5% of Meta's revenue in the fourth quarter. The company's advertising revenue rose to \$38.7 billion. Meta said its average ad price increased 2% year over year. In the same quarter last year, the average price per ad decreased by 22%.

Meta said it expects its 2024 first-quarter revenue to be in the range of \$34.5 billion to \$37 billion, ahead of analyst expectations of \$33.9 billion for current quarter.

Meta reported 3.19 billion daily active people on average across its family of apps, which include Facebook, Instagram and WhatsApp, up from 3.14 billion in the prior quarter.

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U.S. NEWS

McKinsey's Battle Over Leadership

Continued from Page One
world's most lucrative partnerships. It also exposed the potential drawbacks of an unusual governance structure that gives McKinsey's partners the power to choose their leader every three years. It works when business is booming, as partners who bring in millions of dollars have little reason to agitate for change. The past few years have been anything but stable.

Sternfels took over at the beginning of a period of rapid growth as companies sought McKinsey's advice in responding to pandemic-fueled changes in business. McKinsey grew to more than double the staff it had in 2012. As the economy has slowed and clients pulled back, however, the firm has been criticized for misjudging future demand.

The past year brought retrenchment. McKinsey cut 1,400 back-office workers and wound down some of its bankruptcy work. McKinsey, along with Bain and other firms, pushed back start dates for new M.B.A. hires into this year. In December, the firm shrank its newest partnership class, to about 250 people, compared with 380 in 2022.

The firm also is still working to repair its reputation following scandals that changed how it operates. McKinsey came under fire for working with Purdue Pharma and other drug manufacturers to market opioid painkillers. McKinsey said in 2021 it would pay a \$573 million settlement for its work with Purdue, which prompted a broader reassessment of how much leeway partners have to select the clients they bring on.

The demand for high-end consulting services remains, senior partners said. "The quality of the work that we're doing right now is just off the charts better than it ever



BRYAN VAN DER BEEK/BLOOMBERG NEWS

was," Asutosh Padhi, managing partner for North America, said in a mid-January interview. He was in Davos, Switzerland, where Sternfels and other McKinsey partners hobnobbed with business leaders.

McKinsey pedigree

Sternfels is a 30-year veteran of McKinsey and previously served as what was effectively its chief operating officer. The California native grew up in a small agricultural town but like many McKinsey employees has a top-notch pedigree: He studied economics at Stanford University and was a Rhodes scholar at Oxford.

In college, he played water polo but had a business bent. After his freshman year, he started a business with a classmate that hired students to summarize depositions for attorneys in the San Francisco area—at a sharp discount to what paralegals would cost.

At McKinsey, he helped start an office in South Africa and led the private-equity practice. When he took over as managing partner, Sternfels said he wanted to speed up decision-making and de-emphasize employee tenure.

"The world's never going to slow down again, and our clients are demanding that we move faster than they do," he said in a 2021 interview. "So

how do we create a model in a global firm that can actually move more quickly?"

He also defended the global partnership model, saying that when done properly it allowed the firm to give clients the best advice from anywhere in the world. "To make a partnership model work, you have to really invest in sharing perspectives and having honest debates," he said.

Part of the problem is that McKinsey's senior ranks—who get to vote on the leadership—have grown from some 400 people about 15 years ago to about 750 today, making it difficult to build consensus. Any senior partner can be elected to the top role as long as he or she would complete his or her first term before turning 60.

Senior partners can vote for anyone on the first ballot. The field is narrowed to 10 on the second ballot; if a winner still doesn't emerge, the top two face off in a third vote.

Another challenge is a decision a few years ago to reduce the number of three-year terms a managing partner can serve to two from three. The logic was that it would allow them to serve six years and

for younger generations to step up. But the threat of having just a single stint makes it difficult to fully execute a strategy. The previous leader, Kevin Sneader, was ousted in 2021 after one three-year term in a similar protest vote. He is now a senior executive at Goldman Sachs in Asia.

Sternfels is seen by those around him as decisive. But over the past three years, his approach has irritated some partners who felt that he relied on a small team close to him, more like a CEO than the leader of a partnership.

McKinsey's revenue rose in 2023, though at a slower rate than during the pandemic, to approximately \$16 billion. In the first half of

the year, it asked partners to defer some of pay, but by the end of the year business was good enough that they got their full pay.

Sternfels didn't address the firm's restructuring or slowing growth in his December note to staff. Instead, he attempted to size up the firm. "It's been quite a year," he wrote, "and we not only came through it, we are uniquely positioned as we look toward 2024."



MCKINSEY & CO.

Global Managing Partner Bob Sternfels, left, and challenger Rodney Zimmel both joined McKinsey in the mid-1990s.

McKinsey, he said, isn't only a consulting firm, but also a startup incubator, a design lab, a training ground and more. "I'm reminded each time I speak with our Talent Attraction colleagues that so many would love to be in our shoes—more than one million people apply to work here each year," he wrote.

Sternfels's second and final term begins in July.

Some former McKinsey partners said they are embarrassed by the tumult atop the firm.

At McKinsey, the managing partner chairs a global shareholders council that includes 30 senior partners elected by their peers to three-year stints. Sternfels faced a challenge from a former member of that council who oversees one of the firm's biggest practice areas: digital strategy advice.

The AI challenger

Rodney Zimmel joined McKinsey in 1995, a year after Sternfels. Zimmel studied science at Cambridge University, where he received a Ph.D in molecular biology. While Sternfels joined the firm in San Francisco, Zimmel rose through the ranks in New York.

Zimmel, a British American, is in charge of a growing practice called McKinsey Digital, which now accounts for about half of the firm's client work, Zimmel said in a recent presentation. The group has thousands of employees who help companies build digital businesses, modernize core technology or roll out new tools such as artificial intelligence.

In his presentation, which was posted to YouTube in December, Zimmel said he had spent much of his time in recent months counseling clients on generative AI strategies.

"I've probably been invited to more boards in the last six months than I have in the last five years combined," Zimmel said. "I would assert that every major board on the planet is having a conversation on AI."

McKinsey has had 13 global managing partners in its his-

tory. The closely held firm started out in 1926 when a University of Chicago professor and accounting expert, James O. McKinsey, established his own consulting company.

The young firm opened offices in New York and San Francisco and rejected the idea of a loose network of offices in favor of a single partnership with shared resources.

Over the decades, it expanded with outposts across the globe and by the 1980s the majority of its partners weren't Americans. The work included advising former President Dwight Eisenhower to establish the White House chief of staff role and the creation of Universal Product Codes used to scan groceries.

For many professionals, becoming a McKinsey partner is a long-held dream. Securing the position at the prestigious firm entitles them to better share in profits and puts them on a pathway to lucrative careers elsewhere.

Former McKinsey partners and employees have gone on to take senior roles inside some of the U.S.'s biggest companies. Notable McKinsey alumni include Sheryl Sandberg, Meta's former chief operating officer, and Google CEO Sundar Pichai.

Those who have led professional-services firms said the top job is notoriously tricky. Leaders must possess a special touch in working with clients, while also managing the many feelings and concerns of senior partners. Those who do best often excel at building a high-level consensus among partners internally.

"There's a lot of wining and dining and talking and communicating," said William Achtmeyer, an early employee of Bain who is now chairman of the strategy-consulting firm Acropolis Advisors.

Partners might disagree with decisions made by top leadership, but they must at least understand the strategy and feel heard, Achtmeyer said, so "they're not ready to pound the table."

—Lauren Weber
contributed to this article.

The previous leader was ousted after one term in a similar protest vote.






Artificial

Artificial: A New Series from The Journal

Since the release of ChatGPT last year, big tech has been consumed by a race to build more sophisticated AI systems. Behind the frenzy is a company few had heard of a year ago — OpenAI. In a multi-part podcast series from The Journal, we go behind the scenes and show how OpenAI seized the lead in the AI race. We explore the compromises the company made along the way, and reveal how it nearly tore itself apart in the process. Listen on Spotify, or wherever you get your podcasts.

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WORLD NEWS

U.S. Hits More Houthi Targets in Yemen

A strike on drone station follows rebel attacks on vessels in the Red Sea

By CHAO DENG

U.S. forces struck targets belonging to Yemen's Houthi rebels on Thursday, continuing an effort to degrade the Iran-backed group's military capabilities without triggering a broader war in the region.

U.S. Central Command, which is responsible for U.S. military operations in the Middle East, said it hit a Houthi drone ground-control station and several of the group's drones after determining they presented an "imminent threat" to merchant vessels and U.S. Navy ships in the region. It said the strike was in self-defense.

The strikes come as the U.S. prepares its response to a drone attack Sunday that killed three U.S. service members in Jordan. The enemy drone was launched from Iraq by a militia backed by Tehran and struck a U.S. outpost.

The response to that attack could come as early as this weekend and is expected to unfold as a set of operations over several days, U.S. defense officials said.

America and its allies have carried out several rounds of airstrikes in response to the Houthis' launching of hundreds of drones and missiles at ships transiting the Red Sea since November. Last week, U.S. forces shot down a ballistic missile fired toward the destroyer USS Carney from a Houthi-controlled area of Yemen and destroyed a Houthi antiship missile that was prepared to be launched at shipping in the Red Sea, according to U.S. Central Command.

The Houthis have said their campaign is aimed at pressuring Israel and the international community to end the Israel-Hamas war in Gaza.



Houthis protest the U.S.-U.K. actions against the rebels in San'a, Yemen. The Houthis have said their Red Sea attacks aim to end the Israel-Hamas war.

The U.S. has so far failed to deter the battle-hardened Houthis or significantly reduce their military capabilities, according to military analysts. With their audacious attacks, the rebels have transformed themselves from marginal players among Iran-aligned forces into one of the Mideast's most formidable militant groups.

Houthi leader Abdul-Malik al-Houthi said Thursday that American and British strikes "have no effect and will not limit the capabilities of [the group's] military forces." Re-

cent strikes hit territories controlled by the Houthis in north and west Yemen, reported Houthi-owned media outlet Al-Masirah television.

On Wednesday, the Houthis' military spokesman said the group targeted an unnamed American merchant ship headed to what it said were Palestinian ports, as well as the American destroyer USS Gravelly in the Red Sea. The group claimed to have hit the merchant vessel, without providing evidence.

U.S. Central Command said the USS Gravelly shot down a

Houthi missile Tuesday; there were no injuries or damage.

Confrontations between the Houthis and the U.S. have disrupted shipping lines through the Suez Canal, a critical waterway connecting the Mediterranean Sea to the Red Sea.

The canal handled 12% to 15% of global trade last year.

In addition to the Houthis, the U.S. and its ally Israel are facing challenges from other Iranian-backed forces in the region, from Hamas in Gaza to Lebanon's Hezbollah to Iraqi popular mobilization forces.

In an effort to pave the way for an end to the war in Gaza, the U.S. is pressing for a long cease-fire between Israel and Hamas. A deal that U.S. negotiators are trying to broker would involve the release of roughly 130 remaining hostages taken by Hamas and other militants in their Oct. 7 attack on southern Israel. The proposed deal would begin with a six-week cease-fire that the U.S. argues would then make it difficult for Israel to resume the war at its current intensity.

Earlier this week, President

Biden said he held Iran responsible for arming the perpetrators of the attack in Jordan, and that he had made a decision on how to respond. U.S. officials haven't said what that response would be, but among the U.S.'s options are launching a direct strike against Iran, hitting the regime's proxy groups or personnel abroad, and ratcheting up financial pressure on Tehran's battered economy.

—Saleh al-Batati and Nancy A. Youssef contributed to this article.



Lloyd Austin told reporters his recent hospital stay 'is probably not an issue of secrecy as much as it's an issue of privacy.'

Pentagon Chief Says He Is Sorry for Mishandling Secret Hospitalization

By NANCY A. YOUSSEF AND GORDON LUBOLD

WASHINGTON—Defense Secretary Lloyd Austin apologized Thursday for not disclosing his cancer diagnosis, in his first public comments about the secrecy surrounding a hospitalization in January.

The defense chief, who last held a formal news briefing in the Pentagon two years ago, described his prostate-cancer diagnosis as a "gut punch," and said he didn't tell President Biden, in part, because he didn't want to add to "all the things that he's got on his plate."

Austin said that decision was a mistake.

"I want to be crystal clear, we did not handle this right, I did not handle this right," he said. "It is probably not an issue of secrecy as much as it's an issue of privacy."

Austin's return to the Pentagon comes ahead of an expected

response to the drone attack that killed three U.S. service members in Jordan. The U.S. response could come as early as this weekend and is expected to take place over several days, Pentagon officials said.

Austin limped slightly Thursday as he entered and left the briefing room, and he is being ferried around the Pentagon in a large golf cart.

Austin, 70 years old, said he didn't order his staff to keep his cancer diagnosis secret, but that those around him might have thought they were acting in his best interest. "I don't think I've created a culture of secrecy," Austin said.

At least two reviews of the matter are under way, including one by the Pentagon inspector general and another inside Austin's office. Moreover, committees on Capitol Hill with Pentagon oversight have demanded responses to questions. Some lawmakers have called for Aus-

tin to testify under oath.

On Thursday, Austin cited the investigations as reasons why he couldn't provide fuller answers.

White House and Pentagon officials have expressed private frustration with the episode. Biden has said Austin hasn't lost his trust or confidence.

The secret hospitalization of a senior cabinet member who is sixth in the line of presidential succession and second in the line of military command after the president is without modern precedent.

Austin underwent a planned surgery for prostate cancer before Christmas and transferred authority to his deputy, Kathleen Hicks, while he was incapacitated. About two weeks later, on the evening of Jan. 1, Austin was taken by ambulance from his home outside Washington, D.C., to Walter Reed National Military Medical Center, be-

cause he said he was in severe pain. He was admitted to the hospital's intensive-care unit.

The Pentagon didn't notify the White House until Thursday of that week, because the secretary's chief of staff was out sick with the flu, officials said.

The Pentagon said that either Austin or his deputy was in charge of the building at all times. Hicks, however, was on a previously planned vacation in Puerto Rico, and was essentially running the Pentagon from the resort where she was staying.

The Pentagon said Hicks wasn't aware of Austin's situation. It released a statement on Jan. 5, about the time that Austin resumed operational control, though he remained hospitalized for another 10 days. Austin, who worked from home after his hospital release, returned to the Pentagon for the first time Monday. Officials say he is expected to make a full recovery.

Israeli Settlers Face Sanctions Over West Bank Attacks

By VIVIAN SALAMA AND DION NISSENBAUM

The Biden administration has announced a new set of sanctions against Israeli settlers and others it deems responsible for attacks on Palestinians in the West Bank, as concerns grow in Washington that the Israeli government hasn't done enough to curb the violence.

Since the Oct. 7 Hamas attacks in Israel and the outbreak of the war in Gaza, violence by Israeli settlers against Palestinians in the West Bank has doubled, according to the United Nations. Armed settlers in uniforms have shown up in Palestinian villages threatening to kill those who don't leave, say residents, Israeli peace activists and the U.N.

The incidents have prompted more than 1,000 Palestinians from at least 15 communities to flee their homes in the West Bank, according to the U.N. and Israeli human-rights group B'Tselem. The number is more than double the total displaced in the West Bank between the start of 2022 and Oct. 6, according to B'Tselem.

The executive order clears the way for sanctions on foreign nationals engaged in actions that include the directing or participating in acts or threats of violence against civilians, intimidating civilians to cause them to leave their homes, or destroying or seizing property and acts of terrorism.

President Biden has "spoken about his concern about the rise in violence that we have seen in the West Bank from extremist actors—in particular the rise in extremist settler violence, which reached record levels in 2023,"

national-security adviser Jake Sullivan said.

In response to Biden's order, Israeli Prime Minister Benjamin Netanyahu's office said "the absolute majority" of West Bank settlers "are law-abiding citizens, many of whom are currently fighting in mandatory service and in reserves for the defense of Israel. Israel is taking action against people who break the law everywhere."

Netanyahu's government, which includes far-right and nationalist parties that are staunch supporters of settlers, has overseen the expansion of

West Bank settlements while in power.

The actions are also a by-product of mounting frustration in Washington with Israel's approach to the war in Gaza.

Publicly and

privately, U.S. officials have expressed frustration with the number of civilian casualties in Gaza, Israel's destruction of homes in Gaza, the forced displacement of most Palestinians in Gaza from their homes, and the lack of a road map for ending the fighting.

The Biden administration has discussed a series of what officials characterize as points of leverage to express American displeasure. The White House has been resistant to any move to slow weapons sales to Israel, U.S. officials said, so they have explored other options, including sanctions on settlers.

The Biden administration is also considering other ways to exert pressure, such as publicly renouncing a policy shift expressed by then-Secretary of State Mike Pompeo in 2019 that Israeli settlement building in the West Bank might not be a violation of international law.

**More than 1,000
Palestinians
have fled their
homes in the
territory.**

WORLD NEWS



Radio Free Europe/Radio Liberty journalist Alsu Kurmasheva, seen on Thursday, is accused of failing to register as a foreign agent.

Russia Extends Detention Of Reporter With U.S. Ties

Court orders Radio Free Europe staffer with dual citizenship to be held until April 5

By ANN M. SIMMONS
AND LOUISE RADNOFSKY

A Russian court ruled to extend the pretrial detention of Radio Free Europe/Radio Liberty journalist Alsu Kurmasheva for a third time since she was taken into custody in October on a charge that she failed to register as a foreign agent.

The Sovetsky District Court in Kazan, in southwest Russia, on Thursday ordered Kurmasheva, a dual U.S.-Russian citizen, to be held until April 5, according to RFE/RL and Rim Sabirov, one of her Russian lawyers.

The judge denied Sabirov's request that Kurmasheva be

moved to house arrest or "another measure not involving restriction of liberty," Sabirov said in a text message. He said the plan was to appeal the decision to extend the detention.

Kurmasheva hasn't entered a formal plea. Her legal team has said she denies the allegations. RFE/RL President Stephen Capus said, "Russian authorities are conducting a deplorable criminal campaign," adding that Kurmasheva was "imprisoned and treated unjustly simply because she is an American journalist."

The Kremlin didn't respond to a request for comment on RFE/RL's allegations.

The extension of Kurmasheva's detention as she awaits trial followed the decision of a Moscow court last Friday to extend by two months the detention of Wall Street Journal reporter Evan Gershkovich, who is deemed

by the U.S. to be wrongfully held in Russia.

It marked the fourth extension of Gershkovich's detention since he was taken into custody in March on an allegation of espionage that he, the Journal and the U.S. government vehemently deny. The extension means Gershkovich is set to spend at least a year behind bars before his trial begins.

Russia has said it is following its own laws.

In addition to the October charge of acting as a foreign agent, Kurmasheva also faces further charges related to her work on a book that is critical of Russia's invasion of Ukraine.

According to a report by Idel.Realities, RFE/RL's Tatar-Bashkir division, for which Kurmasheva worked, the court session was held behind closed doors. Members of the press were only allowed into the courtroom for the an-

nouncement of the decision, the news agency said.

Representatives of the embassies of Austria, the Czech Republic and the Netherlands were also present in court, the news agency said.

"The world's journalistic, human-rights organizations, and diplomatic communities are standing with Alsu today," Capus said, and thanked the European Union governments that sent representatives to Thursday's proceedings. "Yet, Russia continues its systematic prosecution."

RFE/RL and Kurmasheva's family believe Russian authorities targeted her because of her U.S. citizenship and her profession, at a time when relations between Washington and Moscow are at a nadir, and they have launched a campaign to persuade the U.S. State Department to designate her as wrongfully detained.

Bank of England Holds Key Rate, Signals '24 Cut

By PAUL HANNON

LONDON—The Bank of England left its key interest rate unchanged but signaled it is likely to lower borrowing costs this year for the first time since 2020, though perhaps not as soon as investors expect.

The U.K. central bank's move followed a similar pivot by the Federal Reserve, which on Wednesday signaled it was thinking about when to lower interest rates but hinted a cut wasn't imminent when it held rates steady. Last week, the European Central Bank left its key rate at a record but kept open the door to cuts as soon as the spring.

Inflation rates are falling rapidly around the world after a postpandemic surge. Unusually, that hasn't come at the cost of a decline in economic output or a jump in unemployment.

And with borrowing costs expected to fall, the International Monetary Fund on Tuesday said the global economy is likely heading for a soft landing this year.

But while major central banks have signaled that rate cuts are on the horizon, they have urged investors not to expect too many too soon.

On Thursday, the BOE left its key interest rate at 5.25% and removed a warning that it might have to raise it again, the clearest signal yet that it is preparing for cuts.

Instead, it said it would keep the period over which the key rate stays at 5.25% "under review."

"We need to see more evidence that inflation is set to fall all the way to the 2% target, and stay there, before we can lower interest rates," BOE Gov. Andrew Bailey said.

One policymaker called for a reduction in the key rate to 5%, the first vote to lower borrowing costs since March 2020, when the Covid-19 pandemic swept through the U.K.

Sweden's Riksbank on Thursday also signaled a readiness to lower borrowing costs, leaving its key rate unchanged but indicating that a first cut may come in the first half of the year.

The BOE was the first of the leading central banks to raise its key rate to fight a surge in consumer prices as the fallout from the pandemic jammed global supply chains. But the U.K.'s inflation rate outpaced those of its peers throughout 2022 and much of 2023.

However, over recent months, the U.K.'s inflation rate has fallen sharply, with some economists expecting a return to the 2% target as early as April, when home energy prices are set for big falls.

Wage rises have also slowed more sharply than policymakers had expected.

But BOE policymakers want to be sure that inflation has been brought back under control before they lower borrowing costs, and two of the nine rate setters voted to raise the key rate on Thursday.

"The overall tone of February's monetary-policy statement is consistent with a central bank that wants to cut rates but also wants to be sure that they don't move too fast," said Shweta Singh, chief economist at Cardano.

The Monetary Policy Committee repeated its view that rates will need to stay "sufficiently restrictive for sufficiently long" if the inflation rate is to stay at 2% over the coming years.

A warning that the bank might have to raise the key rate again was removed.

Band Opposed to Ukraine War Is Allowed to Leave Thailand

By FELIZ SOLOMON

Members of a prominent Russian-language rock band that has been critical of Moscow's invasion of Ukraine left Thailand for Israel, after a week in detention that raised questions about the safety of antiwar artists and dissidents who live outside Russia.

The seven members of the band Bi-2 performed two shows last week, one each in the Thai resort towns of Pattaya and Phuket. They were detained after the second show, in Phuket, over alleged immigration violations. They were later taken to the capital Bangkok and told they would be de-

ported, causing concern among human-rights activists that they might be sent to Russia.

Most of them have more than one passport—from countries including Russia, Israel and Australia—but some have only Russian citizenship.

Human-rights activists said the band members would be in serious danger if they were sent to Russia. Since its invasion of Ukraine in February 2022, the Kremlin has used a variety of repressive tools in an effort to control the war narrative.

The band's frontman Yegor Bortnik—who isn't a Russian citizen—was the first to be sent to Israel, where he has citizenship. The band said

early Thursday that the other members had also left Thailand for Tel Aviv. A representative of the Israeli Embassy in Bangkok confirmed their departure for Israel.

The Israeli Embassy didn't respond to questions about the circumstances of the band's departure or the negotiations leading up to it.

Thailand's immigration bureau and foreign ministry didn't respond to questions.

Russian Foreign Ministry spokeswoman Maria Zakharova on Sunday accused the band of supporting terrorism because of its opposition to the war and support of Ukraine, according to Russian state-media reports.



Members of Russian-language rock band Bi-2 were detained over alleged immigration violations.

Europe Sets \$54 Billion In Kyiv Aid

Continued from Page One
said on X after the decision.

The agreement comes against the backdrop of concern in European capitals that Russian success in Ukraine could directly imperil the Continent's security. The Biden administration is still facing opposition to its planned \$60 billion aid package for Ukraine, which is being blocked by Republicans in Congress.

For now, Russia's gains in Ukraine have been minimal, despite the lack of fresh Western assistance. But with Russia expanding its defense industry and increasing spending on the war, Ukraine faces a widening gap in critical weaponry such as ammunition, leading to warnings that Kyiv's war-weary forces could be forced to retreat in the coming months.

Since the start of the year, Defense Minister Boris Pistorius of Germany has warned

that Russia could attack North Atlantic Treaty Organization countries within five years if it isn't defeated in Ukraine, while his U.K. counterpart, Grant Shapps, warned Europe was entering a new "prewar" period.

President Emmanuel Macron of France, in a speech to his armed forces on Jan. 19, said Ukraine's allies must ensure that Russia can't win in Ukraine. "A Russian victory would mean the end of European security," he said.

Ahead of the summit, European diplomats said the bloc was considering different options to compel Orban to support the aid package.

Among the options being discussed was retaining a block on more than 20 billion euros, equivalent to \$21.64 billion, in budget aid that Brussels has withheld from Orban's government because of corruption and rule-of-law concerns. Diplomats said some EU governments were considering a process that could strip Hungary of some EU voting rights.

In the end, after being pressed by the French, German and Italian leaders and EU summit chair Charles Michel ahead of the meeting, Orban told the other leaders

he had no objections to the deal once the summit started.

In December, in another sign that European support for Ukraine remains robust, the EU agreed to open membership negotiations with Zelensky's government.

Hungary has argued that the EU should focus on pushing for peace in Ukraine and criticized what it claims is large-scale corruption in Ukraine.

Ukraine faces a \$40 billion-plus financial shortfall this year. Funding from the U.S. and EU was expected to cover some \$30 billion of that. To

keep money flowing in, Ukraine has introduced emergency measures to limit the budget gap, including a windfall tax on banks and an increase in domestic borrowing.

Last year, the EU provided Ukraine with around \$19 billion in emergency budget support. A similar amount was expected for this year but with U.S. assistance stuck in Congress, EU leaders will need to decide whether they spend more of the aid package this year and risk a shortfall from 2025.

European Commission President Ursula von der Leyen said

the deal was a "very strong message" of European resolve on Ukraine to the Kremlin two years into the war. The EU's Michel said he hoped the decision would also encourage U.S. policymakers to drive through assistance for Ukraine.

White House National Security Council spokesman John Kirby said President Biden spoke by phone on Thursday with von der Leyen to thank her and the EU for the Ukraine aid-package decision.

The fight over the package comes as European officials are shifting their view of the Ukraine conflict from a moral crusade to self-preservation.

For the first 18 months after Russia invaded Ukraine, EU leaders' public framing of the war in Ukraine was consonant with the idealism that characterized much of European geopolitical thinking since the end of the Cold War.

Russia couldn't be allowed to violate the sacrosanct international principle against seizing land by force, European heads of governments warned.

With Russia on the offensive, European officials are starting to speak in far starker terms to rally support for Ukraine. The West should stand behind

Ukraine out of cold self-interest: to prevent Russia from emerging as a powerful military juggernaut that could attack NATO countries if and when U.S. support for the alliance frays.

"We find ourselves at the dawn of a new era," Britain's Shapps said in January. "The Berlin Wall a distant memory. And we have come full circle...from a postwar to a prewar world."

For those in Russia's neighborhood—Poland and the Baltic States—no such reassessment is needed.

At the World Economic Forum in Davos, Switzerland, in January, Valdis Dombrovskis, a former Latvian prime minister who is now a European Commission vice president, urged counterparts to take seriously posters that have appeared in Russia ahead of March's presidential election declaring: "Russia's borders are ending nowhere." Other billboards have read: "Alaska is ours!"

"Those are the posters on the wall. Let's read them. Let's understand. That's what it's about. It's about imperialist expansion," he said. "And we need to react correspondingly."

—Ben Pershing
contributed to this article.



Denmark's Mette Frederiksen, Hungary's Viktor Orban and Slovakia's Robert Fico at Thursday's meeting in Brussels.

FROM PAGE ONE

Game Fans Pursue Streaks

Continued from Page One

Drew Patty, 46, a freelance editor in San Carlos, Calif., starts the first of five daily games he's committed to playing when he wakes up. He aims to get the rest done by 4 p.m., when an alarm he keeps on his phone goes off. "I don't want to panic late at night," he says of why he chose an afternoon deadline.

"Xordle," which is like "Wordle" but with two mystery words, "can be obnoxiously hard," he says. But reaching the end of each challenge is a must. "It's just a

consistency thing."

Such dedication came in handy recently when a friend of Patty's, a fellow daily gamer, was on an overseas work trip and too busy to keep track of time. He texted her a reminder each morning and as a result, she didn't miss a beat. "I felt honored to be her streak buddy," he says.

They aren't all Cal Ripken Jr. (2,632 consecutive games played) but gamers notch notable streaks. Patty's longest yet is 270 days tackling "Squareword," a stretch that ended on a vacation to Hawaii. "I was distracted by paradise," he says.

Tali Fischer of San Francisco begins tackling the three daily games she's into around 12:01 a.m. "It's emotionally damaging for me when I lose a streak," says the 48-year-old communications professional, which is what happened a few

months ago after a 55-day stretch. "I cried. It was just one of those days when everything was crazy."

Fischer shares results with family members and friends, who reciprocate. Recently, her 15-year-old son joined the group, upping the ante. "It's extra important that I get on there and show him what mom is made of," she says.

Some people play daily games as a team. Charlie Keith and his partner live in separate apartments in Bristol, England, yet they play nine daily games every night together, with him sharing his screen over the app Discord so she can see them. "It's a completely collaborative effort," says Keith, a 22-year-old marketing professional.

Over Christmas, the couple was even farther apart when one traveled to Thailand, the other to Spain. The roughly

seven-hour time difference required being flexible. One night, he had no choice but to play the games with her from a bar's bathroom stall. "It was very crowded," Keith recalls. "I needed a quiet and secluded space to hear her."

Daily games are devilishly entertaining, confess devotees such as Ticia Robak. When a snowstorm knocked out power at her North Andover, Mass., home this winter, the retired antiques dealer had yet to play her favorite daily games, which include the culinary inspired "Foodle." She had little battery left on her smartphone and didn't know when the power would return. "I couldn't fool around because of a potential emergency," says Robak, 71. But she played them anyway. "I just had to."

The limited window for completing daily games is largely what makes them so

alluring, according to psychologist Louise Packard of Santa Rosa, Calif. "We all have our compulsions and rules," she says. Failing to keep up "feels like an itch that hasn't been scratched." While on vacation in Greece a few years ago, Packard, 69, found herself thinking about whether she'd be able to finish "Spelling Bee"—a daily spelling game, which, like "Wordle," is owned by the New York Times—while touring historic ruins. "Then I was laughing at myself because that's ridiculous," she says. (She finished the game.)

Ornithologist David La Puma said his colleagues were skeptical after he correctly identified a bird on his first try while playing "Birdie," a daily puzzle featuring photos of fowl. Worse, he had edited his results after sharing them in the group's Slack channel to remove a link. "It was a hard

bird, so I understood where they were coming from," says La Puma, 48, of Cape May, N.J. "But it was a legit win." (It was a Least Grebe.) La Puma and colleagues also share outcomes from "Brdl," a daily puzzle that has players guess four-letter bird banding codes.

"The gloves come off," La Puma says, though he added that because "Brdl" is so hard, everyone posts peacock emojis as a show of respect whenever one of them manages to complete it.

Cathy Douglas, a retiree in Madison, Wis., likes testing her knowledge of geography with "Worldle" and figuring out four word puzzles in nine tries with "Quordle."

"A lot of stuff we do in our daily lives is drudgery," says Douglas. "This is something I look forward to. You're using your brain instead of just doing the dishes."

Unpaid Bills Trail Candidate

Continued from Page One

vendors on time. Housekeepers sometimes needed to hustle soap and shampoo from empty rooms to occupied ones, according to people familiar with the resort. The same thing happened with fresh linens.

In March, Citizens Bank of West Virginia sought in state court to have some of Justice's wages garnished to help pay down a debt of more than \$800,000 for coal-mining equipment. In recent months, a sliver of each of his government paychecks has been going to the bank.

In October, a federal court ordered U.S. marshals to seize a helicopter owned by one of his companies to satisfy a debt to a unit of a Russian metals and mining company. Justice's lawyers asked the court to hold off on the seizure because they said other creditors already had liens on the craft. On Jan. 17, a judge ordered the helicopter grounded and said it would have to be sold.

Last week, a state court ruled against the Justices in a complicated dispute with Virginia's Carter Bank & Trust over what the bank says is more than \$300 million owed to it.

Nothing to see here, is what Justice has taken to suggesting to local reporters. At a news briefing on Nov. 8, one day before Manchin announced he was bowing out of the 2024 Senate race, Justice said people should "quit worrying about Jim's stuff."

"You can worry about it and you can jump up and down about it and everything else," he said, "but really and truly Jim's house will be fine." Justice, who routinely declines to talk to the national media, declined to comment for this article.

"Gov. Justice and his family are proud to have built a business that provides paychecks for thousands of people," Steven Ruby, a lawyer for the Justice businesses, said in a statement.

"When most of America's coal companies were filing for bankruptcy over the past 10 years, the Justice companies chose not to take the easy way out," Ruby said. "Because the Justices decided not to abandon their obligations, and because of their commitment to continue investing in West Virginia and the coal industry even against odds that at times have been long, their companies have faced some tough financial circumstances. Sometimes they have had no choice but to pay bills behind schedule—but they pay their bills."

As governor, the lawyer's statement said, Mr. Justice had compiled "a record as arguably West Virginia's greatest governor of all time." Under the governor's leadership, the lawyer said, the state turned a budget deficit into record surpluses and had experienced "unprecedented economic expansion." The governor's office said 12,591 jobs have been created in the state since he became governor.

Justice, a 6-foot-7 Republican who has become a towering presence on the state political landscape, has earned plenty of goodwill with voters by casting himself as one of them. He drives himself around in his black Chevrolet Sub-



Jim Justice announcing his Senate run, above, with his English bulldog Babydog. His family's Greenbrier resort, below.

ban with a "COAL 3" license plate, and he coaches the girls' basketball team at Greenbrier East High School.

His English bulldog, Babydog, is a frequent sidekick who gets her own chair at events. In 2022, after Bette Midler wrote a critical online post about Manchin in which she also said West Virginians were "poor, illiterate and strung out," Justice held up Babydog during an address to the state legislature, turned her backside to the lawmakers and told the singer and others to "kiss her heinie."

Although his financial problems have attracted attention for years, they haven't dented his political career. He was re-elected governor in 2020, and in a survey last year, he had a 63% approval rating, making him the sixth most-popular governor in the country, according to decision intelligence company Morning Consult.

'Late on a bill'

"There's no big, gigantic pots of gold that are sitting around," Justice said when asked at a news conference in September about his finances. "Absolutely, at the end of the day, you can see that. And then from that you can see a family that sometimes are a little late on a bill here and there and everything. But we pay them, don't we?"

Court documents and people knowledgeable about his companies describe a perpetual scramble to try to keep those bills paid. In April, in a court filing related to a lawsuit about Justice's coal operations, one of his lawyers said that "operating cash is chronically scarce and transferred among companies on a just-in-time basis."

"If you just meet him and get to know him as a friend, he's one of the nicest people in the world," said Ernie Thrasher, chief executive of XCoal Energy & Resources, a coal marketing and logistics company based in Latrobe, Pa. "The moment you do business with him, he's a totally different person."

XCoal has been battling Justice in court for about a decade over a coal contract. Justice has denied Thrasher's allegations that he breached the contract. In 2021, a federal judge found that a Justice company and the governor himself were responsible for breaching a contract to deliver 720,000 tons of coal.

A \$6.8 million judgment grew to \$10 million, with interest and lawyers' fees. So far, Thrasher has collected \$8.1 million from a bond Justice posted to file an appeal, which he lost last year. Thrasher says



he is still owed about \$2 million.

"We're in a long, long line with many, many people," Thrasher said. "It's mind-boggling because this guy could be a U.S. senator."

Will Brownlow, a Tennessee businessman, sold some coal properties to Justice companies. In 2012, he sued the companies for alleged breach of contract for failing to operate coal mines on the properties and pay royalties. He alleged that the Justice family transferred assets from the two companies involved in the case to others owned by the Justices, and to family members. The Justice companies have denied that they breached the contract or improperly transferred assets.

Brownlow asked a federal court in Kentucky to pursue those assets. In 2019, a judge awarded Brownlow's businesses roughly \$50 million. On appeal, the punitive damages were eliminated, which re-

duced the award to about \$35 million. In October, a lawyer for the family told the judge the two companies involved in the case couldn't pay \$194,000 in attorneys fees because the companies "have no funds in their bank accounts" and no assets to sell.

"They have the mistaken impression," Brownlow said, "that they have successfully transferred out their assets and therefore are going to beat me out of getting paid."

Justice planned to run for Senate even before Manchin, a Democrat, announced he wouldn't seek re-election and hinted that he might run for president as an independent in 2024. The outcome of the Senate race could help flip the chamber.

Justice has campaigned on a pledge to be a reliable conservative. During the summer, he endorsed Donald Trump for president, and in October, the former president endorsed Justice in a post on Truth Social.

Justice earned political capital and goodwill, even with some Democratic politicians, for his handling of the pandemic.

The PGA Tour began holding a golf tournament at the Greenbrier resort in 2010. Some vendors, worried about getting paid, refused to work with the tournament unless they were paid up front, according to people familiar with the matter. Greenbrier staff held frequent meetings about which vendors were owed money and were likely to sue, the people said.

The Justices and the PGA Tour parted ways in 2020 over what the Greenbrier said was faltering attendance because of a changed tournament date. As the sponsor of the tournament, the Justices had been responsible for paying the PGA Tour to host it. After reaching an agreement with the Justices, the PGA Tour wrote off close to \$10 million, according to people familiar with the matter.

The family also reached agreements with Watson and Mickelson over money owed to them for helping to promote real estate for sale near the Greenbrier. As part of the agreement with Watson, Justice's son, Jay Justice, in 2020 bought the golfer's house near the resort for \$2.5 million, people familiar with the matter said.

The Greenbrier then aligned with the Saudi-backed LIV Golf. The Justices wanted to resume hosting a high-profile event with top golfers, and were attracted to the terms of the

deal, under which the family wouldn't lose money.

In January 2017, a couple of weeks after he was inaugurated, Justice said in a letter to state employees that he had "separated myself from my business holdings by putting my children in charge of our family's business operations." He wanted to put all of his assets in a blind trust, he wrote, but said the process had stalled because of the number of financial institutions working with his family's companies.

Justice placed his ownership interests in eight of the businesses in a blind trust later that year. His most recent state ethics financial-disclosure statement, filed this week, said that as of last year he owned another 100 businesses outside the trust.

Bank dispute

Justice companies also are embroiled in a dispute with Carter Bank & Trust in Martinsville, Va., which since last April has been trying to recover more than \$300 million in loans and related interest and fees from the Justices.

Last week, a state judge denied the Justices' motions to set aside Carter Bank's claims. The bank said it plans to aggressively pursue the amounts owed to it by Justice entities. Carter Bank has a lien on the Greenbrier.

In November, the family had filed a separate federal lawsuit against the bank, seeking at least \$1 billion in damages. They accused the bank of carrying out "an unlawful scheme to prevent the Justices from ever fully paying off their loans, using illegal, bad-faith, and deceptive tactics."

Carter Bank said last week the complaint contains "false and misleading claims" that it would "vigorously defend in due course."

Separately, the Justices struck a deal in 2022 to pay off \$320 million out of \$850 million in loans that its Bluestone Resources coal company obtained through specialty lender Greensill Capital. Greensill sold the majority of the loans to investment funds managed by Credit Suisse, now part of Swiss bank UBS, then Greensill filed for bankruptcy after it couldn't renew a key type of insurance that covered its loans.

Bluestone had first taken out loans from Greensill to refinance its Carter Bank debt, according to people familiar with the matter.

The Justice finances grew so complex that in 2021 the family briefly retained Adam Lerrick, who represented bondholders in the Argentine debt crisis in the early 2000s, to advise on restructuring the debt, according to people familiar with the matter.

The financial scramble has at times affected some retired coal miners, who say they have had trouble filling prescriptions because Justice family businesses didn't pay their bills on time. The United Mine Workers of America filed a lawsuit in 2019 over the issue.

A lawyer for the Justice businesses told a judge in late 2022 that such prescription-drug interruptions stemmed from financial difficulties, and that several coal companies had no "material income." He told the judge the companies would fund an escrow account to avoid future lapses, and that retirees could arrange over the phone for a Justice company employee to pay for prescriptions using a company credit card.

—Summer Said, Sadie Gurman, Andrew Beaton and Elisa Cho contributed to this article.



In 2010, from left: actress Barbara Eden, then-Gov. Joe Manchin and wife Gayle, Jim Justice, actress Brooke Shields, Cathy Justice, singer Jessica Simpson and actress Debbie Reynolds.

ARTS IN REVIEW

Like much else, the Sundance Film Festival is almost but not quite back to normal: After two years going virtual and one year that blended Park City, Utah, screenings with online ones, this year the indie-cinema showcase, which ran from Jan. 18 to 28, leaned toward in-person screenings. Attending remotely, I wasn't able to see some of the most-praised offerings, such as "Super/Man," a documentary about Christopher Reeve that Warner Bros. is reportedly purchasing for some \$15 million, nor the thriller "It's What's Inside," a \$17 million pickup by Netflix about a pre-wedding party that goes wrong. I did screen another acclaimed feature, "A Real Pain" (no release date yet), in which an Oscar-and-Felix pair of cousins consider the Holocaust on a visit to Poland in tribute to their recently departed grandmother, but I found it overrated. Searchlight paid \$10 million for the dramedy, written and directed by Jesse Eisenberg, who also stars as one of the cousins against Kieran Culkin as his manic-depressive foil. Mr. Culkin's "Succession" fans, of whom I am not one, might enjoy the way he dominates the story. But his fast-talking performance as a kind of Marxist bro whose tiresome interjections threaten to derail a tour group seeking to honor victims of the Shoah struck me as merely obnoxious when it's meant to be hilarious and tortured.

For me the festival highlight was instead a largely overlooked effort, "Suncoast" (in select theaters this week before a Hulu release on Feb. 9), a funny, sad, tender and intensely specific cinematic memoir from writer-director Laura Chinn, who reflects on a period when her brother, Max, stricken with brain cancer, was dying. At the same Florida nursing home lay Terri Schiavo, a comatose young woman who became a nationwide cause célèbre and a much-discussed legal case when family members tangled over whether she should be allowed to die. Nico Parker plays Doris, the teenager who pretends to be less affected than she is by the condition of her brother, who hasn't been able to speak in years. Doris—seeking escape from the ways of her tightly wound mother (Laura Linney), who has resolved to spend her nights sleeping on the floor beside her son until he dies—starts holding parties in her house and generally misbehaving, but accidentally absorbs a little wisdom from a widowed pro-life protester (Woody Harrelson) who is part of a vocal group gathered outside the facility to oppose allowing Schiavo to die. Ms. Chinn elicits three exquisite performances from her leads.

They play beautifully off one another in a film that delicately balances opposites: the end of life vs. the beginning, holding on fiercely vs. letting go, and self-abnegation vs. heedless indulgence. Forswearing anything like a pedantic message and giving the audience plenty of reasons to be sympathetic to the viewpoints of all three characters, Ms. Chinn has created a heart-breakingly real coming-of-age story.

Another semi-autobiographical work in a similar vein, "Didi" (no



FILM REVIEW | KYLE SMITH

True Tales at Sundance

Documentaries and autobiographical dramas were among the highlights of this year's festival



Woody Harrelson and Laura Linney in 'Suncoast,' top; new-wave band Devo, the subject of a documentary by Chris Smith, above; and a scene from 'Porcelain War,' left



praisal yields a richly detailed film, which the audience voted best dramatic feature.

Among the documentaries, I loved Brendan Bellomo and Slava Leontyev's "Porcelain War" (no release date yet), which won the top documentary prize. A combination of whimsy and devastation, it looked at the continuing war in Ukraine through the eyes of eccentric artists who carry on with their craft of making adorable little figures even as the Russian invasion disrupts everything. Mr. Leontyev, one of the craftsmen, carries on a side pursuit giving military training to determined Ukrainian civilians who never expected to take up arms.

Another engaging offering was Chris Smith's "Devo" (no release date yet), a documentary about the pioneering new-wave band whose only big hit was the jumpy 1980 tune "Whip It." A performance-art

project turned nerdy dance band, Devo was founded on the campus of Kent State University after the Ohio National Guard shootings that left four students dead and nine wounded during an anti-Vietnam War protest in 1970. Co-founders Mark Mothersbaugh and Gerald Casale meant the band to be a thesis on "de-evolution"—their idea that man's idiocy is an indication that we're all dropping a few rungs on the evolutionary ladder. Yet the band's delightfully odd costumes and visual aesthetic were so light-hearted and silly that they came across as the antidote to politically infused rock.

On the mainstream end of the pop-music spectrum, a documentary on the making of the 1985 single "We Are the World" proved amusing in a different way. Michael Jackson, Lionel Richie, Bruce Springsteen, Paul Simon, Bob Dylan and dozens of other superstars gathered to record a single that would generate millions in aid to Africa. Fresh interviews with Messrs. Richie and Springsteen, among others, in Bao Nguyen's "The Greatest Night in Pop" (now on Netflix) take us through a long night in which Mr. Dylan was confused, Cyndi Lauper discovered her plastic jewelry was ruining her take and Al Jarreau got tipsy on wine.

Finally, a Sundance specialty: the offbeat documentary tear-jerker. "Ibelin" (no release date yet, though Netflix has acquired it) was the alter ego of a young man in Norway, Mats Steen, who died at age 25 in 2014 after barely getting to live his life, which was severely limited and prematurely ended by Duchenne muscular dystrophy. In his wheelchair, Steen spent thousands of hours gaming online, and when he died his family discovered that through World of Warcraft he had developed real and meaningful friendships with other players. Their annual tribute to him, through their digital avatars in the Tolkien-inflected game, is strangely moving.

release date yet) wasn't quite as lively but also served as a refreshing antidote to all of those youth-patronizing movies in which kids are portrayed as hyper-confident quip machines. The title character is a Taiwanese-American adolescent, also known as Chris (Izaak Wang), growing up in Fremont, Calif., in 2008. For Chris, childhood is

one cringey bad decision after another, many involving his mistreatment of his older sister and his mother. (Among his unlovely habits is urinating in his sister's hand lotion.) Writer-director Sean Wang, also making his feature debut, said at the festival, "I wish I wasn't such a brat to my sister and family." Mr. Wang's honest self-ap-

TELEVISION REVIEW | JOHN ANDERSON

United in Matrimony And in Spycraft

In the 1941 "Mr. & Mrs. Smith," the title couple thought they were legally married and found out they weren't. Havoc ensued. In the 2005 "Mr. & Mrs. Smith," the principals knew they were married, but hadn't known they were assassins for rival organizations. Havoc ensued. In the new "Mr. & Mrs. Smith," our heroes don't even know each other, but get married in order to wreak havoc. Progress? Perhaps.

It is certainly an unusual premise. Created by Donald Glover and his "Atlanta" colleague Francesca Sloane, the comedy-inflected eight-part series stars Mr. Glover and Maya Erskine as a couple in what is essentially an arranged marriage. Neither we nor they get much concrete information about either of them. Both have, apparently, military training, a knowledge of

guns, martial arts and espionage and seem to have become unemployable by any of the more conventional clandestine services. So they apply for jobs with an unnamed, unseen entity that communicates strictly by text and after pairing them up—John Smith (Mr. Glover) meet Jane Smith (Ms. Erskine)—sends them on heart-stopping missions around the world.

Ostensibly an action series, "Mr. & Mrs. Smith" is distinguished by its aver-gion to being an action series. Matters certainly start off in typical enough fashion: In a remote American somewhere, the most beautiful on-screen couple ever to wield automatic weapons (Alexander Skarsgård and Eiza González) are finishing their "last bottle" of wine before



Donald Glover and Maya Erskine in Prime Video's 'Mr. & Mrs. Smith'

being attacked by heavily armed and very determined killers in standard-issue black SUVs. "I can't keep running away," she says; her point is, shortly thereafter, rendered moot. But what we viewers come away with is a lingering expectation that this history is going to repeat itself.

"Mr. & Mrs. Smith" has a significant number of shootouts, and a few gross moments that are mostly suggested rather than shown (John

Turturro being fed into a composter, for instance; an off-camera machete killing in some unspecified jungle). There is danger, preparation to face danger and the aftermath of danger.

But the series, various episodes of which will include Parker Posey, Paul Dano and Ron Perlman among the more familiar faces, thrives as the story of a relationship. The circumstances are fantastic—we don't know what their promised remuner-

ation is, but Jane and John take up residence in an epic Manhattan brownstone, have a seemingly unlimited supply of cash and travel to the most luxurious locations. They are enigmas—both are at enough of a crossroads in their lives that they sign up with an unknown and presumably malignant "service." There are countless whys orbiting the narrative planet.

The writing and acting, however, are such that you believe in the people, if not necessarily their situation: Having become husband and wife without ever having met makes their instant marriage more than a bit awkward, but that's how it's played. Both are wary, conscious of the oddness, circling each other but exploring their histories in a way that is, yes, just like a real, fledgling, human relationship. With guns. They even see a therapist (Sarah Paulson). "I'm not in this for the romance," Jane says early on. But that's precisely what this is.

Mr. & Mrs. Smith
Friday, Prime Video

Mr. Anderson is the Journal's TV critic.

Though an action series, the show thrives as the story of a relationship.

ARTS IN REVIEW

THEATER REVIEW | CHARLES ISHERWOOD

Dramas of Wariness and Warmth

Plays by Rachel Bonds and Shayok Misha Chowdhury explore shifting relationships and perceptions



Gabby Beans and Hagan Oliveras in Roundabout's 'Jonah'

The loose-jointed plot toggles between Choton's struggle to find and shape material for his project and the mystery surrounding photos Raheem discovers in an old camera depicting the family patriarch, Choton's late grandfather, whose formal portrait hangs in a place of reverence. When the photos have been developed, a more playful image of the man unsettles Pishimoni, amuses Pisce and baffles Choton, although we never quite learn why the photos are so "amazing," as Raheem puts it.

The cast keeps 'Public Obscenities' buoyant even as it stretches toward three hours.

The actors give vibrant performances that keep the play buoyant even when it threatens to sag. Writers are not always the best directors of their work—in fact, they rarely are—and another collaborator might have improved the play by streamlining it. One example: Pisce's online flirtation with a woman in Minnesota is given more than ample time; reading anyone's text exchanges at length, as we do here, is rarely rewarding. Nevertheless, it is in the amplitude of incident and the unusual diversity of its characters that the play's richness lies, so perhaps it is forgivable that Mr. Chowdhury chose to leave little on the proverbial cutting-room floor.

Jonah
Laura Pels Theatre, 111 W. 46th St., New York, \$75-\$138, 212-719-1300, closes March 10

Public Obscenities
Polonsky Shakespeare Center, 262 Ashland Place, Brooklyn, N.Y., \$90, 646-553-3880, closes Feb. 18

Mr. Isherwood is the Journal's theater critic.

Jonah," a new play by Rachel Bonds, is a coming-of-age story, but Jonah is not the one coming of age, for a reason it would be unfair to divulge. The central role is that of Ana (Gabby Beans), a woman depicted through her relationships with three men over the course of many years.

The first we meet is the titular Jonah (Hagan Oliveras, lanky and with a Timothée Chalamet crop of curly hair). Ana is at boarding school, and the 17-year-old Jonah evinces a romantic interest in her; she remains indifferent until she impulsively bares her breasts while he stands looking outside her room.

"I do what I want," Ana coolly answers when questioned about this by Jonah, and throughout the play Ms. Beans imbues her character with a stiff spine and a sense of emotional wariness that

hints at the troubled upbringing we learn of.

They eventually exchange thoughts about sex. He's obsessed in a manner typical of a teenage boy; she spins various fantasies of exciting encounters. But as they begin to grow close Jonah makes a sudden, strange exit that indicates Ms. Bonds is not writing strictly naturalistically.

Ana's stepbrother Danny (Samuel Henry Levine, exuding a broody, troubled vibe) next enters, and soon their relationship takes a turn toward an intimacy tinged with sexual attraction, perhaps fueled in part by a desperate need for love, as both endure abuse or neglect at the hands of Danny's father.

Later—the chronology is hard to parse since the bland institutional dorm-roomish set never changes—Ana meets the third man who takes a strong interest in her, Steven (John Zdrojeski), a fellow attendee at a writers' retreat.

While on the level of character depiction "Jonah" holds our attention, its episodic nature, stretches of mundane dialogue and the disjointed narrative lead to a certain frustration: Where we are in Ana's life is impossible to pin down, and the jumpy story is more confusing than illuminating.

For instance it's startling when Steven, played by Mr. Zdrojeski with an appealing awkwardness, suddenly blurts out, "I loved your book." What book? And only when I consulted the script did I learn that by the play's end Ana is in her late 30s or even 40.

The director, Danya Taylor, can do little to elucidate what Ms. Bonds leaves obscure. What is primarily clear by the play's conclusion is that Ana seems to attract admiring or needy men and remains leery of them, damaged by her experience.

Unless, of course, the late-coming surprise the play jolts us with, relating to Jonah, is meant to leave us questioning everything that we have witnessed—which means the play almost erases itself.

* * *

"PUBLIC OBSCENITIES," written and directed by Shayok Misha Chowdhury, opens a wide window on a culture rarely seen on American stages. The play, which is being restaged by Theatre for a New Audience after its premiere at Soho Rep last year, takes place in Kolkata (formerly Calcutta), India, and is performed in both English and Bengali.

Acted with generous doses of stage-filling warmth by a terrific cast, the play is acutely well-observed, sexually frank and often funny, even if, as it meanders toward three hours, you might begin to wonder whether all its events are worth such extended attention.



Jakeem Dante Powell, Gargi Mukherjee and Abrar Haque, above; NaFis and Mr. Haque, below



FROM TOP: JOANI MARCUS; HOLLIS KING (2)

The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5	6	7	8	9	10	11	12	
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68						69				70		



- 27 Doesn't just wonder
- 28 Orderly
- 29 "John Brown's Body," e.g.
- 30 Fielding goof
- 33 Gin flavorer
- 35 Calorie-free cola
- 36 Hawkeye Pierce's portrayer
- 37 Diana with a Presidential Medal of Freedom
- 40 Boeing 737 pair
- 43 A lot of
- 45 Spilled the beans
- 47 Jim in the 1912 Olympics
- 49 Ranch marking
- 50 Money of Mauritius
- 51 "Let me clarify..."
- 52 Edith Wharton's "___ Frome"
- 56 Dictionary entry
- 57 Tattoo artist's collection
- 59 Clothes line
- 60 Muppets prawn
- 62 Help with the dishes
- 64 Show down

IN A CRUNCH | By Mike Shenk

- The answer to this week's contest crossword is a five-letter noun.
- 23 River on Germany's eastern border
- 25 Sways back and forth
- 27 Kudu or dik-dik, e.g.
- 31 Spot
- 32 *Beds covered with water
- 34 Forecasting aid
- 38 Spade with bags
- 39 Country great Haggard
- 41 Barn adjunct
- 42 Sailor's worry
- 44 *Vining plants with crescent-shaped parts
- 46 Chiding sound
- 48 Meets at the river?
- 49 Bread with a topknot
- 53 Title for Lestrade: Abbr.
- 54 Mai tai ingredient
- 55 *Spicy appetizer
- 58 Clairvoyant skill
- 61 Copied
- 63 It splits at Arles
- 64 Weapon for an Olympian
- 65 At hand
- 66 Urban oases
- 67 Without delay, for short
- 68 Counter
- 69 Brings to a close
- 70 Crunch ___ (when every second counts)
- 5 Obsidian, once
- 6 Locket shape
- 7 "John Brown's Body" writer
- 8 Results
- 9 Javelin's path
- 10 Very
- 11 Absolute
- 12 "Now I remember!"
- 14 Spot for table tennis
- 20 Hawk
- 21 Potential juror
- 24 Trust the judgment of
- 26 Sideboard collections

Previous Puzzle Solution

DAUB	WADER	WHET
ERMA	ACUTE	HILLO
CAPTA	INK	ANGAROO
ABSENTEE	TALENT	
CADE	CAME	
SCARERS	ICERINK	
WALLES	PICAS	RUE
APED	CAVER	CAKE
MOCSURER	HOTEL	
INKNOTS	ONENESS	
OPTIE	ALS	
AVENUUE	MADEIRAIS	
DISAPPEARING	INK	
MAAM	INCUR	NOTE
SLUUE	EDIENS	STEW

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, Feb. 4. A solver selected at random will win a WSJ mug. Last week's winner: Andy and Morgan Continisio, Arvada, CO. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

SPORTS



Bill Belichick won't be an NFL head coach next season, it appears. The Grumpy Lobster Boat Captain interviewed for the since-filled Atlanta Falcons job, and as the music stops on the annual carousel, it means New England's former sideline Kenobi, a legend of the sport, will likely spend at least a year away from the professional ranks.

Here's the good news: The football gods have delivered an ideal gig for him. I'm not the first to see that this job is perfect, convenient—and available. Belichick already has a home there. It's one of his favorite places on Earth.

Nantucket. I can confirm that Nantucket High School would be interested. "I'd be totally open to the idea...100%," the athletic director, Travis Lombardi, says.

Lombardi is in the closing stages of a search, with a final decision coming soon. But if Belichick suddenly raised his hand, even for just a one-year cameo on the Massachusetts island, the AD would jump. "Give him the gig—no hard feelings to the person who was hired," Lombardi says.

(Any coach Nantucket hired would likely stay on if Belichick came aboard, Lombardi suspects. What up-and-coming high school coach would turn down a chance to apprentice under the Hoodie Halas?)

To be clear: Belichick's had no communication with Nantucket High. The athletic director hasn't put out a feeler. But as open NFL jobs have filled, the whispers about an on-island dream candidate have elevated to amused *what-if* chatter.

"I've had friends on-island and off-island reach out to talk about it," says David Creed, who covers the Whalers for the Nantucket Current. He's wondering if the taciturn coach would take it easy on the island media, or if he'd dish out grumbly morsels like he did in New England.

We're on to Dennis-Yarmouth... Creed would take it. A six-time Super Bowl winner coaching high school football? "He would instantly make them the most relevant team in the state," he says.

A contrast to Nantucket's posh summertime image—cobblestoned streets and billionaires battling beach erosion—Whalers football is a big deal. Recent seasons have been rough, but the program's history is full of league titles and state Super Bowls, most won under the late Vito Capizzo, a charismatic head coach who played for Bear Bryant at Alabama, referred to soccer as "commie roundball" and roamed the hallways, selling recruits on the glory of wearing a



JASON GAY

The Coaching Job Bill Belichick Should Take

It's not the NFL. It would mean a major pay cut. But this Massachusetts island is one of the coach's favorite places—and its high school team has an opening.

Whaler helmet.

"It's such a rich tradition, similar to the Patriots that way," says John Aloisi, who won a Super Bowl playing for Capizzo and coached the Whalers for two seasons himself. "The community loves the sport. I'm sure he's aware of that."

Scott Capizzo, Vito's son, calls Whaler football games on radio. He thinks the idea of Belichick installing himself at Nantucket "would be awesome."

"Why wouldn't you just do something like this?" Capizzo says.

There's actually precedent in the area for such a move. In 2015, former Green Bay Packers head coach Mike Sherman took the head coaching job at Nauset Regional High School on Cape Cod, not far from where he keeps a home. Nauset plays in the same Cape & Islands League as Nantucket.

Sherman told me he found his two seasons at Nauset challenging—"coaching high school football was more of an adjustment for me than the kids," he says—but a rewarding change of pace.

Afternoons before practice, Sherman would drive in his Jeep

to the National Seashore, where he would sit and think with gratitude about opportunities he'd had along the way.

"It was surreal," says Sherman, who also coached at Texas A&M. "Nauset Light behind me, the Atlantic Ocean in front of me, and a lot of sand, sharks, and whales in between."

"I learned a lot about myself those two years. I'm sure I learned more during those two years from the young men on the team than they did from me."

Belichick won't need to be sold on island life—he's seen on Nantucket frequently, peak season as well as offseason, even during bye weeks during his Patriots years. His boat is named VIII Rings, a nod to the two additional Super Bowls he won as a coordinator with the New York Giants.

There would be adjustments, of course. Nantucket's talent would be a significant drop, even compared with the 2023 Patriots, who finished 4-13. The pay cut would be shocking. Attention would be constant, even in a small community. Belichick is said to keep a low profile on the island. That would be harder as the Whalers coach.

Then again: It would take a

special type of football parent to complain to Belichick about a child's playing time.

Nantucket High would happily throw in additional perks. "I would give him a hat and a polo," says Lombardi, laughing. (I'll assume there are Whaler football hoodies, ready to be refashioned by Belichick scissors.)

Belichick—an alpha competitor—would like that the Whalers have a serious football nemesis. No game in Nantucket's season is bigger than the Island Cup, the annual showdown with Martha's Vineyard. In late autumn, visiting fans pack a ferryboat and travel the wind-whipped Atlantic for the biggest game of the season.

In a prior job, I covered a handful of Island Cups. There's nothing quite like it. Imagine a tiny, less obnoxious version of Michigan-Ohio State—on the ocean.

"To look across the field and see him coaching Nantucket would really be something special," says the Vineyard's coach, Tony Mottola, a relative island newcomer himself. "And unless he's got Brady's son as a quarterback, I like our chances." (Mottola has NFL experience—he was an assistant for several years with the

Raiders.)

If your preferred Belichick aesthetic is standing in horizontal rain, hood pulled over, grimacing like he's miles from shore...you're going to get some of that in Nantucket's island weather.

It's not the bright lights of the NFL. Coaching high school could be seen as a significant drop in prestige, a comedown for one of the greatest to ever do it.

I strongly disagree. A job like Nantucket could be nourishing to the soul, and perhaps exactly what Belichick needs. Coaching the Whalers would yank him off his chase of Don Shula's wins record, but he might enjoy returning to the roots of the sport, in a place he loves. The volume would be lower. He could teach teenagers the merits of Do Your Job, tell Lawrence Taylor stories, and train future generations of long snappers and left-footed punters.

Common sense says it's not going to happen, because cool stuff like this almost never happens.

And yet...what if it did? Nantucket is keeping a light on.

"I'm not sure that he would want to go this route," says Lombardi, the AD. "But hey, you never know."

Saudi Pro League Upends Soccer

By JOSHUA ROBINSON

In the frantic days after a Saudi Arabian soccer team made Cristiano Ronaldo the highest paid athlete on the planet in January 2023, Goran Vucevic's phone wouldn't stop ringing.

Up to 50 times a day, agents and executives from all over the world were dialing up Vucevic, the general manager of Al Nassr, to offer him more players. His club had just committed around \$200 million to Ronaldo and the word pinged around Europe was that there was plenty more money to be grabbed. Half the time, Vucevic didn't even know who the calls were from. But everyone picking up the phone had understood the same thing. Saudi Arabia, a soccer backwater, was now turning its vast financial might to the world's most popular sport.

In the months that followed, clubs from the Saudi Pro League would promise billions to dozens of stars who were prepared to trade the spotlight of Europe for a lavishly funded assignment in the desert. More than simply building a league that mixed aging superstars with local Saudi players, the Kingdom was loudly announcing its ambition: Saudi Arabia was putting itself on the soccer map.

There were the marquee players it signed, including Ronaldo, the Brazilian superstar Neymar, and the French striker Karim Benzema. There was the campaign to host the 2034 World Cup, for which Saudi Arabia is now the only bidder. And even when the Kingdom couldn't sign the players it wanted, it found creative ways to bring them to the Gulf anyway. This week, Lionel Messi and his club Inter Miami are 7,500 miles from Florida for a pair of exhibition matches against Al Hilal and Al Nassr. (It's no coincidence that Messi is already an ambassador for Visit Saudi.)

The matches are part of a larger win-

ter extravaganza of sports and entertainment in Saudi Arabia known as Riyadh Season. The highlight was supposed to be one more showdown between Messi and Ronaldo on Thursday—at least until Ronaldo injured himself last week.

But even without him on the pitch, it's clear that Ronaldo is the biggest reason any of this is possible. The moment he signed for Al Nassr last winter, players dropped any qualms about moving to the Gulf and he blew open the floodgates for Saudi Arabia to disrupt the entire global soccer market.

"He opened the door," Vucevic said. "He is the father of that league."

The Saudi Pro League operates unlike any major league in the world. For one thing, the top four clubs, including Al Nassr and Al Hilal, are all funded by the same entity: the Kingdom's Public Investment fund. Major transfers are overseen by the league's central office. That means that any club dangling a life-changing fortune in front of some European or South American star first needs the approval of the powers that be in Riyadh. But precisely where the money comes from for any given transfer—whether it's funded

by the club, the league, sponsors, or the sovereign-wealth fund—remains obscure, even to some people making the decisions.

"If you want to sign a player, you need to convince the league because the profile is exactly what you need *and* he will help the Saudi league to be much better," said Vucevic, who left Al Nassr in late 2023.

Players had been reluctant to make the leap until Ronaldo moved. Once he was there, however, attitudes changed overnight.

During the early gold rush, the lobby of the InterContinental Hotel in London turned into a virtual Saudi soccer embassy in Europe. Agents came and went, discussing salaries that had rarely been seen in any sport. Not every player could earn Ronaldo money, but even those in the tier just below him, such as Benzema, were reportedly offered sums of around \$100 million per year by Al Ittihad. They were also wooed by promises of luxurious lifestyles on sprawling compounds where they would rarely encounter the conservatism of Saudi society.

The sudden influx of cash created a dizzying panic in European soccer circles. One European agent, who spoke on condition of anonymity to avoid jeopardizing professional ties, said he was receiving calls from people purporting to represent Saudi clubs who had no way of proving that they were working for anyone at all.

Saudi Arabian soccer officials have already said that the money won't dry up. The Kingdom has committed itself to the long haul since it expects to host the 2034 World Cup. It also hosts the annual Spanish and Italian Super Cups as a way to bring high-profile European clubs directly into its backyard. The soccer project is part of a wider push to become a global hub for sports, which has already brought boxing, golf, tennis, and Formula One to the desert.



Lewis Hamilton is a seven-time Formula One world champion.

Formula One's Hamilton Is Set for Move to Ferrari

By JOSHUA ROBINSON

LEWIS HAMILTON SPENT TWO whole seasons waiting for Mercedes to build him a Formula One car that could lead him back to the top of his sport. But on Thursday, he and Mercedes made it clear that they had run out of patience.

Hamilton, a seven-time world champion, stunned the F1 world by preparing to join Ferrari from 2025, the Italian team said on Thursday evening. The move will end a 12-year run at Mercedes that brought him six titles, 82 race victories, and saw him grow into one of the most successful drivers of all time—he alone holds the records for race wins, pole positions, and podium finishes. It will also bring the longest relationship of Hamilton's professional career to a close.

The 39-year-old from the suburbs of London had often been rumored to be considering a move to Ferrari, but that noise seemed to dissipate when Hamilton signed a new two-year contract with Mercedes for 2024 and 2025. Instead, the most popular driver in the sport will break that agreement after just one season to join the most popular team in F1 history. There, he will join up with Monegasque driver Charles Leclerc and team principal Frederic Vasseur, who had

worked with Hamilton in the lower series before he graduated to F1.

Hamilton hopes that the switch to the Scuderia will put him in position to challenge for an eighth championship once new technical regulations come into force in 2026 after a spell of crushing dominance by Red Bull and Max Verstappen, who has won the past three titles.

Hamilton, a go-karting prodigy who had been spotted by the McLaren team as a 12-year-old, joined Mercedes in 2013 shortly after the German manufacturer re-entered the sport.

The switch to Mercedes proved to be the decision of a lifetime. The team was uniquely positioned to take advantage of a series of technical rule changes that kicked in for 2014. And under the tutelage of racing legend Niki Lauda and Austrian team principal Toto Wolff, Hamilton had everything he needed to succeed.

What came next was a period of utter mastery so complete that it made F1 almost boring. Over the next seven seasons, Hamilton won more than half of all Grands Prix to tie Michael Schumacher's record for world championships at seven.

All of that came to an abrupt end in 2021. Hamilton lost the title on the last lap of the last race of the year to Verstappen.



Cristiano Ronaldo plays for Al Nassr in the Saudi Pro League.

OPINION

Washington's Welfare Uniparty



POTOMAC WATCH
By Kimberley A. Strassel

Four months after decapitating their own speaker for a supposed lack of conservative principle, House Republicans this week celebrated by collaborating with Democrats to pass a welfare blowout. Kevin McCarthy, we hardly knew ye.

Proving again that Congress is incapable of anything beyond redistributing other people's money, 357 representatives passed another \$78 billion spending bill. Add it to the pantheon of Nancy Pelosi-era bipartisan binges—the “infrastructure” bill, the semiconductor-welfare transfer, the \$1,400 Covid checks. New GOP leadership, same debt-fueled status quo.

Don't go looking for “reform” or “spending discipline” or any of the usual GOP catchwords in this blob. The beating heart of Wednesday's package is two longtime Democratic priorities—increasing the size of the child tax credit and its availability to parents who don't pay income tax. The left accomplished both during Covid and have worked fervently to resurrect them since they expired in 2021. Republicans granted their wish.

Democrats built this Trojan Horse in 1997, when Bill Clinton won a \$500 child tax credit. Their goal since has been to increase its size and expand eligibility, making it

the basis of a future universal basic income. Republicans went from understanding the perfidy of government handouts to hoping they cadge a bit of credit for said income redistribution.

We're all for “families” now—and that's the justification for robbing the paychecks of productive childless taxpayers and rerouting their earnings to nonworking parents. This bill would further discourage work, leaving more parents and children dependent on government largess. It's of a piece with the Republican lurch toward bills that micromanage industrial policy or penalize the free market. Today's MAGA populism amounts to little more than warmed-over big-government Rockefeller Republicanism.

In return for this huge win, House Ways and Means Chairman Jason Smith got Democrats to support three business-related tax provisions that many already supported. That includes allowing corporations to deduct more of their interest expenses, which reverses a reform Republicans worked hard to include in the 2017 tax reform. Mr. Smith complains that critics of the bill care more about “Wall Street” than “Main Street.” He should look in the mirror.

It gets worse. Tucked in the bill are “low-income housing” credits, disaster dollars, budget gimmicks. And in an attempt to buy off a few hostage-taking Northeastern Republicans, Speaker Mike

Johnson is apparently open to blowing up another hard-won GOP tax reform, the limit on deductions for state and local taxes. The SALT deduction is a sop to high earners, and forces taxpayers in low-tax states to subsidize the soaring progressive tax rates of New York, New Jersey and California. Yet there is talk of a bill that would double the current \$10,000 cap for married couples.

Republicans are on board with the child tax credit, a handout dating to 1997.

In the final tally, 47 Republicans and 23 Democrats voted against the bill. That shows which side felt it was getting the better deal. And while most of the 47 GOP naysayers hailed from the House Freedom Caucus, note the lack of any real public tantrum over the cost of this boondoggle, or the expansion of the welfare state, or the backtracking on reform. No one had the guts to expose the “pro-family” charade.

These are lawmakers who last spring lost their minds when Mr. McCarthy negotiated a debt-ceiling agreement. They claimed the deal's billions in clawbacks of unspent Covid funds and Internal Revenue Service dollars was pitifully inadequate to address today's spending problem. Mr.

Smith's child tax credit handout blows through those savings, yet the dissenters could summon little more than polite criticism.

While a few were brave enough to voice the “welfare” problem, others tiptoed around their reasons for opposition—fearful of dissing a tax credit that Donald Trump once signed. Some seized on the corporate breaks, while other invented straw men. The best expression of carefully calibrated disapproval came from Florida's Rep. Matt Gaetz. He predictably lambasted “business welfare,” but aimed his criticism of the child tax credit portion at the possibility that some might flow to “illegal aliens,” even though the credit is limited to U.S. citizen children. Notably, nobody threatened to blow up the House or take out Mr. Johnson.

The bill may yet die in the Senate, where some Republicans have been more forthright about the policy and strategy mistakes of the bill. Sen. Chuck Grassley wondered why on earth the GOP was giving Democrats a win now, rather than waiting to bargain over a full extension of the 2017 tax cuts. Sen. John Cornyn called the bill's price “pretty outrageous.”

A new favorite MAGA taunt is to decry the Washington “uniparty.” Mr. Trump's acolytes are leading the charge for zero distinction between sides when it comes to welfare and spending. Who's the uniparty now? Write to kim@wsj.com.

BOOKSHELF | By Malcolm Forbes

In the Factory Of Death

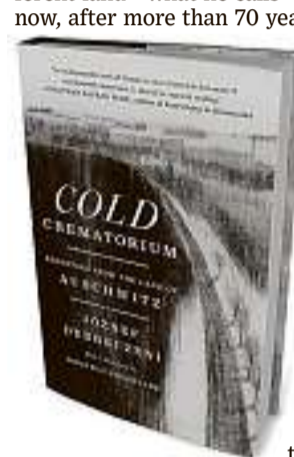
Cold Crematorium

By József Debreczeni

St. Martin's, 256 pages, \$28

The lost-and-found literary masterpiece is that rarest of discoveries. All too often, unearthed books take the form of scrappy apprentice-work from the start of a career or unfinished manuscripts from the end of a life. There are also books that fell out of print because they fell out of fashion and out of favor. Some languish in obscurity for so long that they lose what cultural or historical significance they once had; others didn't possess such significance to begin with. Most are best left in vaults, on hard drives or at the bottom of drawers.

But occasionally a salvaged book proves a valuable find. József Debreczeni's “Cold Crematorium” is one such treasure. It was published in 1950 in the former Yugoslavia, where its author, a Hungarian-language novelist and journalist, lived and worked for much of his life. Debreczeni's book charts the time he spent and the horrors he endured in a different land—what he calls “the Land of Auschwitz.” Only now, after more than 70 years, is this remarkable testimony



available to Anglophone readers. Elegantly translated by Paul Olchváry, “Cold Crematorium” makes for sobering yet essential reading.

Debreczeni's account opens in May 1944 with his gruelling journey in an overloaded, tightly sealed “train of hell.” The writer is a 39-year-old newspaperman at the time he is crammed into a boxcar with his fellow deportees—60 “stinking, steaming human bodies.” Like them, he has no idea of his destination. After three days of travel, they arrive in Auschwitz.

Those selected to go left are condemned for the gas chamber. Debreczeni is sent to the right. He is decreed fit to work—or more specifically, to be worked to death—with thousands of other *häftlinge*, or prisoners. His hair is shaved off; he is given a scalding shower and then issued a striped sackcloth uniform and mismatched wooden shoes. “Slave making on a conveyor belt,” he writes: “shove a human being in at one end, and on the other out comes—a *häftling*.”

So begins a year of back-breaking labor and soul-destroying conditions. During that time, Debreczeni toils away building industrial train tracks, crushing rocks, digging ditches and, most dangerously, constructing tunnels. Workers are given barely edible soup and bread containing the minimum amount of calories to stay alive. Not that longevity is likely. “They calculate the *häftling*'s capacity to work and his lifespan as a matter of months,” Debreczeni notes. “When he drops dead, the securely locked trains will spew out more well-fattened, fresh goods.”

Miraculously, Debreczeni survives the routine grinding ordeals—the hard work, cold, lice, starvation, disease and diarrhea—together with the forced marches, brutal punishments and arbitrary killings. The last site he is sent to is Dörrnhau, a supposed hospital camp—in truth a “cold crematorium” full of “expended manpower” where the Nazis, now aware that the Red Army is closing in, leave ailing prisoners to die. Despite an outbreak of typhus and dwindling food rations, Debreczeni defies the odds and pulls through.

Like Primo Levi's “If This Is a Man” (1947), Debreczeni's memoir is a crucial contribution to Holocaust literature, a book that enlarges our understanding of “life” in Auschwitz. Debreczeni writes lucidly and vividly about its catalog of cruelties. The inmates face grim statistics, the “mathematical certainty that out of one hundred men at Dörrnhau with diarrhea, ninety-five will die.” They devise tricks, such as propping a dead man up in his bunk so he looks alive and can receive his daily provisions. We learn that in Auschwitz “the first thing to wither away is the instinct of disgust” and see inmates becoming immune to the relentless suffering around them.

József Debreczeni's memoir of imprisonment in Auschwitz unveils the cruelty through which a slave-labor workforce was made.

Particularly insightful is Debreczeni's breakdown of the “aristocratic hierarchy” that was put in place in each camp to ensure it ran with brutal efficiency—or efficient brutality. Debreczeni's daily antagonists are the *kapos*, the prisoners given special privileges in return for doing the Nazis' dirty work, often with a whip or a truncheon. They are all “schnorrers, nebbishes, schlemiels, freeloaders, rogues, swindlers, idlers, slackers”—and he treats them with contempt. Debreczeni singles out one sadistic subordinate who can't even write his name, yet who “blossomed in this swamp.” It is clear who wields absolute power in the camps, however, when one trigger-happy SS officer shoots a *kapo*'s hardest worker in the head, offering, he says, “an example of how even the best Jew must croak.”

As with all substantial books on the Holocaust, “Cold Crematorium” provides many more wrenching details of barbarity. All incite a range of emotions in the reader: despair, disbelief, revulsion, anger. Familiar images—prisoners resembling scarecrows and skeletons, prisoners being kicked to death or flogged to a pulp, chimneys spewing out “filthy brown smoke”—still shock as a result of Debreczeni's candid descriptions. Less familiar snapshots and revelations challenge our preconceptions. While there is solidarity and camaraderie among the prisoners, there are also regular demonstrations of a brutal war of all against all, as prisoners steal belongings and fight over morsels of food. Often the will to live is lost, with inmates gripped instead by “the agonizing desire to die.” At his lowest ebb, Debreczeni becomes indifferent to his fate: “I do not wish for life, nor do I wish for death. Neither promises a thing.”

But in the end life mattered to Debreczeni. He shows it by fighting for it in this “factory of death,” defying the dehumanizing machine that reduced prisoners to numbers by telling their stories and giving them back their names. Above all, he insists on being not just a victim of the Nazis' crimes but also a witness to them. His book fulfills that resolution.

Mr. Forbes's work has appeared in the *Times Literary Supplement*, the *Economist* and other publications.

Coming in BOOKS this weekend

The life and films of Stanley Kubrick • The use and abuse of copyright law • Neanderthals and us • Martha Graham's dance crusade • Megalodon: the scourge of the seas • Paul Theroux's novel of young George Orwell • & much more

The IDF's Rabbis Go to War

HOUSES OF WORSHIP
By Alison Leigh Cowan

Shura Army Base, Israel
Rabbi Bentzi Mann's reserve duties in the Israel Defense Forces used to consist of making kitchens kosher one or two days a year. Since Oct. 7, he's been working around the clock to identify and prepare victims for burial. The other uniformed clergy entrusted with this task hardly leave this base in central Israel.

The state is only now coming close to identifying those slain, given that so many were burned or mutilated beyond recognition. Nearly all that work has taken place at Shura, central command for the IDF's in-house rabbinate, where clergy train to minister to the military. The rabbis are well-versed in all matters of Jewish law, or *halacha*, that concern war. Many have undergone officer training, and some have served in elite combat units.

Nevertheless, some who were mobilized in October confess they were unprepared for the enormity of the task. Jewish law dictates that God created humans in his image from the dust of the earth. The dead must therefore be interred and returned to their Maker with the utmost dignity and respect to reflect the godliness in them.

Oct. 7 made that task daunting. Rabbi Mann recalled a day when the base ran out of trolleys and had to place

the deceased on the floor. He shared the heartbreaking case of a father who had arrived from Kibbutz Nahal Oz with a body he claimed was his daughter. Testing showed she wasn't.

Noa, a mother from Efrat, said she hadn't told her eight children before Oct. 7 that she had joined a women's reserve unit ready to be tapped in the event of mass casualties. When she was called to report, she came clean on her way out the door. “I'm in the army,” she told her children. “We'll speak about it later. Yael, you're in charge. Make sure Michal goes to bed sometimes.” When she returned home, one son made a face and wanted to know “what that terrible smell was.”

Ordinarily, Jewish bodies are washed to sanctify them before they are wrapped inside a shroud. That process, called *tahara*, seeks to restore the dead to the purity of their birth. Yet when Jews perish because they are Jews—or because they're seen as representatives of the Jewish people—their deaths have sanctified them. Under Jewish law, their bodies aren't washed and are buried in their blood-soaked garments along with any blood they have spilled. Even wipes used to clean blood from objects like phones or yarmulkes must accompany the body to the grave, according to Rabbi Mann. The blood is meant to remind heaven how Jews are sometimes

treated on earth. Civilians killed by antisemites are subject to the same rules, which is why the base has handled nearly all 1,200 fatalities from Hamas's initial strike and those who have died since.

Banging noises on the day I visit the base—the sound of caskets being built—signal another revision to usual rituals. The Israeli tradition is to bury Jews without a coffin because of the honor that comes from

At a base in central Israel, they bury the dead in accordance with halachic law.

becoming one with the holy land as soon as possible. The IDF has long maintained an exception, however, meant to spare mourners the pain of sensing from the contours of a shroud that someone had been disfigured, or the discomfort that might arise if only some bodies arrived in caskets, flagging which casualties bore signs of trauma. Now, all corpses leave Shura in caskets. The rampant abuse of victims, and the nature of their injuries, prompted authorities to order them for all military and civilian casualties in this conflict.

Among their other duties, Shura's rabbis manage a hotline to answer halachic questions that arise during

the war. Many units, secular and religious, have been clamoring for Torahs to boost morale. The base has a warehouse-like room that would do Costco proud, stacked floor-to-ceiling with scrolls it can lend once they are checked for defects. The unit has refurbished and dispatched at least 40 since the war began.

That included one earmarked for a base that asked if it could be furnished on short notice to help a commander celebrate the naming of his newborn that Saturday morning. IDF rabbis generally support measures that uplift soldiers going into battle, but they had to weigh how best to get it there without violating the Sabbath. In the end, they arranged for the Torah to be driven to the base in an armed convoy heading there in “the wee hours of Friday morning.”

Five scribes would typically be enough to meet the demand for Torah scrolls, but the army had to call up 10 more for this war. “We can't keep up,” Rabbi Binyamin Zimmerman said. One Torah he was inspecting when I visited had come in for repairs from an army base up north. Its fate was yet unclear but its past was plain to see: 66 pieces of shrapnel embedded in its pages from a drone strike.

Ms. Cowan is a reporter and editor, formerly with the *New York Times*, living in Connecticut.

LOL, Slow Down and TGIF

By Gregg Opelka

IYKYK. It took me a good half-minute to decipher this string of letters when I stumbled across it in a recent newspaper article. Then—Eureka!—it hit me: “If you know, you know.” I felt like Jean-François Champollion when he cracked the Rosetta Stone.

Still, it was jarring to see the abbreviation in a piece of formal journalism rather than a social-media post. Has casual chat gone mainstream?

ICYMI (in case you missed it), we're all living a short-hand life. Apparently, we're so pressed for time that we need to abbreviate everything. DIY. TIA. HAGW. KYC. TTYL. And the bawdy ROFLMAO.

In the 1970s, my sister Claire studied actual shorthand, the Gregg system of phonography that was a mainstay of the business world before the advent of IBM's Personal Computer in 1981. Before the computer era, bosses relied on secretaries to

take dictation. The skilled stenographer would write the boss's spoken words onto a steno pad using Gregg symbols and later translate those mysterious squiggles into a verbatim copy of the oral original. The stenographer's skill level meant not only job security but often a fat year-end bonus. Maybe even a raise.

ICYMI, these days we have an abbreviation for everything.

Although the phrase “take a letter” vanished long ago from executive offices, we're all shorthand experts now. That's partially because of Twitter and its original 140-character limit. (Twitter raised the limit to 280 in 2017, and last year X, as the company now styles itself, raised it to 10,000 characters for subscribers.) Twitter users took to abbreviations out of necessity. “Thanks in

advance” sucked up more than 12% of your 140-character supply, while “TIA” used around 2%. Coerced brevity gave birth to rampant abbreviation.

It's useful to note the difference between acronyms and initialisms. The former are abbreviations wherein the first letter of each word is used to spell out the acronym, which is usually pronounced like a single word. Examples include NASA, the National Aeronautics and Space Administration, and FOMO, or “fear of missing out.” Initialisms are abbreviations, such as FBI, CIA and SOS, in which each letter is pronounced separately.

Before our recent descent into abbreviation addiction, such shorthand expressions were few and generally useful. AKA, ASAP, RSVP. Kentucky Fried Chicken's official name change to KFC in 1991 had more to do with marketing than spoken convenience, according to Bloomberg. The company wanted to play down that its flagship product was

fried, which consumers might view as unhealthy. Meanwhile TGI Fridays chose a strangely nongrammatical initialism for “Thank God It's Fridays” as its moniker from the get-go.

My beef with the Twitterization of communication is simple. Admittedly, it's faster and easier to write HAGW (have a good weekend) and move on to your next pressing email. But it's also a creativity killer. Instead of writing HAGW to my golfer friend Craig, why not personalize my wish for this lover of the links? “Have a one-putt weekend, dude.”

There's a cost—the lost personal touch—to using one-size-fits-all language. Paul Simon's 1966 hit “The 59th Street Bridge Song (Feelin' Groovy)” said it best: “Slow down, you move too fast.” His advice also applies to how we talk to each other. Taking our sweet time when we communicate might be groovy. IMHO.

Mr. Opelka is a musical-theater composer-lyricist.

OPINION

REVIEW & OUTLOOK

Congress's Social-Media Spectacle

Has Washington hit peak dysfunction? Probably not, but a Senate hearing Wednesday with social-media CEOs ostensibly focused on online child safety turned into the kind of political theater that is now Congress's main business. This is a serious problem that Members of both parties should want to solve, yet instead they struck poses like teens on TikTok.

It's hard to do, but Senators on the Judiciary Committee almost made Meta CEO Mark Zuckerberg and other social-media execs look sympathetic. Tennessee Sen. Marsha Blackburn accused Mr. Zuckerberg of "trying to be the premiere sex trafficking site in this country." South Carolina Sen. Lindsey Graham thundered, "I know you don't mean it to be so, but you have blood on your hands."

Big Tech is a popular target on the political right and left, and there's no question that social media has contributed to increasing mental illness among teens. Their app features have been exploited by misanthropes, drug dealers and sexual predators.

Social-media algorithms can drive teens who are at a psychologically vulnerable period in their lives into rabbit holes. Research also shows that some cope with mental illness by turning to social media, which can aggravate their problems as alcohol and drugs do. Parents express frustration that they don't know what their children do online.

While companies like Meta and Snap provide tools that let parents control and see what children are doing, these are cumbersome. Teens must also give their parents access to their apps. Snap CEO Evan Spiegel said only 400,000 of the company's 20 million teen users linked their accounts to their parents through its parent supervision tool.

One better idea is to require that app stores—namely Apple and Google—let parents

approve app downloads. When setting up their teens' phones, parents would link their emails. App stores would have to notify parents when teens want to download apps. They'd also have the option of activating controls such as daily time limits and to see which accounts their teen is following.

This would be a relatively simple fix that would empower parents. App stores already have built-in systems to require parental approval of app purchases. According to a recent Morning Consult poll, nearly 80% of parents support legislation requiring parental approval of app downloads for children under 16. Alas, some Members seem to trust parents less than they do Big Tech.

Minnesota Sen. Amy Klobuchar said during the hearing that parents "don't know what to do. It's very hard." No doubt parenting is hard. But it isn't clear that the Senators have given much thought to giving parents tools that would help. Political denunciation is so much easier.

One theme throughout the hearing was that many Members think the answer is to unleash their donors in the plaintiffs bar. The answer is "opening up the halls of the courtroom, so that puts it on you guys to protect these parents and protect these kids," said Ms. Klobuchar. Mr. Graham added: "It is now time to repeal Section 230." That's the law that shields platforms from lawsuits over third-party generated content on their sites.

Without Section 230, companies would have to strictly censor content and would be raided by trial lawyers. If politicians want to treat social media like cigarettes and put the companies out of business, at least say so. When lawsuits are your answer to a social problem, you have stopped thinking—or, perhaps more accurately, you are thinking mainly about your political donors. Which is what Congress spends most of its time doing these days.

When your answer is unleash the trial bar, you're not serious.

Jamaal Bowman's 9/11 Truther Poem

No writer wants to be judged by his rediscovered adolescent poetry—junior high was hard, OK?—but Rep. Jamaal Bowman was a 35-year-old New York middle-school principal in 2011 when he posted this attempt at verse on his personal blog, which was recently dug up by the Daily Beast:

"Planes used as missiles / Target: The Twin Towers

"30 minutes later / Both buildings collapsed / Onto themselves

"Later in the day / Building 7 / Also Collapsed [sic] / Hmm...

"Multiple explosions / Heard before / And during the collapse / Hmm...

"Allegedly / Two other planes / The Pentagon / Pennsylvania / Hijacked by terrorist / Minimal damage done / Minimal debris found / Hmm..."

The post then suggests readers go watch a pair of conspiracy-theory movies and "share your thoughts."

Mr. Bowman told the Beast he regrets this writing. "Well over a decade ago," he said, "as I was debating diving into a doctoral degree, I explored a wide range of books, films, and arti-

cles across a wide swath of the political spectrum and processed my thoughts in a personal blog that few people ever read." The Congressman then added: "Anyone who looks at my work today knows where I stand."

Sadly for Mr. Bowman, the "work" for which he's most famous is his phony pulling of a fire alarm last fall in a House office building, prompting an evacuation as lawmakers were rushing to pass a bill to fund the government. He claimed it was a misunderstanding, before pleading guilty to a misdemeanor. Meantime, Mr. Bowman has lost Jewish support, including a rescinded endorsement from the liberal group J Street, after accusing Israel of "genocide" in Gaza.

Are this guy's constituents fed up with him? We'll find out in June, when New York holds its Democratic primary. Mr. Bowman's challenger, Westchester County Executive George Latimer, recently said that in the weeks after his Dec. 6 campaign announcement, he raised \$1.4 million. That kind of number might make Mr. Bowman's campaign manager want to pull the fire alarm.

Are his New York constituents fed up with this guy yet?

A Tax Bill for Gucci Gulch

The House passed a tax bill on Wednesday night, 357-70, and the press is toasting a rare bipartisan breakthrough—a moment of comity in our difficult times. Don't fall for that Beltway spin. Nothing in Washington is more predictable than both parties teaming up to spend more money and offer retroactive sops to the business lobby.

Some 47 House Republicans voted against the bill, which would turbocharge cash subsidies in the child tax credit through 2025 in exchange for business provisions such as bonus depreciation for equipment. That's double the 23 Democrats who dissented, though the GOP controls the House.

The vote tally should clear up any doubt about which party is mopping up in the deal negotiated by Oregon Sen. Ron Wyden and Jason Smith, the rookie chairman of House Ways and Means. Mr. Smith gave Mr. Wyden a down payment on making the child credit a universal basic income.

Ahead of the vote, New York and California Republicans tried to demand a higher cap on the state and local deduction, which is a subsidy for progressive states with high income and property taxes. Members won a separate vote as early as next week on whether to allow affluent married couples in New Jersey to write off more of their state taxes. The GOP capped the deduction at \$10,000 in the 2017 Trump tax cuts, a long-sought conservative victory that helped lower rates for everyone.

We've explained at length how the tax bill's income redistribution via child tax credits isn't worth retroactive business provisions that do little for growth. When presented with some of our criticisms on CNBC, Mr. Smith said this week: "Of course The Wall Street Journal is not going to be favorable because this tax policy is focused on working families, small businesses and Main Street, not Wall Street."

You have to admire the Chairman for accusing us of doing exactly what his bill does—appease corporate interests. A prime example is the bill's loosening of the net interest deduction. In 2017 Republicans who understood tax policy worked to tighten the interest deduction to reduce the tax code's preference for debt over equity. The tightening provision was implemented in 2022.

The bill is essentially undoing this successful part of tax reform, even as Members claim to be extending the Trump tax cuts. Mr. Smith apparently wants to preside over the return of Ways and Means as Gucci Gulch, the safest space in town for K Street lobbyists to roam.

It's also been depressing to watch Republicans defend larger child tax credit checks not merely as the price of doing business with Democrats but as "tax relief for working families." The changes to the credit are not "tax relief" but cash checks to those who don't owe any income tax, and the GOP knows it. Of the new credit's \$33.5 billion cost, some \$30.6 billion is spending, says the Joint Committee on Taxation.

The deal's proponents are suggesting the overwhelming House vote entitles the bill to speedy Senate consideration. But some Republican Senators have noticed that the child tax credit provisions will discourage work and amount to a steep tax increase on additional hours of work for some families with multiple children. On Thursday Sen. John Thune correctly pointed out the problem of "delinking" the child credit "from the work requirement."

GOP Senators didn't endorse the deal, or even participate in its crafting. Why should they now get behind Sen. Wyden in a conga line? The business lobby will exert enormous pressure on Senators, but Republican voters will barely notice whether this deal passes. Senate Republicans would do the country a favor by blocking this latest display of the intellectual confusion of House Republicans.

LETTERS TO THE EDITOR

When a Blackboard Carbon Tax Meets Reality

In "How Climate Policy Went Wrong" (Business World, Jan. 27), Holman Jenkins, Jr., notes that implementing a good carbon tax—"in a 'no regrets' fashion"—requires a trade for "cutting other taxes" of equal magnitude. Even if such a bipartisan tax trade could be hatched, you can take to the bank that it would have elastic legislative language and end up offering only the illusion of a trade. In the real world, taxes are like zombies: They never die. This is a truth as immutable as any law of physics.

That says nothing about the deep flaw with the core conceit of a carbon tax, that taxation stimulates foundational innovations, the kind needed for energy alternatives to compete at global scale. Implementing a carbon tax would lead to a lot of regrets.

MARK P. MILLS
Texas Public Policy Foundation
Chevy Chase, Md.

Carbon-pricing advocates always speak of a simple, elegant solution, but the reality becomes a complex mess. The kind of swap that Mr. Jenkins favors (a carbon tax in exchange for supply-side tax cuts) has never found political success anywhere. The reason is that most carbon taxers disagree about how to spend the revenues: "carbon dividends" versus "climate justice" welfare programs versus green subsidies, and so on.

Negotiations always degenerate into a festival of rent seeking.

The result of the European experiment with carbon pricing has been deindustrialization, offshoring manufacturing emissions and then re-importing them through cheap products. Meanwhile, the dwindling number of European manufacturers can't hope to compete globally. Europeans pay higher prices while their economies stagnate.

To fix this problem, carbon taxers then propose an even more complex scheme—carbon tariffs—as the European Union has done with its new Carbon Border Adjustment Mechanism. Damaging to trade and angering allies, it is hard to imagine any admission of policy failure greater than this. Europe has shot itself in the foot with carbon pricing, making it uncompetitive while exporting emissions. Its solution? Shoot everyone else in the foot as well.

Free-market policies that directly remove market barriers and accelerate low-carbon innovation make far more sense than new carbon-tax barriers. The latter would have to tower very high indeed to get over the real-world market and technological barriers that carbon tax assumptions ignore.

ROD RICHARDSON
President, Grace Richardson Fund
New York

What Is Democracy to the Lincoln Project?

The founders of the Lincoln Project, Rick Wilson and Reed Galen, view democracy in a very peculiar light ("Lincoln Project Won't Be Gagged by No Labels," Letters, Jan. 30). Their perspective seems to be:

1. It has been acceptable throughout American history for advocates outside the two-party system to obtain qualifying voter signatures to get on the ballot. But for No Labels to employ that method now should offend our sense of fairness.

2. Even though the two parties have arcane rules for candidate selection that restrict voter autonomy, adding

qualified competitors to the general-election ballot will limit voter choice.

3. Anyone with the temerity to view Presidents Biden and Trump as sufficiently inadequate choices to propose a third option is a "threat to American democracy" and beneath contempt.

It is indeed a sad day for democracy if such an Orwellian inversion of meaning can meet with more than derision. One can hope only that the judiciary will deliver the Lincoln Project leadership the schooling it has obviously missed so far.

STAMAN OGILVIE
Houston

Israel's Day in Court and the Future of Unrwa

Regarding your editorial "The U.N.'s War on Israel" (Dec. 27): The International Court of Justice's provisional order entirely ignored Hamas's use of human shields and how that has increased the casualty figures, and then used those figures to justify its preliminary measures against Israel. In doing so, the court encouraged the use of human shields by our enemies. By intervening in the future phases of the case, and encouraging key allies to do likewise, the U.S. can help ensure that the court instead starts deterring war crimes rather than adding to the incentive to commit them.

ORDE F. KITTRIE
Foundation for Defense of Democracies
Washington

The functioning of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, or Unrwa, has come under a cloud in recent days because some of its employees are believed to be part of Hamas or otherwise helping it. This is a serious charge. Several important donor countries have suspended funding to the agency.

To inspire confidence in its work, so as to encourage donors to resume funding, the head of Unrwa must resign. This happened under his watch. This is the only way Unrwa can reclaim its credibility.

C.R. GHAREKHAN
Scarsdale, N.Y.

Mr. Gharekhan is a former Indian ambassador to the U.N.

I grew up in 1950s New York, where it was a rite of passage to take a

On Bloodthirsty House Cats

I don't quite see why Mike Kerrigan's whiskers are all atwilt over the study confirming the bloodthirsty nature of house cats ("An Anti-Cat Study Gives Me Cause for Paws," op-ed, Jan. 26). It simply concerns the age-old truth that cats are from darkness and dogs are from light.

MICHAEL EVERS
Hoboken, N.J.

Alas, Big Mouse didn't study my household to push its feline indoor-incarceration agenda. As the servant to four rather geriatric indoor-outdoor felines, I can attest to the safety of the local birds and rodents. The only alacrity my masters possess is in response to the ping of a cat-food tin.

SUSAN WINTER
Orting, Wash.

Letters intended for publication should be emailed to wsj.letters@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

Biden Again Is Not an Option

It dismayed me to read Laura Gille's letter "Republican Men Always Bail on Competent Women" (Jan. 30). She says she would vote for pretty much anyone other than former President Donald Trump, and that she relishes being kicked out of the "MAGA camp." That's tolerable, but when she writes, "We'll get the president we deserve, even if it's Joe Biden," after all he has done, she loses me.

Besides, are the Democrats so good about picking qualified women for top spots? I'm still scratching my head on that one.

PATRICIA PERRONE
Stuart, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I'm everyman except
for goat farmers, and
maybe haberdashers."

OPINION

The United States of Nullification

By Lance Morrow

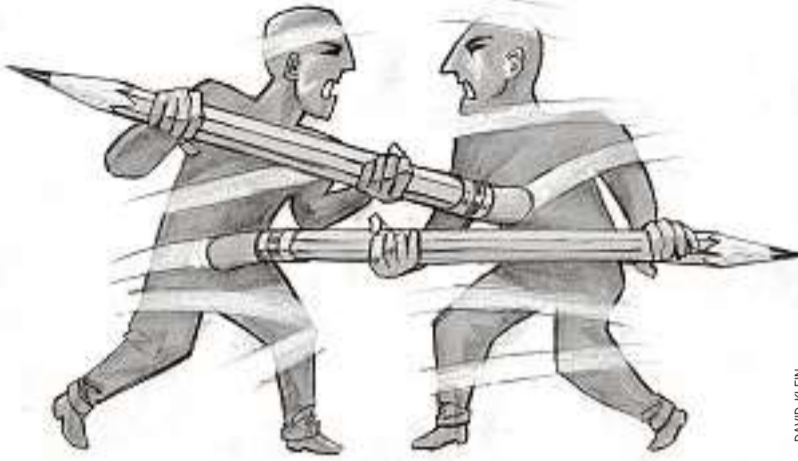
America has succumbed to the Imp of Nullification. It's the impulse to dial everything, immediately, up to 10. Cancel. Take no prisoners. Nullification has become the national fashion—civics as road rage. Brisk currents of stupidity ride the air, mingling with occasional whiffs of insanity. Nullification is the policy of people who think, if they think at all, in crude cartoons.

It isn't the ideal way for the greatest country in the world to approach a presidential election. Exaggeration is the traditional style of American politics, but permanent culture wars, the global pandemic, the agitations of social media and the collapse of party discipline—and, not least, the role modeling of Joe Biden and Donald Trump—have left Americans discontent with mere exaggeration. They have gotten addicted to apocalypse, to the absolute, to the scathing simplicities.

Political arguments, policy differences and personal slights are now grounds for destruction.

The spirit of cancellation has been around for a while. All whites are racists; all heterosexual males are Harvey Weinstein. So true. If you don't endorse the pronouns and nullifications prescribed in the *Komsomol*, then you are an "oppressor." All judgments, to be valid, must be categorical.

But nullification of others is the last refuge of the narcissist: My opinions can't survive unless I obliterate yours—and, in my dreams, you. You see where it goes: Sometimes, to sanctify the truth of "my truth," it will be necessary to lie.



DAVID KLEIN

Soon, the truth, a shy thing, retreats altogether, and the country is left with a politics of lies—of dogmatic, identitarian "truths" that have set up shop as separate warlord states of mind.

The dictionary defines nullification as "the act of causing something to have no value or effect." It's the opposite, to put it simply, of respect, forbearance, being nice to fellow citizens. In a world of absolutes, it's an easy leap from disagreement to hatred—maybe to violence. America has seen this many times before. Think of the Civil War. Or of the Sacco-Vanzetti case a century ago. "All right," the novelist John Dos Passos wrote regarding that affair, "we are two nations." Think of the McCarthy era.

Fundamental disagreement is inevitable and necessary. Democracy is meant to be a conversation—a noisy one. Nullification is something else: the opposite of democracy. In slavery and Jim Crow, white Americans nullified black people, or tried to. Ralph Ellison's 1952 novel summed up the result: "Invisible Man." By similar logic, though on a different scale of moral magnitude, American "elites" in the past several generations have sought to nullify the half of America that Hillary Clin-

ton declared to be "deplorables." They are still at it. The result, for which the "elites" have no one to blame but themselves, is MAGA, the populist cult of Donald Trump, who may well return to the White House a year from now.

Elites can't help themselves. They love to nullify. It's the privilege and expression of their power. The results may be perverse. Universities nullify the right to speak and think freely. Ideology, preening itself in preposterous grade inflation, nullifies excellence and contaminates all academic honors. The sorry result is "equity." By the same doctrinaire illogic—insulting to all black Americans—progressive prosecutors nullify the laws against looting and rioting, crimes that they decline to prosecute. Dishonest sympathy may be the most insidious form of nullification.

Mr. Biden leads by example: He nullifies the southern border, then denies he has done any such thing. Messrs. Biden and Trump both have the breezy habit of uttering untruths convenient to themselves. Democrats and Republicans compete for the title of Stupid Party; it's a tie. Republicans have been overwhelmed by ferocities of nullification. Somewhere along the way

they lost the knack of mediating between principle and fanaticism. To be sure, Mr. Trump—gaudy showman, vulgarian sui generis, obliterator of norms—deserves special mention as a catalyst of 21st-century nullification.

The nostalgist in me travels back in time to indict the 1960s, which sanctified adolescence and, disastrously, invested it with a moral and political power to which it wasn't entitled. The poet Philip Larkin wrote the deadly line: "Sexual intercourse began in 1963." That marked the moment of Oedipal overthrow. Reality itself began in 1963. Or was it 1968?

One might blame 21st-century American nullification on a cosmic convergence, on the new millennium's perfect storm of novel technologies and headlong social evolutions, which, in turn, has produced America's internal clash of civilizations—the tectonic plates of the old culture and the new banging against each other.

It's as if America, still young as a country, has fallen prey to the corruptions of late empire. When nothing is true, to recall the legendary Assassins' Creed in the medieval Middle East, then everything is permitted. That is what nullification is all about. You want to see extreme nullification at work? Look at Oct. 7 in southern Israel. Look at Gaza now. Nullification is the last door in Bluebeard's Castle.

At a moment, 2024, when the country is most in need of its best resources—maturity, goodwill, creativity, and the intelligent judgment that emerges from experience—it finds itself at the mercy of its worst instincts and its stupidest possibilities. It reminds me of 1859, a year I'm almost old enough to remember.

Mr. Morrow is a senior fellow at the Ethics and Public Policy Center and author of "The Noise of Typewriters: Remembering Journalism."

Welcome To New York. That'll Be 100 Bucks

By Mike Lawler And Josh Gottheimer

We are from different states and political parties. Our views on issues vary widely. But on at least one thing, we passionately agree: New York's "congestion pricing" plan for Midtown Manhattan, scheduled to begin later this year, is a greedy and unnecessary cash grab. It's a slap in the face to hardworking families, small-business owners and commuters who want to put food on their family tables. It should be repealed, root and branch.

The Metropolitan Transportation Authority, which runs public transportation in New York, stands to benefit from the revenue generated by congestion pricing. If the agency has its way, drivers entering Manhattan south of 60th Street will pay a daily driving tax of \$15—nearly \$4,000 a year—if they have an E-ZPass account. Those without one will be billed \$22.50 a day by mail.

New York being New York, it doesn't stop there. The MTA has unilateral authority to declare "Gridlock Alert Days" whenever it needs to line its pockets more, which will add 25% surge pricing to the daily invoice. The state has also reserved the authority to raise the congestion tax by 10% in 2024, its very first year.

For drivers entering the city from New Jersey and suburban Rockland County, N.Y., the congestion tax is a looming nightmare. Drivers will pay as much as \$24.75 a day on top of the \$17-a-day bridge and tunnel tolls, plus the cost of gasoline and parking. A single trip into the city could easily cost families \$100 before they even get a cup of coffee or a bite to eat. New York is ostensibly trying to get workers to return to the office and diners, viewers and shoppers back into Manhattan restaurants, theaters and retail stores. Good luck with that.

To add insult to injury, the state disingenuously marketed the tax to the public. We were told it would stop gridlock. It won't. We were told it would improve air quality. In fact, it will make it worse for hundreds of thousands of drivers and adjacent neighborhoods. We were told the MTA—the worst-run transportation agency in America—needs the money as leverage for more borrowing.

The Midtown Manhattan congestion pricing plan is a cash grab at the expense of our constituents.

The MTA would be flush with cash if it were even moderately well run. The agency, which loses more than \$700 million annually in unpaid fares, was flooded with billions of federal Covid-19 recovery dollars in recent years. Much of that money has been swallowed up by historic cost overruns. We just learned that another \$1 billion will be wasted to build unnecessarily large Second Avenue subway stations—much of which the public will never see.

Notably, \$1 billion is exactly what the MTA claims the congestion tax will produce in revenue during its first year. But its math is wrong. According to an analysis performed by Mr. Gottheimer's office, the agency will actually collect \$3.4 billion annually from drivers.

The MTA's own assessments describe how the congestion tax will increase traffic in many New York and New Jersey neighborhoods and reroute carbon-belching truck traffic into low-income communities that already suffer from some of the highest asthma rates in the nation. A January 2023 study by the Black Institute titled "Just Call It a Black and Brown Toll" showed how the congestion tax will disproportionately affect inner-city communities. Their pleas have fallen on deaf ears.

The MTA's most egregious sin continues to be its blatant, thoughtless disregard for how it uses taxpayer money. The agency is always crying broke, but it never fixes what's wrong. The Second Avenue subway cost two Yorkers \$4.45 billion for two miles of track—\$1.26 million a yard. The congestion tax is much the same: a shameless cash grab. After decades of overspending, incompetence and mismanagement, the MTA should focus on cleaning up its own mess. Hardworking families shouldn't be forced to subsidize failure.

Mr. Lawler, a Republican, represents New York's 17th Congressional District. Mr. Gottheimer, a Democrat, represents New Jersey's Fifth Congressional District.

Democrats Stumble Onto a Good Point on the Fed

POLITICAL ECONOMICS
By Joseph C. Sternberg

In what is becoming an annual tradition, Democrats launched a fusillade of complaints at Federal Reserve Chairman Jerome Powell ahead of the Fed's first policy meeting of the year this week.

And in another strange tradition, this columnist finds himself surprised to be agreeing (sort of) with the Democrats.

Sens. Elizabeth Warren, Sheldon Whitehouse, John Hickenlooper and Jacky Rosen last weekend signed an open letter to Mr. Powell complaining that sustained high interest rates are slamming home buyers and housing-related industries such as construction. Sen. Sherrod Brown followed Tuesday with his own screed accusing the Fed of squeezing household budgets with lower wages while failing to address the root cause of inflation, which Mr. Brown identifies as (you knew we would end up here) corporate greed.

It's tempting, easy and not entirely wrong to dismiss this as electioneering. Democrats are realizing belatedly that a majority of voters remain unpersuaded that President Biden's economic program is a success. Ideologically indisposed to the tax and regulatory reforms that would spur supply-side-led growth and gloomy about the prospects of economy-stabilizing peace spontaneously breaking out worldwide, Democrats think the Fed is the last lever they can lean on to shift the economy.

That looks like precisely the sort of political consideration from which central banks are meant to remain aloof. But Democratic politicians (like Donald Trump before them) have stumbled into a deeper economic and political problem with the Fed: Its decisions are inherently political and yet its democratic accountability is essentially nil.

This isn't the way the Fed thinks of itself or how it wants the public to think of it. The central bank's self-image is of a competent technocracy

in service of a democratically imposed mandate "to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates." Yet even defining any of those terms requires political decision-making.

To cite one example, the Fed relatively recently (in 2012) declared formally that it considers a 2% annual increase in core consumer prices—not more and not less—to constitute "stable prices." Come again? Who elected these folks to aim for a 50% loss in purchasing power of a dollar every 35 years?

The central bank makes inherently political decisions, yet it has almost no political accountability.

Conversely, who says Americans can't stand rapid run-ups in the prices of non-food-and-energy items but are happy for the Fed to ignore huge spikes in the gasoline or food prices that are excluded from the Fed's preferred inflation measure?

Then comes the thornier political question of how to implement that ill-defined mandate. The Fed, like its global peers, clings tenaciously to

busted economic models that don't give officials an accurate understanding of what is happening in the economy or any useful ideas for how to respond. One clue should be the embarrassing consistency with which its models have churned out bogus predictions about inflation, economic output, employment and the like.

Despite it all, the Fed insists it must make the policy trade-off embedded in its models—the seesaw between employment and inflation—and that it must also smooth out short-term fluctuations in business cycles. Yet because the models provide such unreliable guidance, the Fed's decisions end up looking like guesswork.

Meanwhile the Fed experiments with policies such as quantitative easing that have obvious but unpredictable political implications (because of the way these policies shift resource allocations across the economy) that the Fed can't actually model in its spreadsheets. All while the Fed suppresses government borrowing costs to fuel reckless, inflationary spending explosions—which Fed leadership from time to time encourages.

The Fed's favorite metaphor for itself is the responsible host taking away the punch bowl before the party gets dangerously out of hand. But this host has no reliable way of

EPA Pulls Back a Pesticide Overreach

By Sierra Dawn McClain

The Environmental Protection Agency recently walked back a proposal to limit pesticide use. Little wonder—it was so burdensome and badly designed that even California regulators objected. The policy would have made millions of acres difficult to farm, leading to smaller crop yields and higher food prices.

The Vulnerable Species Pilot Project aimed to protect 27 rare animal and plant species across 29 states by restricting pesticide use in areas the EPA designated as their ranges or habitats. The modest designation as

a "pilot" was misleading: The plan would have applied to more than 107 million acres, an area larger than California, according a pesticide trade group. (The EPA has no estimate of its own.) Restrictions laid out in the June 2023 draft plan ranged by region from total bans on pesticide use to mitigation measures. Some of these measures, such as building a large buffer around a field treated with pesticides, aren't always physically possible.

Farmers in regions where the plan prohibited pesticide use would have needed to obtain an exception from the Fish and Wildlife Service at least three months in advance of spraying. In a comment on the rule, the Kansas Department of Agriculture called this infeasible: "Pest problems can arise at any time with no advance notice to the producer."

The EPA played down the project's significance in its draft proposal, saying it "applied to a relatively small area and is intended to protect the most vulnerable species." Many of the more than 10,000 comments on the rule disputed that. The California Fresh Fruit Association called the plan "unacceptable, infeasible, and impractical." The Mississippi Farm Bureau Federation said it could be "the most transformative and disruptive pesticide policy since the EPA was established."

Conservationists had objections, too. Lori Ann Burd of the Center for

judging when the guests have become too inebriated, and it changes the permitted blood-alcohol level from one party to the next while sometimes spiking the punch with LSD.

Of course elected politicians are unhappy about this state of affairs. Is this week's Democratic chorus of complaint correct about the better policy solution? Probably not. Particularly odd from this set of ostensible progressive populists is a demand that the Fed reinflate asset prices in the housing and financial markets to benefit the wealthy. One can just as plausibly argue that higher rates have been a net positive for economic growth, employment and wage increases while suppressing inflation because higher rates encourage a more productive allocation of resources.

But the senators aren't wrong that voters *might* tolerate a somewhat higher inflation in exchange for some other goal such as lower unemployment or faster wage growth than Fed models tolerate. At least they can be voted out of office if voters conclude the Democratic prescription has failed. You don't have to agree with them to understand why they'd prefer to be punished at the polls for their own mistakes rather than for what they perceive to be Mr. Powell's.

EPA Pulls Back a Pesticide Overreach

Biological Diversity said in an interview that the restriction areas were "overly broad." The EPA proposed restricting 4.8 million acres of designated habitat for the Taylor's checkerspot butterfly. Ms. Burd's group recommends pesticide limitations on 165,651 acres of butterfly habitat, 3.5% of the EPA's proposed acreage.

U.S. Department of Agriculture officials said in a comment that they had "substantial concerns" about the plan, which would have "staggering" effects on agriculture. The California Department of Pesticide Regulation expressed concern in a comment that the "overly broad" proposal could harm "integrated pest management practices" and "adversely impact endangered species."

In November the agency put the plan on hold. "We really are trying to be responsive to comments that we received," EPA's chief pesticide regulator, Jan Matuszko, said in an interview. She said the agency will refine its maps, may scrap the three-month approval demand, and will beef up mitigation requirements.

EPA officials expect to issue the updated rule in or around September. They should fulfill the agency's legal obligations under the Endangered Species Act by creating a narrow, tailored policy rather than a sweeping, burdensome one.

Ms. McClain is the Journal's Joseph Rago Memorial Fellow.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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WORLD NEWS

New Global Tax Set to Raise Billions

U.S. won't benefit because Congress hasn't changed law to conform to deal

The 15% global minimum tax is here, and it is raising corporate tax payments—just not in the U.S.

Johnson & Johnson, Baxter International and Zimmer Biomet are warning investors that the 2021 international tax deal will result in higher tax bills this year as Switzerland, South Korea, Japan and European Union nations implement the pact.

By Richard Rubin,
Jennifer Williams
and Paul Hannon

U.S. companies that enjoyed single-digit tax rates in some foreign countries now must pay at least 15% in each. But even though Treasury officials were crucial in forging the international agreement and President Biden has pushed to implement it, Congress hasn't changed U.S. tax law to conform to it. Republicans generally oppose the global deal,

contending that Biden administration negotiators gave away too much of the U.S. tax base.

So for now, the U.S. isn't directly collecting any money from domestic or foreign companies because of the deal.

J&J is forecasting a roughly 1.5-percentage-point increase in its tax rate. Joseph Wolk, J&J's chief financial officer, told analysts that the global minimum tax, as it stands, is "reducing U.S. incentives for innovation and resulting in U.S.-based multinational companies paying more tax revenue to foreign governments."

Other companies pointing to potentially higher taxes in 2024 include Johnson Controls, Henry Schein, Teleflex, Enovis, Edwards Lifesciences and Methode Electronics.

The corporate warnings mark the first concrete estimates of how the global minimum tax deal is affecting companies—and, by extension, governments—around the world. The agreement was backed by about 140 jurisdictions and hailed by their leaders as a crucial step toward reducing cross-border tax competition and making companies pay more to support

governments.

Thirty-six countries have implemented the deal or have new rules in progress, and businesses with global revenues exceeding €750 million, about \$810 million, could pay new taxes on profits.

The Organization for Economic Cooperation and Development, which spearheads the minimum-tax project, recently estimated that businesses altogether will pay additional taxes of between \$155 billion and \$192 billion annually, an increase of between 6.5% and 8.1% from current tax payments. Some analysts looking at company projections have said it could be lower.

The U.S. created a minimum tax on companies' foreign income in 2017, but it applies to their global profits, not country-by-country as required by the international deal. The U.S. created a second minimum tax in 2022, but

that, too, doesn't align with other countries' levies. China also hasn't implemented the agreement.

American companies are facing higher tax bills even though the U.S. hasn't changed its rules because the deal allows countries to make global businesses operating in their jurisdictions pay at least 15% there. So Switzerland can make U.S. and Japanese companies pay 15% tax on their Swiss operations.

In many cases, American companies have maxed out U.S. foreign tax credits. So paying more abroad won't reduce their U.S. taxes. Instead, they effectively will pay taxes in two countries on the same income.

Meanwhile, the U.S. isn't benefiting directly. The rules say countries can require that their home companies pay 15% in every country where they operate. So South Korea can ensure that a South Korean

company pays 15% in the U.K., the U.S. and France. If it doesn't pay enough in those countries—for instance, because U.S. research incentives lower its tax rate there—it must pay more to South Korea, not the U.S.

The OECD estimates that the U.S. will get some new revenue even without implementing the global deal because some companies could shift operations and profits to the U.S. as tax rates become more similar around the world.

"I'm not seeing so much of that actually happening yet," said Jason Yen of Ernst & Young.

Suky Upadhyay, CFO of medical-technology company Zimmer Biomet, said the company would see a tax rate increase of about 1.5 percentage points. That is "not devastating but still impactful nonetheless," he said.

While that won't change Zimmer Biomet's strategy in the short term, Upadhyay said the company might consider putting future investment in the Americas rather than Europe because of the shrinking financial gap between the two locations.

15%
Minimum international corporate tax rate took effect this year

Beijing Is Pledging More Fiscal Support

China's finance ministry promised more proactive government spending this year, as Beijing doubles down on boosting the economy amid a deepening property slump, while wary economists say bolder moves are needed to rejuvenate growth.

Fiscal expenditure in 2024 will be maintained at the necessary intensity and fiscal transfers to local governments will remain at certain levels, officials from the Ministry of Finance said at a news conference Thursday, signaling more financial support from Beijing to local governments struggling with piling debt.

Authorities will set a reasonable size for government investment, Vice Finance Minister Wang Dongwei said at the briefing, adding that the ministry will raise the amount under the central budget.

China's Finance Minister Lan Fo'an said recently that Beijing would boost fiscal spending this year to better support domestic demand.

After a year of shakier-than-expected recovery, China's economy recorded a 5.2% growth that hit Beijing's official goal, but still marked one of the slowest expansions in decades. Facing challenges from a protracted property crisis, persisting deflationary pressures and tepid global demand for Chinese goods, Beijing has rolled out a cascade of support measures in recent months but fresh data show its efforts are far from enough to turn the economy around.

China's 100 largest developers recorded a deep slump in new-home sales in January, according to data from China Real Estate Information. Meanwhile, an official gauge indicated a contraction in Chinese manufacturing activity for the fourth straight month.

Despite economists' repeated call for bolder fiscal support, authorities have refrained from big-ticket stimulus, partially constrained by mounting debt pressures that have been worsened by slumping land-sales revenue, once a major revenue source for local governments.

Official data show China's local governments spent a record 1.23 trillion yuan (\$173.25 billion) on bond-interest payments last year, about a 10% jump from 2022, while outstanding local government debt reached CNY40.74 trillion by the end of 2023, up 16% from 2022.

Reuters has reported that Beijing has asked heavily indebted local governments to delay or halt some infrastructure projects to rein in debt risks.

In a sign of growing tensions between Beijing and cash-strapped local governments, the finance ministry this week warned local officials against using technology and innovation funds for other purposes including debt repayment, pensions and civil-servant salaries.

For most Chinese provinces, 2024 might prove to be yet another year of fiscal woes.

Suu Kyi's Son Recalls Life Without His Mother

By FELIZ SOLOMON

Kim Aris was there when his mother, Aung San Suu Kyi, was first placed under house arrest by Myanmar's military on July 20, 1989.

To the then-12-year-old Aris, it felt like being in an adventure movie, he said. He wasn't afraid, but excited as soldiers barged into their family's lakeside home in Yangon, cut the phone cords and unspooled barbed wire around the compound.

As he grew up, far away in England, he started to understand the danger his family faced. Since that night, his mother has been through cycles of detention and freedom, spending most of his youth locked up by Myanmar's generals. Later elected to lead the country, she was ousted in a coup on Feb. 1, 2021, and is once again a prisoner at age 78, serving a decadeslong sentence.

Aris worries he may never see her or hear her voice again. He has had no contact with Suu Kyi since before the coup—until two weeks ago, when a brief letter arrived: a thank-you note. She had received the care package he sent containing nonperishable food and vitamins, she said. She sent her love.

Throughout Suu Kyi's decades as the symbol of Myanmar's democratic movement, her family remained famously private. Now, Aris is speaking up, compelled by what he says is the brutality of Myanmar's military junta and the country's descent back into dictatorship.

In video interviews from his home in London, Aris provided a rare look into the private life of this complex and polarizing figure—a Nobel Peace Prize winner once feted as a democracy icon but whose legacy was tarnished after she rose to power as hundreds of thousands of people from Myanmar's minority Rohingya community



Aung San Suu Kyi, center, and her younger son, Kim Aris, visited a Myanmar pagoda in 2011.

were pushed out of the country.

Aris, 46, described Suu Kyi as a caring mother for him and his older brother, Alexander. She loved to sing and introduced them to the Beatles, one of her favorite bands. She liked taking the boys hiking in the English countryside. The family loved word games like Boggle and Scrabble. She usually won, he recalled.

Suu Kyi raised the boys to have a deep connection with Myanmar, he said. They practiced Buddhism, and as a child, he understood the Burmese language fluently.

He was aware growing up of the sacrifices his family made, he said. Suu Kyi's father, Myanmar's independence hero, was assassinated when she was 2 years old, and she herself was absent for much of her sons' lives. It is heart-breaking, Aris said, to watch the country slip back into conflict and suffering.

The coup abruptly ended

Myanmar's transition to democracy and reversed decades of economic progress. The junta's violent crackdown on opponents led many to join an armed resistance that has spread nationwide, while old conflicts between the army and rebel groups intensified.

While Suu Kyi has been immortalized in countless photographs as a stoic traditionalist in customary dress and with a cluster of flowers tucked in her hair, Aris said that when her children were young, she preferred wearing more casual, Western-style clothes.

Everything changed when she returned to Myanmar, then called Burma, in 1988 to care for her sick mother.

Aris joined her later that year. He recalls being whisked through fanatical crowds the day she delivered a speech in Yangon, the former capital, that shot her to political stardom. Myanmar was in the midst of an uprising against a

brutal military regime. She was asked to lead the movement.

"I remember that everywhere we went, people wanted to touch her," he said. "Even as a child, you realize there's something going on."

Country took priority over family from then on. Suu Kyi spent 15 of the next 21 years detained by the military. When her husband, British academic Michael Aris, became critically ill in 1999, she chose not to leave Myanmar to be with him in Oxford, fearing that if she did she might never be able to return. He died of prostate cancer.

When Aris was reunited with his mother after her release from house arrest in 2010, he stopped at a market on the way and bought her a puppy. He said he wanted her to have a companion. Taichito hardly left her side until her arrest three years ago.

"I've always been very proud of her," Aris said. "It's been difficult for our family, but what

TURKEY
P&G Factory Hostages Freed

Procter & Gamble said a security incident at a factory in Turkey was resolved after a gunman earlier entered the facility in an apparent protest over the conflict in Gaza.

The armed individual on Thursday entered the building in Gebze, about an hour's drive outside Istanbul, and was there for several hours until he was arrested by local authorities. An unspecified number of people were inside and had been held against their will, according to local media.

"The situation at P&G's plant in Gebze, Türkiye, has been resolved and all personnel are safe," a P&G spokeswoman said. The man was apprehended by law-enforcement authorities, and personnel who were being held were safely evacuated, she said.

Images on Turkish television showed the gunman in front of a wall spray-painted with Turkish and Palestinian flags and a slogan reading, "Doors will be opened. For Gaza."

—Natasha Khan

UNITED KINGDOM
Palestine State Recognition Eyed

Britain's top diplomat said Thursday that his country could officially recognize a Palestinian state after a ceasefire in Gaza without waiting for the outcome of what could be yearslong talks between Israel and the Palestinians on a two-state solution.

Foreign Secretary David Cameron, speaking during a visit Thursday to Lebanon intended to tamp down regional tensions, said no recognition could come while Hamas remained in Gaza, but that it could take place while Israeli negotiations with Palestinian leaders were continuing.

U.K. recognition of an independent state of Palestine, including in the United Nations, "can't come at the start of the process, but it doesn't have to be the very end of the process," said Cameron, a former prime minister. "It could be something that we consider as this process, as this advance to a solution, becomes more real," he said.

—Associated Press

WORLDWATCH



ESCAPE: At least two people were killed and 29 injured in a series of gas explosions early Friday at an industrial building in Nairobi, Kenya. A company was refilling gas cylinders when the fire started, a government spokesman said.

BUSINESS & FINANCE

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Universal Pulls Songs From TikTok

Move comes after music company, platform failed to reach licensing pact

Universal Music Group's songs were gone from TikTok Thursday after the world's largest music company said it failed to reach a contract to license its music to the app.

By Alyssa Lukpat, Julia Munslow and Joseph De Avila

"Sound removed due to copyright restrictions." Billions of TikTok videos use songs from Universal's catalog. Many of Universal's signed acts, including Taylor Swift and the Weeknd, had videos on their accounts without audio. TikTok said Universal's music was removed from the app after Wednesday's contract expiration. The two companies are at loggerheads over the terms of a new deal, including artist pay. Universal represents some of music's biggest superstars, including Bad Bunny, Olivia Rodrigo, Drake, SZA and Billie Eilish. As TikTok has rocketed in popularity, the app has become an important place for music to gain traction. Artists and labels have made trying to make their songs go viral on TikTok a pri-



Universal represents some of music's biggest stars, including Olivia Rodrigo, above at the Glastonbury Festival in June.

ority, as those tracks often go to have outside success. Still, music executives say TikTok itself doesn't contribute much to their revenue. Universal said this week that TikTok accounts for 1% of its revenue.

Music companies have generally struck short-term licensing deals with TikTok but they are trying to reach more lucrative, royalty-based deals. In an open letter this week, Universal said TikTok wanted to

cut its payments to artists and songwriters whose songs are used on the app. A Universal representative said Thursday that TikTok built one of the world's most successful social-media companies on the backs of musical artists. "TikTok still argues that artists should be grateful for the 'free promotion' and that music companies are 'greedy' for expecting them to simply compensate artists and songwriters appropriately, and on similar levels as other social-media platforms currently do," the representative said. TikTok said earlier this week that Universal issued a false narrative and the social-media company reached "artist-first" agreements with other labels. "It is sad and disappointing that Universal Music Group has

Apple Returns To Growth Path, Ends Tailspin

Apple posted a sales increase for the holiday quarter, ending a recent slump that had been one of the company's worst earnings streaks in more than two decades. On Thursday, Apple reported revenue of about \$120 billion, up 2.1% from the October-to-December period a year earlier, and net income of \$34 billion, up 13%. Both of those figures exceeded analysts' expectations, according to FactSet.

Apple's iPhone business grew by nearly 6% from the same year-ago quarter, with \$69.7 billion in sales versus the \$67.6 billion analysts had projected. Apple said it has surpassed 2.2 billion active devices for its products. "This is obviously the engine for the company and for the future," Chief Financial Officer Luca Maestri said in an interview. Shares fell about 2% in after-hours trading. Apple's results underscored the strong performance this earnings season of all the world's largest technology companies, especially among those that are infusing their products and services with artificial intelligence. Microsoft saw profits surge by the highest level in more than two years as the company continues to refresh many of its business-software offerings with the same technology behind ChatGPT. Shares in Facebook parent Meta Platforms rose more than 14% after its release as it detailed the ways in which AI has helped wring profits from Instagram's Reels and other platforms. Google parent Alphabet recorded advertising sales that missed Wall Street expectations but marked a fourth straight quarter of accelerating sales growth.

"Everyone is getting valuation bumps on AI," said Trip Miller, managing partner at Gullane Capital Partners, an Apple shareholder. "Apple is telegraphing a wait-and-see approach. You never want to say Apple is behind, but from a signaling standpoint it seems like other large tech companies might have a bit of a lead." On Apple's earnings call, Chief Executive Tim Cook said that the company is investing in artificial intelligence and that it plans to share details of its work later this year. The iPhone-maker has faced a confounding array of challenges in the last year, including regulatory scrutiny around the world on its App Store policies, falling sales in China and restive investors wary about the company's growth prospects. Several analysts have downgraded the stock this year. The company saw four con-

Tesla CEO Seeks to Incorporate Automaker In Texas

Elon Musk wants to go all in on Texas. The Tesla chief executive said the company would hold a shareholder vote to decide whether to incorporate in the

By Gareth Vipers, Ryan Felton and Ginger Adams Otis

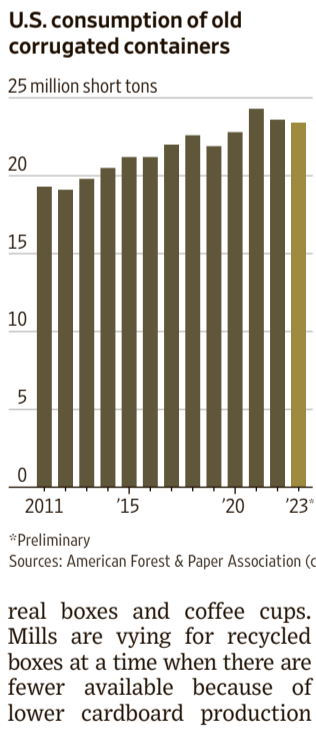
Lone Star State after a Delaware court ordered him to give up a compensation package valued at \$55.8 billion. "The public vote is unequivocally in favor of Texas," Musk said Thursday in a post on X. "Tesla will move immediately to hold a shareholder vote," he said after conducting a poll on the platform. The court's decision, issued Tuesday in the Delaware Court of Chancery, called into question how Tesla's board plans to compensate Musk. The court struck down Musk's multibillion-dollar pay package after finding the process for securing its approval "deeply flawed." It was a major setback for the CEO of the world's most valuable automaker. "Never incorporate your company in the state of Delaware," Musk tweeted after the decision was released. A Tesla shareholder started the court case in 2018 with a legal challenge to Musk's pay. Tesla didn't respond to a request for comment. Tesla would need to conduct a shareholder vote if the company was to reincorporate in a different state. And just because Musk posted about it on X doesn't guarantee he will proceed with a shareholder



Research suggests Americans don't recycle nearly as many of their old boxes as they could. A Michigan Graphic Packaging plant.

Demand for Old Cardboard Rises As Supply for Recyclers Runs Low

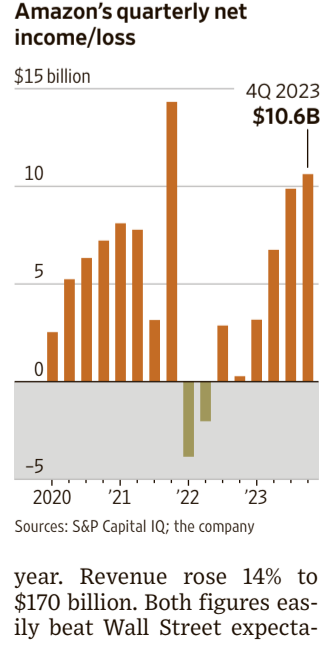
Paper mills at home and abroad are gobbling up America's recycled cardboard, driving up prices for old pizza boxes and other corrugated containers that they pulp and make into new packaging. The price of old corrugated containers, or OCC, surged during the pandemic e-commerce boom and then came crashing down in 2022 when rising interest rates prompted businesses to slow ordering and reduce inventories. Over the past year, though, OCC prices have rebounded, more than tripling in some parts of the country. The latest rise is being driven by the opening of several new mills that need used cardboard to make fresh containerboard for corrugated shipping boxes and paperboard, which is folded into ce-



real boxes and coffee cups. Mills are vying for recycled boxes at a time when there are fewer available because of lower cardboard production while businesses were de-stocking. "The more boxes you sell the more boxes you get back, all else equal," said BofA Secu-

Amazon's Sales Beat Forecast, Driven by Holiday Shopping

Amazon.com's quarterly sales rose faster than expected, driven by strong e-commerce sales during the holiday shopping season. The e-commerce giant on Thursday also projected continued strength in the current quarter, thanks in part to interest in artificial intelligence that it said is driving healthy sales in its cloud-computing arm. Amazon's results, amid a flurry of other solid financial reports by big tech companies, sent its shares up sharply. Amazon said that profit in the three months through December surged to \$10.6 billion, its strongest level in two years—from a meager \$278 million in the same quarter the previous



tions. Amazon has rebounded from a sharp downturn that followed an explosion of business during the pandemic. It has reorganized its dominant logistics business after a period of instability while also turning its attention to innovations in AI. Strong customer demand during the holiday season benefited the retailer, which also held a special sales event during the fourth quarter that lifted its sales. Sales in the Amazon Web Services cloud-computing arm, an important profit center for Amazon, increased 13% in the fourth quarter to \$24.2 billion, matching expectations.

INSIDE



BUSINESS NEWS Peloton cut its outlook after reporting another drop in quarterly revenue. B3

HEARD ON THE STREET The Federal Reserve's right rate is up for debate. B12

Activist Investor Seeks Major Change at Mattel

An activist investor has set its sights on Mattel and is seeking big changes to boost the toymaker's lackluster stock. Barington Capital has built an undisclosed stake in Mattel, according to a letter sent to Chief Executive Officer Ynon Kreiz that was seen by The Wall Street Journal. At just over \$18, Mattel stock has done little for decades as the company has struggled to court consumers in higher-inflation times and battled with a broader downturn in the toy industry as kids shift their attention to videogames and smartphone apps. Barington believes Mattel's share price will continue to underperform unless it takes steps that include pursuing strategic alternatives for its Fisher-Price and American Girl businesses, stopping what the investor views as excessive stock-based compensation and launching a \$2 billion share-buyback plan. Barington Founder James Mitarotonda said in the letter that he believes these actions—together with improvements Mattel is already making in its core fashion-doll and toy-vehicle divisions—have the potential to more than double the share price in three years. Barington is also asking the toy maker to separate the CEO and chairman roles, both of which are held by Kreiz, who joined Mattel as CEO in April 2018 and was appointed chairman of the board a month

year. Revenue rose 14% to \$170 billion. Both figures easily beat Wall Street expecta-

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Tesla CEO Seeks Move To Texas

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Musk's threat is somewhat surprising given Delaware's stature.

Delaware's standing as a corporate haven dates to 1899, when the state enacted one of the country's most lenient incorporation laws. But some companies have griped about an increase in shareholder litigation filed in recent years.

Still, more than one billion businesses are incorporated in Delaware, in part because of the state's flexible corporate laws and a business-friendly government, according to the state's division of corporations. Around 68% of Fortune 500 companies are incorporated in Delaware, and roughly four out of five of all U.S. initial public offerings in 2022 were registered in the state.

Musk has been looking to deepen his ties with Texas for some time. In 2021, he announced the decision to move the Tesla headquarters from Palo Alto, Calif., to Austin, Texas. Musk's rocket company, SpaceX, already has significant operations in the state.

It appears that Texas, too, wants to move in on Delaware's turf. In June, Texas passed a bill to set up its own designated business court to hear complex commercial litigation. When Musk polled his more than 170 million followers on X on whether Tesla should incorporate in Texas, Greg Abbott, the state's Republican governor, chimed in, saying: "Elon, it's over. The election desk is declaring a landslide victory for Texas."

Texas' business court, which is set to go into effect Sept. 1, is largely modeled after the Delaware system, said James Spindler, professor of law and business at The University of Texas at Austin.

"It is a friendly competition," he said. "Hopefully a competition to provide the best corporate law and corporate focused-judiciary that we can."

More companies have elected to move to Texas in recent years, which has been "part of the impetus to say we should have a business-focused court for our own state," Spindler said.

Still, corporate-governance experts say it will be difficult if not impossible for Texas to produce a business court that rivals Delaware's system.

"The capital you're going to have to expend to create a real business court with that expertise is going to be a lot more, frankly, than the income it produces," said Charles Elson, founding director of the Weinberg Center for Corporate Governance at the University of Delaware.

Elson said he was skeptical that Tesla shareholders would want to leave Delaware's jurisdiction. "Frankly, to move because [Musk] is unhappy with a particular judge's ruling at a particular point in time is very ill-advised," he said.

Ann Lipton, a Tulane University law professor and corporate-governance expert, said it's unclear whether Tesla's decision means much for other companies because Musk is an unusual figure.

"None of this would have happened if he would have bothered to adhere to the most basic principles of proper corporate governance," she said. "In that sense, I'm not sure whether it portends much."

When Musk left his longtime home of California more than two years ago, he said he had lost patience with rules and regulations in that state, where Tesla and his tunnel-building venture, Boring Co., were based before moving to Texas.

California is the land of "overregulation, overlitigation, overtaxation," he said in December 2021. Texas has fewer zoning laws and environmental and labor requirements, and has vast swaths of loosely regulated land. Unlike California and Delaware, it has no corporate income tax or income or capital-gains taxes on individuals.

In March, The Wall Street Journal reported that Musk had begun construction of his own town outside Austin. In meetings with landowners and real-estate agents, Musk and employees of his companies have described his vision as a sort of Texas utopia along the Colorado River, where his employees could live and work.

Over the past few years, entities tied to Musk's companies or executives have been buying up thousands of acres of land in the Austin area.

The decision in the Delaware court raises questions about whether Musk's ties to the Tesla board are too close, and puts further spotlight on his personal wealth.

Universal Pulls Songs Off TikTok

Continued from page B1

put their own greed above the interests of their artists and songwriters," TikTok said on Tuesday.

Many TikTok users were upset about music being stripped from their video edits Thursday. "My jaw dropped," said Emma Noyes, 28 years old. "The first thing I did when I woke up [Thursday] was open TikTok just to see how my videos were doing and a bunch of videos had suddenly become muted."

Confused, the Chicago author searched online until she discovered that Universal had pulled its catalog overnight. Noyes said she wants artists to be fairly compensated, but called the removal a "shock and an inconvenience" for users, especially content creators. "I'm going to miss hearing all of my favorite songs on the platform. In the past two years since I really started using TikTok, I found most of the new music I love through the platform," she said, referencing Noah Kahan, who is among Universal's five artists nominated for the best new artist Grammy award this year. "My reaction is just that I'm frustrated and I'm really hoping that they'll be able to come to some sort of solution quickly."

Swift fans were particularly saddened, lamenting that many of their favorite TikTok videos were now totally muted.

When content creator Savannah DeLullo saw the Universal letter Tuesday night, she immediately started downloading some of her most popular videos, many of which had Swift songs.



Singer Billie Eilish performing at the Lollapalooza 2023 music festival last March.

"I was worried those were going to be muted and that people weren't going to be able to watch them anymore," said DeLullo, 23, who posts mostly about Swift and word games for her 1.8 million followers.

"It does change my TikTok experience both as a viewer and as a creator," DeLullo said. Before, "if I scrolled on my For You Page on TikTok, most of the videos probably had a Taylor Swift sound behind them. That's not going to be the case anymore. And as a creator, it does change what videos I can make."

She said she hopes Universal and TikTok will soon quickly reach a deal that fairly compensates artists. Some musical artists who

aren't signed to major music labels said the fracas is an opportunity for them to stand out on the platform now that so many major acts had been removed.

Some UMG musicians took to TikTok to explain why their music wasn't on the platform.

Singer-songwriter Cody Fry said the end of the licensing agreement was bad timing for him. His song "Things You Said" recently went viral in China after being featured in

TikTok videos, and he is worried that momentum will come to an end, he said. "It just feels like I'm standing between two colliding planets, and there is nothing I can do," Fry said in an interview.

Fry said Universal's position isn't unreasonable, and he

agrees TikTok doesn't compensate musical artists enough. But he views TikTok more as a promotional platform rather than a moneymaker, he said.

He credits his success on TikTok for landing his deal with Universal's Decca Records after two earlier songs—"I Hear a Symphony" and a cover of "Eleanor Rigby"—went viral on the social-media site.

"I hope they figure it out quickly," Fry said. Michael Morris, an analyst with Guggenheim Securities who covers the music industry, said Universal "would probably feel very comfortable to stand firm on their position" given that the licensing deal only accounted for 1% of its revenue.

Morris said he thinks both TikTok and Universal will eventually come to an agreement.

"Each entity is arguably better off working together than not," Morris said. "But it's a question of each side being fairly treated."

1%
Portion of Universal Music Group's revenue that TikTok accounts for



Above, cardboard recycling at a Graphic Packaging plant in Michigan. Below, materials rejected as cardboard was screened.

Recyclers Clamor for Cardboard

Continued from page B1

for OCC free on board, or at the seller's loading dock, was \$87 a short ton in January, up from \$29 a ton a year ago, according to Fastmarkets RISI's PPI Pulp & Paper Week. The trade publication surveys buyers and sellers to establish benchmark prices.

Besides transportation costs, mills are paying premiums above the benchmark price for cleaner, more carefully sorted bales of recycled cardboard, said Greg Rudder, Pulp & Paper Week managing editor. All told, the cost to mills has lately been as much as twice the benchmark, he said.

OCC prices have been highest lately at West Coast ports, where prices have risen by about one-third since December 2022, to as high as \$190 a ton, according to TTOBMA, a pulp-and-paper consulting firm that tracks sales and prices.

In the U.S. domestic market, prices have climbed sharply in the Southeast, to around \$150 a ton in some cases, which is more than three times the price mills in the region paid a year ago, said Garrett Mason, TTOBMA's director of recov-



ered paper.

Several of the largest new containerboard mills that have opened over the past year are in the South, including Dometar's in Kingsport, Tenn., and Pratt Industries' in Henderson, Ky.

They are among the more than \$7 billion of containerboard manufacturing investments that have been announced since 2019, according to trade group American Forest & Paper Association. When the last of that batch opens next year, they will cumulatively consume more than 9 million tons of recycled fiber each year.

The added competition has mills going farther afield to find enough old cardboard for feedstock, Mason said.

"All of a sudden you're in your competitors' backyards trying to get their tons and having to pay more to pry that away," he said. "We're seeing a lot of fighting for tons and

supply."

Analysts say that prices should eventually come back down as cardboard production ramps back up. One place mills might find more OCC is in landfills. Researchers with Circular Ventures, a consulting firm, and Bloomberg Intelligence say they have crunched the numbers and estimate that as much as 16 million tons of OCC winds up in landfills each year instead of back at mills. That works out to a recycling rate of about 69%, which is well below other industry estimates, they say.

Many of the thrown-away boxes come from homes and small businesses rather than warehouses and retailers, which are typically vigilant recyclers that are paid for their old cardboard, said Myles Cohen, a former Pratt executive who runs Circular Ventures.

"You're not going to get much more from those big-box

stores or million-square-foot warehouses," Cohen said. "It's on the residential side and small commercial side."

Terry Webber, vice president of industry affairs at the American Forest & Paper Association, said the discrepancy between Circular's estimate and the trade group's higher estimate of an effective recycling rate of between 80% and 85% has to do with how the boxes are counted that arrive in the U.S. holding imported products. Webber said the group stands by its math.

Some producers are launching initiatives to ensure their mills are well fed. Graphic Packaging Holding is spending \$1 billion to build a new recycled-paperboard mill in Waco, Texas.

The location was chosen partly because of all the OCC generated in the area around the site, which includes Houston, Dallas and San Antonio, said Melanie Skijus, Graphic's vice president of investor relations. A lot of OCC also travels past the site on its way to Mexico, she said.

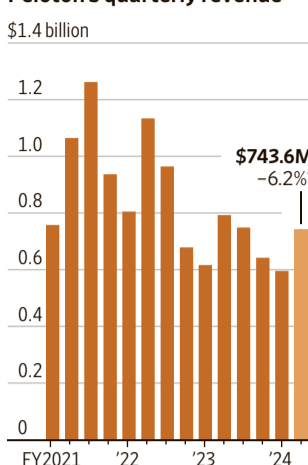
The facility's pulping equipment will be able to break down up to 15 million paper cups a day. To feed it, Graphic, which sells billions of cups annually, is working with fast-food restaurants on collecting used cups, Skijus said.

"We have more to do with education and working with communities and investing in collection capabilities," she said.

BUSINESS NEWS

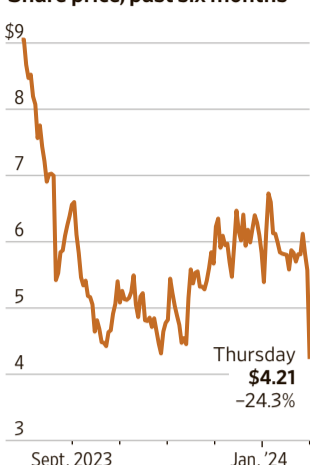
Peloton Outlook Cut Sends Stock Diving

Peloton's quarterly revenue



From a year earlier Note: Fiscal quarter ended Dec. 31 Sources: S&P Capital IQ (revenue); FactSet (share price)

Share price, past six months



By SABELA OJEA

Peloton Interactive cut its outlook after reporting another drop in revenue, as it continues to struggle to sell more exercise equipment and misfires on some recent initiatives.

Chief Executive Barry McCarthy also said that the company will miss its goal of generating positive free cash flow for the full year, one of his primary goals for stabilizing the fitness-equipment company, which he took over in 2022.

Peloton shares, after hitting a record intraday low Thursday, ended the day down 24.3% at \$4.21. The stock is down nearly 75% over the past year.

Revenue fell 6.2% for the key quarter ended Dec. 31, which included a push around the holidays. It was the company's eighth consecutive quarter of declining sales, which came after the business boomed during the pandemic.

The company experienced mixed results on some recent measures to improve results. Peloton's apparel collaboration with **Lululemon**, agreed to last year, underperformed, and a partnership to sell co-branded bikes with the University of Michigan sold substantially fewer than expected and is being wound down.

On the other hand, Peloton said that sales of Peloton equip-

ment at retailers performed well during the holiday season, and that its bike-rental model is helping attract a new set of customers. Demand for its treadmills has turned out to be stronger than thought.

"While we continue to outperform the connected fitness market, our biggest challenge continues to be growth, at scale," McCarthy said.

The company ended the period with three million paid connected fitness subscribers, slightly ahead of management expectations, but said it expects to gain barely more paying members by the end of its fiscal year, which ends in June.

For the quarter, Peloton re-

ported a loss of \$194.9 million, or 54 cents a share, in line with analyst expectations, compared with a loss of \$335.4 million, or 98 cents a share, a year earlier.

Revenue came in at \$743.6 million, ahead of analyst estimates of \$733.2 million, according to FactSet.

For the fiscal year, Peloton said it now expects revenue of \$2.68 billion to \$2.75 billion, down from prior guidance of up to \$2.8 billion. The view calls for hardware sales to remain weak, while bike-rental and treadmill sales remain strong. It also sees uncertainty around growing paid subscribers and the performance of other new initiatives.

Shell Tops Profit Views, Plans \$3.5 Billion Buyback

By CHRISTIAN MOESS LAURSEN

Shell's annual profits fell last year, although by less than the market had expected, as the European energy sector grapples with lower oil-and-gas prices and weaker refining margins.

Still, the London-based energy giant said Thursday that it would buy back \$3.5 billion in stock this quarter and hiked its fourth-quarter dividend by 20% to 34.4 cents a share, in line with its promise of lofty shareholder returns despite slipping commodity prices.

The oil-and-gas major posted \$20.28 billion in full-year profit measured on a net current-cost-of-supplies basis—a metric similar to the net income that U.S. oil companies report. This compares with \$41.56 billion in 2022 when oil-and-gas prices soared after Russia invaded Ukraine.

For the fourth quarter, Shell's profit on a net current-cost-of-supplies basis dropped to \$1.38 billion from \$6.15 billion in the preceding three-month period, reflecting lower refining margins, margins from trading of crude and oil products, and



The oil major also increased its fourth-quarter dividend by 20% to 34.4 cents a share.

higher operating expenses.

However, adjusted fourth-quarter earnings—which strip out certain commodity-price adjustments and one-time charges—rose to \$7.31 billion from \$6.22 billion in the third quarter, beating a consensus forecast of \$6.04 billion, based

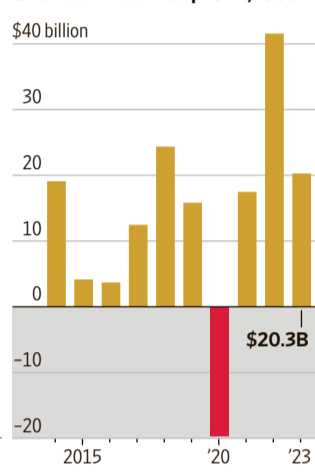
on a poll of 24 analysts compiled by Vara Research. The increase was driven by higher trading gains from liquefied natural gas, favorable tax movements and higher production, Shell said.

Market watchers had expected a dip in quarterly earn-

ings, forecasting results across the integrated energy sector to have been hit by lower oil prices and refining margins.

But despite the weaker market environment, Shell's key integrated-gas unit, which includes its leading LNG business, posted adjusted fourth-quarter

Shell's annual net profit/loss



On a net current-cost-of-supplies basis Source: the company

dragging quarterly net profits, which fell to \$474 million from \$7.04 billion. This was flagged by the company in January.

Cash flow from operations—a measure of the cash a company generates from normal business operations—rose to \$12.575 billion in the quarter, topping a consensus forecast of \$11.59 billion, from \$12.33 billion in the third quarter.

During the fourth quarter, Shell—Europe's biggest integrated oil company—produced 901,000 oil-equivalent barrels a day, in line with its targeted range, and 7.1 million metric tons of LNG, also in line with its guidance.

Upstream production—the extraction of crude oil and natural gas—also met the targeted range at 1.87 million BOE a day.

For the current quarter, Shell expects an output between 930,000 and 990,000 BOE a day of integrated gas, 7 million to 7.6 million tons of LNG and an upstream production of 1.73 million to 1.93 million BOE a day.

◆ Heard on the Street: Shell Pumps Cash..... B12

Union Says Strike Against Anheuser-Busch Unavoidable

By WILL FEUER

The International Brotherhood of Teamsters says its negotiations with Bud Light brewer **Anheuser-Busch** have hit a snag and that the 5,000 Anheuser-Busch workers it represents will strike come March unless the company and union make progress.

"The halting of beer produc-

tion at Anheuser-Busch's U.S. breweries appears imminent and unavoidable," said Teamsters General President Sean O'Brien.

The union said the company's offer so far has included closing breweries and laying off Teamsters-represented workers systemwide. In a statement, Anheuser-Busch disputed the Teamsters' assertions.

"The Teamsters social media posts are false—we have not made a decision regarding our breweries and beer production will continue uninterrupted—and we invite union leadership to return to the bargaining table to reach an agreement that continues to recognize and reward our brewery employees," a spokesperson said.

Volvo, an Early Electric-Car Adopter, Cuts Off Funding for EV Affiliate

By DOMINIC CHOPPING

STOCKHOLM—**Volvo Car** said it won't provide further funding to **Polestar**, the electric-car maker it created with Volvo's Chinese owner **Geely**—the latest EV retrenchment by the global auto industry.

The auto industry's pivot to electric vehicles has been rocked by setbacks this year, just as a flood of new battery-powered models is hitting showrooms.

Earlier this week, French automaker **Renault** said it has decided to cancel the initial public offering of its electric-car unit **Ampere**. **Ford Motor**, meanwhile, has slashed production of its electric F-150 Lightning. Rental-car firm **Hertz** has said it was dumping about one-third of its EV rental car fleet, replacing the cars with gas-engine vehicles.

Also, earlier this week, **Tesla** warned of notably lower growth this year. Data earlier this year has shown a slowdown in EV sales growth in the U.S., automakers delaying or cutting back on plans and anxiety rising among dealership owners.

In a sign of investor unease about automakers' march toward an EV future, Volvo shares surged more than 20% Thursday on its decision to cut off funding to Polestar.

Volvo and Geely founded Polestar as a stand-alone EV

maker, separate from Volvo's substantial in-house effort to go electric. Through a special-purpose acquisition company merger, the two listed it on Nasdaq in 2022.

Analysts have highlighted how Volvo's 48% stake in Polestar has been a drag on its resources, with the company struggling with losses amid the slow consumer uptake of electric vehicles and the increasingly competitive market.

The company's Polestar stake impaired its group earnings per share by around 1.9 Swedish kronor, or about 18 cents, in 2023, UBS analyst David Lesne said in a note. This compares with Volvo Car group EPS of 4.4 kronor for the year.

Volvo said Thursday it will extend the repayment period for the existing convertible loan by 18 months to the end of 2028. But it said it would be concentrating its financial resources on Volvo's own needs from now on.

The company said it was also evaluating a potential adjustment to its shareholding in Polestar, including a possible distribution of shares to Volvo shareholders, including Geely. If it decides to distribute its

stake to shareholders, Geely would become a significant new shareholder. The Chinese auto group said in a statement that it will continue to provide full operational and financial support to Polestar as an independent exclusive brand going forward. That support wouldn't require a reduction of its shareholding in Volvo Car, it added.

Volvo Car Chief Executive Jim Rowan said on a call after outlining the news that a separation from Polestar is a natural evolution and that now is the right time to consider reducing its shareholding, and for Polestar to look for alternative funding.

Meanwhile, Volvo posted a rise in fourth-quarter revenue, and said it expects the growth rate in retail sales to increase this year as long as there are no major disruptions.

Net profit attributable to shareholders climbed to 3.11 billion kronor from 2.46 billion kronor a year earlier, as revenue rose 4% to 09.44 billion kronor.

Analysts polled by FactSet had projected a net profit of 4 billion kronor on revenue of 108.35 billion kronor.

48%
Volvo's stake in Polestar has been a drag on its resources

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TECHNOLOGY

Sanofi Posts Loss, Names New Chief Of Finance

By ADRIÀ CALATAYUD

Sanofi named Nestlé's Francois-Xavier Roger as its new chief financial officer and reported a swing to a net loss for the fourth quarter despite strong sales of its blockbuster drug Dupixent.

The French pharmaceutical company said Thursday that Roger, who has been CFO at Nestlé for more than eight years, will succeed Jean-Baptiste Chasseloup de Chatillon, who is stepping down. The change will be effective from April 1.

The net loss for the fourth quarter was €555 million, or \$600.5 million, compared with a profit of €3.11 billion for the same period of 2022, Sanofi said. Higher costs and exceptional items hit the company's profitability.

Business operating profit—one of the company's preferred metrics, which strips out exceptional items—fell 5.2% to €2.58 billion.

Net sales rose 1.8% to €10.92 billion. At constant currency, sales were up 9.3%, with growth in its specialty-care unit driven by continued strength in anti-inflammatory drug Dupixent—jointly developed with Regeneron Pharmaceuticals—and in vaccines.

Analysts expected business operating profit of €2.77 billion on sales of €11.04 billion, according to estimates provided by the company.

Sanofi reiterated its outlook for 2024.

Amazon Faces Key Ruling on Classification

Decision could make it responsible for safety of products sold by third parties

By DANA MATTIOLI
AND KHADEEJA SAFDAR

Amazon.com is facing a government order that could make it responsible for the safety of goods it sells for outside vendors on its website and ships for them through its logistics network.

The U.S. Consumer Product Safety Commission is preparing an order that could classify Amazon's online retail business as a distributor of goods, people familiar with the matter said. That designation could give Amazon the same safety responsibilities as traditional retailers and potentially open Amazon up to lawsuits and extensive recalls over items sold through its website. Amazon accounts for nearly 40% of all e-commerce in the U.S., according to eMarketer, a research firm.

Amazon has fought the distributor designation because of the nature of its online marketplace. The company sells some items from its own inventory, as bricks-and-mortar stores do, but more than 60% of sales on Amazon.com are by outside vendors, known as third-party sellers. Amazon has said that it invests in product safety across its site. It also has argued that for those third-party sales it is merely a platform for sellers and buyers to connect, and therefore isn't responsible for ensuring the quality and safety of products sold by outside vendors on its site.

The commission's order could negate such arguments from Amazon, and from other marketplaces and technology companies that are similarly



Amazon has fought the distributor designation because of the nature of its online marketplace.

structured and have argued that they aren't legally responsible for what others do on their platforms, one of the people familiar with the matter said.

A majority of the agency's four current commissioners would have to vote in favor of the order for it to advance.

"Safety is important to Amazon, and we want customers to shop with confidence in our store," said an Amazon spokesman. The company takes steps to prevent suspicious or non-compliant products from being listed, monitors products for safety concerns, and removes products when appropriate and notifies the companies and government agencies involved, he said.

The agency began investigat-

ing Amazon in 2019 after a series of articles in The Wall Street Journal chronicled how Amazon's marketplace side of its retail operations had sellers distributing dangerous and mislabeled products, such as children's toys lacking proper choking-hazard warnings, motorcycle helmets that failed federal safety tests and children's toys that contained lead levels exceeding federal limits.

In 2021, the commission sued Amazon for distributing unsafe products from sellers on its website through Fulfillment by Amazon, which handles logistics for third-party sellers. The agency cited three specific products in that suit: children's pajamas that failed flammability tests, a carbon monoxide detector that failed to detect car-

bon monoxide accurately and hair driers without the required shock protectors in the plug.

Amazon issued credits to customers who bought the items and told them to stop using them.

Amazon responded to the commission's suit by saying that the agency didn't have the legal power to make such claims against the company because it was acting as a marketplace and a "third-party logistics provider" rather than a distributor.

An administrative law judge determined that Amazon did have distributor status and responsibility. Amazon appealed, setting the stage for the commission's impending vote.

The volume of faulty, dangerous or mislabeled items sold

by Amazon third-party sellers is much more extensive than the three items in the agency's suit, according to the people familiar with the matter, and an order from the agency would likely make the company susceptible to customer lawsuits and more-rigorous enforcement from the federal government well beyond the named products.

Amazon's marketplace for third-party sellers, launched in 2000, has been the linchpin to its dominance in online retail. Marketing and shipping goods from outside vendors to its customers dramatically increased selection on Amazon's website, attracting more customers and eventually making it a one-stop shop for everything from electronics to vitamins.

Roche Expects Sales, Core Earnings Growth



The company also raised its dividend for the year.

By ADRIÀ CALATAYUD

Roche Holding expects growth in sales and core earnings to pick up this year after waning demand for Covid-19 products and currency headwinds weighed on its top and bottom lines last year.

The Swiss pharmaceutical giant said Thursday that it expects sales growth in the mid single digit percentage range at constant exchange rates in 2024, with core earnings per share performing in line with sales when excluding the impact from tax disputes in 2023.

Sales at Roche fell to 58.72 billion Swiss francs (\$68.17 billion) last year from CHF63.28 billion in 2022. Ad-

justing for currency movements, sales were up 1% as growth in its pharmaceuticals division made up for a decline in diagnostics.

After-tax profit was CHF12.36 billion compared with CHF13.53 billion, while core operating profit fell 13% to CHF19.24 billion and was down 1% at constant currency.

Analysts expected Roche to report a core operating profit of CHF20.03 billion on sales of CHF59.18 billion, according to consensus estimates provided by FactSet.

The company raised its dividend for the year to CHF9.60 a share from CHF9.50 a year prior, and said it anticipates another increase in 2024.

Holidays Bolster Amazon

Continued from page B1

The division's operating profit rose nearly 38%.

AWS sales had decelerated last year after years of rapid expansion. Lower enterprise demand hurt the unit, though Amazon indicated it expected growth to pick up again as businesses responded positively to the company's latest cloud offerings.

Amazon's stock rose 7% after markets closed Thursday.

Chief Executive Andy Jassy has reoriented Amazon to focus on AI innovations. The company fell behind in the AI race compared with Microsoft, Google and other peers and lately has tried to generate buzz around AI products and services in the cloud division. Amazon is a large invest-

or in AI startup Anthropic, and the company in November introduced an AI chatbot for companies it calls Amazon Q.

On Thursday, the company announced it is launching an AI-powered shopping assistant named Rufus on its mobile app. Executives said it is designed to improve the shopping experience and enhance its existing search bar.

Jassy said on a call with analysts that AI revenue for Amazon is "still relatively small, much smaller than what it will be in the future where we really believe we're going to drive tens of billions of dollars of revenue over the next several years."

Chief Financial Officer Brian Olsavsky said that while some AWS customers are still being cautious about their spending, he expects revenue growth to continue to accelerate this year and said corporate customers have shown high interest in running their generative AI applications on AWS and building their foundation models there.

"It is still relatively early

days," Olsavsky said Thursday. He declined to say what percentage of AWS sales are being driven by Amazon's AI services.

The company has continued to adjust its corporate head count after a wave of layoffs to start 2023. In recent months, it has slashed roles across its entertainment, devices and games divisions, citing shifting priorities across its businesses that include artificial intelligence. The cuts so far have been smaller than a year ago, when it laid off 27,000 employees.

Amazon's overall head count, including its army of warehouse workers, totaled 1.53 million at the end of 2023, slightly below its level a year earlier.

Amazon projected continued strong growth in the current quarter, saying revenue

would grow between 8% and 13% from a year earlier, in line with analysts' expectations. It expects operating income of between \$8 billion and \$12 billion this quarter, suggesting a midline above the current consensus.

A year ago, Amazon warned of a period of reduced growth as it looked to control

its costs and started to experience deceleration from the cloud-computing business.

Lately, the company has been more upbeat, saying in November that it had record

sales during the Black Friday weekend. It has also sought new revenue streams. This week, the company began to show ads on its Prime Video platform unless customers pay more.

Amazon also said its advertising revenue grew by 27% in the fourth quarter.

Amazon has reorganized its dominant logistics business.

Intel Delays \$20 Billion Ohio Chip Project

By ASA FITCH

Intel is delaying the construction timetable for its \$20 billion chip-manufacturing project in Ohio amid market challenges and the slow rollout of U.S. government grant money to grow the domestic industry.

While Intel's initial timeline had chip-making starting next year, construction on the project's manufacturing facilities now isn't expected to be finished until late 2026, according to people involved in the project.

Chip-making could begin after that once Intel installs the complex and expensive machinery needed to make advanced semiconductors.

"Managing large-scale projects especially in our industry often involves adapting to changing timelines," an Intel spokesman said. "Our decisions are based on business conditions, market dynamics and being responsible stewards of capital."

Two years ago, Intel had targeted production in 2025, although Keyvan Esfarjani, an Intel executive overseeing its manufacturing operations, said at the time that the scope and pace of the expansion would



The Intel project's groundbreaking near New Albany in 2022.

"depend heavily" on government funding.

There are currently around 800 people working on the site northeast of Columbus, Intel said, and the company expects that figure to climb to several thousand by the end of the year. The company expects the project to create 7,000 construction jobs.

The first two chip factories are part of a complex in which Intel has said it could invest up to \$100 billion.

The spokesman declined to give a new target for chip production at the facilities, but

said the company remained fully committed to the project.

Intel's Ohio project is one of the biggest under way in the country, part of a push by the Biden administration and chip makers to expand operations in the U.S. and reduce reliance on Asian factories for a technology increasingly seen as crucial to national security. The Chips Act two years ago outlined \$53 billion of incentives for the domestic industry, including big grants for projects like Intel's.

No major grants have been awarded, although the admin-

istration is expected to award billions of dollars to Intel, Taiwan Semiconductor Manufacturing Co. and other major chip companies in the coming weeks.

For Intel, the beginning of construction on the project has come at a time when money is tight. Chip sales boomed at the outset of Covid, but a chip shortage turned into a glut two years ago as people returned to prepandemic routines and electronics-buying ebbed. Intel has responded by cutting jobs, slashing its dividend and looking for investment partnerships to help offset the high capital costs of chip-plant construction.

Some recent signs suggest the market is turning positive for Intel, including a nascent recovery in personal-computer sales and the promise of renewed chip demand from the growth of artificial intelligence. Last week, Intel gave a gloomy forecast for its first quarter, however, citing headwinds from its programmable-chip and self-driving businesses that it expects to be transitory.

Despite those challenges, Intel has moved swiftly ahead in recent years with expansion projects in Oregon, Arizona and New Mexico.

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TECHNOLOGY

Venture Capitalists Turn to Public Biotechs

By BRIAN GORMLEY

Some venture firms are pumping money into publicly traded biotechnology companies, as falling share prices prompt these investors to expand their search for bargains to the public markets.

Private investments in public equities, or PIPEs, are financing deals publicly traded companies strike with a group of investors. Biotech companies in the U.S. raised 56 PIPEs for more than \$4.56 billion in proceeds in 2023, according to investment bank William Blair. Both totals are the highest the firm has recorded since it began tracking these financings in 2015.

Investors in PIPEs typically focus mostly or entirely on public companies. But these deals attract venture capitalists seeking to support newly public portfolio companies, or make initial investments in public biotechs that they see as good values.

The amount venture capitalists devote to public companies is small compared with their investment in private ones. VCs funneled nearly \$23 billion into U.S. and European biotech startups in 2023, according to HSBC Innovation Banking, which serves tech-



Some venture firms seek to invest further in biotech companies that recently went public.

nology and life-sciences companies and investors.

However, these investors have more opportunities to join public financing deals because many portfolio companies that went public in recent years are raising capital again, sometimes at prices well below their initial public offering. Venture firms are joining PIPEs tied to reverse mergers, in which a startup goes public by merging

with a public company.

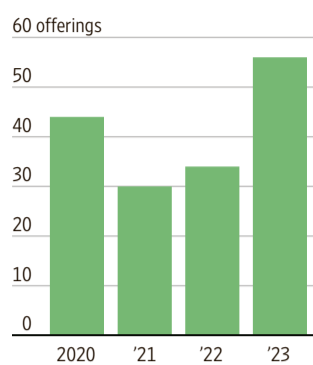
In some cases, venture firms seek to make initial investments through PIPEs. Lightspeed Venture Partners in September became a new investor in cancer drugmaker Olema Pharmaceuticals, which does business as Olema Oncology, by participating in a \$130 million PIPE.

"I have never seen this difficult a financing market in my career," said Lawrence

Blatt, chief executive of drugmaker Aligos Therapeutics, which raised a PIPE in October from investors including Roche Venture Fund. "It isn't going to be every biotech company that can do a PIPE."

Companies negotiate PIPEs privately with investors and only announce them after reaching a deal. PIPE investors can't trade their shares until material nonpublic informa-

Number of biotech PIPEs in the U.S.



Source: William Blair

tion they have seen is revealed publicly, said Thomas Rose, a partner with law firm Troutman Pepper Hamilton Sanders.

People once associated PIPEs with distressed companies, but that view has dissipated as strong businesses have raised these financings, said Rahul Chaudhary, senior managing director and head of healthcare equity capital markets for investment bank Leerink Partners. "The stigma of doing a PIPE that was there in the market 10 years ago isn't there today," he added.

The downshift in the public markets is leading venture firms to back public biotechs they see as better deals than

comparable private companies.

Last year, valuations reset more slowly for later-stage private companies than for public biotechs, said Lightspeed Partner Jonathan MacQuitty, because startups used tactics such as insider rounds to sustain their prices.

That led Lightspeed to consider public investments, he said, adding the firm seeks to participate in PIPEs beyond Olema's. "For about a year, we've hovered over a number of public companies where they have a reasonable amount of cash, good clinical data, and they want to extend the runway," MacQuitty said.

Olema extended its cash runway into 2027 through the PIPE and an up to \$50 million credit facility from Silicon Valley Bank. The company, which went public in 2020, says it now has capital to fund late-stage, or Phase 3, clinical trials of a drug for certain metastatic breast cancer patients.

Drugmaker Pharvaris went public at \$20 in early February 2021, shortly before the biotech industry's pandemic-era bubble popped. In June 2023, Pharvaris, which is advancing a treatment for the rare inherited disorder hereditary angioedema, raised a \$70 million PIPE.

Apple Back On Path Of Growth

Continued from page B1

secutive quarters of year-over-year declines in revenue. The last time that happened was in 2001, shortly before Apple launched the iPod after co-founder Steve Jobs returned as chief executive. For its fiscal 2023 that ended in September, sales declined 2.8%.

For Apple's outlook on the

current March quarter, the company expects the services business to grow at a similar pace as it did in the October-to-December period. Total revenue and iPhone sales will be the same excluding about \$5 billion in sales due to pent up demand in the January-to-March period last year, the company said.

In China, Apple's third-largest market, revenue declined by about 13% to \$21 billion, missing analyst estimates.

China has been the most concerning aspect of Apple's business for investors. Home-grown champion Huawei has been gaining ground since getting back into high-end phones to take on Apple. And in recent

months, China ordered central-government employees to not use iPhones or other foreign phones for work, The Wall Street Journal reported in September.

In January, Apple began offering a rare discount for its latest iPhones in the China market to counteract a downturn.

In the final quarter of 2023, overall China smartphone sales grew by 6.6% from the prior year, breaking a 10-quarter streak of declines, according to Counterpoint Research. Apple maintained the top position with a 20.2% share of the market, but its sales dropped 9%, while Huawei's sales advanced

71%.

Investors are scrutinizing Apple's prospects in its services division, which was once championed as a future growth engine as iPhone growth slowed. For the December quarter, revenue from services was \$23.1 billion, up 11.3%, slightly missing analyst estimates.

On Friday, the first-generation of the Apple Vision Pro is shipping to customers who preordered the product. Apple's first major new product in nearly a decade, the Vision Pro is a virtual-reality headset that can place digital objects around in the user's physical environment.

While the Vision Pro has

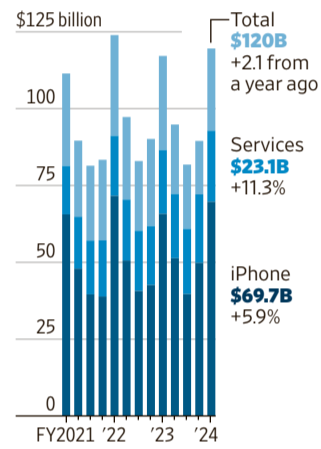
drawn enthusiasm from potential customers, investors and analysts don't expect the expensive headsets to contribute much to overall sales soon. Apple hasn't disclosed how many headsets it has sold, but the number is projected to be between 160,000 to 180,000 units when it initially went on sale, according to TF International Securities analyst Ming-Chi Kuo.

Watch a Video



Scan this code for Joanna Stern's review of Apple's Vision Pro headset.

Apple's quarterly revenue



Note: Latest fiscal quarter ended Dec. 30. Source: the company

Advertisement for 'Love Rocks NYC' featuring a large graphic of the words 'LOVE ROCKS NYC' in a stylized font. It includes a QR code, the text '8th ANNUAL', 'BEACON THEATRE 03.07.24', and lists of title, gold, and silver sponsors such as RJKB, Secunda Family Foundation, EY, and Shake Shack. It also lists media sponsors like iHeartMedia and The Wall Street Journal, and is presented by Bloomberg Philanthropies.

BUSINESS & FINANCE

Defense Contractors Say No to Pentagon

Northrop Grumman, Lockheed Martin and RTX are passing on some big deals

By DOUG CAMERON
AND DREW FITZGERALD

The Pentagon wants to develop advanced weapons systems to counter emerging overseas threats. Many defense contractors are avoiding projects that could turn into money-losers.

The industry's discontent has been brewing for months and reached a crescendo this past week when **Northrop Grumman** said it would take a charge of \$1.2 billion building the first batches of the new B-21 Raider. The long-range bomber aircraft will be capable of carrying nuclear weapons and is a centerpiece of efforts to deter military actions from China and Russia.

Inflation played havoc with cost estimates Northrop Grumman made when it beat a team of **Boeing** and **Lockheed Martin** for the initial contract in 2015. Pandemic-driven supply-chain challenges and labor shortages also made the first planes pricier to make.

Executives of U.S. defense contractors tried to reassure investors they wouldn't chase projects that presented high risks for cost overruns. The comments come as several companies have record order books from the U.S. and allies stocking up on jet fighters, missile-defense systems and other weaponry.

"We have passed on some high-profile programs," Northrop Grumman Chief Executive Kathy Warden said on an investor call last week. The company's shares fell more than 8% after it reported the charge on the B-21, wiping \$4.5 billion from its market value.

The company said in the summer that it wouldn't bid on an Air Force program to develop high-end jet fighters that



Northrop Grumman said that it would take a charge of \$1.2 billion building the first batches of the new B-21 Raider.

will replace the radar-evading F-22.

The Pentagon typically uses what are called cost-plus contracts to develop new weapons systems. Companies earn a fixed profit and the government covers unexpected expenses if problems emerge or contract requirements change.

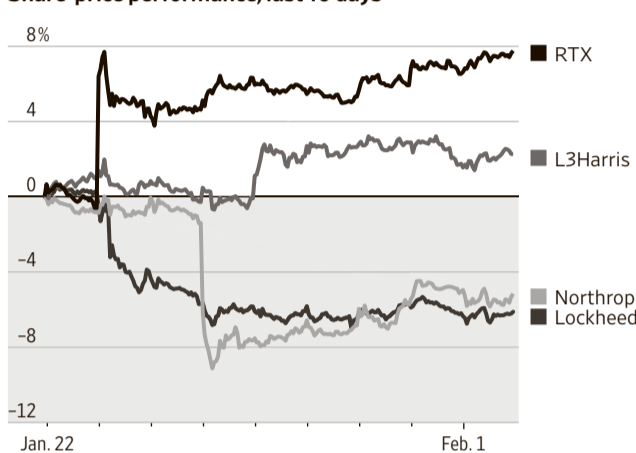
When those plans are ironed out and weapons are ready for production, the Pentagon often switches to fixed-price deals. The parties agree on a price, but companies are left on the hook if costs run higher.

Executives said the balance between risk and reward from some deals has swung too far toward the Pentagon, pushing them to avoid projects that could fuel growth.

"I will sacrifice revenue for earnings and cash every day of the year," said L3Harris Technologies CEO Chris Kubasik. The company dropped out of competing for a new Navy missile last summer, and Kubasik said last week that it had skipped another deal in the fall.

Lockheed Martin and **RTX**, the country's two biggest defense contractors by revenue,

Share-price performance, last 10 days



Source: FactSet

are both nursing losses on fixed-price Pentagon contracts.

Boeing racked up more than \$10 billion in losses because of missteps in building new refueling tankers, space taxis and jumbo jets that will carry the president on Air Force One. Boeing has since sworn off entering new fixed-price development deals with the Pentagon. The company is scheduled to issue its quarterly earnings report Wednesday.

Falling profit margins have been one of the biggest concerns among defense investors, despite companies' soaring sales. The sector has shed much of the stock-price gains that followed Russia's invasion of Ukraine nearly two years ago, with the biggest U.S. companies down an average of 10% in 2023, underperforming the S&P 500. The sector is flat this year.

"In an environment of low

inflation, people did step to the line and made bids because they were big, important programs," said TD Cowen defense-industry analyst Cai von Rumohr. "Most everybody is getting religion now, but you don't know how many companies have contracts in the closet that might have some risk to them."

Pentagon leaders said they are taking steps to alleviate future problems with more flexible contracts. "We need ways to account for unexpected economic conditions," said Gen. James Rainey, head of Army Futures Command, which runs the military branch's modernization programs. "We're not just asking industry to completely eat all that increase."

The defense budget for fiscal year 2023, which ended Sept. 30, included a pot of more than \$1 billion to compensate contractors for inflation, but little has been paid out.

Mike McCord, the Pentagon's chief financial officer, said companies hadn't provided enough information to the department to determine whether it was material and labor infla-

tion or inefficiencies at play.

The biggest risk for the Pentagon is that it receives no bids for some programs, or only from a company that can't fully meet project specifications, said military experts.

The Defense Department already faces a shrinking band of prime contractors, with only two or three typically pursuing deals. It was often double that 30 years ago.

Northrop Grumman is a product of the 1990s merger boom. The company was once a specialist in making jet fighters for the U.S. Navy. It pivoted into satellites and parts for planes such as the F-35 before its breakthrough win for the B-21 in 2015.

Nearly four years later, it beat Boeing to win another marquee deal to replace aging Minuteman nuclear missiles. The Pentagon last week said the program, known as Sentinel, was running late and expected to run over budget.

Northrop Grumman warned last year that it faced a potential loss in producing the first B-21 bombers. The plane was unveiled in December 2022 at a rare but flashy ceremony at the company's plant in Palmdale, Calif., north of Los Angeles, a place that is home to some of the Pentagon's most secretive projects.

A test plane flew for the first time in November 2023. The Air Force wants to buy at least 100 aircraft, originally priced at around \$750 million each, though the first planes off the production line tend to cost more. The actual cost of the planes now being built by Northrop Grumman hasn't been disclosed.

The company said it recorded an accounting charge when the Pentagon declined to cover higher costs resulting from the project. Dave Keffer, Northrop Grumman's finance chief, said there is still a possibility Congress will authorize additional funding to help counter inflation in the fiscal year 2024 budget.

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Aviation Industry Raises Concerns Over GPS Security

By CATHERINE STUPP

Aviation companies and European regulators say they will increase documentation and alert procedures about GPS tampering after a recent uptick in incidents near war zones.

Commercial airlines raised concerns after an increase in so-called GPS jamming, when geopositioning signals are blocked so a flight location isn't shown, and spoofing, when a GPS shows a false location, in particular in the Middle East and around Ukraine and Russia.

The incidents highlight cybersecurity risks, although they haven't caused safety issues, said Stuart Fox, director of flight and technical operations at the International Air Transport Association.

"It's a global situation," Fox said. "The Global Positioning System or satellite-based systems are very accurate, but you can't just rely on those," he said.

There were reports last year of GPS spoofing near Ukraine, and also in nearby countries such as Poland and Baltic states, and in the Mediterranean and areas around Israel, according to the European Union Aviation Safety Agency.

IATA and EASA said they would take steps to share information about incidents of GPS tampering and make sure pilots and crew can identify

when it is happening. Planes must be capable of using backup ground technology systems to navigate when GPS is spoofed or jammed, they said last week. "For the longer term, we need to ensure we are involved in the design of future satellite navigation systems. Countering this risk is a priority for the Agency," the statement said.

In some planes, pilots have been able to switch off GPS when they encounter spoof-

ing, but with other types of equipment on planes, that isn't possible because it would be too late to switch to backups, said Todd Humphreys, a professor of aerospace engineering at the University of Texas at Austin, who researches GPS spoofing.

In 2022 and 2023, EASA warned about an increase in reports of GPS spoofing and jamming incidents taking place in areas surrounding Russia, including in Finland, around the Black Sea and in the Baltic Sea area. In one bulletin, EASA said pilots were forced to reroute planes or change their destinations midflight.

Experts say the increase in

GPS spoofing affecting commercial airlines highlights the potential for the issue to cause chaos.

One result of GPS interference could be that pilots don't know exactly where the plane is situated or they could fly over conflict zones inadvertently, and signal a false position to other aircraft, he said. Pilots and other crew members need training to address cybersecurity risks just as they already think about physical safety, said

Thomas Hutin, a senior managing director at FTI Consulting.

Commercial aircraft can be collateral damage as conflicts escalate and militaries send false GPS signals to try to intercept

drones and other aircraft, Humphreys said.

The worst-case effects could be that pilots veer into airspace where they aren't authorized to be and risk their plane being shot down, he said.

To share more information, data on separate technology platforms must be coordinated, said Fox. IATA runs one such database. EASA said it would send out alerts to manufacturers, airlines and airports about attacks.

Pilots could veer into airspace where they aren't authorized to be.

Zoom to Cut About 2% of Workforce In Latest Tech-Company Layoff

By BEN GLICKMAN

Zoom Video Communications will cut almost 2% of staff, the latest in a string of tech-industry layoffs in recent weeks.

The job cuts will be division by division and will comprise less than 2% of Zoom Video's total employee base, a person familiar with the matter said Thursday.

Zoom routinely evaluates its

teams "to ensure alignment with our strategy," said a spokesperson for the company.

"As part of this effort, we are rescoping roles to add capabilities and continue to hire in critical areas for the future," the spokesperson said.

The layoffs were earlier reported by Bloomberg.

The person familiar with the matter said the company would continue to add to its head

count in 2024, including in areas such as artificial intelligence.

Zoom said a year ago it would cut about 1,300 employees, or around 15% of its staff.

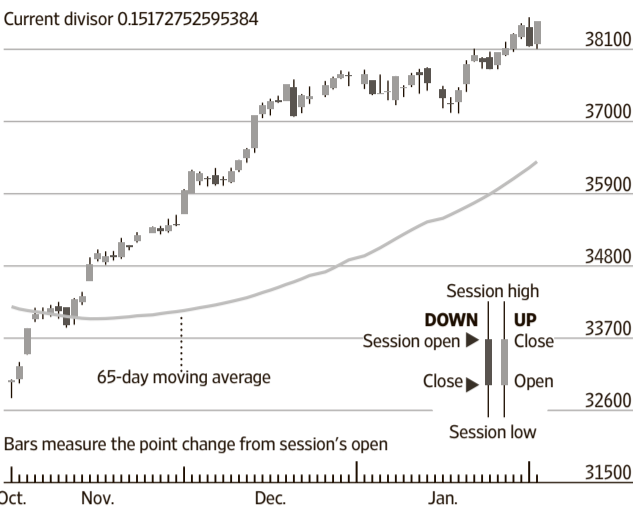
A slate of tech companies have done fresh reductions in the last month. Salesforce, Alphabet-owned Google and Amazon are among the companies that announced layoffs in January.

MARKETS DIGEST

EQUITIES

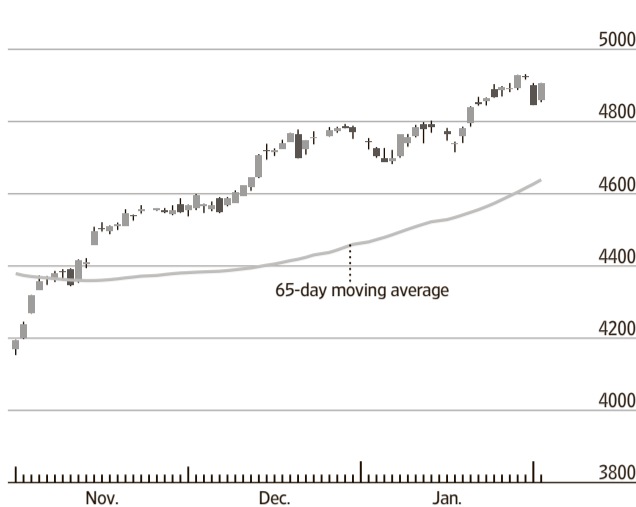
Dow Jones Industrial Average

38519.84 ▲369.54, or 0.97%
High, low, open and close for each trading day of the past three months.



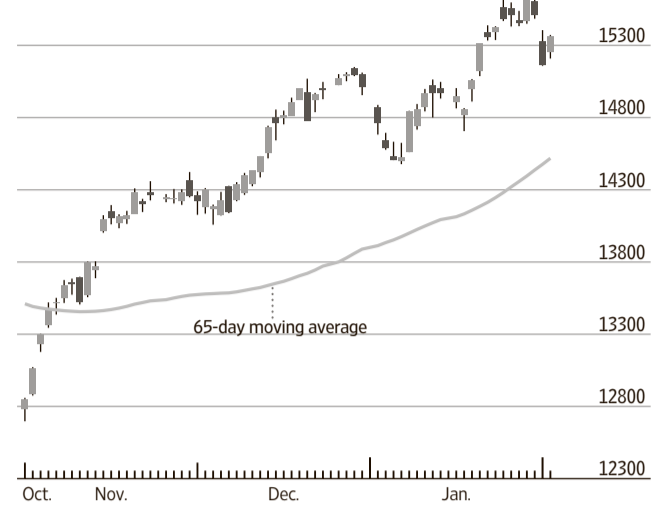
S&P 500 Index

4906.19 ▲60.54, or 1.25%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

15361.64 ▲197.63, or 1.30%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table with columns for Index Name, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD % chg, 3-yr. ann. % chg. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table of most-active issues in late trading with columns for Company, Symbol, Volume, Last, Net chg, After Hours % chg, High, Low.

Percentage gainers...

Table of percentage gainers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Trading Diary

Volume, Advancers, Decliners

Table of trading diary statistics including Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, Unchanged, New highs, New lows, Closing Arms, Block trades.

International Stock Indexes

Table of international stock indexes with columns for Region/Country, Index, Close, Net chg, Latest % chg, YTD % chg.

Percentage Gainers...

Table of percentage gainers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Percentage Losers

Table of percentage losers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Most Active Stocks

Table of most active stocks with columns for Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

Volume Movers

Table of volume movers with columns for Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

Sources: FactSet; Dow Jones Market Data

* Volumes of 100,000 shares or more are rounded to the nearest thousand

* Common stocks priced at \$2 a share or more with an average volume over 65 trading days of at least 5,000 shares. † Has traded fewer than 65 days

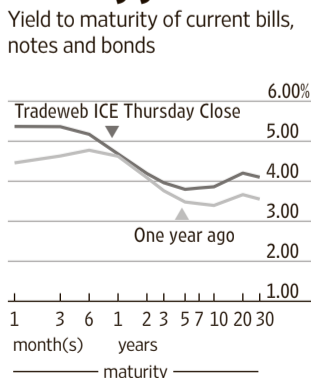
QR code and text: Scan this code. Get real-time U.S. stock quotes and track most-active stocks, new highs/lows, mutual funds and ETFs. All are available free at WSJMarkets.com

CREDIT MARKETS

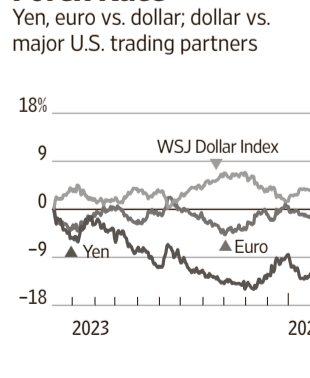
Consumer Rates and Returns to Investor

U.S. consumer rates. A consumer rate against its benchmark over the past year. Selected rates for new car loan, prime rate, SOFR, money market, mortgage rates, etc.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields with columns for Bond total return index, Close, Yield (%), 52-Week High, Low, Total Return (%).

CURRENCIES & COMMODITIES

Currencies

Table of U.S.-dollar foreign-exchange rates in late New York trading. Includes Americas, Europe, Asia-Pacific, Middle East/Africa, and Taiwan.

Commodities

Table of commodity prices with columns for Commodity, Close, Thursday Net chg, % Chg, 52-Week High, Low, % Chg, YTD % chg.

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: J.P. Morgan; Bloomberg Fixed Income Indices; ICE Data Services

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures

	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs., \$ per lb.						
Feb	3.8955	3.8955	3.8450	3.8525	-0.0500	1,950
March	3.8965	3.8975	3.8450	3.8535	-0.0525	116,865
Gold (CMX) -100 troy oz.; \$ per troy oz.						
Feb	2040.20	2064.50	2029.00	2053.00	4.60	12,326
March	2047.70	2072.90	2036.90	2061.20	3.80	2,068
April	2057.90	2083.20	2046.40	2071.10	3.70	347,413
June	2076.90	2102.50	2066.00	2090.60	3.60	31,947
Aug	2095.00	2129.70	2083.60	2107.80	3.70	18,784
Oct	2110.30	2134.90	2099.50	2123.70	3.90	5,085
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
Feb	967.70			967.70	-25.20	2
March	983.00	988.50	951.50	971.60	-25.20	19,705
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
Feb	914.00			914.00	-10.40	55
April	928.40	932.30	910.20	922.30	-10.30	64,344
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
Feb	22.875	22.875	22.50	23.130	0.079	160
March	23.055	23.365	22.630	23.236	0.067	96,487
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
March	75.96	76.95	73.70	73.82	-2.03	384,252
April	75.54	76.75	73.68	73.79	-1.92	193,594
May	75.67	76.56	73.60	73.70	-1.86	149,493
June	75.44	76.30	73.45	73.54	-1.81	161,620
July	75.11	75.94	73.20	73.28	-1.76	79,131
Dec	73.05	73.54	71.11	71.25	-1.64	173,993
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.						
March	2.7944	2.8183	2.6846	2.7129	-0.0723	112,532
April	2.7316	2.7531	2.6319	2.6558	-0.0645	58,312
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
March	2.2273	2.2607	2.1560	2.1948	-0.0364	106,630
April	2.4601	2.4906	2.3958	2.4256	-0.0375	58,321
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.						
March	2.134	2.168	2.033	2.050	-0.50	396,465
April	2.151	2.177	2.047	2.064	-0.57	148,922
May	2.239	2.262	2.139	2.156	-0.53	142,194
July	2.556	2.583	2.479	2.497	-0.09	82,272
Oct	2.679	2.704	2.607	2.624	-0.07	102,821
Jan'25	3.849	3.851	3.774	3.789	-0.21	63,617

Soybean Meal (CBT)-100 tons; \$ per ton.

	Open	High	Low	Settle	Chg	Open interest
March	368.30	370.40	358.80	361.70	-6.60	182,771
May	364.00	365.20	355.50	357.20	-6.90	129,892
Soybean Oil (CBT) -60,000 lbs.; cents per lb.						
March	46.02	46.38	45.32	45.60	-4.42	196,919
May	46.50	46.88	45.85	46.08	-4.46	140,591
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.						
March	18.03	18.19	17.89	18.11	.24	9,463
Sept	15.38	15.42	15.35	15.43	.06	1,358
Wheat (CBT) -5,000 bu.; cents per bu.						
March	595.25	603.00	587.00	601.50	6.25	191,316
July	609.75	615.00	602.25	613.75	3.50	85,540
Wheat (KC) -5,000 bu.; cents per bu.						
March	621.75	624.50	613.00	620.75	-1.25	108,740
May	621.25	622.75	612.25	619.75	-5.50	50,435
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.						
March	240.950	245.600	240.850	244.875	4.725	19,878
April	246.825	251.075	246.825	250.525	4.375	7,727
Cattle-Live (CME) -40,000 lbs.; cents per lb.						
Feb	177.725	179.975	177.575	179.750	2.400	30,364
April	181.025	183.375	180.800	183.175	2.475	113,456
Hogs-Lean (CME) -40,000 lbs.; cents per lb.						
Feb	76.150	76.675	75.700	75.800	-5.50	27,630
April	84.500	85.275	82.825	83.750	-1.075	97,105
Lumber (CME) -27,500 bd ft.; \$ per 1,000 bd ft.						
March	563.50	564.00	555.50	555.50	-6.00	5,793
May	584.00	585.00	577.00	577.50	-6.00	1,974
Milk (CME) -200,000 lbs.; cents per lb.						
Feb	16.04	16.24	16.04	16.32	.22	47,68
March	16.92	17.61	16.78	17.52	.61	6,728
Cocoa (ICE-US) -10 metric tons; \$ per ton.						
March	4,832	4,981	4,828	4,956	134	107,608
May	4,761	4,892	4,759	4,871	117	85,016
Coffee (ICE-US) -37,500 lbs.; cents per lb.						
March	193.40	195.30	191.15	194.20	.15	80,620
May	190.25	192.00	187.90	190.95	...	73,670
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.						
March	24.13	24.24	23.45	23.56	-5.7	266,952
May	23.28	23.33	22.67	22.76	-4.9	200,149
Sugar-Domestic (ICE-US) -112,000 lbs.; cents per lb.						
March	41.99			41.99	.49	518
May	41.93			41.93	.44	2,274
Cotton (ICE-US) -50,000 lbs.; cents per lb.						
March	85.10	86.90	84.80	86.49	1.32	84,533
May	86.39	88.05	86.00	87.64	1.23	72,297
Orange Juice (ICE-US) -15,000 lbs.; cents per lb.						
March	356.45	366.80	355.30	366.80	10.00	5,137
May	350.05	360.00	348.25	359.25	8.20	2,140

Interest Rate Futures

	Open	High	Low	Settle	Chg	Open interest
Ultra Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%						
March	130.050	132.190	129.160	131.220	2-15.0	1,649,154
June	131.230	134.140	131.230	133.220	2-18.0	632
Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%						
March	123.010	124.240	122.150	124.010	1-22.0	1,425,414

Food

Beef,carcass equiv. index						
choice 1-3,600-900 lbs.-u						276.14
select 1-3,600-900 lbs.-u						262.77
Broilers, National comp wtd. avg-u/w						1,278.8
Butter, AA Chicago-d						2,745.0
Cheddar cheese,bbk,Chicago-d						154.00
Cheddar cheese,blk,Chicago-d						166.75
Milk,Nonfat wtd,Chicago lb-d						123.00
Coffee,Brazilian,Comp-y						1,900.1
Coffee,Colombian,NY-y						2,130.0
Eggs,large white,Chicago-u						2,355.0
Flour,hard winter KC-p						18.65
Hams,17-20 lbs,Mid-US fob-u						n.a.
Hogs,Iowa-So. Minnesota-u						74.42
Pork,bellies,12-14 lb MidUS-u						n.a.
Pork loins,13-19 lb MidUS-u						1,043.4
Steers,Tex.-Okla. Choice-u						n.a.
Steers,feeder,Okla. City-u/w						285.25

Fats and Oils

Degummed corn oil, crude wtd. avg-u/w						n.a.
Grease,choice white,Chicago-h						0.3500
Lard,Chicago-u						n.a.
Soybean oil,refined,Centll ll-u,w						0.4868
Tallow,bleach,Chicago-h						0.3975
Tallow,edible,Chicago-u						n.a.

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.						
March	448.00	448.00	443.50	447.25	-1.00	652,302
May	458.50	458.75	454.25	458.25	-2.25	294,132
Oats (CBT) -5,000 bu.; cents per bu.						
March	380.00	385.00	372.75	384.25	1.75	2,614
May	374.00	375.25	367.50	375.50	...	688
Soybeans (CBT) -5,000 bu.; cents per bu.						
March	1221.25	1221.75	1199.50	1203.25	-19.00	301,792
May	1231.75	1232.00	1210.75	1213.75	-19.00	180,657

Cash Prices | wsj.com/market-data/commodities

Thursday, February 1, 2024

These prices reflect buying and selling of a variety of actual or "physical" commodity in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Thursday	Thursday	Thursday
Energy			
Coal,C,Aplc,12500Btu,1.2502-r,w	71.000		
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w	14.000		
Metals			
BMI Lithium Carbonate, EXW China, +99.2%-v/w	13200		
BMI Lithium Hydroxide, EXW China, +56.5%-v/w	11475		
BMI Cobalt sulphate, EXW China, +20.5%-v/w	4448		
BMI Nickel Sulphate, EXW China, +22%-v/w	3628		
BMI Flake Graphite, FOB China, +100 Mesh, 94.95%-v/m	538		
Fibers and Textiles			
Burlap,10-oz,40-inch NY yd-r,w	0.7575		
Cotton,11/16 std lb-md/Mp/s-u	0.8449		
Cottonseed meal-u/w	35.0		
Hominy feed Cent ll-u/w	188		
Meat-bonemeal,50% pro Mnp/s-u	220		
Oats, No.2 milling, Mnp/s-u	4.4425		
Rice, Long Grain Milled, No. 2 AR-u,w	36.25		
Sorghum, (Milo) No. 2 Gulf-u	n.a.		
Soybean Meal Cent ll, rail ton 48%-u/w	369.50		
Soybeans, No.1 yllw ll, b/p-u	11.7900		
Wheat, Spring 14%-pro Mnp/s-u	9.7100		
Grains and Feeds			
Bran,wheat middlings, KC-u,w	150		
Corn,No. 2 yellow, Cent ll-b/p-u	4.2500		
Corn gluten feed, Midwest-u,w	164.9		
Corn gluten meal, Midwest-u,w	455.0		
Cottonseed meal-u/w	35.0		
Hominy feed Cent ll-u/w	188		
Meat-bonemeal,50% pro Mnp/s-u	220		
Oats, No.2 milling, Mnp/s-u	4.4425		
Rice, Long Grain Milled, No. 2 AR-u,w	36.25		
Sorghum, (Milo) No. 2 Gulf-u	n.a.		
Soybean Meal Cent ll, rail ton 48%-u/w	369.50		
Soybeans, No.1 yllw ll, b/p-u	11.7900		
Wheat, Spring 14%-pro Mnp/s-u	9.7100		
Other metals			
LBMA Platinum Price PM	*924.0		
Platinum,Engelhard industrial	912.0		
Palladium,Engelhard industrial	965.0		
Aluminum, LME, \$ per metric ton	*2232.0		
Copper,Comez spot	3.8525		
Iron Ore, 62% Fe CFR China-s	*131.8		
Steel, HRC USA, FOB Midwest Mill-s	*1080.0		

BANKING & FINANCE

Deutsche Bank Unveils Job Cuts, Plans Payout Boost

By PATRICIA KOWSMANN

Deutsche Bank is planning sizable job cuts once again, even as Germany's largest lender touts a strong outlook for the years ahead.

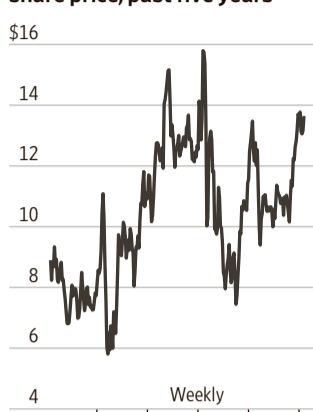
Under Chief Executive Christian Sewing, the lender's management is years into a long turnaround effort. Sewing and his colleagues want to get a grip on costs and boost its sluggish share price, ensuring the bank can keep rewarding shareholders while interest rates are set to fall.

Deutsche Bank slashed its workforce from the equivalent of over 100,000 staff in 2015 to about 83,000 in 2021, but head count has since risen above 90,000. On Thursday, the bank said it planned to shed 3,500 non-client-facing employees through 2025, a figure that includes 800 positions that it cut last year.

"Let me stress that cost discipline continues to be our top priority," Sewing said, adding the bank would take further measures if the market environment deteriorates. The bank's cost-to-income ratio for last year was 75%, much higher than the 62.5% it promised for 2025.

Deutsche Bank said revenue had risen more than expected,

Deutsche Bank's U.S.-traded share price, past five years



Source: FactSet

as a result of high interest rates and more fee-driven businesses. The latter will help it weather a drop in rates ahead, it said.

Deutsche Bank recovered from a profitability crisis that took hold in 2015, but hasn't yet been able to pay much out to shareholders through dividends or buybacks, putting a lid on its stock-market performance.

The bank said it would return 1.6 billion euros, or some \$1.7 billion, to investors in the first half of this year, partly through buybacks. It hopes to more than double its dividend

over the next two years, to €1 a share for 2025.

For the German bank's plan to work, it needs to control costs, which has been a struggle. Part of the problem: Deutsche Bank says it needs to spend more now to save money later.

Since taking over in 2018, Sewing has spent on improving infrastructure and boosting controls against money laundering. Deutsche Bank wants to grow in some areas, like corporate cash management, that require more hires.

For the fourth quarter of last year, the bank reported a profit of €1.43 billion, down 28% from a year earlier, when it notched gains from the sale of a business in Italy and a chunky U.S. tax benefit.

Revenue rose 5%, with an equivalent rise in costs. Deutsche Bank said it now expects annual revenue to grow by more than €3 billion by 2025 to reach €32 billion.

In both corporate and retail banking, higher interest rates boosted quarterly results. Sewing said some delayed benefits from higher rates could be apparent this year and next, while the bank also plans to grow fee income further.

In investment banking,

quarterly revenue increased 10%.

In bond and currency trading, revenue rose 1%, beating a 9% fall on average for Wall Street peers.

So far, bad-debt problems have been relatively contained despite Germany's sluggish economy and a steep downturn in U.S. commercial real estate. Still, quarterly provisions rose 39% to €488 million.

There were some disappointments in the results, said RBC analyst Anke Reingen, including on investment-banking revenue and costs, and more evidence was needed for analysts to increase their expectations.

Sewing said this year had started strongly, another sign the bank is on the right path.

The bank's positive tone contrasted with French competitor BNP Paribas, which lowered its profit target for 2025 on Thursday, blaming a bank levy in Belgium and lower interest on money parked with the European Central Bank.

BNP, however, is more profitable and its targets are higher.

Deutsche Bank stock rose 5.8% to \$13.60 in New York trading.



Philipp Rickenbacher has been CEO since September 2019.

Julius Baer CEO To Step Down After Losses

By ED FRANKL

Julius Baer Group said its chief executive officer will step down after it reported major losses related to its exposure to Austria's Signa Group.

The Swiss wealth manager said Thursday that Philipp Rickenbacher would step down, with Nic Dreckmann, current deputy CEO and chief operating officer, to become interim CEO while the board launched an external search for a successor, to be concluded in due course.

This comes as the company released full-year 2023 results that were hit by net credit losses of 606 million Swiss francs, equivalent to \$703 million, including a single loan-loss allowance of CHF586 million for a large private-debt exposure disclosed in November last year.

Julius Baer didn't name the client, but The Wall Street Journal and others reported that they were backed by Austrian property group Signa, once steered by tycoon Rene Benko. Signa filed for insolvency late in 2023.

Shares have barely recovered since diving more than 20% in November last year after it confirmed some of the first provisions for bad loans.

Benko invested in a number of holdings in recent years, including stakes in Manhattan's Chrysler Building, Swiss department-store chain Globus and London luxury retailer Selfridges. But as interest rates ramped up, Signa found itself with rising debts. Its subsidiary, German retail chain **Galeria Karstadt Kaufhof**, filed for insolvency ear-

lier in January.

Julius Baer's exposure comprised "three loans to different entities within a European conglomerate active in commercial real estate and luxury retail," it said.

"Speaking on behalf of the entire board of directors, I deeply regret that the full loss allowance for the largest exposure in our private-debt business has significantly impacted our net profit for 2023," the lender's chairman said.

Rickenbacher, who has been CEO since September 2019, and five executives directly involved in credit decisions won't receive bonuses for 2023, the company said. The board's chair of governance and risk, David Nicol, will also not stand for re-election at the company's 2024 annual general meeting.

The company also said it would exit its private-debt business, the source of Signa's loans, to refocus all lending activities on mortgage and credit businesses, where it has a successful long-term track record, it said.

It will wind down its remaining private debt book of around CHF800 million, or 2% of its total loan book.

For its full-year results, Julius Baer made a profit of CHF454 million, down 52% compared with the prior year, and declared a dividend of CHF2.60.

It had net new money inflows of CHF12.5 billion across the year, despite continued client deleveraging, it said, taking advantage of some of the turmoil as its domestic peer Credit Suisse collapsed early in 2023.

After Earnings Drop, BNP Paribas Cuts Its Prediction for Net Profitability

By HELENA SMOLAK

BNP Paribas cut its 2025 profitability target after its fourth-quarter net profit fell on higher costs and missed expectations.

The French bank, the largest in the eurozone by market capitalization, said on Thursday that it now expects net profit to grow about 8% annually on average between 2022 and 2025, down from its previous target of more than 9%.

The lender also cut its 2025 target for return on tangible equity—a key profitability metric for banks—to between 11.5% and 12% from around 12% previously.

It said it is confident the previous target will be achieved in 2026.

BNP Paribas attributed the change to mandatory reserve rules by the European Central Bank, a bank levy in Belgium and an issue of Belgian government bonds.

For the fourth quarter, the



Fourth-quarter net profit and revenue came in below analysts' consensus forecasts.

bank reported net profit of €1.07 billion, equivalent to about \$1.16 billion, down from €2.14 billion in the same period in 2022.

BNP Paribas's revenue edged up 0.1% to €10.90 billion.

The results were below analysts' expectations of net profit of €1.77 billion and revenue of €11.42 billion, according to consensus estimates provided by FactSet.

Operating costs rose, as did the group's cost of risk due to

provisions on portfolios of nonperforming loans, it said.

BNP said it plans to launch a share buyback valued at €1.05 billion in 2024.

The company raised its dividend for 2023 by 18% to €4.60 a share.

Petmate Plans to Restructure Debt, Give Lenders Control

By ALEXANDER GLADSTONE

Petmate, the **Platinum Equity**-owned pet company, is nearing a deal to restructure its balance sheet and transfer control to its lenders after consumer demand for its products proved insufficient to satisfy its debt obligations, according to people familiar with the matter.

The company has engaged the law firm Milbank to advise on the restructuring, which could take place either in or out of a bankruptcy court, the people said. A group of lenders is working with the law firm Gibson Dunn & Crutcher and is in discussions with Petmate over its proposed reorganization plan.

Under the proposal, Petmate lenders would swap much of the roughly \$750 million of debt for equity in the company. The deal would reduce Petmate's debt by about \$600 million, said one of the people familiar with the matter.

Platinum, the Beverly Hills,

Calif.-based private-equity firm led by Tom Gores, last year provided Petmate with a loan to help buy the company some time to work out a restructuring plan.

Petmate is known for its dog kennels, houses, toys, and other canine treats and accessories. Platinum acquired the company in 2021. Petmate subsequently faced earnings erosion as pet owners scaled back spending due to inflation and sought lower-cost options.

A number of Platinum's other portfolio companies restructured their debt last year. The firm agreed to write an extra check for Yak Access last January to facilitate an out-of-court restructuring for the construction materials firm. In May, Platinum lost control of fabric maker Elevate Textiles through another out-of-court workout. In June, Platinum's aerospace supplier Incoira filed for bankruptcy to address its \$3.1 billion debt load and litigation filed by some of its creditors.

Petmate is known for its dog kennels, houses and other products.



Mattel brands include Barbie, Hot Wheels, Thomas & Friends and Uno, the popular card game. A toy store in New York City.

Activist Targets Mattel

Continued from page B1

later. There's no guarantee Barington's campaign will gain traction. Activist shareholders often take stakes and push for change, only to quietly go away after they get no joy.

Hasbro, Mattel's archrival, in 2022 fended off a board challenge from an activist who

wanted the toy maker to explore spinning off one of its units and make other changes.

Hasbro previously tried to take over Mattel, making an offer for a deal that would have united the two biggest U.S. toy makers and put Barbie and G.I. Joe under the same roof, the Journal reported in 2017.

El Segundo, Calif.-based Mattel's portfolio of brands also includes Barbie, Hot Wheels, Thomas & Friends and Uno, the popular card game. The company has a market capitalization of about \$6.5 billion.

Kreiz has been focused on

efforts to tap into the value of Mattel's intellectual property through other ventures such as films. He has helped repair Mattel's relationships with retailers and Hollywood studios. The company has a number of live-action movies in the works, including one about Hot Wheels, Uno and the purported dinosaur Barney.

In its letter, Barington applauded Mattel on the recent theatrical release of the Barbie movie and the performance of other brands.

Regarding American Girl and Fisher-Price, which sits in Mattel's infant, toddler and preschool segment, Barington

wrote: "We believe that these brands are now detracting from the success at Mattel's other segments, and hurting shareholder value." It added that these two segments are "putting a dark cloud over the company."

Barington was founded in 2000 by Mitarotonda, who has sat on boards of companies including Pep Boys and Avon Products. The firm has successfully pushed for changes at retailers and restaurant chains including L Brands, which broke up into Victoria's Secret and Bath & Body Works, and Olive Garden parent Darden Restaurants.

MARKETS

Tech Giants Lead Market Rebound

Dow sets eighth record close of year, most S&P sectors rise at least 1%

By HANNAH MIAO

Stocks bounced back from a selloff Wednesday sparked by a shift in interest-rate expectations.

The S&P 500 rebounded 1.2%. The Dow Jones Industrial Average gained about 370 points, or 1%, fully recovering from Wednesday's decline. The index rose to record of 38519.84, its eighth record close of 2024.

The Nasdaq Composite climbed 1.3%. Eight out of 11 sectors of the S&P 500 rose at least 1%. Investors reset their outlooks on the path of interest rates after Federal Reserve Chair Jerome Powell on Wednesday signaled that a March rate cut was unlikely, sending the S&P 500 to its worst one-day percentage decline since September.

Optimism that inflation had slowed enough for the Fed to cut rates early this year had propelled stocks to records in recent weeks.

A month ago, traders were pricing in a nearly 89% chance

that the Fed would reduce interest rates in March, according to CME Group. Traders now see a roughly 39% probability. "You do see a market that is getting gyrated," Matt Lloyd, chief investment strategist of Advisors Asset Management, said of the changing outlook on Fed policy. "They can't tell if it's a storm or a gust of wind."

The yield on the 10-year U.S. Treasury note—a benchmark for borrowing costs ranging from mortgages to corporate loans—dropped to 3.862%, from 3.965% on Wednesday. That was the lowest closing level of this year, according to Dow Jones Market Data.

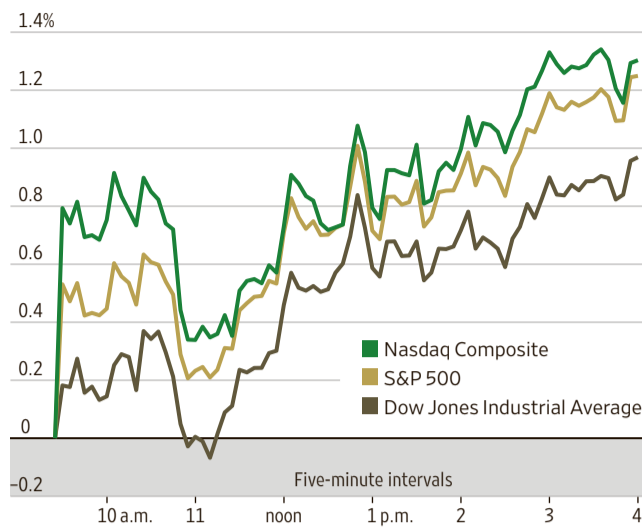
The drop in yields and correlating rally in bond prices reflect increased concerns about the economy, said Brad Conger, chief investment officer at Hirtle Callaghan & Co.

"The market thinks the economy really needs an interest-rate cut," Conger said. "It says people are starting to worry about a recession."

The major U.S. stock indexes were bolstered Thursday by gains across the megacap tech stocks known as the Magnificent Seven: Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia and Tesla.

Quarterly earnings reports this week have cast a spotlight on the tech behemoths. Apple,

Index performance on Thursday



Source: FactSet

Amazon and Meta Platforms late Thursday reported results that beat Wall Street's expectations for revenue. Alphabet and Microsoft shares declined earlier this week after the companies' quarterly reports, despite meeting analyst expectations for profit and sales.

"These stocks have been priced for perfection," said Megan Horneman, chief investment officer at Verdence Capital Advisors, of the Magnificent Seven.

Regional bank stocks remained under pressure a day after New York Community

Bancorp reported a surprise fourth-quarter loss and slashed its dividend. NYCB shares fell 11% on Thursday, after dropping 38% on Wednesday. The SPDR S&P Regional Banking ETF shed 3.1%.

Shares of Peloton fell 24% after the fitness-equipment company reported another drop in quarterly revenue and cut its annual outlook. Qualcomm's stock eased 5% after the mobile-phone chip giant released a revenue forecast on the lower end of Wall Street's expectations.

Etsy's stock gained 9.1% af-

ter the online marketplace said it would add a member of hedge fund Elliott Investment Management to its board. Norfolk Southern shares popped 9.1% after The Wall Street Journal reported an investor group has taken a big stake in the railroad operator and is aiming to overhaul its board and replace its chief executive.

Brent crude lost \$1.85, or 2.3%, to \$78.70 a barrel.

Overseas, the Stoxx Europe 600 fell 0.4%. At midday Friday, South Korea's Kospi was up 2.1%, Hong Kong's Hang Seng Index was up 1.4% and Japan's Nikkei 225 was up 1%. S&P 500 futures rose 0.6%.

AUCTION RESULTS

Here are the results of Thursday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$264,420,048,100
Accepted bids	\$95,468,290,700
* noncompetitively	\$5,319,567,000
* foreign noncompetitively	\$0
Auction price (rate)	99.589333 (5.280%)
Coupon equivalent	5.390%
Bids at clearing yield accepted	57.31%
Cusip number	912797J63
The bills, dated Feb. 6, 2024, mature on March 5, 2024.	

EIGHT-WEEK BILLS

Applications	\$248,294,064,700
Accepted bids	\$90,443,454,700
* noncompetitively	\$1,659,098,500
* foreign noncompetitively	\$0
Auction price (rate)	99.181000 (5.265%)
Coupon equivalent	5.397%
Bids at clearing yield accepted	33.82%
Cusip number	912797J12
The bills, dated Feb. 6, 2024, mature on April 2, 2024.	

Ad Agency to Pay \$350 Million Over Opioid Marketing

By KATIE DEIGHTON AND PATRICK COFFEY

Publicis Health, part of ad giant Publicis Groupe, has agreed to pay \$350 million to settle claims that its advertising campaigns for Purdue Pharma played a role in the opioid crisis, according to the office of New York State Attorney General Letitia James.

The agreement also prohibits Publicis from accepting any future contracts or engage-

ments related to the marketing or sale of opioids, James said in a statement Thursday. Publicis must pay the settlement within 60 days and release hundreds of thousands of documents detailing its past work for Purdue, according to the statement. The total will be divided among all 50 states as well as the District of Columbia and U.S. territories, according to a spokeswoman for James's office.

The settlement isn't an ad-

mission of wrongdoing, and Publicis Health will defend itself against any further litigation not resolved by the agreement, the company said.

"The fight against the opioid crisis in the United States requires collaboration across industries, lawmakers and communities, and we are committed to playing our part," Publicis said.

The payment forms part of a nationwide crusade to punish companies considered to

have played a part in fueling the U.S. opioid epidemic.

Purdue filed for bankruptcy in 2019 after thousands of lawsuits from state and local governments alleged the company oversupplied OxyContin, though its bankruptcy plan remains in legal dispute. It pleaded guilty in 2020 to three federal felonies related to marketing and distributing the drug.

Publicis is the first advertising agency to be held re-

sponsible for its role in driving demand for opioids, according to James.

Publicis worked with Purdue from 2010 until 2019, developing marketing campaigns and materials promoting OxyContin as well as the opioid brands Butrans and Hysingla, James said.

At the heart of the Publicis settlement is Purdue Pharma's "Evolve to Excellence" campaign, which identified doctors who prescribed the most

OxyContin and targeted them with sales calls and marketing, according to James's office. The campaign advertised the "abuse-deterrent" aspects of the painkiller to doctors and encouraged increasing patients' dosages, James said.

Publicis Health created advertisements and materials such as pamphlets and brochures that promoted OxyContin as safe and unable to be abused, though this wasn't true, James said.



Palo Alto was found to have infringed technology that stops hackers from breaching networks.

Palo Alto Networks Must Pay Centripetal in Patent Dispute

By JAMES RUNDLE AND CATHERINE STUPP

Palo Alto Networks must pay Centripetal Networks \$151.5 million after a jury found the security giant infringed on several patents.

The decision, delivered Wednesday in federal court in the eastern district of Virginia, awarded Centripetal about \$37.9 million for each of the four patents it found Palo Alto Networks had infringed.

"We respectfully disagree with the jury's decision, which we believe is contrary to both the law and the extensive evidence we presented at trial," a spokesperson for Palo Alto Networks said.

The company plans to seek relief through posttrial motions.

Jonathan Rogers, Centripetal's chief operating officer, said, "As a company, we strongly believe in the protection of intellectual property. The safeguarding and protection of IP patents is critical for fostering technological creativity, innovation and growth."

Reston, Va.-based Centripetal sued Palo Alto Networks in 2021, alleging that elements of the Santa Clara, Calif.-based security giant's Cortex cybersecurity platform and Next-Generation Firewall product illegally

used its patents in technology that detects and stops hackers from breaching computer networks. The technology in question logs, checks and filters data packets through a set of rules to sift legitimate traffic from malicious access.

Centripetal, which specializes in combining threat intelligence with network security, claimed in its original complaint that the two companies had discussed a partnership as far back as 2016. It said it had shared details of its proprietary technology with Palo Alto Networks at the time, although no partnership emerged from the discussions.

Founded in 2009, Centripetal has filed a number of patent-infringement lawsuits. In 2018, it sued networking-equipment company Cisco Systems, alleging that the company violated its patents in its firewalls. The U.S. District Court for the Eastern District of Virginia ruled in favor of Centripetal in October 2020, awarding it \$1.9 billion in damages, which at the time was the largest such infringement award in U.S.

history. The award was later overturned.

In 2017, Centripetal sued Santa Rosa, Calif.-based security company Keysight Technologies, alleging patent infringement in data-handling technology. The case was settled with Keysight agreeing to a multiyear licensing period.

As the cybersecurity industry matures and becomes more profitable, patent lawsuits have increased, said Jeff Pol-

lard, a vice president and principal analyst at Forrester Research. Such cases can be difficult, as cybersecurity products such as firewalls often function according to common engineering principles, he said.

"We're going to have patent dispute after patent dispute over things that frankly see and sound like very standard features of a network device," he said.

More than 1,400 patent applications related to cybersecurity have been filed worldwide since 2019, according to WIPO Patentscope, a patent research group.

A jury awarded \$151.5 million to the network-security company.

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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY



A pause or stop on new projects likely won't benefit the environment if LNG buyers shift to older construction-ready projects from newer, cleaner ones.

Biden Gas-Export Decision Created Lots More Smoke Than Fire

Pausing LNG approvals was easy, especially with so many permitted projects struggling to secure contracts

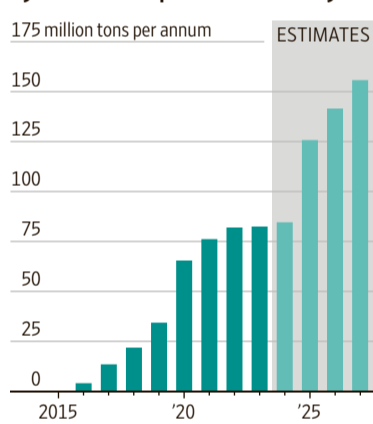
The Biden administration's temporary pause on liquefied-natural-gas export-terminal approvals is seen as a win by environmental groups and domestic energy users and a loss for the energy industry. The reality is a lot murkier.

The White House said last Friday it would halt reviews on export applications as it updates the underlying economic and environmental analyses for authorizations. It noted that the framework currently used by the Energy Department is about five years old.

Even without the decision, though, there was likely going to be a natural lull in the build-out of facilities to export the supercooled fuel. The U.S. has already granted non-free-trade-agreement export authorizations to projects amounting to 48.6 billion cubic feet a day. Out of those, projects with a total capacity of 22.16 bcf/d—about 46%—hadn't started construction as of the end of 2023, which likely means they haven't secured enough contracts to reach final investment decisions.

Of course there could be all sorts of reasons why projects don't

U.S. LNG export capacity by commercial production start year



Source: S&P Global Commodity Insights

cross the finish line. The management team might be bad at negotiating with LNG buyers, for example. But the size of this overhang suggests that gas buyers around the world aren't clamoring to secure supply in the medium term. Qatar—another top exporter—also has been slow to sign contracts, according to an August report from S&P Global Commodity Insights.

Wood Mackenzie estimates that an 18-to-24-month delay could be absorbed by the global LNG market given how many projects are already under construction in the U.S.

That said, a prolonged pause or an outright stop on new projects likely won't benefit the environment if it causes LNG buyers to sign contracts with older construction-ready projects instead of newer ones with cleaner technology. The Energy Department itself said in a policy statement last year that the authorization overhang "may serve to discourage or delay potential new entrants to the U.S. export market—including those that seek to use newer technology and to adopt better environmental practices." The other obvious point, of course, is that other natural-gas-producing countries—and possibly those without the motivation to produce LNG in a cleaner way—will step in as long as there is demand.

There is also no guarantee that limiting LNG exports will help bring domestic natural-gas prices down, though it probably will limit volatility. They have definitely be-

come more linked to global prices—that was painfully obvious after Russia invaded Ukraine. However, even as U.S. LNG export capacity nearly quadrupled over the past five years, domestic natural-gas prices have averaged less than \$3 per million British thermal units in three out of those five years. They are closer to \$10 in Europe and Asia. Arguably, with domestic natural-gas demand growth slowing, U.S. producers don't have an incentive to invest in production without the prospect of LNG export growth.

Ben Cahill, senior fellow at the Center for Strategic and International Studies, suggests that the U.S. could simply tighten emissions standards on existing LNG export terminals. If the U.S. could get that right, it could also end up being a competitive advantage for domestic fuel because LNG buyers are already demanding cleaner standards, he notes.

That would be a less eye-catching move, but one that could end up addressing both climate and U.S. energy industry concerns.

—Jinjo Lee

The Fed's Right Rate Is Up For Debate

Standard models show it should be lower

The Federal Reserve is likely to start lowering its target range on interest rates sometime in the next several months. Just how much lower rates should go is where things get tricky.

Models that the Fed keeps an eye on suggest rates should already be lower than they are now. But the economy might not be running to model, and the sharp drops in Treasury yields and other long-term interest rates since last fall add further complexities.

The Fed's policy-setting committee on Wednesday left the central bank's target rate at a range of 5.25% to 5.5%. But it introduced language to its policy statement that indicated a bias toward cutting rates, while also hedging on when the first cut will come: "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent."

After Fed Chair Jerome Powell in his news conference said that the base case for the Fed's first rate cut isn't at its next meeting, in March, investors reset their expectations, with interest-rate futures now implying a May start for rate cuts. Still, by the end of the year, futures imply the Fed will have cut its target by 1.5 percentage points—with the caveat that some possibility of a recession is still embedded in that forecast. Fed policymakers in December projected a 0.75-percentage-point cut in their rate range this year.

So where should rates be? There has been a lot of focus recently on the long-term neutral rate—the just-right level of rates for when inflation is at the Fed's 2% target, and the economy is growing at just the right pace to keep it there. When thinking about where rates ought to be, economists rely on a variety of models. Many of them are riffs on the Taylor rule, put forth by Stanford's John Taylor in 1993. The complexity of these Taylor-style models varies, but in essence, they typically look at what inflation is doing versus where the central bank wants it, how fast the economy is growing versus an assumption of how fast it ought to grow without moving inflation off target, and spit out an answer.

The Federal Reserve Bank of Atlanta has set up a "Taylor Rule Utility" webpage that provides the outputs from three Taylor-style models, each of which shows that under reasonable assumptions, the Fed's target rate ought to have been lower in the fourth quarter, heading lower still this quarter. The Federal Reserve Bank of Cleveland does a similar exercise across seven models. Its most recent update, in December, showed that the median "right" level for rates as of the fourth quarter was 5.1%, falling to 4.8% in the current quarter and 3.9% by year-end.

Following Wednesday's policy decision, Powell noted that the central bank regularly consults Taylor and non-Taylor rules, but, he added, "I don't think we have been in a place where we have been setting policy by them."

Uncertainty over whether inflation will keep cooling might not be the only thing staying the Fed's hand on rate cuts. The Commerce Department reported last week that gross domestic product grew at a 3.3% annual rate in the fourth quarter, so there is some question over how much restraint short-term rates are placing on the economy. Plus long-term rates have fallen a lot lately: The yield on the 10-year Treasury, which briefly hit 5% in October, finished at 3.97% on Wednesday. This has brought interest-rate costs down for some borrowers, such as companies tapping the bond market, making financial conditions easier.

What is useful about the models now isn't so much that they are prescribing rate cuts, but that they are telling policymakers that it is all right to cut rates even if nothing goes awry with the economy and that they can cut them a bit more deeply than they previously supposed. That may ultimately matter more than whether rate cuts start in March or May.

—Justin Lahart

Nobody Wants Yesterday's EV Spinoffs

Electric-vehicle spinoffs once looked like a road to redemption for traditional car companies. They have turned into a liability.

Volvo Car said Thursday it would provide no further funding to **Polestar Automotive**. The Polestar brand was spun out of Volvo Car in 2017 as an EV joint venture with the Swedish company's own majority owner, Chinese auto investor **Geely**. Volvo Car is also considering distributing its Polestar stock to shareholders.

The result would be to disentangle today's cross-shareholdings so that Geely ends up owning most of both companies directly, rather than controlling Polestar partly through Volvo Car. For Pole-

star's minority shareholders it might not make much difference, but for Volvo's the potential distribution promises to loosen ties with a problem child.

Volvo Car's American depositary shares jumped more than 30% in Thursday's trading. Investors also were responding to encouraging quarterly results.

Gross margins were better than expected for both regular cars and EVs. The company also clarified key targets, including an operating margin exceeding 8% in 2026, excluding Polestar.

When Volvo Car held its initial public offering in October 2021, its then roughly half stake in the EV brand was seen as a portfolio

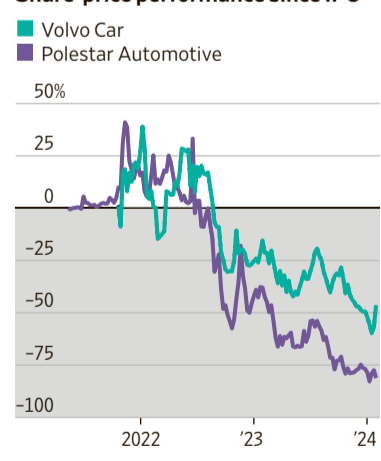
jewel. Weeks before, Polestar had agreed to a merger with a special-purpose acquisition company that valued it at \$20 billion. After funding challenges and delays in launching new models, the startup now has a market value of just \$4.6 billion.

Similarly, French carmaker **Renault** on Monday abandoned a plan to spin off its own EV business through an IPO. The project only made sense when valuations were much frothier, which might have allowed the unit to fund its expansion by tapping the market.

Cash-burning EV spinouts seem to be the last thing investors want to own right now.

—Stephen Wilmot

Share-price performance since IPO



Source: FactSet

Shell Keeps Pumping Cash to Shareholders

Even as oil and gas prices cool, **Shell** is keeping the spigots open for investors.

Shares in Europe's biggest energy company rose 2% on Thursday after it reported better than expected fourth-quarter earnings, increased its dividend and unveiled a \$3.5 billion share buyback program.

In total, Shell handed \$23 billion to investors throughout 2023—42% of cash flow from operations and slightly above its tar-

geted range of 30% to 40% of cash flow. Shell's Chief Executive Wael Sawan is trying to win back shareholders after his predecessor slashed the company's dividend for the first time since World War II during the pandemic.

Complicating that job, energy prices were much lower last year compared with a bumper 2022, when war in Ukraine sent oil and gas prices through the roof. In 2023, Europe's benchmark TTF gas index was 70% below 2022 prices on aver-

age. Brent crude prices averaged \$82 a barrel, or 16% less than 2022.

Shell's gas-trading unit juiced profits by exploiting price differences between liquefied natural gas in Europe and Asia—an activity Shell and its local peer BP excel at compared with American rivals Chevron and ExxonMobil. Shell ripped out around \$1 billion in costs, mainly from divestments, and saved cash by cutting investments in its chemicals and renewable-energy divisions.

This last point won't please critics who say Shell isn't doing enough to shift away from dirty fossil fuels. But investors seem happier: As a multiple of projected earnings, the valuation gap between Shell and its U.S. peers has shrunk from nearly 40% when Sawan laid out his new strategy last summer to 25% today.

In a less benign environment for energy companies, Shell has every reason to do what it takes to keep the cash coming.

—Carol Ryan



\$72.5 Million
In Greenwich Village, a double-wide townhouse has sold. **M2**

MANSION

\$22.75 Million
Pebble Beach house built in the 1920s lists. **M3**



Kimmiie Turiansky's closet has a display case custom built for her Chanel roller skates, left. When the Turianskys renovated their house, they nearly doubled the size of Kimmie's closet.

Luxury Closets Get SUPERSIZED

Budgets for high-end closets have skyrocketed, as homeowners opt for large and luxurious spaces where they can entertain friends

BY SARAH PAYNTER

On an October evening, Kimmie Turiansky and four girlfriends sipped pink champagne in her Bedminster, N.J., home as they prepared for a night out. Chandeliers illuminated silk wallpaper and pink window treatments as pop music blared, while the women swapped clothes and perched on window seats.

The primary setting for all this activity wasn't Kimmie's bedroom or bathroom, but the

roughly 470-square-foot closet she created at a cost of roughly \$120,000 during a recent home renovation.

"It didn't feel like this was my house until this was done," Kimmie, 49, said of the closet. "This is truly the only space that is mine alone."

Closets in luxury homes are getting bigger and more expensive, industry experts say, as homeowners look to display increasingly extensive, curated fashion collections. Closets are also doubling as entertaining

Please turn to page M8

\$200,000 - \$300,000
Average budget for top-of-the-line closets

\$60,000 - \$80,000
Average budget for top-of-the-line closets 10 years ago



Kimmiie Turiansky



Is \$100 Million the New Normal?

There have been more luxury real-estate deals over this sky-high benchmark since 2020 than in all the years of the previous decade combined

By E.B. SOLOMONT

IT HAS BEEN nearly 20 years since the country's first \$100 million home sale, but in some ways the market is just taking off: Since 2020, at least 24 homes nationwide have traded for \$100 million and up, more than the total number of nine-figure sales during the entire prior decade combined.

The 24 homes, and their uber-wealthy owners, also tell the compelling story of massive wealth creation and migration in the U.S. since the onset of the pandemic, with a dramatic surge in nine-figure deals in Florida in recent years. Since 2020, three homes over \$100 million have changed hands in New York City compared with six in and around Palm Beach, including a \$170 million deal in 2023 that set a Florida sales record.



MIAMI
Purchase Price: \$106.875 million

Ken Griffin paid nine figures for this 4-acre estate in 2022.

"People's wealth has grown so substantially and there's such limited product," said Chris Leavitt of Douglas Elliman in Palm Beach. "There are more billionaires than there are oceanfront, sprawling estates."

Los Angeles and Malibu, Calif., have also notched a string of major transactions, gaining steam as the wealthy sought space and privacy during the pandemic or picked up second homes. Last year, entertainment power couple Beyoncé and Jay-Z paid \$190 million for a mansion in Malibu that set a California sales record—and sparked predictions that the \$200 million threshold is within reach.

"Soon \$100 million will be \$200 million, that's the way it's going," said Drew Fenton of Carolwood Estates in Beverly Hills. "We're inching closer to it."

Nationwide, the number of megadeals skyrocketed as the ranks of ultrawealthy individuals swelled around the globe. There were 3,194 billionaires in 2023, up from 2,170 in 2013, according to wealth research firm Wealth-X.

Meanwhile, luxury home prices

Please turn to page M4

PRIVATE PROPERTIES



In Pebble Beach, A Circa-1920s Home Lists

A century-old estate in California's Pebble Beach is hitting the market for \$22.75 million.

The circa-1920s Spanish Revival, which is newly renovated, sits on 6.5 acres overlooking the Pacific Ocean, according to listing agent Tim Allen of Coldwell Banker Realty. The seven-bedroom house spans roughly 8,400 square feet and was among the first homes built in Pebble Beach, he said.

The sellers are Ann Soske and her three adult children. Ann Soske, 80, bought the property in the 1970s with her late hus-

band, attorney Joshua Soske, who died in 2022. The purchase price was \$600,000, according to public records.

Pebble Beach, which is known for its golf courses, was founded in 1919, according to the community's website. The Soskes' home, part of the community's first subdivision, was built for Harry Hunt, the presi-

dent of Pebble Beach's Cypress Point Club at the time, according to the Soskes' son Stephen Soske. In 1956, Sports Illustrated reported that Hunt played a round of golf with President Dwight Eisenhower at

FOR SALE
\$22.75
MILLION
8,400 sq. ft.



the club.

The Soskes made the property their primary home, according to Stephen, who grew up there with his siblings. "For a while, we had four horses," he said.

In recent years the Soskes have used the home as a secondary residence, said Stephen, who spent the past two years overseeing its renovation. "We wanted to update the rooms so that they looked more modern, while still maintaining the home's heritage and architectural style," he said.

Several of the home's original features were retained and restored, including its iron window grilles, carved wooden doors and Douglas fir and terracotta flooring, he said. The kitchen and primary bathrooms were also renovated. Stephen declined to share the cost of the project.

Now, however, the family has decided to list the home because they don't use it as often as they used to. Ann spends most of her time in Northern California, according to Stephen.

"It's going to be a real loss to our family," he said. —*Libertina Brandt*



SHERMAN CHU (3)

The kitchen has been renovated.

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Mar 7 📍 Grand Cayman, CYM

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Mar 9 📍 Wellington, FL

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HARBOR ACRES WATERFRONT CONTEMPORARY SARASOTA FL



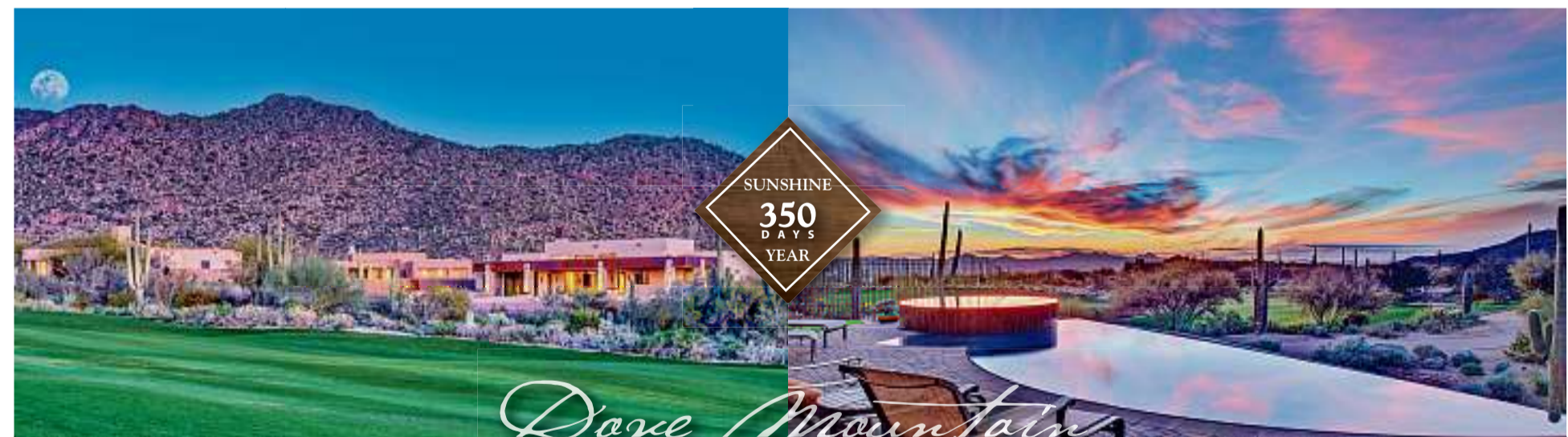
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MANSION

\$100 Million

Continued from page M1 nationwide have soared. In 2023, the median sale price for a luxury home nationwide—defined as homes in the top 5% of the market—was \$1.14 million, up 75% compared with 2013, according to real-estate brokerage Redfin.

In the past few years, the values of trophy homes around the country—disconnected as they might be from the rest of the market—also skyrocketed. So did the number of deals. In the 10 years between 2011 and 2020, there were 19 deals at or above \$100 million. There were 22 deals over \$100 million between 2021 and 2023. Those deals included properties that roughly doubled in value in a short amount of time.

For example, Alibaba Group co-founder and Brooklyn Nets owner Joseph Tsai paid \$188 million in 2022 for a penthouse at 220 Central Park South, the Robert A.M. Stern Architects-designed condo tower on Manhattan's Billionaires' Row. The seller was billionaire investor Daniel Och, who purchased the property for \$95 million in 2019. Also in 2022, Oracle co-founder Larry Ellison bought an oceanfront estate near Palm Beach for \$173 million. Seller Jim Clark, a co-founder of Netscape, paid just over \$94 million for the property in 2021.

Although hedge-funder Ken Griffin's roughly \$240 million penthouse buy in Manhattan in 2019 is still the country's most expensive sale, nine-figure deals have surged in Malibu and South Florida.

Florida, which had an influx of wealthy residents during Covid, had one deal



above \$100 million in 2013 and two in 2019. Since 2020, there have been seven—including six in and around Palm Beach, where the city's sales record was shattered twice in 2023. In March, billionaire William Lauder bought the late Rush Limbaugh's longtime Palm Beach estate for \$155 million. The next month, luxury car dealership owner Michael Cantanucci paid \$170 million for an oceanfront estate from Green Mountain Coffee Roasters founder Robert Stiller.

WhatsApp co-founder Jan Koum purchased neighboring waterfront properties, above. He bought the first in 2019 and the second, below, in 2021.



Miami, which courted the tech industry and others during the pandemic, also saw record sales in quick succession. In January 2022, Griffin paid a record \$75 million for a mansion on Star Island, besting the prior Miami sales record of \$60 million for two penthouses at Miami's Faena House condominium. (The Citadel founder was also the buyer of those units, which he has since sold.) Then in June 2022, Phillip Ragon, founder of software com-

pany InterSystems, purchased three homes in Golden Beach—about 20 miles from downtown Miami—for a combined \$93 million. In September 2022, Griffin struck again and handed Miami its first nine-figure deal with his \$106.875 million purchase of a 4-acre estate from philanthropist Adrienne Arsht. "That was a new frontier for Miami, but it was such a stupendous property," said Jill Hertzberg of the Jills Zeder Group at Coldwell

Banker Realty, who represented Griffin in the deal with colleague Jill Eber. Hertzberg said unlike Miami's last real-estate boom in the early 2000s, which was fueled by foreign buyers, domestic buyers are driving up prices for luxury properties. With buyers from America's 1% focused elsewhere, New York City logged fewer \$100 million-plus deals by

comparison. In 2023, Manhattan had no nine-figure deals. In 2022, it had two, including Tsai's \$188 million purchase and philanthropist Julia Koch's purchase of two Upper East Side penthouses from the estate of the late Paul Allen for a combined \$101 million. In 2024, real-estate developer Extell inked a deal to sell a penthouse at Central Park Tower for around \$115 million. The deal hasn't yet closed.

Local real-estate agents said the city's biggest sales have taken place within a roughly 1-mile radius, where there are a limited number of properties that can fetch \$100 million or more. "Everybody wants the Central Park view," said Pam Liebman of the Corcoran Group. "There's only a handful of buildings that could ever warrant that price," she said. "It's just a scarcity thing."

But Jonathan Miller of real-estate appraisal firm Miller Samuel said developers sold off many of their biggest units over the past few years, and new inventory is skewing smaller. "The odds of having a lot more 10,000-square-foot transactions—those are the ones that are going to break the \$100 million threshold—seem limited," he said.

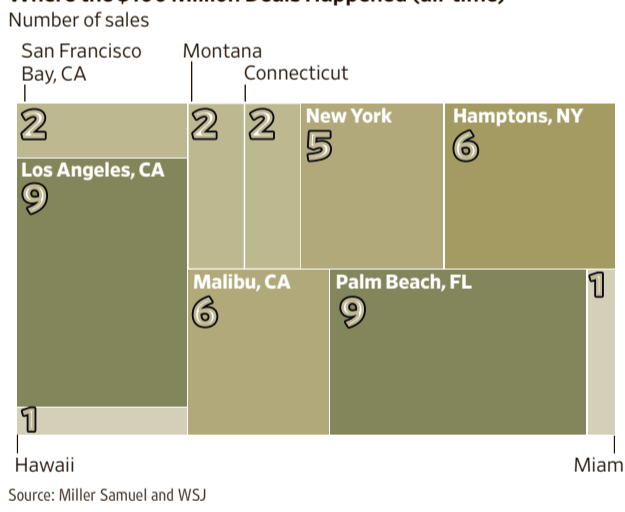
Covid also altered the city's luxury market permanently. "Everybody needs to be here, it's still the finance capital of the world, but they're spending less time here," said Tal Alexander of real-estate brokerage Official. He said buyers who want a sprawling apartment overlooking Central Park can get one for \$40 million to \$50 million. For that reason, he thinks buyers are more likely to spend \$100 million for oceanfront land with multiple structures in Palm Beach than they are on a condominium in Manhattan, he said.

The reality is that many \$100 million-plus properties rarely come to market, said Corcoran's Tim Davis, who works in the Hamptons. "We've got low inventory," he said. In 2023, a roughly 8-acre Hamptons estate sold for \$112.5 million, the priciest Hamptons sale of the year.

Historically, California's largest trades have also involved a small collection of trophy estates in Los Angeles, and to a certain degree, new spec homes. The size, provenance and location of

Please turn to page M5

Where the \$100 Million Deals Happened (all-time)



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MANSION



GREENWICH VILLAGE
Asking price: \$125 million



L.A.'s iconic estates makes them rare commodities, Fenton said. "In Beverly Hills, you can get 3 acres eight blocks from Rodeo Drive," he said.

Among them is Casa Encantada, a roughly 8.5-acre estate owned by late billionaire Gary Winnick and his wife, Karen Winnick. After setting a U.S. sales record when it sold in 1980 and again in 2000, Casa Encantada hit the market in 2023 asking \$250 million. It is listed for \$195 million.

Kurt Rappaport of Westside Estate Agency, who is marketing Casa Encantada with Fenton, said the price is justified by how infrequently properties of this caliber come to market. "There are a lot of people who own these properties who don't want to sell," he said. He pointed to Bezos's 2020 purchase of the Warner Estate in Beverly Hills for \$165 million, and Lachlan Murdoch's purchase of Chartwell, an estate in Bel-Air, for roughly \$150 million in 2019. (Murdoch is executive chairman

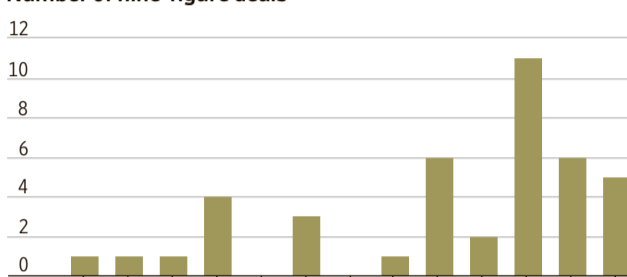
of News Corp which owns Dow Jones & Co., publisher of The Wall Street Journal.) "If you look at who owns these great houses, some of them are generational," Rappaport said.

Given the scarcity of singular trophy homes, savvy buyers have scooped up multiple properties in prime markets. Griffin, for example, has spent more than \$250 million assembling land to build a mansion in Palm Beach over the past few years. In 2023, Bezos paid a combined \$147 million for adjacent properties in Miami's Indian Creek Village. "People have realized how precious land is in cities—there's not a lot of land so if you find a particular piece that's gorgeous, and you have the opportunity to buy next to you, why not?" Hertzberg said.

Buyers have also paid a premium for more space and privacy. In Malibu, WhatsApp founder Jan Koum spent a combined \$187 million for neighboring properties that he bought in two transactions

The first \$100 million sale landed in 2007. Since then, the luxury market has grown more accustomed to nine-figure deals.

Number of nine-figure deals



Source: Miller Samuel and WSJ

in 2019 and 2021. Likewise, venture-capitalist Marc Andreessen and his wife, Laura Arrillaga-Andreessen, paid \$177 million for a Malibu compound in 2021; a year later, they paid \$44.5 million for another trophy home nearby.

Real-estate agents said there are also some properties that would likely fetch \$100 million if they were ever sold. In Manhattan's Greenwich Village, for instance, Chipotle Mexican

Grill founder Steve Ells paid close to \$32 million in two transactions in 2014 and 2015 to buy neighboring townhouses. He later filed for permission from the New York City Landmarks Preservation Commission to combine the two buildings—almost 16,000 square feet—into a mansion. In recent months, Ells has quietly shopped the property, according to people familiar with the offer. The asking price? \$125 million.



MALIBU, CALIF.
Purchase Price: \$190 million

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MANSION

THE MARKET

Low Temperatures Across America Are Keeping the Housing Market on Ice

Even as mortgage rates drop, storms and subzero temperatures have kept a lot of potential buyers on the sideline

By **LIBERTINA BRANDT**

The housing market can't seem to catch a break.

While the average 30-year fixed-rate mortgage continues to inch away from last year's peak, storms and dangerous cold weather around the U.S. this winter season seem to be keeping some would-be buyers and sellers sidelined, according to Redfin.

In January, Redfin found that mortgage-purchase applications were up 8% compared with December and new listings were up 8% year-over-year during the four week period ending Jan. 14. The figures were positive, according to Redfin, but they likely would have been even higher if it weren't for the frigid temperatures that gripped much of the country. "You can typically expect a certain level of housing market activity based on where interest rates are," said Chen Zhao, Redfin's economic research lead. But when looking at mortgage rates right now versus Redfin's business metrics and listing engagements, market activity is lower than what Zhao would expect. "The main thing that happened is the country got really cold and stormy," she said.

In January, more than 93 million people across the U.S. were under windchill advisories as low tempera-

tures stretched across the south, The Wall Street Journal reported. While many markets such as Indiana and upstate New York are accustomed to strong cold fronts, places like Texas, Tennessee and Georgia, where temperatures dipped below freezing, aren't. Here, some real-estate agents recount how this extreme cold recently impacted their work.

Generators become a must-have for Houston home buyers

When cold temperatures hit Houston, the thing on everyone's mind is power. After the 2021 power crisis, I ordered a whole-house generator, and I wasn't the only one. There were so many people placing orders that it took almost six months to get mine. In fact, after the crisis, generators became a must-have luxury item for a lot of home buyers in the area. During the cold front that hit Houston in January, I put a home on the market with a huge generator and included a photo of it in the listing. Almost immediately, the future buyers had their agent reach out to me. They wanted to know how old the generator was and if it worked properly. They closed on the home last week for over the list price

93 MILLION
People across the U.S. under windchill advisories as low temperatures hit the south in January



Houston has seen colder temperatures and more snow the past few years, which has made losing power an issue.

of \$5.25 million. They asked to have the generator checked for a second time before they moved in. Not only did the generator play a huge role in their decision to buy, but it's going to be the only thing they don't touch during their planned renovation of the property.

—Dee Dee Guggenheim Howes, *Compass, Houston*

Cold temperatures threaten to bust pipes outside Atlanta

Atlanta and its surrounding areas have definitely seen some cold days in the past, but it has been abnormally cold this year. Around two weeks ago, temperatures dropped to the teens.

Homes around here aren't built to handle that kind of cold. I have a vacant house that's under contract for around \$535,000 in the city of Columbus, which is just south of Atlanta. A vacant home in extreme weather conditions is a huge liability. Since the seller already moved out of the state, I drove to and from the house nearly every day that week to make sure the heat was working properly, the water was dripping, the hot tub had not frozen over and no pipes had burst. Checking the home daily was a huge imposition because the property is an hour and a half away from my home-base. It was a worthy endeavor because the home made it through the cold unscathed, but I'm not out of the woods yet. The home isn't set to close until mid-February, so I may have to do more preventive check-ins depending on the coming weather.

—Missy Derr, *Engel & Völkers, Atlanta*



Derr's listing in Columbus spans roughly 3,200 square feet.

roads were pretty slick, but both appointments showed up. An interested couple, who were out in California, had their family look at the house for them. To get to the showing, the family members had to travel with the agent in a four-wheel-drive Jeep. I was shocked they came. I had an open house the day after and no one showed up because the roads were so bad. But the family's trek through the snow was worth it because the couple went under contract shortly after. The snow is gone now because temperatures have gone up this week. In Tennessee, you never know what you're going to get.

—Jessica McCarty, *Compass, Nashville*

Four wheel-drive Jeeps needed for showings in the Nashville area

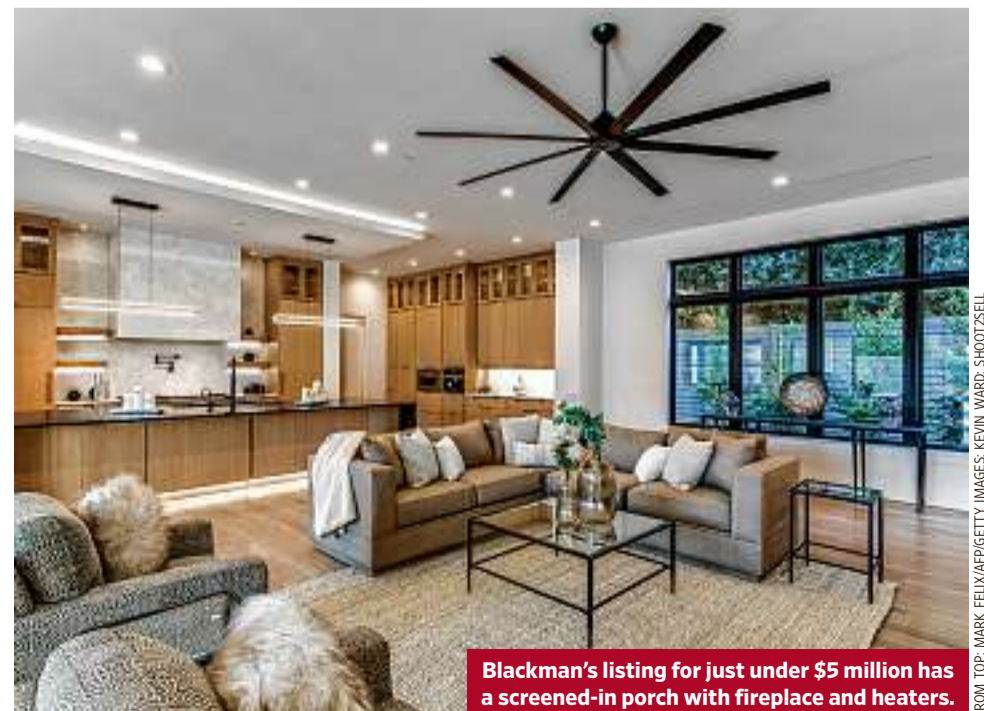
Once every few years, it snows like it did the week of Jan. 14. I had showings for two potential buyers that Friday, but I wasn't sure if the weather would allow them to happen. The

A hot open house during the Dallas deep freeze

I assumed the freeze that Texas experienced in 2021 was a once-in-a-lifetime thing. When I heard that temperatures in Dallas were going to drop last month, I thought it would be short lived. It wasn't. I had a

builder list a gorgeous five-bedroom home with me for \$4.995 million right before Christmas. We scheduled the open house for Jan. 14, but then I found out the temperatures on that day were going to be below freezing. I asked the builder if he wanted to postpone the showing, but he said no. The open house took place in the afternoon. I brought a book with me because I thought I'd be sitting there twiddling my thumbs. I was wrong. We were busy right out of the gate. All in all, we had around 30 people come through and one couple ended up making an offer. I was so astonished. We aren't used to being that cold here and I thought nothing, not even a \$5 million new build, would get Texans to brave those wind chills. The funny thing is, the potential buyers had come from Florida. Unfortunately, the contract fell through and the home is back on the market.

—Chris Blackman, *Compass, Dallas-Fort Worth*



Blackman's listing for just under \$5 million has a screened-in porch with fireplace and heaters.

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MANSION

Cost of Kimmie Turiansky's closet: \$120,000



DOROTHY HONG FOR THE WALL STREET JOURNAL (3)

Luxury Closets

Continued from page M1 spaces, with seating areas and champagne bars where owners can host friends, said Christina Relyea, president of the Association of Closet and Storage Professionals.

These days, “clients actually do hang out in their closet,” said Container Store executive Barbara Snook, who leads sales-and-design training for the company’s custom-closet design service. When a project is completed, “the first thing they will often do is throw a closet-reveal party.”

Average budgets for top-of-the-line closets have skyrocketed to \$200,000 to \$300,000, up from \$60,000 to \$80,000 a decade ago, according to custom-closet builder Claudio Faria, chief executive of Ornare Miami, who said he often works on projects costing more than \$500,000. Closet designer Matthew Quinn of Design Galleria in Atlanta said a

Kimmie Turiansky’s closet has chandeliers, silk wallpaper and pink window treatments. She commissioned Wendy Scott of Timeless Closets & Cabinetry to create boutique-like displays for clothes, purses and shoes. “It didn’t feel like this was my house until this was done,” Kimmie said of the closet.



client recently spent over \$1 million on a two-story closet with a spray-tan booth and an elevator.

These days, some high-end closets have features such as thumbprint-protected jewelry cases, built-

in watch winders, revolving shoe racks and clothing storage with dry-cleaning capabilities, said Eric Marshall, co-founder of the Closet Training Institute in Scottsdale, Ariz. Christian Nadeau, president of Mary-

land-based recycled leather business EcoDomo, said he recently installed custom leather stairs in a two-story Las Vegas closet. A Dallas client’s closet, Quinn said, has a camera that takes pictures of each outfit and

sends images to a digital folder, much like in the movie “Clueless.” The system allows the client to select outfits remotely and have her assistant pack for her, he said. Some closet owners are even putting meditation areas in their closets, said Donna Infantolino, a California Closets designer in Northern New Jersey.

Kimmie, a mother of three, and her husband, marketing executive Eric Turiansky, bought their roughly 100-year-old house for \$2.55 million in 2021. As part of an extensive renovation, they nearly doubled the size of Kimmie’s closet, commissioning Wendy Scott of Timeless Closets & Cabinetry to create boutique-like displays for clothes, purses and shoes. A display case was custom built for Kimmie’s Chanel roller skates, Kimmie says, while a center island has a brass charging port for a Chanel handbag with an LED screen.

For many clients, closets are private spaces, Quinn said, which frees them up when it comes to design decisions. “Because it isn’t shared, in a closet you can have more fun and show your personality,” he said. “It doesn’t have to match the rest of the house.”

One of Quinn’s clients, Jill Gallagher, chose an antique crystal chandelier passed down from her grandmother as the focal point of her 180-square-foot closet in Palm Beach Gardens, Fla.

Gallagher, 49, and her husband, Vionic Shoes co-founder Chris Gallagher, 54, bought their home for \$2.1 million in 2018 and hired Quinn to renovate it.

Jill also selected gray leopard-print carpet for her closet, as well as a central island with a white and gray quartzite countertop. Cabinetry and lighted display shelving are stacked all the way up to the room’s 12-foot ceiling.

“I wanted it to feel like not just like my own little boutique, but like my own personal art gallery where I could display some of my special bags and shoes,” said Jill. The cost of creating the closet was about \$150,000, she said.

She’s not the only one in

the family with a fabulous closet. Chris, originally from Australia, has a roughly \$70,000 Aussie-inspired closet, with leather drawer pulls and cabinet handles made of cattle horns.

In his roughly 75-square-foot closet, marble countertops and textured wallpaper give the space a “men’s retail store” feel, he said. Metal mesh shelves store his roughly 50 pairs of shoes, allowing them to “breathe” without being prominently displayed, he said.

“I’m a shoe guy,” he said. “I wanted to have a nice place for my shoes but I didn’t want to see them, because men’s shoes can look a bit clunky.” Having numerous hooks and hampers in the closet was also important for keeping the space uncluttered, he said.

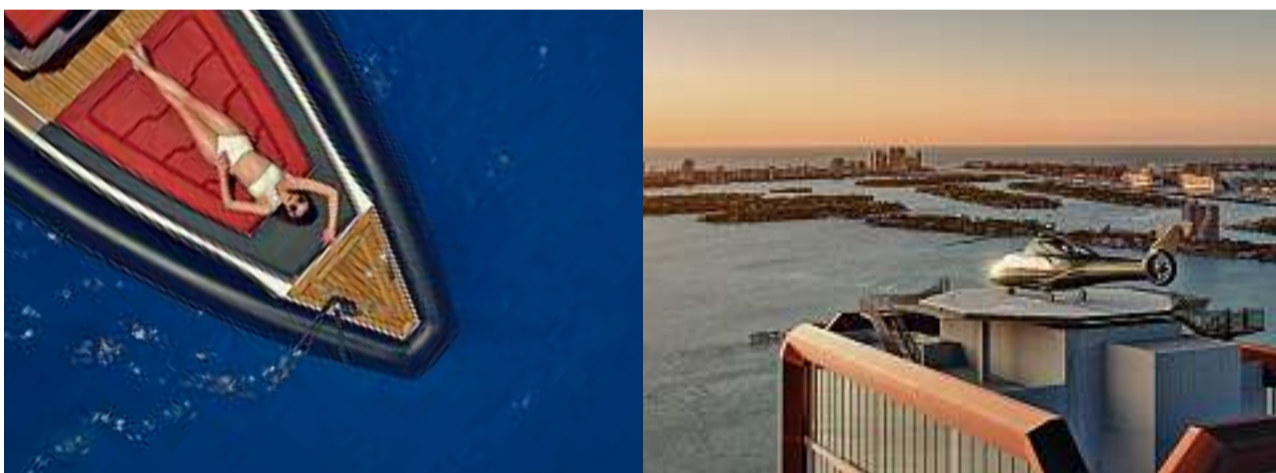
Leather finishes are a popular choice for men’s closets, said New York architect Thomas Juul-Hansen. He has designed closets around large shoe and

T-shirt collections for male clients, he said, including the hip-hop promoter Damon Dash, whose New York City closet holds 200 pairs of sneakers, 1,000 folded T-shirts and hundreds of

baseball caps, he said. Elton John’s Atlanta condo, which sold for \$7.225 million last year, had shelves with space for about 200 pairs of shoes, said Chase Mizell of Atlanta Fine Homes Sotheby’s International Realty, who had the listing. And hip-hop artist and producer Sean Armani said he hired California Closets in 2022 to design a closet for about 100 pairs of shoes in his Miami home, at a cost of roughly \$70,000. His condo is now for sale, asking \$6.45 million with Elke Johnson and Christopher Wands of Douglas Elliman.

Homeowners often see a return on investment for the tens of thousands of dollars they spend on luxury closets, real-estate agents said. “In my experience, buyers are willing to pay a premium for homes with well-organized, aesthetically pleasing closet spaces,” said Ginger Martin of Sotheby’s International Realty - St. Helena Brokerage in California.

Some 93% of home buyers were willing to pay 10%



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MANSION



Cost of the Gallaghers' closets: \$220,000



Jill Gallagher's closet, left, features an antique chandelier. Chris Gallagher's closet, below, has metal mesh shelves.



Chris Gallagher's closet has cabinet handles made of cattle horns.

more for a home with upgraded closets, according to a 2023 study by Closet-Maid, an Orlando-based home storage-and-organization company. At the Jade Signature condominium in Miami, the average unit's sale price increases about \$150,000 with the addition of a roughly \$120,000 luxury closet, according to Ornare, which designed some of the closets in the building. Condo developers are

leaving larger footprints for closets in their floor plans and partnering with designers to build out custom closets for interested buyers, said Daniel Seigle of Brown Harris Stevens Development Marketing. Miami developer David Martin said Villa Miami, which he is developing with the One Thousand Group, will have bigger closets than past projects as a result of feedback from focus groups. The St. Regis Sunny Isles

will have about 20% more space for closets than the developer's last project, the Ritz-Carlton Residences, Sunny Isles Beach, said Faria. And closet designer Sandra Swieder of the Closet Builder in Bergen County, N.J., said she is working on her third project with New York City-based Minrav Development to develop large, custom closets. In 2018, fashion blogger Emily Gemma built a home

in Tulsa, Okla., with her husband, internist Dr. John Gemma. The couple, both in their 30s, designed a roughly \$135,000, two-story closet with an office. The closet is roughly 450 square feet, larger than the home's primary bedroom, said Gemma, who launched

the style and beauty blog "The Sweetest Thing" in 2013. Gemma films content for her blog on the first floor of the closet, which has a marble and wood floor and lighted shoe displays. Windowed doors provide natural light for filming, she said. A large staircase

lighted by a Parisian chandelier leads to the second floor, which also serves as an office for the blog's two full-time employees. On the second level, French windows open to a Juliet balcony. In Gemma's Instagram posts, the closet is often mistaken for a foyer, she said. "It gets people really stirred up," she said. "They say, 'I can't believe you store shoes at the entry place of your home.'"



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MANSION

By VAISHNAVI NAYEL TALAWADEKAR

ANNOTATED ROOM

A Library of One's Own

When remote work became permanent, one homeowner realized he needed to up his library game

The year 2022 was one of many firsts for 59-year-old entrepreneur and hedge-fund manager Mohnish Pabrai. It was the year he celebrated one year of his company's relocation from California to Austin, moved into his new home in Austin's West Lake Hills, and made the decision to work exclusively from home. "During Covid, I was forced to work remotely and I found that I was actually more productive. That carried through when we moved to Austin," says Pabrai, who purchased the Austin property in 2021 for \$6.3 million for himself and his partner, pediatric rheumatologist Dr. Emilina Lim, 54.

At the time, Pabrai's library, from where he worked, was a makeshift space upstairs that could hardly accommodate his enormous book collection. With a view to expand the footprint and give the room some character, he set about finding an interior designer who could help him realize his vision. Soon, a search on Yelp led him to interior-designer Suzanna Santostefano, whom he enlisted for a full-home overhaul.

For the primary bedroom next to the library, Pabrai had a caveat—as a habitual afternoon napper, he required that the room have no windows so it could remain pitch black during the day. Santostefano honored the request by reconfiguring the original layout and designating floor-to-ceiling bookcases in the library as outer walls to the primary bedroom. She also specified a deep blue color for the library walls and millwork to create a calm and relaxing vibe.

"Because my previous library in California had proved too small, we more than doubled the capacity of our Austin one. I keep buying books, but I don't think we'll run out of room for decades to come," says Pabrai.

Here are some features of the \$180,000 library that Pabrai says serves as the home's crown jewel.



Cost: \$180,000

- 1. A Lawson-Fenning Mesa swivel chair, upholstered in Elitis's Espirit Fragment, takes center stage. "I love this chair for its soft lines. Those seated can swivel around to take advantage of the panoramic view," says Santostefano. // Price: \$5,336
- 2. A Stahl + Band Spule side table in walnut provides a surface for coffee and comestibles and brings a warmth to the space. // Price: \$2,125
- 3. Santostefano chose Primavera marble for the countertops for their gorgeous veins of blue and orange. "It reminded me of blue cheese," she says. // Price: \$11,000
- 4. Fumed, hand-finished oak panels from DuChateau's Vernal collection characterize the floor. // Price: \$25,000
- 5. Custom millwork defines the walls, revealing shelves and nooks for Pabrai's books and treasures, including a bust of businessman Charlie Munger, a poster of his grandfather (a once-famous magician), and a painting of Buddha by an artist in India. Farrow and Ball's Hague Blue enlivens the walls. // Price: \$130,000
- 6. Come sundown, Raval wall sconces by Urban Electric channel a dazzling airport runway. // Price: \$17,094
- 7. Many of the books in Pabrai's collection were bought over 40 years ago. Notable ones include "Margin of Safety" by Seth Klarman and Sol Price's biography by Robert E. Price, both first and only editions. // Price: Estimated at \$200,000 for entire collection

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PRIVATE PROPERTIES

A Nutritionist to The Stars Lists Notting Hill Home

Gabriela Peacock, a nutritionist who has worked with the British royal family, is listing her West London home after owning it for 14 years.

The Victorian house is asking £21.5 million, or about \$26.7 million, according to the listing agent, Marcus O'Brien of UK Sotheby's International Realty.

Peacock is the founder of GP Nutrition, which creates dietary supplements, and has worked with clients such as Princess Beatrice, actress Joan Collins and musician James Blunt.

Peacock said she and her husband, financier David Peacock, bought the home in 2010 for £13 million. The free-standing house is located in the coveted Notting Hill neighborhood on a tree-lined street known as Dawson Place, where the homes rarely hit the market, O'Brien said. The six-bed-

room home spans roughly 6,600 square feet.

The Peacocks, who now have three young children, liked the house for its size and its large windows, which maximize the home's natural light, Gabriela said. The front of the house looks out to the street, which is filled with cherry blossoms in the spring.

"It looks like old London—the London you see in postcards," Gabriela said.

The property's garden has a manicured lawn in the center. A large study overlooking the garden is where Gabriela researched and wrote her nutrition books, "2 Weeks to Feeling Great" and "2 Weeks to a Younger You." While she usually works out of her clinic, she said, some of her



An ostrich statue isn't for sale.



higher-profile clients prefer to see her at her home.

Around six years ago, the Peacocks added a lower level with skylights that runs the length of the house, according to Gabriela. It contains a gym, wine cellar, family room, entertainment room,

office space, guest bedroom and a staff wing with a bedroom and kitchen. The renovation took about two years, according to Gabriela, who declined to give the cost of the project.

Throughout the home, they had fun with the design, Gabriela said. There is a life-size statue of an

ostrich in the formal living room, which they plan to keep.

The Peacocks are selling because they want to move to the countryside, she said.

—Libertina Brandt

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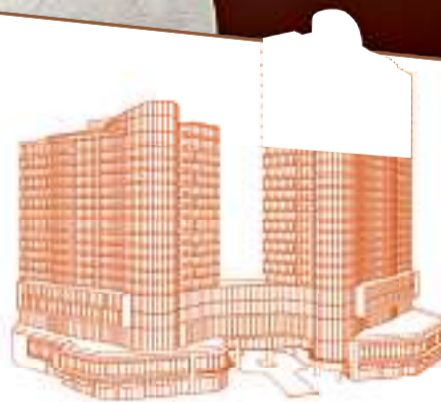
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MANSION

HOUSE CALL | JAMIE OLIVER

His Parents' Pub Led to a Food Empire

The British celebrity chef and cookbook author on his dyslexia, his early passion for food and his 16th-century home

Kitchen gratification started early for me. My parents owned and ran one of England's first gastropubs called The Cricketers. It had a full bar and served restaurant-quality cuisine.

Just before I turned 13 in the late 1980s, I worked weekends for my dad on the line of our proper kitchen. The first dish I helped prepare that felt serious and satisfying was gravlax. The Swedish-inspired dish was local salmon cured with beetroot, vodka, oranges, lemon zest, salt and sugar.

I remember trying it and thinking, "Damn, that's good." I appreciated the clash of the lemon, the herb, the creaminess, the saltiness, the textures.

We lived in Clavering, a picturesque village about an hour north of London with about 1,200 residents.

The Cricketers was originally a 16th-century inn. My family lived upstairs from the pub in a space with low ceilings, small doors and thick wood beams. It was all chocolate-box cute. My bedroom sat above the bar, and I'd fall asleep to the rumble of people and jolts of hilarious laughter below.

My father, Trevor, was and is a simple guy who passed along his work ethic. Dad was very good at running the place.

He knew what he was doing. He had grown up in a pub-restaurant, trained in France, worked in a London restaurant and then managed a pub. After my sister, Anna-Marie, was born a year after me, my parents bought The Cricketers.

My mother, Sally, was a cheery hostess who was adored by everyone who came in for drinks or dinner. She was glamorous and did all the paperwork.

Dad inspired me to cook. By my teens, I was trying new ways to



Jamie Oliver, above, at home in Finchfield, England, in 2021. Right, Oliver, middle, with his sister, Anna-Marie, and mother, Sally, outside the family home and gastropub in Clavering, England, in the early 1980s.

make dishes better.

I attended Newport Free Grammar, a small, 600-year-old school. There wasn't a name then for the issue I struggled with, but today we call it dyslexia. I had terrible trouble reading. As a result, I graduated school with nothing, which meant I had to learn a trade. I attended Westminster

Technical College, but I was already trained in the kitchen. For the first time, I was at the top of my class.

On my last day of college, I was asked where I wanted to be in a year. I said I wanted to make the best pasta in London. The class thought it was a stupid or funny answer, but I was dead serious.

My best mate, Marco, was Italian. He said, "Listen, you've got to work with this chef, Gennaro Contaldo." He wrote down his name and the name of the establishment—Neal Street Restaurant. At home that night, my girlfriend, Juliette, who would become my wife, had torn out a newspaper ad from Neal Street. They needed a pastry chef.

I was hired, and Gennaro became my mentor and looked after me. Today, he is my best friend.

Two years after I arrived at Neal Street, I left to work with Gennaro at London's River Café. One night, when I was off, someone called in sick, so I went in to cover. A documentary crew was in the kitchen and asked me loads of annoying questions. Our interactions became the basis for "The Naked Chef," my first popular BBC cooking series that ran from 1999 to 2001.

Today, I live with Jools and our five kids at Spains Hall in Finchfield. The three-story stone building dates to 1570. It has 56 chimneys.

The land was continuously owned and occupied by just three families before we moved in four years ago. We needed larger space for home and work that was peaceful and private.

My parents sold The Cricketers in 2021, after Dad turned 69 and was ready to retire. I've been thinking a lot about it recently. I wasn't in a position at the time to buy the place, but maybe it will come back on the market. That

inn is still a part of me, and it's only a half-hour away.

—As told to Marc Myers

Jamie Oliver, 48, is an Emmy-winning British celebrity chef best known for his reality and hosted TV shows. He is the author of 27 books, including his latest, "5 Ingredients Mediterranean" (Flatiron).



JAMIE'S MANOR

Spains Hall? It's cozy and warm, and I feel at peace. The locals are quite protective of me, which is beautiful.

Office? On Tuesdays I work in a compact building in our vegetable garden that looks like a small castle turret.

Interior? The ground-floor room is circular. A stepladder leads to a small room above with windows.

Man castle? All the stuff Jools doesn't want is there—my record player, vinyl and my books.

Home kitchen? It's 20-by-30 feet with a restored wood oven that is 300 years old. It's quite charming.

ELLA MILLER/JAMIE OLIVER ENTERPRISES; JAMIE OLIVER (FAMILY PHOTO)

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