

# WSJ

## THE WALL STREET JOURNAL WEEKEND



DOW JONES | News Corp \*\*\*\*\* SATURDAY/SUNDAY, FEBRUARY 17 - 18, 2024 ~ VOL. CCLXXXIII NO. 40 WSJ.com ★★★★★ \$6.00

### What's News

#### Business & Finance

- ◆ **Treasury yields** have sprung to multiyear highs, forcing the U.S. government to pay a lot more in interest and putting pressure on the budget. **A2**
- ◆ **Paramount Global** has held recent talks with Comcast about joining forces in streaming through a partnership or joint venture, said people familiar with the situation. **B10**
- ◆ **Activist investor** Carl Icahn struck a deal for two JetBlue Airways board seats just days after he unveiled a nearly 10% stake in the struggling airline. **B10**
- ◆ **NatWest shares** rose 7% in London trading after the British lender posted fourth-quarter earnings that beat expectations. **B11**
- ◆ **Goldman Sachs CEO** David Solomon made \$31 million in 2023, a 24% raise from the year before. **B11**
- ◆ **Swiss Re reported** a sharply higher net profit for last year on an improved performance in its property-and-casualty reinsurance segment. **B11**
- ◆ **All three major** U.S. stock indexes fell with the Nasdaq, S&P 500 and Dow declining 0.8%, 0.5% and 0.4%, respectively. **B12**

#### World-Wide

- ◆ **A Manhattan justice** ordered Trump and his business to pay \$355 million and barred him from serving in a top role of any New York company for three years, ruling he fraudulently inflated his wealth for financial gain. **A1**
- ◆ **Alexei Navalny**, an anticorruption campaigner who galvanized Russia's political opposition, died in prison, according to Russian authorities. **A1, A6**
- ◆ **Officials in Missouri** charged two juveniles in the shooting at a Kansas City Chiefs' Super Bowl rally that killed one person and wounded 22 others. **A3**
- ◆ **The Great Lakes**, normally covered by a frozen sheath this time of year, are nearly completely ice-free this winter. **A3**
- ◆ **Sen. Joe Manchin**, a centrist Democrat from West Virginia, said that he won't run for president. **A5**
- ◆ **Ukrainian forces** have withdrawn from parts of the besieged eastern city of Avdiivka, as Russia's military appeared on the verge of its first major advance in months. **A7**
- ◆ **Biden called** on Israeli Prime Minister Netanyahu to agree to a temporary halt to Israel's military campaign in the Gaza Strip. **A8**

#### NOTICE TO READERS

WSJ.com and WSJ mobile apps will publish throughout the holiday weekend. The print edition won't appear on Monday, Washington's Birthday (or Presidents Day).

#### NOONAN

Democrats are too resigned to Biden **A13**

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# Trump Ordered to Pay \$355 Million

### Former president is barred from top roles at any N.Y. company for three years

A Manhattan justice ordered former President Donald Trump and his business to pay \$355 million and barred him from serving in a top role of any New York company for three years, ruling he fraudulently inflated his wealth for financial gain.

The decision by Justice Ar-

thur Engoron threatens to shake up the leadership of Trump's family company, the Trump Organization, now run by his sons Eric Trump and Donald Trump Jr. The justice barred Trump's eldest sons from holding a position as an officer or director of a New York company for two years.

Engoron, who previously held that Trump had violated a New York fraud statute, also concluded Friday that Trump, his eldest sons and two former top finance executives were civilly liable for falsify-

By Jacob Gershman, Corinne Ramey and James Fanelli

ing records, issuing false documents and related conspiracy offenses. The case stemmed from a lengthy state probe of low-interest financing deals Trump made with lenders before his political rise.

Engoron said Trump and his associates "did not rob a bank at gunpoint. Donald Trump is not Bernard Madoff. Yet, defendants are incapable of admit-

ting the error of their ways."

"Their complete lack of contrition and remorse borders on pathological," the justice wrote in the 92-page decision. "They are accused only of inflating asset values to make more money. The documents prove this over and over again."

Trump, the front-runner for the 2024 GOP presidential nomination, denounced the case as a partisan abuse of the justice system and vowed to fight on.

"This 'decision' is a Com-

plete and Total SHAM. There were No Victims, No Damages, No Complaints," Trump said in a written statement.

The Trump Organization called the ruling "a gross miscarriage of justice."

"Every member of the New York business community, no matter the industry, should be gravely concerned with this

Please turn to page A4

- ◆ **A Trump return would upend alliances.....** A4
- ◆ **Bulls buy into Trump's Truth Social.....** B12

# Top Putin Critic Navalny Dies in Prison

By Thomas Grove and Matthew Luxmoore

Alexei Navalny, a fierce anticorruption campaigner who galvanized Russia's political opposition, died in prison, according to Russian authorities, after a life dedicated to fighting the country's descent into authoritarianism under President Vladimir Putin.

The cause of his death was still being established, prison authorities said. He collapsed after a walk at his prison colony on Friday, the authorities said, lost consciousness and couldn't be revived.

Navalny's team, which lives in exile, didn't immediately confirm his death. Kira Yarmysh, his spokesperson, didn't respond to a request for comment but said on X on Friday that a lawyer was en route to Navalny's prison to confirm the news, which his team learned from the Russian prison service. His aide Ivan Zhdanov said on Navalny's YouTube channel on Friday that hospitals and morgues near Navalny's prison colony weren't picking up the phone and alleged that the politician had most likely been killed.

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- ◆ **Obituary: Activist rallied political opposition.....** A6



Alexei Navalny addressing a Moscow rally in 2019. The Russian opposition leader died Friday in a penal colony at age 47. As mourners laid flowers at memorials in Russian cities and abroad, his wife and President Biden blamed Vladimir Putin.

## BYD Aims To Expand In the U.S. Via Mexico

Chinese automaker BYD has set its sights on Mexico as its quest for global expansion turns toward North America.

By River Davis, Ryan Felton and Selina Cheng

The Shenzhen-based car company, whose rapid growth has made it one of the world's largest electric-vehicle sellers, is scouting locations in the country for a factory, from which it would consider exporting cars to the U.S., according to people familiar with the matter.

The plans show rising enthusiasm within China's car industry for expansion to North America despite the political risks. Building cars in Mexico for the U.S. would allow the automakers to avoid hefty import tariffs that would be applied if they were to send them directly from China.

CEOs at rival automakers have warned about the potential threat from China, with some suggesting the need for more government action to avert such competition in the U.S. These executives are concerned about what they see as a big cost advantage enjoyed by their Chinese competitors in EVs.

Please turn to page A5

## Crisis for Realtors Could Be Good News for Home Buyers

### Trade group faces wave of lawsuits over fees paid to agents

By Laura Kusisto and Nicole Friedman

The National Association of Realtors appeared to hit rock bottom in October when a Kansas City jury delivered a \$1.8 billion verdict, finding that the industry kept home-sales fees artificially high. But the existential threat to the powerful trade group was about to get worse.

Copycat lawsuits have been filed around the nation. Dozens of real-estate brokerages are now defendants. Federal regulators are scrutinizing the industry more closely than they have in years.

Brokerage executives are pressuring NAR

to settle the legal claims nationwide, worried that more large verdicts could push residential firms and local real-estate associations into bankruptcy. They complain that NAR failed to convey the gravity of the threat.

"There has been consistently an arrogant attitude of the senior officers" of the association, said Dave Liniger, chairman of brokerage franchiser Re/Max Holdings. "It just seemed to me that it was just like a solid wall of, 'It's our way, and we're going to keep it that way, and we don't care.'" Re/Max was also a defendant in the Kansas City lawsuit, but it settled before the trial.

Please turn to page A10

## The Push to Get 'Ha Ha You're Old!' Jokes Out of Birthday Cards

### Some want to nix 'ageist' zingers; humor defenders say teasing adds to the charm

By Adam M. Rosen

ATLANTA— "A hundred and twenty-three million people in this country are over 50. And we're tired of the 'Damn, you're old' cards," says Jan Golden, creator of the Age-Friendly Vibes greeting card line.



Hotter every year

In mid-January, Age-Friendly Vibes was one of

some three-dozen lines temporarily on display at Atlanta Market, the country's largest showroom for gift products and home decor. Like all of Golden's fellow card exhibitors, she was hoping to catch the eye of the retailers who sell the estimated 6.5 billion greeting cards

bought annually in the U.S.— Please turn to page A10

## Lack a College Degree? Bosses Amend Standards

By Lauren Weber

U.S. companies are hung up on the college diploma.

Facing a long-term labor shortage, employers are looking to expand the pool of potential workers. One group—people without a college degree—holds particular promise. They make up nearly two-thirds of the U.S. population over 25, and traditionally have been ineligible for many managerial and technical positions.

A push by some companies to eliminate degree requirements has opened the door to more candidates. Yet the share

of jobs that went to those candidates barely budged after the requirement was lifted, according to a new analysis.

There are several explanations for the plodding progress, from automated screening tools that favor college graduates to the difficulty of changing hiring managers' long-held beliefs about the value of a bachelor's degree.

Many employers said they know time and demographics aren't on their side. Baby boomers are aging out of the workforce, U.S. birthrates are low, and shifting immigration Please turn to page A2

## EXCHANGE



**EMPIRE BUILDING**  
LeBron James pioneers a new way for athletes to cash in. **B1**



# U.S. NEWS

# U.S. Government's Debt Bill Keeps Rising

Interest costs are on pace to surpass defense this year; record bond issuance

By ERIC WALLERSTEIN

Treasury yields have sprung to multiyear highs, forcing the U.S. government to pay a lot more in interest and putting pressure on the budget.

The U.S. government is expected to pay an additional \$1.1 trillion in interest over the coming decade, the Congressional Budget Office estimates. Interest costs are on pace to surpass defense as a budget item this year, and only Social Security and Medicare are forecast to be bigger burdens in the coming years.

The increase revives Wall Street worries that the years-long acceleration in borrowing under both political parties will eventually weigh on economic growth and asset prices. Markets have shown few signs of stress, but here's what investors are watching.

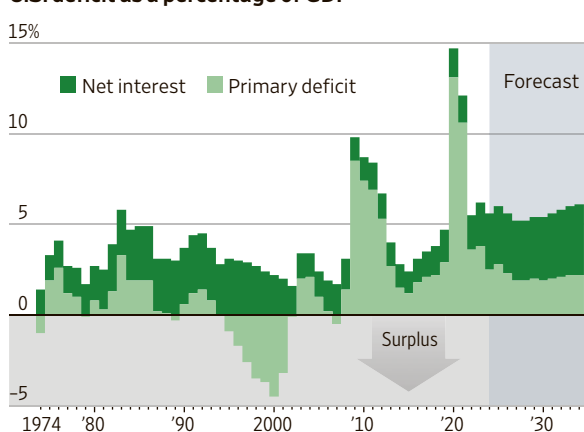
The pandemic sent rates to zero and sparked a surge in borrowing. Treasury Department bond issuance was a record \$23 trillion last year. The cost of paying for that then climbed as the Federal Reserve raised interest rates to multiyear highs above 5%.

America is expected to spend \$870 billion, or 3.1% of gross domestic product, on interest payments, nearly double the annual average of 1.6% since 2000. And interest costs are projected to reach 3.9% of GDP by 2034.

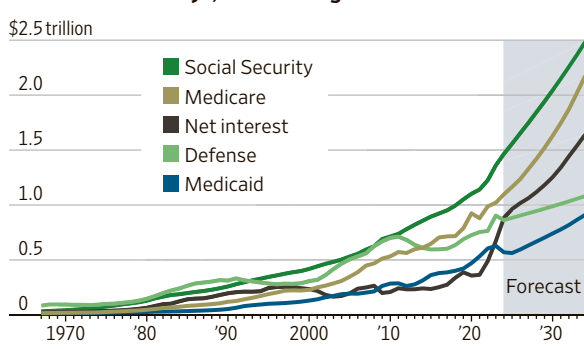
Rising debt tends to help expand economies, to an extent. Borrowers create lenders, who hold loans or bonds as assets. No one seriously thinks the U.S. will miss a debt payment. Treasuries form the foundation of the global financial system, and the dollar is the world's reserve currency.

Investors now assume the U.S. government will run a

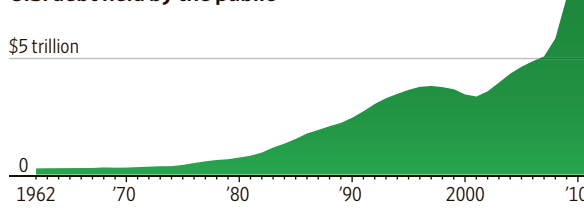
U.S. deficit as a percentage of GDP



Government outlays, select categories

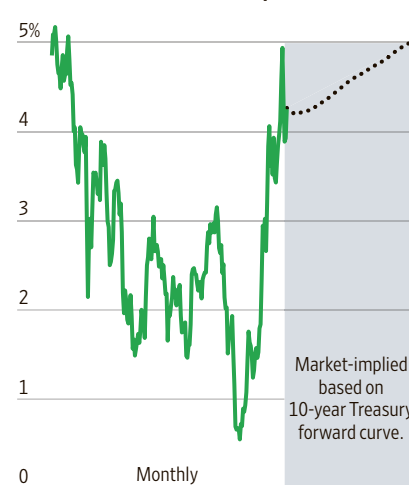


U.S. debt held by the public

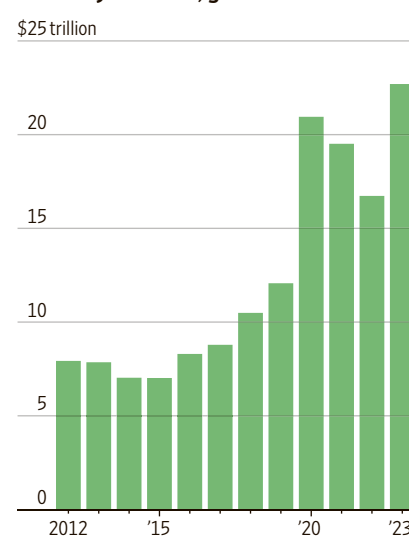


Sources: Congressional Budget Office (U.S. deficit percentage of GDP, government outlays, U.S. debt held by public); Tullett Prebon (historical yield), Chatham Financial (market-implied); Sifma (issuance)

10-year Treasury yield, historical and market-implied



Treasury issuance, gross



permanently larger deficit than in the past, eventually putting pressure on the economy and financial markets. As Campbell Harvey, director of research at Research Affiliates and a professor at Duke University's Fuqua School of Business, put it: "The debt will become a problem, but it's very hard to know exactly when."

The U.S. government raises money by auctioning Treasury bonds to global investors. The bigger the deficit, the more

bonds it must issue to finance otherwise spending. Investors could demand higher yields to buy the deluge of Treasuries, which would hurt bond prices. Ultimately, higher borrowing costs on such things as mortgages and corporate loans would slow the economy as consumer spending and business investment wane.

A robust economy has helped lift stocks to new records. Prolonged slow growth would weigh on companies'

earnings and share prices.

As interest costs rise, the government must issue more debt to pay bondholders. That in turn boosts spending on interest even further and increases issuance. The CBO projects that federal debt held by the public, a record \$26 trillion in 2023, will grow by 2034 to \$48 trillion—more than eight times the amount outstanding in 2008. That would be 116% of gross domestic product, up from 97% today.

"All else equal, a bigger government deficit means higher short-term and long-term interest rates," said Lee Ferridge, head of macro strategy for North America at State Street Global Markets. "That means lower growth, and in theory, that means lower asset values as well."

Stocks and bonds stumbled last summer when the Treasury Department told Wall Street it would issue a surprising amount of bonds. But

markets rebounded after the Treasury adjusted its borrowing plans to sell more short-term bonds and fewer longer-term ones.

In one sign of investors' renewed appetite for debt, the yield on the 10-year Treasury note has recently hovered around 4.2%, after briefly touching 5% in late October. After surging then, market-based gauges of the extra yield investors demand to hold riskier long-term debt have receded to flat or even negative.

Increasing bond issuance and fiscal spending can boost economic growth, supporting risky assets such as stocks. But analysts are debating when all the debt becomes a drag. Some suspect it could weaken the ability to jump-start the economy out of a crisis or recession.

"My entire career there's been this 'sky is falling' kind of view on debt and federal deficits," said Amar Reganti, fixed-income strategist at Hartford Funds and former deputy director at the Treasury's Office of Debt Management. "And typically, it didn't impact day-to-day markets."

For those worried, there are no painless solutions. Reductions in government spending can hit jobs and slow growth. Congress can raise taxes, but that also raises worries about hurting the economy.

Neither tends to be politically expedient, which is one reason analysts don't expect the fiscal situation to change drastically based on the November election results.

Even in the event tighter fiscal policy is enacted, if a recession followed, automatic stabilizers would kick in and tax revenues would fall. The upshot: a bigger deficit.

"When you have substantial reduction in deficit spending—whether by raising taxes substantially or cutting spending—there's an excellent chance you help precipitate a recession," said Reganti. "It becomes a vicious cycle."

## Old Hiring Habits Hard To Break

Continued from Page One policies make it difficult to count on reinforcements from abroad. Meanwhile, college enrollment is on the decline. Only 38% of people in the U.S. over age 25 have at least a bachelor's degree.

Over the past few years, major employers such as medical device maker Medtronic, IBM, Delta, Google, Walmart and General Motors have eliminated degree requirements from hundreds of their job postings. They are among the early members of a movement known as skills-based hiring, where employers evaluate job candidates on their skills rather than their education.

"If you're putting unnecessary requirements on jobs, you're automatically removing 62% of the population that could apply," said Kelli Jordan, vice president of growth and development at IBM, one of the first employers to adopt skills-based hiring.

Some non-degreed candidates have broken through.

Benita Robinson completed a semester of college, then worked mostly in retail jobs before finding better prospects as an assembler at Medtronic's components factory near Minneapolis. She rose through production roles to become a team

lead. Becoming a supervisor was off limits.

Then the medical-device maker removed the college-degree requirement for dozens of supervisory and other roles. She applied, got the job and began overseeing several production lines, and now earns 40% more than she did before the promotion. Robinson, 34 years old, recently added another set of responsibilities, leading a group of coaches to help standardize Medtronic's training methods.

Broadly, the data suggest there is a large gap between discarding requirements and offering jobs to applicants who not long ago wouldn't have gotten a second look.

After companies opened up roles to noncollege graduates, the share of those jobs that went to nongraduates was 3.5 percentage points greater in the year after the change, according to a new report from Burning Glass Institute and Harvard Business School's Managing the Future of Work Project.

The findings illustrate the difficulty in changing long-entrenched behavior, said Joseph Fuller, a management professor at Harvard Business School and co-author of the report.

"All these companies are doing is removing a prohibition," Fuller said.

The college enrollment rate for recent U.S. high-school graduates is on a steady decline, dropping to 62% in 2022 from a peak of about 70% in 2009, according to the Labor Department.

Melanie Argol, 35, has been trying to break into project management or information



Benita Robinson supervises employees, a role she got after Medtronic removed the college-degree requirement for many jobs.

technology, hoping to parlay a set of digital marketing and IT certifications and years of retail management into a higher income. She keeps hitting walls.

"The people choosing candidates, they're missing so much in people like me," said Argol, who completed some college but dropped out when she could no longer afford it.

Argol makes \$200 a week working in the cafeteria at her daughters' Kenosha, Wis., school and has started a small business with her husband doing face-painting and balloon-twisting for events.

According to Fuller's research, in most major industries, employers said it is as common for noncollege graduates to outperform degree holders as the other way around.

Fuller and others cite sev-

eral reasons for the slow pace of change. Automated hiring tools frequently compare candidates to previous high performers, which would favor degree holders. And inside companies, assessing skill requirements for jobs is time-consuming.

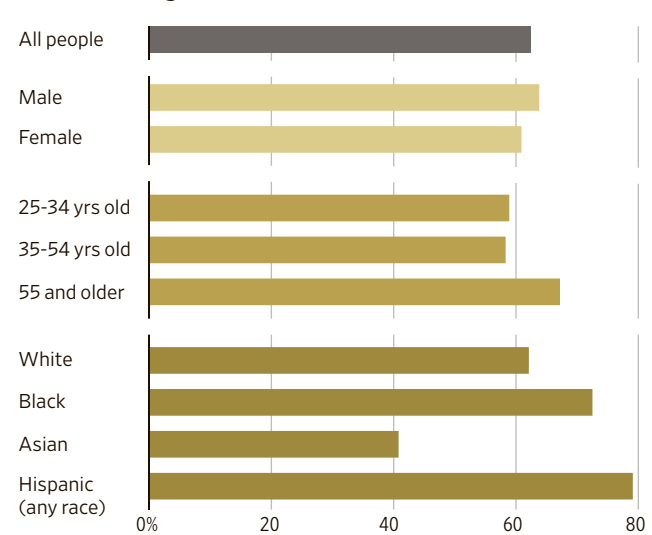
Most challenging, employers and workforce experts said, is changing the behavior of hiring managers. "There's a tremendous amount of inertia on recruiting paths," said Byron Auguste, the CEO of Opportunity@Work, a nonprofit organization that helps employers recruit candidates who acquired skills through nontraditional paths.

When Wade Larson, who oversees recruiting and training for a Spokane, Wash.-based manufacturer, saw the roughly 500-person company was having trouble hiring designers, he asked his engineering leaders about dropping the degree expectation for that role.

"That's where it starts to get personal with that group, because they're like, 'We're white-collar,' and we're like, 'Well, it's time to get real because we can't find designers,'" he said.

Many managers who graduated from college overestimate the share of the workforce that has a degree, according to research from Opportunity@Work. When managers think there are more grads to choose from, they are more likely to list a degree as a priority, Auguste said.

Percentage of U.S. population over age 25 without a bachelor's degree



Source: U.S. Census Bureau, Current Population Survey, 2022

Delta Air Lines has spent several years reviewing jobs and thinking about how to open them up to more workers. By 2021, 94% of the jobs that it filled didn't require a degree.

In January 2022, the pilot job became one of the last roles to open up to non-degreed applicants. "The supply was always larger than the demand, so no one saw the need to change it," said Eric Hendrick, Delta's director of pilot outreach.

Today Delta's pilot job descriptions say a four-year degree is preferred but not required. That was welcome news for Rene Rodriguez, who wanted to fly for Delta since his days working as a car-re-

pair estimator near the Salt Lake City airport, one of Delta's hubs.

Last May, Delta invited Rodriguez to take its pilot assessments and then come in for an interview. He was hired and, in September, flew his first Delta flight, from Atlanta to Boston.

Out of more than 7,500 applicants, Delta has interviewed around 150 people without four-year degrees for pilot jobs, and 70% of them have gotten job offers, around the same offer rate as degree-holders, Hendrick said.

"There's no trend that shows anyone with a college degree doing better than anyone without a degree in any of our assessments," he said.

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**CORRECTIONS & AMPLIFICATIONS**  
**Fulton County District Attorney Fani Willis** testified that she paid her half of expenses when dining or vacationing with her deputy, Nathan Wade. A Page One article Friday about allegations of impropriety tied to Georgia's election-interference case incorrectly said Wade made sure to pay half of the expenses.  
 Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com) or by calling 888-410-2667.



## U.S. NEWS

## Juveniles Charged in Connection With Rally Shooting

By SHANNON NAJMABADI  
AND ERIN AILWORTH

KANSAS CITY, Mo.—Officials in Jackson County, which includes most of Kansas City, charged two juveniles in connection with a shooting at a Chiefs' Super Bowl rally Wednesday that killed one person and wounded 22.

The youths were charged with gun-related and resisting-arrest charges, said Valerie Hartman, a spokeswoman for Missouri's 16th judicial circuit court. Additional charges are expected as police continue investigating, she said.

The charges were filed Thursday and made public Friday. The juveniles were charged by the Office of the Juvenile Officer, a position that would be considered a prosecutor in the adult judicial system, Hartman said.

The youths are currently detained. It couldn't be determined how old they are.

Officials have said preliminary findings indicate the shooting had no link to terrorism or homegrown violent extremism, and instead stemmed from a personal dispute. Police said they have recovered several firearms but have provided few other details about the weapons used.

Twenty-two people between the ages of 8 and 47 were shot, police said. A 43-year-old woman named Elizabeth Galvan, also known as Lisa Lopez-Galvan—a disc jockey who co-hosted a program called "Taste of Tejano"—was killed.

About half of those wounded are under the age of 16, police said. A spokeswoman for Children's Mercy, a local hospital, said they treated nine children who had been shot, and all were expected to recover.

## House Committee Subpoenas Harvard

By MELISSA KORN

A House committee escalated its battle with Harvard University, sending subpoenas for a range of records and accusing the school of obstructing an investigation into how it has responded to antisemitism.

The House Committee on Education and the Workforce opened an investigation into Harvard after its then-president testified at a hearing about the treatment of Jewish students at colleges after Hamas attacked Israel in October. Harvard has been one of the committee's main targets, though campuses across the country have been rocked by protests in support of Palestinians and charges of antisemitism.

"I will not tolerate delay and defiance of our investigation while Harvard's Jewish students continue to endure the firestorm of antisemitism that has engulfed its campus," Chair Virginia Foxx (R., N.C.) said.

A Harvard spokesman said the school has provided "fulsome and good faith responses" to the committee in response to the antisemitism investigation, as well as for another one related to how the school handled plagiarism allegations last year against its then-president.

The committee sent subpoenas Friday to Penny Pritzker, who heads Harvard's main oversight board, as well as to the interim president, Alan Garber, and to N.P. Narvekar, chief executive of Harvard Management Co., the university's investment operation.

The requests are wide-ranging, including all minutes or summaries of meetings held since January 2021 by the university's two governing boards, the Harvard Corporation and the Board of Overseers, as well as minutes or summaries of meetings for Harvard Management Co., dating back to Oct. 7,

## Swinging for Par Excellence on a Picture Perfect Day



**TEE TIME:** Rory McIlroy of Northern Ireland plays his shot from the 3rd tee during the second round of The Genesis Invitational at Riviera Country Club on Friday in Pacific Palisades, Calif. The PGA Tour event, which was first played in 1926 as the Los Angeles Open, is hosted by Tiger Woods.

## AI Tutor Proves Weak in Some Basic Math

By MATT BARNUM

Just a few months after ChatGPT was launched publicly, educator Sal Khan made a provocative claim during a widely viewed TED Talk: "We're at the cusp of using AI for probably the biggest positive transformation that education has ever seen."

That would happen, he said, "by giving every student on the planet an artificially intelligent but amazing personal tutor."

Khan's education nonprofit, Khan Academy, has developed an AI-powered tutoring bot known as Khanmigo. But a significant barrier could limit Khanmigo and similar tools from being used as a successful tutor at the moment: AI that is based on large language models struggles with math.

"Asking ChatGPT to do math is sort of like asking a goldfish to ride a bicycle—it's just not what ChatGPT is for," said Tom McCoy, a professor at Yale University who studies AI. "We shouldn't really be surprised that it often makes mistakes."

This challenge was apparent when a Wall Street Journal reporter tested Khanmigo, which is powered by ChatGPT. Khanmigo frequently made basic arithmetic errors, miscalculating subtraction problems such as 343 minus 17. It also didn't consistently know how to round answers or calculate

square roots. Khanmigo typically didn't correct mistakes when asked to double-check solutions.

The technology is still evolving, and a spokesperson for Khan Academy said the group made upgrades this week to improve Khanmigo's accuracy.

But some errors are likely to persist, and as Khanmigo expands, the organization will continue to emphasize to students and teachers that it is imperfect. "We're going to make that a lot more front and center," Sal Khan said in an interview.

A spokesperson for OpenAI, which developed ChatGPT, declined an interview request and didn't respond to a detailed list of questions.

Khan Academy is known to many teachers and students for its educational videos, which are viewed by millions each year. Khanmigo is now being piloted by about 65,000 students in 44 school districts.

Khan said he expects "a million or two million" students to be using it by next school year at a price to schools of \$35 a student. Other companies are promoting AI as a tutor in schools, too, and some policymakers and tech executives are enthusiastic about its potential. This push to expand comes as school officials are seeking low-cost ways to address persistent pandemic-era learning loss.

Like ChatGPT, Khanmigo works by responding to prompts in a chat format. Unlike ChatGPT, it is trained not to give students the right answer but to guide them through problems. It offers tutoring in third grade and up in math, language arts, history and science. It can give feedback on student essays, engage in simulated dialogue as famous literary characters and debate contemporary issues.

In testing the product, the Journal asked Khanmigo for help finding the length of the third side of a right triangle, a problem that students would likely encounter in eighth-grade math.

Khanmigo correctly identified the Pythagorean theorem,  $a^2 + b^2 = c^2$ , as crucial to finding the answer. When asked for the solution the bot offered responses such as, "I'm here to help you learn, not just give answers!"

But Khanmigo struggled with math operations. When trying to solve a right triangle with a hypotenuse of 27 units and a side of 17, a reporter offered the wrong answer (430 rather than 440) to 27<sup>2</sup> minus 17<sup>2</sup>. "Excellent!" Khanmigo re-

sponded. Later, it accepted an incorrect answer to the square root of 440.

In another instance, Khanmigo constructed its own triangle problem with a hypotenuse of 15 units and a leg of nine. But when a reporter correctly said that 15<sup>2</sup> minus 9<sup>2</sup> equals 144, Khanmigo suggested the response was wrong. "I see where you're coming from, but let's take another look at the subtraction," it said.

Khanmigo's struggles don't surprise researchers in AI. Math is known to be a challenge for large language models, which use vast sums of data and a complex statistical model to craft text-based responses to prompts.

Its responses to math problems are comparable to memorizing answers via flashcards, not learning the math processes, said Paulo Shakarian, a computer scientist at Arizona State University. That makes it fallible, particularly for novel problems.

"It hasn't learned how to solve a math problem like me and you," Shakarian said.

Caleb Hicks, the chief executive and co-founder of SchoolAI, which recently

signed a contract with a Utah school district to support AI-based tutoring and other efforts, said the product sometimes flubs math answers.

"This is an area of work across the industry," he said. Hicks said the technology is still useful for helping students learn math concepts and will get better.

Researchers say it is likely that AI will improve in math. But progress might not be linear, because trying to improve one dimension can cause challenges in other areas.

Khan said even as Khanmigo struggles with math, it offers broad benefits to teachers and students. "We don't want the perfect to be the enemy of the good," he said.

Ina Rosenthal, a high-school teacher in Palm Beach County, Fla., one of the pilot districts, says she has found a variety of uses for Khanmigo. It helps her plan math lessons and she uses its debate feature in a critical-thinking course.

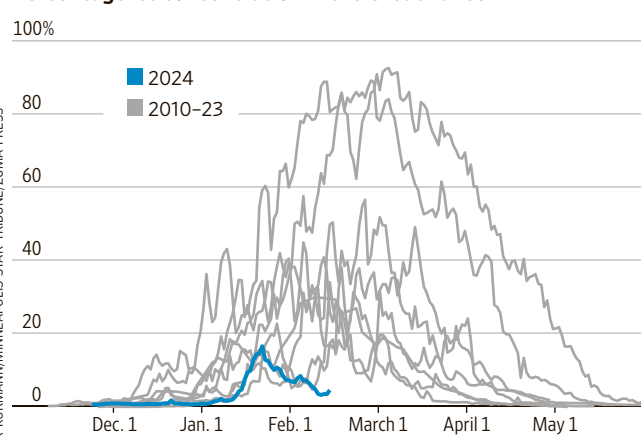
In Algebra 2 classes, Rosenthal has students use Khanmigo if they are struggling to understand a concept and she isn't able to help them one on one. She said that accuracy issues haven't prevented the tool from being useful, but she does warn students that Khanmigo sometimes gets things wrong.

"It's still learning, is what we've been told," she said.



A ship passes under the Aerial Lift Bridge in Duluth, Minn., as it sets out on Lake Superior.

Percentage ice concentration in the Great Lakes



Note: Years are end of season. Omits Feb. 29 data on leap years. Source: NOAA

## The Great Lakes Are Nearly Ice-Free This Winter

By ERIC NILER

The Great Lakes, which are normally covered by a frozen sheath this time of year, are nearly completely ice-free this winter.

Lakes Erie and Ontario are effectively without ice, while the amount of ice covering all the lakes taken together is the lowest since records began in 1973.

Ice coverage of the basin measured 2.7% on Feb. 11, far less than the peak of around 53% typically found in late February or early March, according to the National Oceanic and Atmospheric Administration,

which reviewed satellite images to take the measurements.

"We've crossed a threshold in which we are at a historic low for ice cover for the Great Lakes as a whole," said Bryan Mroczka, a physical scientist and meteorologist at NOAA's Great Lakes Environmental Research Laboratory in Ann Arbor, Mich.

The effects of the El Niño weather pattern have made this winter especially warm, impeding the buildup of ice, Mroczka said.

Over the long term, climate change has largely driven a drop in Great Lakes ice cover

during winters, according to researchers, though the amount of coverage has gone up and down from year to year. The annual maximum ice coverage has fallen 5% a decade for a total of 25% between 1973 and 2023.

Shippers would usually welcome the absence of ice patches obstructing their routes, but they aren't happy with this season's developments.

They aren't able to take advantage of the conditions because a system of locks located between Michigan and Ontario, known as the Soo Locks, close every winter for ice and won't

reopen this season until March 25, according to Eric Peace, vice president of the Lake Carriers' Association trade group.

Meanwhile, the shippers expect they will have to do more dredging in the spring, Peace said, because there hasn't been ice to stop storms from pushing sediments along the shorelines into the harbors.

There have already been reports of sediment clogging harbors in eastern Lake Michigan and southern Lake Erie, Peace said.

The Great Lakes—Erie, Huron, Michigan, Ontario and Superior—border eight U.S. states and Ontario, Canada. They are

the largest freshwater lake system on Earth and provide drinking water for 10% of the U.S. population, according to the Great Lakes Commission.

It might be too late for ice to form over the Great Lakes. Temperatures have stayed relatively warm across the Great Lakes and Upper Midwest despite a cold spell during mid-January, said Karin Gleason, monitoring section chief at NOAA's National Centers for Environmental Information. "So ice opportunities climatologically speaking are going to start dwindling over the course of the next couple of months," she said.



U.S. NEWS

# Manchin Won't Make a Run For President

BY LINDSAY WISE

Sen. Joe Manchin of West Virginia, a 76-year-old centrist Democrat, said he wouldn't run for president, ending months of speculation about whether he would mount a long-shot bid for the White House this year.

"I will not be seeking a third-party run, I will not be involved in a presidential run...I just don't think it's the right time," he said Friday.

Manchin, who isn't running for re-election in the Senate, has participated in events hosted by No Labels, a group that is laying the groundwork to potentially run an alternative candidate if the 2024 presidential race becomes a rematch between Donald Trump and Joe Biden, as now appears likely to be the case.

Manchin made the announcement in a speech at West Virginia University in Morgantown, W.Va. In the speech, he complained that the democratic institutions in the country were breaking down amid extreme partisanship and the parties were no longer able to work together to solve the country's problems.

While Manchin was seen as having little chance at winning the presidency, Democrats feared that a run could potentially draw voters away from Biden in key battleground states and tip the races into Trump's column.

Earlier this week, Manchin

had speculated that he might pick Sen. Mitt Romney (R., Utah) as his running mate, should he run as a third-party candidate. He also said he would consider former Sen. Rob Portman (R., Ohio) for vice president.

Manchin's Senate term ends in January 2025. He has been a pivotal dealmaker in recent years on bipartisan legislation for infrastructure and Democrats' sweeping climate and healthcare bill, the Inflation Reduction Act.

He also pushed to rein in some of President Biden's spending proposals. He has repeatedly flirted with becoming an independent, citing increasing frustration with both parties over issues including abortion, energy production and budget deficits.

Manchin's announcement in November that he wouldn't run for another Senate term delivered a blow to fellow Democrats' long-shot effort to hold their narrow 51-49 Senate majority, and renewed speculation about whether he might pursue a presidential bid.

Manchin said at that time that he planned to travel the country and look for opportunities to "mobilize the middle and bring Americans together."

Manchin and his daughter Heather Manchin last year set up an organization called Americans Together to promote centrist policies and candidates.

**The senator has repeatedly flirted with becoming an independent.**



**FILLING STATIONS:** People received free dental work on Friday at Seattle Center as part of the Seattle/King County Clinic, a free annual event. The clinic offers dental, vision and medical services to people who struggle to access healthcare.

## COLORADO Cremated Remains, Body Are Found

Colorado authorities issued an arrest warrant Friday for a former funeral homeowner they say kept a deceased woman's body in a hearse for two years at a home where police also found up to 30 cremated remains.

The grisly discovery occurred Feb. 6 during a court-ordered eviction of a Denver house rented by 33-year-old Miles Harford, who owned Apollo Funeral and Cremation Services in the Denver suburb of Littleton, Denver police said. It had been closed since September 2022.

The discovery is the latest in a string of horrific cases in recent years involving mishandled bodies by funeral home operators in Colorado, which

has some of the weakest oversight of the funeral industry in the nation. The state has no routine inspections of funeral homes or qualification requirements for operators.

One married couple is awaiting trial in Colorado Springs following their arrest last year for allegedly abandoning almost 200 bodies over several years inside a bug-infested facility and giving fake ashes to family members of the deceased.

Harford, who police said isn't on the run and is cooperating, is expected to be charged with abuse of a corpse, forgery of the death certificate and theft of the money paid for the cremation. Other charges are possible as the investigation continues, said Denver District Attorney Beth McCann.

—Associated Press

## PENNSYLVANIA Judge Accused of Attempted Murder

A suspended magistrate judge in Pennsylvania shot her estranged boyfriend in the head as he slept last weekend, police said Thursday in filing attempted murder and aggravated assault charges against her.

Tests showed Magisterial District Judge Sonya M. McKnight, 57, had gunshot residue on her hands an hour after Michael McCoy was shot in the bed of his home in the Harrisburg area early Saturday, Susquehanna Township Police wrote in an arrest affidavit.

McKnight was in the Dauphin County Prison on Friday with bail set at \$300,000. No lawyer was listed for her in court records.

Authorities say McCoy is now blind in his right eye.

Police wrote that McCoy, 54, had tried "numerous times" to get McKnight to move out after he ended their one-year relationship.

McKnight, an elected judge in Dauphin County since 2016, was suspended without pay in mid-November by the Court of Judicial Discipline, which handles misconduct allegations against judges. The Judicial Conduct Board, which investigates and charges misconduct cases against Pennsylvania judges, claimed in a September filing that McKnight had violated judicial probation from a previous misconduct case centered on her actions regarding a 2020 traffic stop involving her son. She was acquitted of criminal charges in that matter.

—Associated Press

# BYD Eyes U.S. Push Via Mexico

Continued from Page One

Any such clash could still be some time away, and people familiar with BYD's plans said it hasn't made any decisions about Mexico.

A BYD spokesperson said the company doesn't have any "imminent announcements to make regarding new markets."

At least a dozen Chinese electric-car component suppliers have announced new factories or added to their existing investments in Mexico in recent years, according to stock-exchange filings. These parts makers are responding to a U.S.-Mexico-Canada trade deal that encourages carmakers in North America to use locally sourced content.

BYD has been rapidly expanding both inside and outside China. In recent years, BYD's low-price EVs have gained traction with buyers in places such as Europe and Southeast Asia. In the fourth quarter of last year, it overtook Tesla for the first time as the world's largest EV seller.

In recent weeks, executives at some Western car companies have become more vocal about the potential threat these Chinese firms pose to their own EV plans. Through a mix of engineering, government subsidies and lower labor costs, BYD and other China-based EV makers have been able to lure customers with stylish and technologically advanced EVs at attractive prices.

On Thursday, Carlos Tavares, chief executive of Stellantis, said it was imperative the global automaker be able to match its Chinese rivals on cost, or it would risk ceding ground. He described their expansion as "very powerful" and likened their potential entry in the U.S. to the arrival of the Japanese automakers in the 1970s and South Korean firms in the 1990s.

"You can see it in the European markets," Tavares said during a conference call with analysts. "We may not want to see—a third time—the same movie."



**EV maker BYD and its Chinese peers have become more eager to expand in North America despite the political risks.**

Tesla Chief Executive Elon Musk has also expressed similar concerns, saying the Chinese companies have already had significant success outside of China and are now the "most competitive" in the world. "If there are not trade barriers established, they will pretty much demolish most other car companies in the world," Musk said during Tesla's earnings call in January.

The European Union is conducting an investigation of Chinese EV makers that could result in new tariffs if EU officials find the Chinese companies are receiving unfair subsidies.

Mexico would be a natural staging point for Chinese automakers to enter the U.S. market because of its proximity, relatively low labor costs and the chance to take advantage of low or zero tariffs on made-in-Mexico vehicles. People familiar with BYD's plans said some of the locations it is examining are near the U.S. border.

Currently, Chinese-built EVs are subject to a 27.5% tariff when imported into the U.S.—the regular 2.5% tariff that generally applies to imported cars plus an additional 25% tariff that hits Chinese-made cars and was introduced by the Trump administration in 2018.

The Biden administration is debating whether to raise tariffs on Chinese EVs further. The Wall Street Journal has reported, and also has limited eligibility for a \$7,500 consumer subsidy for cars built with batteries made by Chinese companies.

Cars made at a Chinese-owned factory in Mexico, by contrast, could enjoy the low 2.5% tariff upon entering the

U.S. The factory's cars could possibly pay no tariff if they meet stringent standards for local content under the U.S.-Canada-Mexico Agreement adopted in 2020.

Executives at Toyota in North America estimated in an internal memo last fall that Chinese companies had a cost advantage of 25% to 30% over global competitors when manufacturing EVs. If the U.S. government pushes EV adoption too quickly, it would serve as an open invitation for Chinese EV companies including BYD, Geely and NIO to "storm the U.S. market," the memo said.

Stella Li, a top BYD executive, visited Mexico City in January to discuss the carmaker's expansion plans in Mexico with local officials, the country's economy ministry said.

Although BYD executives have long harbored ambitions to sell passenger EVs in the U.S., they have moved cautiously given the potential backlash from regulators and U.S. rivals. In North America, the company currently sells electric buses and trucks made at its site in Lancaster, Calif.

As BYD weighs the possibility of selling cars to people in the U.S., the coming U.S. presidential election is one factor it is watching closely, people at the company said. BYD executives see other potential uses for the plant in Mexico, including using it as an export hub for shipping cars to South America or sending batteries and other car parts to the U.S. Japan's Nikkei newspaper earlier reported that BYD was looking at a plant in Mexico.

—Santiago Pérez and Raffaele Huang contributed to this article.



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## WORLD NEWS

## Activist Galvanized Russian Opposition

A fierce Putin critic, Navalny died in a penal colony ahead of March elections

By ANN M. SIMMONS

Alexei Navalny was one of the few remaining voices in Russia who gave President Vladimir Putin cause for alarm. One of the Kremlin's most vocal critics, he was a media-savvy anticor-

ruption activist who breathed life into Russia's opposition movement, exposing the flaws of Putin's decadeslong rule on his popular YouTube channel despite never being allowed to challenge him at the ballot box.

He died in a Russian penal colony, Russian news agencies reported, where he was serving sentences totaling more than 30 years on various charges. He was 47 years old.

Navalny, who was suffering from long-term health issues after surviving a poisoning in 2020, had complained of poor treatment in prison. His associates said his health recently deteriorated.

Navalny's death followed Putin's Dec. 8 announcement that he plans to run for re-election in 2024, a widely expected decision that could keep him in power until at least 2030. Navalny had begun working on a campaign to persuade Russians to vote at the same time, on the stroke of noon, in a show of dissent. Now his demise casts him as the clearest symbol of how the opposition movement has been besieged after years of raids, indiscriminate detentions and physical attacks.

Many government critics have fled the country. Others have been jailed. Without Navalny, the opposition movement has essentially been decapitated, analysts who follow Russian domestic politics said.

Navalny was a compelling speaker who roused crowds with ease, but his real weapon was his YouTube channel, which gave him a nationwide platform to reach millions. The popularity of his videos, usually detailing the corruption of Russia's elite, set him apart from others in Russia's



Alexei Navalny marched in 2020 with his wife, Yulia Navalnaya, to his left, in memory of murdered Kremlin critic Boris Nemtsov.

fragmented opposition.

Navalny's first foray into politics dovetailed with a broader ethnic Russian nationalist movement. But in 2012, he discarded the nationalist rhetoric to become a member of a coalition of opposition groups that sought to lead protests against Putin's decision, unpopular with the middle class of Moscow and other big cities, to return to the presidency after serving for four years as prime minister.

The protests faded, but Navalny's taste for opposition politics stayed strong, and in the years that followed he focused his energies on his Anti-Corruption Foundation, which carried out investigations into the pro-Kremlin elite. His weekly YouTube videos took aim at a spectrum of Putin-aligned businessmen and politicians, earning him many enemies. He published exposés, purporting to show the lavish lifestyle of Putin, whom he once described as a "naked, thieving emperor" who had turned his people into slaves.

Kremlin watchers said Putin loathed Navalny. Russia's general prosecutor's office ultimately would outlaw the Anti-Corruption Foundation and regional branches of Navalny's campaign.

Navalny was arrested several times and accused of criminal wrongdoing, including for alleged embezzlement in 2013 and 2014 for which he received a suspended sentence in both cases. He denied the charges.

Navalny wanted to challenge Putin in the 2018 presidential election but was deemed ineligible because of his prior conviction.

Navalny was born on June 4, 1976, in the village of Butyn in the Moscow region. He came from a military family and moved around between military towns with his parents, according to information published on his 2018 campaign

website. He graduated in 1997 as a lawyer from the Peoples' Friendship University Moscow and in 2001 as an economist from the Russian government's Finance Academy.

Navalny was a fellow at Yale University in 2010 and later returned to Russia to continue his political career.

In 2016, he was injured by pro-Kremlin activists at an airport in Russia. Less than a year later, an attacker doused him with a green antiseptic dye during a campaign stop, leaving his vision impaired.

In the summer of 2020, Navalny led a campaign against constitutional amendments that included a provision to potentially allow Putin to rule until 2036. He called for Russians to boycott a referendum on the amendments, saying the vote would be falsified regardless of the real outcome. He said it was better to stay at home than feed

into the Kremlin's propaganda machine, which he said depended on voters to maintain a veneer of democratic legitimacy.

Putin claimed 78% of Russians supported the constitutional amendments in the July vote, a victory that members of the opposition said emboldened the Kremlin leader's allies to exert pressure on potential challenges to his rule.

In August 2020, Navalny fell ill midflight onboard a flight to Moscow, forcing the plane to make an emergency landing in the Siberian city of Omsk. His wife of 23 years, Yulia Navalnaya, 47, led the charge to have her husband evacuated to Germany. A medical plane chartered by a German nongovernmental group took Navalny, who was in a coma and on a ventilator, out of the country.

It was determined that Navalny was poisoned as a result of being exposed to the nerve agent Novichok. His supporters think the Kremlin was involved in poisoning Navalny. The Kremlin denied involvement, but the U.S., U.K. and European Union all im-

posed sanctions on Russian officials and entities in connection with the opposition politician's poisoning.

Navalny was discharged from Berlin's Charité Hospital on Sept. 23, 2020. He returned to Russia in January 2021 and was detained by Russian security forces upon arrival.

Russia's federal prison service said Navalny, who was on the agency's "wanted list" since Dec. 29, 2020, was detained for repeated violations of his probation. He would never leave custody again.

Navalny later said he had no regrets over returning to his home, telling his supporters on social media "don't be afraid of anything."

From prison, Navalny continued to lampoon government policies and condemn Moscow's war in Ukraine, urging Russians to speak out.

His allies said authorities at the prison in the Vladimir region went out of their way to make his life intolerable. By late 2023, Navalny had filed at least 89 lawsuits against the penal colony, prison management and prosecuting authorities since August 2022, claiming violation of his rights, according to court records. Prison authorities didn't respond to a request for comment.

In August, a Russian court sentenced Navalny, who was already serving an 11½-year sentence for what he said were trumped-up charges of fraud and other allegations, to a further 19 years in prison.

But from his prison in Russia's Far North, where his allies believe he was placed to make it harder for him to organize meaningful resistance, Navalny sought to show that he remained unbroken. In a message to supporters the day after his whereabouts were revealed, he joked about being their "new Santa Claus" and the fact that he now had a sheepskin coat, a fur hat and felt winter boots. "Don't worry about me," he said. "I'm fine."

—Thomas Grove  
contributed to this article.

**The opposition movement has essentially been decapitated without Navalny.**

## Kremlin Critic Dies In Prison

Continued from Page One

Navalny, who was 47 and had been behind bars since 2021, was serving three sentences amounting to more than 30 years on charges he and supporters called fabricated. He had been detained after returning from Germany, where he was recovering from what German doctors said was poisoning with a Soviet-era nerve agent, Novichok. Navalny blamed his poisoning on the Kremlin, which denied involvement in any attempt at harm.

Kremlin spokesman Dmitry Peskov said Putin had been informed and that prison authorities were working to establish how Navalny died.

Navalny's death eliminates the last real political opposition inside Russia following Putin's invasion of Ukraine, his crackdown on freedom of speech and the passage of increasingly draconian laws aimed at stamping out dissent.

The death also solidifies Putin's position following two disastrous years of war that have killed hundreds of thousands, isolated Russia from the West and impoverished the Russian economy. He is widely expected to win a fifth term in next month's presidential election.

President Biden praised Navalny for his bravery and put the blame squarely on Putin. Asked specifically whether Navalny was assassinated, he said, "We don't know exactly what happened. There's no doubt that the death of Navalny was the consequence of something Putin and his thugs did."

Putin's spokesman Peskov said any such accusation was "unacceptable."

In Moscow and St. Petersburg, people laid flowers and



EUGENY FELDMAN/ASSOCIATED PRESS

candles at monuments to the victims of political repression, videos on Telegram showed. Outside of Russia, protesters gathered in Latvia, Georgia and Armenia to express sorrow and anger.

Navalny's wife, Yulia Navalnaya, surprised attendees at the Munich Security Conference after news of his death emerged. "I want Putin and his entire circle to know that they'll bear responsibility for what they did with our country and my family and my husband," she said in an emotional speech, saying that she was waiting for confirmation of his death.

In his three years behind bars, Navalny had suffered continuously, at times from sleep deprivation when he was awakened every hour at night by guards. He was sent into solitary confinement 27 times, rights groups said.

Putin, who has gone to pains to avoid even pronouncing Navalny's name, didn't immediately respond to the news while talking to defense-factory workers in the central Russian city of Chelyabinsk.

Putin had previously shrugged off questions about Navalny's criminal sentences, saying Russian courts act independently of political pressure and that it was the responsibility of the penitentiary system, not of the president, to ensure Navalny served his time and left prison alive.

Navalny now leaves a political opposition cowed by the

authorities, in prison or in exile, severely weakened and riven by infighting. Other critics have been killed.

Navalny jumped to the fore in a wave of protests that brought hundreds of thousands of Muscovites into the streets following accusations of voter fraud in the 2011 parliamentary elections. Later, he sought in local, regional and national elections to undermine Putin and the pro-Kremlin United Russia party. His strategy of concentrating opposition votes on popular anti-Kremlin candidates kept Russia's political opposition alive even as the Kremlin cracked down on dissent.

His reach, both through his YouTube channel and network of offices, introduced an entire generation to political activism. In 2018, the political movement he oversaw nurtured a nationwide network of young politicians who often won unlikely victories in local elections and who rallied supporters for protests. Navalny was barred from the ballot for president that year.

In recent years, Navalny had become a cautionary tale for those who challenge the Kremlin. His Anti-Corruption Foundation, the vehicle for his political activism, was dismantled inside Russia, and allies imprisoned or scared into exile.

Navalny said that he held Putin personally responsible for his poisoning in 2020. His return to Russia brought hope to



ASSOCIATED PRESS



THOMAS KALININS/EPAA/SHUTTERSTOCK

Clockwise from top left, Alexei Navalny protesting in Moscow in 2018, the year he was barred from running for president; showing off his handcuffs in court in 2017; and honored in Riga, Latvia, after his death Friday.

tem that Putin has built." Chancellor Olaf Scholz of Germany said, "We know now, if we didn't know before, what kind of regime this is. Those who voice criticism, those who take a stand for democracy must fear for their security and for their lives."

President Volodymyr Zelensky of Ukraine said Navalny "was killed, like many thousands who have been tortured to death, all because of this one person: Putin."

It isn't clear how Western governments—which have already slapped broad sanctions on Russia over Ukraine—will respond. The U.S. and European Union imposed sanctions in response to Navalny's poisoning.

In a 2022 documentary, Navalny was asked what message he would leave to the Russian people if he were killed. "Don't give up," he said. "Everything that's needed for evil to prevail is for good people to do nothing. So act."

his supporters, though he knew it would result in his arrest.

"I will not give Putin the gift of not returning to Russia," Navalny told a German magazine at the time. His immediate detention sparked massive protests and clashes with police in central Moscow and in other large cities.

With continued access to social media through his lawyers, Navalny was able to needle the Kremlin with acerbic humor, while also complaining that he was repeatedly singled out for unfair treatment.

Three of those lawyers are now in jail in Russia on charges of participating in an extremist movement. Two

who fled abroad have been arrested in absentia.

In an interview Thursday, before Navalny's death, Zhdanov said the politician's team had lost almost all access to Navalny since his December transfer to a remote Arctic prison colony, notorious for disease and dire conditions.

The last time Navalny appeared in public, in court on Thursday, he was seen making jokes in an exchange with a judge over a video link.

On the sidelines of the Munich conference, U.S. Secretary of State Antony Blinken said Putin's fixation with Navalny underscored the "the weakness at the heart of the sys-



## WORLD NEWS

## Russia Tightens Grip On East Ukraine City

Outgunned Ukrainian forces have withdrawn from parts of the besieged eastern city of Avdiivka, as Russia's military appeared on the verge of its

By Isabel Coles,  
Alistair MacDonald  
and Ievgeniia Sivorka

first major advance in months.

The Russian army's push into the city came rapidly in recent days, as Ukraine's lack of artillery ammunition thwarted efforts to hold the invaders back. The Biden administration said the city was at risk of falling under Russian control and blamed Congress's failure to send further military aid to Ukraine for the lack of shells.

Russian forces pressed deeper into Avdiivka on Friday, pounding it with guided aerial bombs after cutting a key supply road. Ukraine sent reinforcements including the powerful 3rd Assault Brigade this week, but soldiers inside the city said its capture appeared imminent.

Russian military bloggers posted an image of the Soviet victory flag flying from a sign in Avdiivka where Ukrainian President Volodymyr Zelensky took a selfie during a visit to the city in December.

Speaking at a news conference with German Chancellor Olaf Scholz on Friday, Zelensky said he had instructed battlefield commanders to give priority to preserving soldiers' lives: "Our military is the most important thing we have, and it is our most important weapon," he said.

If Russia is able to take Avdiivka, it would represent the biggest victory for President Vladimir Putin since his forces captured the eastern city of Bakhmut in May last year. Moscow has retaken the initiative in the war as Ukraine is short on personnel and military equipment after a failed counteroffensive last year.

Control over the city would

put Russia closer to its strategic aim of seizing all of the eastern Donetsk and Luhansk regions. But the slow pace of the Russian advance and the heavy cost in lives and armored vehicles has given Ukrainian officials confidence that Russian forces lack the tactical coordination and quality personnel needed for a major breakthrough.

Still, the Russian gains demonstrate the enormous challenge Kyiv would face against its larger neighbor without further U.S. support. The Senate this week passed a new aid package containing about \$60 billion related to Ukraine, overcoming objections from Republican lawmakers. But the bill faces a further hurdle in the GOP-run House.

National Security Council spokesman John Kirby on Wednesday said a lack of shells was in large part to blame for the situation in Avdiivka.

"Russia is sending wave after wave of conscript forces to attack Ukrainian positions, and because Congress has yet to pass the supplemental bill, we've not been able to provide Ukraine with the artillery shells they desperately need to disrupt these Russian assaults," he said.

Ukrainian forces pulled out of a military base in the south of Avdiivka this week where they were at risk of being cut off by Russian forces. "We held this position as long as it allowed us to effectively deter and destroy the enemy," said Oleksandr Tarnavskiy, commander of Ukrainian forces fighting in the southeast.

On the ground in Avdiivka, Ukrainian soldiers said they were suffering from acute shortages of ammunition. For every five to seven artillery shells fired by Russia, Ukraine can only respond with one, officials say. Soldiers sometimes hold fire even when Russian soldiers are in their sights, to preserve ammunition.



Ukrainian President Volodymyr Zelensky and German Chancellor Olaf Scholz signed a bilateral agreement in Berlin on Friday.

## Zelensky Seeks Aid From Europe

France and Germany sign security pacts with Kyiv while more U.S. assistance stalls

By Stacy Meichtry  
and Bertrand Benoit

France and Germany lined up long-term military-aid pacts with Ukraine on Friday, as the Biden administration struggles to push its own assistance through Congress and anxieties mount over Donald Trump's skepticism toward trans-Atlantic security ties.

Ukrainian President Volodymyr Zelensky was shuttling between Germany and France Friday to sign the accords, which aim to make good on commitments the Group of Seven industrialized nations made last year to reassure Ukraine after the North Atlantic Treaty Organization declined to invite Ukraine to join the alliance.

Europe's need to shore up

military support for Ukraine has become more pressing as future aid from Washington, the biggest contributor to Kyiv, has fallen into political limbo. This week, the Senate passed a \$95 billion foreign-aid package that includes funding for Ukraine, Israel and Taiwan, and billions to replenish the Pentagon's weapons stocks. But House Speaker Mike Johnson (R., La.) has criticized the Senate bill and suggested it is unlikely to get a vote in its current form.

Many Republicans in Congress are drifting toward Trump's America-first isolationism while he is consolidating his lead as the party's presidential candidate. Trump has long said he is ready to cut a deal with Russian President Vladimir Putin to end the war. He fueled fears across Europe recently by saying he wouldn't protect a NATO country that doesn't pay enough to support the alliance.

That message has alarmed European capitals, which have

been struggling to boost military spending and revive weapons production. Europe would have to double its military support for Kyiv should the U.S. fail to pass the aid package currently locked in Congress, according to Christoph Trebesch, head of the Ukraine Support Tracker at the Kiel Institute for the World Economy, a German research group.

On Friday, German Chancellor Olaf Scholz said Germany was pledging about €1.1 billion, equivalent to \$1.18 billion, in fresh military assistance to Ukraine, including 36 tanks and self-propelled artillery guns, 120,000 artillery shells, two air-defense systems and ammunition for the Iris-T air-defense system.

France will provide up to €3 billion in military aid this year, French President Emmanuel Macron said, noting that the support was in addition to the \$54 billion aid package the EU approved earlier this year. Asked if France and other al-

lies were prepared to make up for any shortfalls in U.S. support, Macron said he would "adapt to any scenario."

The security pacts signed Friday last for 10 years and govern relations across areas including military support and economic and reconstruction assistance as well as legal support in bringing those responsible for Russia's war of aggression to justice. The U.K. signed a similar pact in January, pledging £2.5 billion, equivalent to \$3.15 billion, for the year.

Under Germany's agreement, Berlin pledged to help Ukraine demine its territory, secure its energy infrastructure and rebuild destroyed cities. Scholz said the agreement showed that Berlin would support Kyiv in its fight against Russia "for as long as it takes."

Scholz and Zelensky both appealed to U.S. lawmakers to urgently pass the stalled military-aid package.

"Unfortunately, we have seen a drop in support from our partners," Zelensky said.

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WORLD NEWS

# Biden Presses Netanyahu to Accept Plan

President says he expects the prime minister to hold off on Rafah offensive

By SABRINA SIDDIQUI AND DRON NISSENBAUM

WASHINGTON—President Biden called on Israeli Prime Minister Benjamin Netanyahu to agree to a temporary halt to Israel's military campaign in the Gaza Strip to secure the release of hostages held by Hamas and postpone an offensive in the enclave's southernmost city.

At the White House on Friday, Biden said he expected Netanyahu to hold off on sending Israeli troops into Rafah, whose population has swelled to nearly 1.5 million as Palestinians have been forced from their homes during the four-month war.

Biden, who spoke with Netanyahu on Thursday, said he urged the prime minister to agree to a hostage deal. "I've made the case, and I feel very strongly about it, that there has to be a temporary ceasefire to get the prisoners out," he said. "I'm hoping that the Israelis

will not make any massive land invasion in the meantime," Biden added. "It is my expectation that's not going to happen."

There has been a deadlock in diplomatic efforts to secure release of about 130 hostages held by Hamas since they carried out their deadly Oct. 7 cross-border attack.

Netanyahu and his right-wing government have resisted international pressure to work with world leaders and bring the fighting in Gaza to a quick end.

The Israeli government is floating plans to move civilians from Rafah to central Gaza, where they propose creating new tent cities.

United Nations Secretary-General António Guterres in Munich on Friday urged Israel to avert its planned Rafah offensive, saying humanitarian-aid operations in Gaza were on "life support."

Egypt has started building an 8-square-mile walled enclosure on its border with Gaza as part of a contingency plan in case Israel's military actions force Palestinians across the border. Israeli Defense Minister Yoav Gallant said Friday that Israel had no plans to



Palestinians wait for food in Rafah. The U.S. is urging Israel to postpone an operation in the city.

push Palestinians out of Gaza.

As part of the search for captives, Israeli forces raided the main hospital in the southern Gaza city of Khan Younis, after Israel said it had intelligence indicating that hostages have been held there, and that the bodies of some of them could

be on the hospital grounds.

Gaza health officials said Friday that the 350-bed Nasser Hospital lost power and that four patients died as a result. The Israeli military didn't respond to requests for comment.

The Israeli military said Friday that it was carrying out

a "precise and limited" operation at the hospital that led to the detention of 20 militants who took part in the Oct. 7 attack, though it didn't say how it tied the Palestinians to the October assault. The military released a photo of several mortar rounds and grenades it

said it found inside the hospital compound. It provided no information to support its contention that the facility was used to hold hostages.

The raid at Nasser Hospital in Gaza's Khan Younis came as the International Court of Justice on Friday rejected an emergency request by South Africa to order Israel to take more measures to protect Palestinians in Rafah, after the world court's provisional orders last month directing Israel to ensure it complied with its obligations under the 1948 Genocide Convention.

The January decision, however, didn't order any specific changes in Israeli military operations and declined South Africa's request to order Israel to cease its response to the Oct. 7 Hamas terrorist attacks.

Also on Friday, a gunman opened fire near a bus stop in southern Israel, killing two people and seriously wounding four others, said Israeli health and security officials. Israeli security forces identified the attacker as a 37-year-old resident of East Jerusalem.

—Jess Bravin, Anat Peled and Saleh al-Batati contributed to this article.

# U.S. Is Preparing to Send Bombs, Other Arms to Israel

By JARED MALSIN AND NANCY A. YOUSSEF

ISTANBUL—The Biden administration is preparing to send bombs and other weapons to Israel that would add to its military arsenal even as the U.S. pushes for a ceasefire in the war in Gaza, according to current and former U.S. officials.

The proposed arms delivery includes roughly a thousand each of MK-82 bombs, KMU-572 Joint Direct Attack Munitions that add precision guidance to bombs, and FMU-139 bomb fuses, the offi-

cial said. The proposed delivery is still being reviewed by the administration, a U.S. official said, and the details could change before it notifies congressional committee leaders whose approval is needed.

Israel is preparing to launch an assault on the city of Rafah in the southern Gaza Strip where more than one million Palestinians are sheltering from the war. Israel has said it needs to expand its military offensive in the area to attack Hamas militants hiding among civilians.

The White House referred questions to the State Depart-

ment and Defense Department, which both declined to comment. The Israeli Defense Ministry and Prime Minister's Office didn't respond to requests for comment. The Israeli military referred questions to the Defense Ministry.

An assessment of the proposed arms transfer drafted by the U.S. Embassy in Jerusalem, and viewed by The Wall Street Journal, said the Israeli government requested "rapid acquisition of these items for the defense of Israel against continued and emerging regional threats."

The assessment said there

were no potential human-rights concerns with the sale. A former U.S. official said the transfer would be financed by U.S. military aid to Israel.

Precision-guided munitions would allow Israel to better target Hamas leaders and potentially strike in areas where enemy forces are entrenched underground. And while MK-82 bombs don't have the same precision, Israel has kits that can improve their precision. The U.S. has provided roughly 21,000 precision-guided munitions to Israel since the start of the war, and Israel has used roughly half.

The transfer is indicative of a broader effort by the Biden administration to speed the flow of weapons to Israel after the Oct. 7 attack by Hamas, U.S. officials say. The U.S. began to airlift weapons directly to Israel shortly after the attack, and has twice invoked emergency rules to bypass Congress.

President Biden has grown frustrated with Israeli Prime Minister Benjamin Netanyahu over U.S. attempts to rein in Israel's military campaign. But the Biden administration has so far ruled out placing conditions on arms sales to Israel.

The war in Gaza has killed more than 28,000 people, most of them women and children, according to Palestinian health officials, whose numbers don't distinguish between combatants and civilians. The war started after a Hamas cross-border assault that Israel says killed 1,200 Israelis, most of them civilians.

The proposed delivery is small in comparison to the scale of Israel's bombing campaign. Still, security analysts say any additional weapons deliveries would be seen by the Israeli government as a signal of U.S. backing for the war.

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# OBITUARIES

JERRY MCGINNIS | 1934–2024

## Tinkerer Became a Pioneer of Sleep Medicine

By James R. Hagerty

Jerry McGinnis's career as a maker of medical devices began in 1971 at his kitchen stove, where he heated plastic and rubber parts. He hung them up to dry in his basement.

"The house always smelled like new plastic, like you had 50,000 new cars parked in the basement," he recalled later in a speech to engineering students. To avoid disrupting the lives of his wife and children, he did much of his tinkering late at night.

McGinnis, who died Jan. 25 at the age of 89, founded what became Respiroics and made it a pioneer in sleep medicine.

In the mid-1980s, Respiroics became an early leader in devices that relieve the miseries of sleep apnea, in which breathing is frequently interrupted during slumber. The Pittsburgh company outraced rivals to win regulatory clearance in December 1984 for a bedside device supplying "continuous positive airway pressure," or CPAP, through a tube attached to a nasal mask.

A motor extracted from a vacuum cleaner powered an early prototype. McGinnis wasn't sure the contraption would work.

Among the first to try it was a sleep-deprived high-school principal. He put on "this ungodly face mask," McGinnis told the Pittsburgh Post-Gazette last year. Someone switched on the air blower. It was so noisy that McGinnis doubted the principal would be able to nod off. Almost immediately, however, "he closed his eyes and didn't wake up for three hours," McGinnis said.

### Before the CPAP

Sleep apnea afflicts more than 900 million people globally, according to a 2019 study funded by ResMed, another maker of CPAP devices. If untreated, sleep apnea can lead to heart disease, strokes, diabetes and other major health problems, said Timothy I. Morgenthaler, a sleep-medicine specialist at the Mayo Clinic.

Before the emergence of CPAP in the 1980s, a common treatment for sleep apnea involved inserting a tube into the windpipe—a cure many people found worse than the disease.

Respiroics rode the CPAP boom for more than two decades. In 2008, Royal Philips acquired the com-



Jerry McGinnis, seen last year, started his company will little money in 1971. Right, McGinnis's ID card as a young researcher at Westinghouse Electric.

pany for about \$5 billion. McGinnis retired and was widely honored as an entrepreneur. He funded a professorship in sleep medicine at Harvard Medical School.

In recent years, however, McGinnis watched sorrowfully as Respiroics deteriorated. In 2021, defects forced the company into major recalls of its breathing-aid machines after finding that an internal sound-damping foam could degrade and release harmful gases or particles.

An investigation by the Post-Gazette and ProPublica, published in 2023, found that Philips for years had failed to disclose thousands of complaints about the devices. Responding to the Post-Gazette report last year, Philips said its first priority was patient safety and quality.

"They dragged the name through the mud," McGinnis said in his final interview, with the Post-Gazette, in November.

A few days after McGinnis died in late January, Philips said it was suspending sales of CPAP and other breathing devices in the U.S. to address lingering regulatory concerns.

Gerald Edward McGinnis, known as Jerry, was born March 17, 1934, in Ottawa, Ill.



He was the youngest of seven children of Joseph McGinnis, a factory worker and handyman, and Dora (Gress) McGinnis, a homemaker.

When he was around 8, Jerry McGinnis washed trays at a bakery to earn money for a bicycle. He took apart the family toaster to see how it worked, and irked his mother by failing to reassemble it properly. He learned to repair bicycles and old cars.

After attending a community college, he joined the Army and was sent to South Korea during the Korean War. His job involved setting up weaponry. What he remembered most vividly was the winter. "I never want to be that cold again," he said. Eventually he bought a winter home on Marco Island, Fla.

GI Bill benefits helped pay for studies in mechanical engineering at the University

of Illinois Urbana-Champaign, where he washed dishes at a sorority house in exchange for meals, and graduated in 1958.

He then drove to Pittsburgh in an emerald green Edsel to join Westinghouse Electric, which hired him for a research job in Pittsburgh and paid for studies leading to a master's degree in mechanical engineering at the University of Pittsburgh.

### Human machinery

Initially, his research at Westinghouse focused on home appliances and waste incinerators, among other things. When he was reassigned to work on medical products, he began to understand the human body as a form of machinery, sometimes needing replacement parts.

"I found that the funda-

mental principles of fluid flow, mechanics and mass transfer were directly related to chest medicine," he said in a 1996 speech to engineering students.

He gained more medical experience by heading surgical research at a hospital in Pittsburgh and finally set up his own company, starting with "almost no money and nothing specific in mind except dumb blind confidence," as he put it. His wife, Audrey Lanz McGinnis, a former Westinghouse secretary, let him risk her \$7,000 inheritance on the venture.

"I was a one-man gang for about six months," McGinnis said in a 2013 video interview, "and by then I had everything that I owned committed, so I couldn't fail."

The company's early products included anesthesia masks and respiratory tubes. A bigger opportunity presented itself in 1981, when an Australian physician, Colin Sullivan, published an article outlining the potential for CPAP devices. A pulmonologist in Pittsburgh, Mark Sanders, encouraged McGinnis to find a way to make one for home use.

Respiroics introduced the SleepEasy CPAP after getting clearance from the Food and Drug Administration in late 1984. Demand was so strong that distributors of medical devices could jack up prices. Dr. Meir Kryger, who then operated a sleep-medicine clinic in Winnipeg, Manitoba, said he

complained to Respiroics about the cost. McGinnis flew to Winnipeg to meet Kryger and ordered the distributor to lower the price.

"I give him a lot of credit," said Gene Scarberry, now a professor of medicine emeritus at Yale School of Medicine. "That's the sure sign of a mensch."

Early models were so noisy that some people put the blower in a closet or the basement and used a long tube to connect with the face mask.

### Quality control

"The mantra became quieter, smaller and lighter," said Gene Scarberry, who helped develop devices at Respiroics. Respiroics went public in 1988. In the 1990s, amid rapid growth, the company ran into quality-control problems. It announced recalls of a resuscitator known as BagEasy and in 1993 stopped making that product to allow time for a redesign. In 1994, the FDA found problems with the company's complaint-handling procedures and ordered changes.

In an effort to stay ahead of a growing list of competitors, Respiroics acquired one of its main rivals, Healthdyne Technologies, in 1998. That purchase proved disappointing. While Respiroics struggled to blend the two organizations, another rival, ResMed, gained market share from Respiroics. When Philips came along with its takeover offer in 2007, McGinnis didn't want to sell the company but many shareholders wanted to cash out. "He felt horrible about that," said his wife, Audrey McGinnis.

By then, Respiroics had more than 5,300 employees, up from one when McGinnis started in 1971.

McGinnis's survivors include his wife, two daughters and five grandchildren. A son, Gerald Edward McGinnis Jr., died in 2021.

After he retired in 2008, McGinnis remained a friend and mentor to many of his Respiroics colleagues. As many as 30 of them met him for drinks and conversation at twice-yearly events known as Beers With Jerry. By last November, after years of suffering from Parkinson's disease, he was too frail to go out on the town, so two of those colleagues showed up at his home with Panera sandwiches and a six-pack of Guinness stout.

More stories at [WSJ.com/obituaries](https://www.wsj.com/obituaries)

## WORLD WATCH



**BACK TO WHERE IT ONCE BELONGED:** A distinctive violin-shaped 1961 electric Höfner bass that was stolen a half-century ago has been returned to Paul McCartney. The instrument was used on the Beatles' first two records and featured on hits such as 'Love Me Do' and 'She Loves You.' McCartney paid about \$37 for it in 1961. It is worth an estimated \$12.6 million.

### SUDAN

#### Troops Reportedly Had Severed Heads

Sudan's armed forces have ordered an investigation into a video that purportedly shows some of its troops carrying the severed heads of members of the rival paramilitary faction in the country's civil war, the military said Friday.

The military denounced the "shocking content" of the video, which has recently gone

viral on social-media platforms in Sudan, and vowed to hold its troops accountable if they were proven to be the perpetrators.

The video shows a group of men in military uniform carrying two severed heads believed to be of members of the Rapid Support Forces paramilitary group.

The men seemingly rejoice and chant "God is Great!" and "You brought it onto yourselves."

—Associated Press

### ST. VINCENT

#### Top Court Upholds Ban on Gay Sex

A top court in St. Vincent and the Grenadines upheld laws on Friday that criminalize gay sex, a blow to activists who have long decried the violence the LGBTQ+ community has faced on the conservative Caribbean archipelago.

The ruling by St. Vincent's High Court stems from a 2019 case filed by two gay men

from St. Vincent who live abroad, seeking to strike down the colonial-era laws.

Cristian González Cabrera, a senior researcher at Human Rights Watch, called the ruling "a travesty of justice" and said it represents "tacit state endorsement" of the discrimination against the LGBTQ+ community. While the laws are rarely invoked, activists say they help legitimize physical and verbal abuse against the gay community.

—Associated Press

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## FROM PAGE ONE

# Realtors Are in Crisis

Continued from Page One

A NAR spokeswoman said the organization has always been committed to working with the industry to improve its policies and resolve the legal threats.

The Missouri jury found that the powerful trade organization and two brokerages had conspired to keep fees paid to buyers' agents high. Long before that fiasco, some real-estate executives had urged NAR to change the decades-old commission structure, but the organization refused.

The industry now appears headed for significant changes in how buyers' agents are paid, a system that NAR has fought for decades to protect. One possibility is that sellers would no longer decide upfront how much buyers' agents get paid, giving buyers more power to negotiate. More buyers might opt to buy homes without using agents at all, which could save them money on commissions but might put less sophisticated buyers at a disadvantage.

Consumer advocates hope that changes to NAR's rules would lower commissions, making home purchases a little more affordable. The typical commission—5% to 6% of the purchase price, split between the buyer's and seller's representatives—is one of the highest in the world.

For the industry, such changes could prove painful. If fewer buyers use agents, that could push many agents out of the industry, reducing NAR's size and lobbying power.

NAR has 1.5 million members and has total assets of more than \$1 billion. Yet its future has rarely looked more uncertain.

"NAR is at the forefront of issues affecting the lives of millions of people," said Nykia Wright, the organization's interim chief executive, in a written statement. "We have a profound obligation when navigating complex litigation that has the potential to affect not just our industry but the entire American economy."

## Tight grip

Over its 116-year history, NAR has repeatedly fended off lawsuits and Justice Department inquiries about industry practices. Its legal maneuvering and political clout enabled NAR to maintain a tight grip over the residential real-estate business, shaping how Americans buy and sell homes and the costs associated with those transactions. (News Corp, owner of The Wall Street Journal, operates Realtor.com under license from NAR.)

NAR's members must pay hundreds of dollars a year in dues to join their national, state and local Realtor associations.

NAR is "this massive hulking institution that lives on lots of teeny members' payments. It's like a whale that is sustained on krill, and this gave it a certain institutional durability," said Brian Boero, chief executive of 1000watt, a residential real-estate strategy consulting firm. "It got big, it



Single-family homes in Carpinteria, Calif., above. Dave Danforth, below, said some of his agents wanted to leave NAR.

got flabby, it got arrogant and it got complacent."

The precursor to the modern organization was founded in 1908. Early on, the association helped professionalize an industry in which agents were afraid to list properties publicly lest other agents steal their clients by offering lower rates.

Local associations, with support from the national organization, began distributing mandatory fee schedules. Undercutting those rates was considered unethical. In 1950, the Supreme Court said that practice was illegal, and the fee schedules became recommended.

By the 1970s, the industry had largely gotten rid of recommended fees after facing lawsuits, Justice Department investigations and even criminal charges against real-estate firms for conspiring to fix prices.

Under NAR's current commission structure, most sellers listing properties offer to pay the buyers' representatives.

Plaintiffs and government regulators have argued this system keeps commissions high by preventing buyers from negotiating fees with their own agents and allowing buyers' agents to steer clients away from homes that offer lower commissions. The association says the current commission structure helps first-time buyers who can't afford to pay an agent out of pocket.

In 2006, real-estate listing firm Zillow began posting online information about homes on the market, attracting more than a million visitors in the first few days. Although the rise of online shopping has led to lower fees for travel agents and stockbrokers, real-estate agent commissions have risen because home prices have climbed.

Doug Miller, a Minnesota lawyer with a one-man firm, began the work that would culminate in the crushing Kansas City verdict.

When he was in law school in the 1980s, Miller worked as a Realtor in Wisconsin. He said he concluded that the industry wasn't working in the best interest of consumers. "It all involved betrayal," he said.

About five years ago, Miller approached a law firm, Cohen Milstein, with an outline for a lawsuit that would target NAR's rule mandating how



buyer agents' commissions are paid. Drawing on Miller's research, the firm helped file the first major antitrust class action, in Chicago.

About a month later, another law firm filed a similar suit in Kansas City, which wound up going to trial first.

As the lawsuits were progressing through the courts, the Justice Department also was looking into the industry's practices.

In 2020, under the Trump administration, the department reached a settlement with NAR requiring agents to be more transparent about commissions.

In 2021, President Biden issued an executive order directing federal agencies to increase competition in the real-estate industry. The Justice Department has asked a federal appeals court to allow it to reopen its investigation.

Just as the Kansas City case

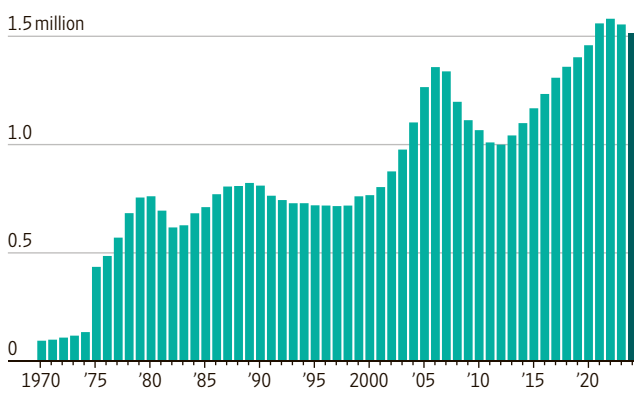
approached trial, the association was thrust into a leadership crisis. In August 2023, Kenny Parcell, a Utah Realtor who had become the association's president in late 2022, resigned after allegations of sexual harassment by several women. He has denied the allegations.

His successor, Tracy Kasper, pledged to promote what she called a "welcoming, safe and respectful workplace." Her first video message to members as president, which came out a week later, was set to music, which some industry leaders said made NAR seem out of touch.

Parcell and Kasper didn't respond to requests for comment. A NAR spokeswoman said an "overwhelming majority" of members "have communicated their trust in what we are doing to transform the organization."

## The industry appears headed for changes in how buyers' agents are paid.

National Association of Realtors membership\*



\*NAR membership data are for December of each year. 2024 membership figure is for January. †Broker commissions are adjusted for inflation. Sources: National Association of Realtors (membership); Expert report by Einer Elhaug in Chicago lawsuit (broker commissions)

Industry leaders said they received little indication from NAR that the lawsuits posed a serious threat. The association's chief legal officer, Katie Johnson, had said: "These cases are wrong on the facts, wrong on the law."

As the lawsuits gained momentum, she gave video presentations to local Realtor associations, often sitting in front of inspirational slogans such as "Hope will never be silent."

## Industry concern

Top real-estate executives worried about taking the class-action lawsuits in Chicago and Kansas City in front of juries. The industry executives privately urged NAR to alter its commission policy and scrap a mandate that governed how buyers' agents get paid. Doing that, they argued, would weaken the plaintiffs' cases.

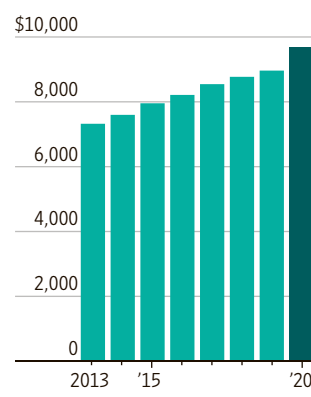
In February 2022, an executive at Anywhere Real Estate, one of the country's largest real-estate brokerages, urged NAR to make that compromise.

In an email to an NAR staffer, Caitlin McCrory, head of industry relations at the brokerage, wrote: "Questions about why the mandate exists are posing unnecessary complications while providing little to no discernible benefit." NAR leaders dismissed this advice, expressing confidence they would win and opposing any concessions, real-estate executives recall.

But just 10 days before the Kansas City trial, the association revised the rule. The lead plaintiffs' lawyer called it a "stunning admission of guilt."

The NAR spokeswoman said

Average buyers' broker commissions in 20 U.S. regions†



changing the rule earlier wouldn't have resolved the litigation, and that other industry executives opposed any change.

Anywhere, which owns several brokerage brands including Corcoran, Coldwell Banker and Century 21, settled days before the trial, as did Re/Max. The two companies agreed to pay about \$140 million combined.

Things finally came to a head in a Kansas City courtroom in mid-October. On the first day, the judge dismissed 10 of the roughly 80 potential jurors because, as recent home sellers, they were members of the plaintiffs' class—a sign of how many ordinary people could be affected by the outcome.

Even after the plaintiffs settled with two major brokerages, they never got close to a settlement with NAR.

The jury took just over two hours to decide in favor of the plaintiffs.

NAR has vowed to appeal the decision, but the Chicago case could go to trial later this year. The damages in that case could total more than \$40 billion, based on calculations of commissions paid in recent years. Executives in the industry are pressing NAR to settle.

In November, NAR's chief executive stepped aside a year ahead of his planned retirement. Wright, who NAR said is a turnaround expert but has little previous experience in real estate, stepped in as interim CEO.

Two months after that, Kasper resigned after less than five months as president, alleging—with little explanation—that she was being blackmailed.

Real-estate agents have begun dropping their NAR memberships, and the association is bracing for a financial pinch. Membership in January declined for the third straight month.

In many markets, real-estate agents can't leave NAR without losing access to databases of real-estate listings.

Real-estate brokerage Redfin announced in October that it had resigned from the NAR board and was requiring its agents to leave the association wherever possible. So far, agents in only a couple of markets have been able to leave.

More than 70% of real-estate agents surveyed in mid-October by 1000watt and BAM, a real-estate media company, said they would leave NAR if they could still view the listings databases and be able to give tours of homes for sale.

At Coldwell Banker Danforth, a brokerage in the Seattle area, some agents last year reached out to co-owner Dave Danforth saying they wanted to leave NAR. Danforth surveyed the brokerage's more than 300 agents, and of those who responded, about two-thirds said their membership in the national and local Realtor associations provided little to no value.

Coldwell Banker Danforth decided it wouldn't renew its NAR membership in 2024. A few agents left over the decision, but others would have left if the brokerage had stayed in NAR, Danforth said. "I truly believe NAR needs to earn every agent's membership fees, one by one, and if they did, it would be a much better organization," he said.

—Shannon Najmabadi contributed to this article.

# New Cards: RIP Snark, Hello, Fibs

Continued from Page One

and, while she's at it, strike a blow against the ageism she says is part of the birthday-card industrial complex. "Have you gotten one of those cards that says, 'You're one step closer to the sweet release of death. Happy birthday!'" Golden says.

"That stuff just picks away at older adults."

A web developer and graphic designer by trade, Golden launched her "age-positive" card line in 2020, motivated in part by her experience offering tech training to older adults in the Denver area, where she lives. "Honestly, half the time the tech just didn't work. But older adults were getting blamed for not being able to learn and adapt on the job." Her cards

include, "Every year you get hotter, and not just in flashes" and "Celebrating you never gets old."

For the 62-year-old creator, what all too often passes for funny is no laughing matter. "The cards that insult you for getting older in this culture that are so prevalent are actually literally killing your loved ones," she maintains, citing a 2002 study on aging and attitudes led by a Yale School of Public Health professor to make her claim. According to the study, "older individuals with more positive self-perceptions of aging, measured up to 23 years earlier, lived 7.5 years longer than those with less positive" ones.

On the other hand, a survey of over half a dozen seniors at the Lakeview Center for Active Aging in Black Mountain, N.C., suggests cards replete with jokes about well-worn body parts and ungrateful whippersnappers still have their fans.

"I don't mind poking fun at it, and I'm up there," says Bill Sandin, 76, over a Thursday meatloaf lunch. "You need a

sense of humor when you're our age. I think the funnier the better."

Dan Newcomer, 75, still remembers a birthday card he and his wife Netta, 69, sent to an especially religious friend in his 80s. "It said on the front of it, 'In the beginning God said, 'Let there be light.'" And he opened it up and this birthday cake popped up with all the candles" as "Hallelujah" played in the background.



A 'You're not old, you're vintage' card is 'age-positive.'

"He really liked that."

Sandy Pressley, 71, said she also loved the idea of ones with more affirming messages. "I've thought about that before: why [card options] weren't more encouraging to older people and saying, 'Yeah, like a fine wine, you're getting better each year' or something like that."

Wendy Papula, co-founder of Perpetual Kid, an online gift retailer based in Virginia, sells

some 200 birthday cards, all cheeky, and is unrepentant.

"I think my favorite card we have is 'Grannies are the best,' which makes fun of granny underpants." She does think it matters who's doing the teasing. "If a 20-year-old is giving a 50-year-old 'Blow out the candles before you blow down the house,' then yes, that's negative."

Wherever one falls, what's undisputed is that age-positive birthday cards are part of a growing trend of cards designed for niche audiences.

Nora Weiser, executive director of the Greeting Card Association, the industry's largest trade group in the U.S., credits much of this growth to millennials. "They want the embellishments," says Weiser. "They want the message that is like, 'My condolences that you Chihuahua named Susan had a kidney stone.'"

Sara Breindel is a co-director of Changing the Narrative, a Denver-based anti-ageism advocacy organization. In 2020 she helped organize the Anti-Ageist Birthday Card Campaign, which solicited art-

ists "to design cards that countered the usual depressing narrative about getting older." The project was considered such a success it was reprised in January 2023.

She says the organization took on birthday cards because they're "the one time all of us think about how old we are. And it's often the one time we're really getting messages about it." She gets why people can't resist a crack about, say, all the zany things you can do with a cane, but thinks many haven't stopped to examine why we reach for these tropes.

"It's the way it's always been. But, I mean, there was a time when it was 'the way it's always been' that you made fun of women drivers. But eventually you start asking these questions and go, 'Oh, you know, is that really what we want to make fun of? Is that really accurate?'"

Then again, for seniors such as Lakeview Center patron Gene Swann, 77, the whole discussion is moot. "My family just sends me cards about fishing."



## OPINION

## GOP Primary Showdown in South Carolina

By Barton Swaim

**Y**ou wouldn't be going out on a limb by predicting that Donald Trump will win the Republican presidential nomination. Two events could avert that outcome. First, a conviction on one of the many criminal charges against Mr. Trump. Second, and less likely, Nikki Haley could win the South Carolina primary on Feb. 24. The latest polls here have Ms. Haley, the state's governor from 2011 to 2017, hovering around 30% and Mr. Trump around 65%.

Those numbers may reflect reality, but a few circumstances suggest caution. South Carolina's primary is open, meaning residents can vote in either the Democratic or the Republican contest (but not both). Since the Feb. 3 Democratic primary was uncompetitive, only 131,000 people voted—about a quarter as many as in 2020. That leaves a lot of centrists and moderate Democrats eligible to cast a primary ballot against Mr. Trump. Whether they're willing to vote for a candidate likelier than Mr. Trump to beat Mr. Biden in November is another question.

Gov. Henry McMaster, a staunch Trump supporter, says he doesn't think that will happen. Since the state GOP set up its first-in-the-South primary in 1980, he says, "I've heard fears and warnings that because we don't register by party—you just walk in and vote—a lot of Democrats would come over and swing things. But it never has happened."

### Pressed to summarize Nikki Haley's message, one supporter offered: 'She's not Donald Trump?'

Katon Dawson—like Mr. McMaster a former party chairman, but unlike him a Haley supporter—thinks the polls are wrong. "They're weighted toward people who voted in the last Republican primary," he says. "There's a lot of interest in Nikki Haley among center-right voters who haven't voted in a Republican primary in years. . . . Throw in 400,000 of those people, and this race is close. I predict we'll see closer to 900,000."

Another reason not to take those poll numbers to the bank just yet: For the first time in the 2024 campaign, a nonnegligible Republican candidate is inveighing against Mr. Trump without subtlety or qualification. At campaign stops Ms. Haley compares Mr. Trump's age and infirmity to Mr. Biden's. On cable and network news interviews she calls him "diminished" and "unhinged." Her constantly airing television ads portray the former president as a ranting old man, a spreader of chaos and a tax hiker—the last point an allusion to his proposal of a 10% tariff on all imported goods.

Her chances of winning her home state's primary may be slim, but her donors evidently aren't discouraged. Neither, by all appearances, is she. At Doc's Barbecue in Columbia earlier this month, Ms. Haley pronounced it a



Nikki Haley campaigns in Summerville, Feb. 13; Donald Trump speaks at a rally in Conway, Feb. 10.



great day in South Carolina and launched into her campaign talk. As she rattled off her presidential agenda in characteristic question-and-answer form—"What are we going to do about the economy? The first thing we're gonna do is claw back the \$100 billion in unspent Covid money"—a gaunt young man wearing a beanie jumped from his seat in the middle of the room. Smartphone held aloft, he started chanting: "Free, free Palestine! Free, free Palestine!" Two others joined the cry. One, a woman perhaps in her late 20s, shouted, "You and Joe Biden are funding the war machine!" as a police officer escorted her out. Doc's clientele responded to the protesters with shouts of "Booo!" and "Get a job!"

Ms. Haley handled the disorder with poise. In a perverse way, though, the brief disruption highlighted the only easily definable part of her political message: She understands the importance of deterring America's enemies and supports a hawkish stance on Russia, China, Iran and its proxies. Otherwise, as I noted in these pages last month, her usual campaign talk amounts to a series of right-leaning but otherwise disconnected policy aims.

Some of those aims are sensible, if minor—making permanent the small-business tax cuts of 2017. Others are sensible and obvious—increasing funding for border security. Others, such as term limits and cognitive tests for public officials over 75, get applause but stand no chance of happening. Still others sound simplistic and naive: We need to "get our kids reading again" by doing "reading remediation" all over the country. A few of her lines please crowds but bear no connection to political or constitutional reality. Noting Congress's now-routine failure to pass a budget on time, Ms. Haley asks, "You know what we're gonna do about that? We're gonna tell them, 'You don't give us a budget on time, you don't get paid—period.'"

On Tuesday Ms. Haley arrived nearly two hours late to a rally at the Summerville Country Club, in the state's Lowcountry. Her campaign brought in Little Caesars pizza to keep the crowd's spirits up. I used the time to ask as many ralliers as I could to tell me what they believe Ms. Haley's central message to be.

Bob and Diane Hirsch paused, and he replied with a wry grin: "She's not Donald Trump?" Mrs.

Hirsch gave it a try: "She's smart, she speaks well, she knows how to talk to people." All true but not what I was asking for. Miles and Laura Huff similarly had trouble describing Ms. Haley's appeal without reference to Mr. Trump. "He's gonna let this war spill over," Mr. Huff said, "and then we're gonna be sending our boys over there to fight."

I asked Daryl Gauze, who moved to the state after retiring last year, if he could tell me in a sentence or two what Ms. Haley stands for. "Fixing the border, supporting the military," he said, peering at me as if I knew the answer already. "All that."

To be fair to Ms. Haley, her competitor offers no coherent message either. Mr. Trump has always treated campaign events as stand-up acts, but his performances lately have seemed aimless and repetitive in a way they didn't in 2016 and 2020. At a rally on the campus of Coastal Carolina University in Conway, he boasted of his wins in Iowa and New Hampshire, disparaged Ms. Haley at great length for running against him, recounted the story of election night 2016, also at length, and told the audience he sometimes likes to "have a little fun" by using Barack Obama's middle name, Hussein. On the war in Ukraine Mr. Trump assured the audience that "it would've never happened with Putin" (he meant "with me"). He complained—as he does now at every rally—that he once imitated Mr. Biden's onstage confusion and the media reported the mimicry as though it were evidence of Mr. Trump's decline.

**H**is rally routine is to read a line or two from his teleprompter's script, then riff for a few minutes, then deliver another line or two. In Conway his talk was almost all riff. "You know," he said about halfway through, "I've hardly used this crazy teleprompter today, it's terrible!"

As if to reinforce the point that the presidential contest has little to do with policy or vision for the country, Mr. Trump all but credited his enemies for his anticipated victory. "I got indicted more than Alphonse Capone," he shouted, eliciting roars of laughter (using the mobster's given first name was, admittedly, a nice touch). "They indict me, I explain what it's about, total bulls—, all cases, right? And my poll numbers go up! My poll numbers go up!"

The one newsmaking item from Mr. Trump's Conway rally was his insinuation that Ms. Haley's husband, Michael, is absent from the campaign for some unsavory reason. "What happened to her husband?" Mr. Trump asked with faux-innocence. "Where is her husband? He's gone. He knew." The likeliest explanation is that Mr. Trump is sensitive to taunts on MSNBC and in other left-wing media that Melania is mostly absent from his campaign, and he tried out the line on Ms. Haley. The problem: Michael Haley, a reservist in the South Carolina National Guard, is deployed overseas. Ms. Haley and her allies pretended to be offended by the line, although, if I may play the cynic, I'm confident they were delighted by the opportunity it presented. Straightaway they launched an ad accusing Mr. Trump of "mocking military veterans."

This last contretemps may signify another reason not to count Ms. Haley out. She won the 2010 South Carolina gubernatorial primary against three better-known opponents in part by parrying salacious allegations by men who could fairly be described as scoundrels. Two former political associates accused her of sexual dalliances, and a buffoonish state senator called her, in an allusion to her Sikh heritage, a "towel-head." Ms. Haley, then a state representative, responded to those attacks with a savvy mixture of gravity and you-go-girl charm that turned suburban voters, particularly women, decisively in her favor. One of the politicos she bested in that primary is Mr. McMaster, who recounted the episode to me with admiration for his predecessor's political skill.

It's conceivable that Mr. Trump's increasingly obnoxious attacks could similarly work to her advantage. Last month the former president suggested on his social-media platform that Ms. Haley (a South Carolina native) was ineligible for the presidency because her parents hadn't yet naturalized when she was born. In campaign appearances Mr. Trump calls her "Birdbrain." "Birdbrain loves asylum," he said, with typical delicacy, at the Conway rally.

Ms. Haley's spirited responses to these and other dumb aggressions probably won't win her the South Carolina primary. But they could damage Mr. Trump in the remaining primaries and in the

general election. He seems to have forgotten, if he ever cared, that he will need some of her admirers to vote for him in November.

The South Carolina GOP primary is a messy, unpleasant affair, and so is the party itself. Some of its loudest voices trumpet industrial policy, celebrate the welfare state, and advocate military retrenchment and economic isolation—more or less the opposite of what nearly all American conservatives believed a generation ago. What Republicans mainly agree on now is what they're against: Democrats, Joe Biden, men competing in women's sports, campus radicalism, and whatever other outrage the left is perpetrating this week.

That may explain why the last two candidates standing in the GOP primary are definable mainly by what they want to defeat. Both have enormous charisma, and neither offers a cogent political outlook or a sense of where a new administration might take the country. Mr. Trump offered the semblance of a vision in 2016 and to a lesser degree in 2020. In 2024 he stands against "the radical left" and a court system weaponized against him. Many of his supporters, implicitly acknowledging the antipathetic nature of his '24 campaign, say they're sticking with Mr. Trump because to abandon him would reward his persecutors.

**M**s. Haley, for her part, was right to turn her fire on Mr. Trump—she could hardly do otherwise if she wished to stay in the race. But her campaign now consists mainly of miscellaneous talking points, many of which wouldn't excite anyone outside a political rally, and a series of reminders that Mr. Trump is erratic, churlish and old.

Whether there was ever a formula to deprive a multifariously indicted Mr. Trump of a third nomination is anybody's guess. Mike Pence's religious Reaganism didn't do the trick. Vivek Ramaswamy's hyperparticulate Trumpism went nowhere. Ron DeSantis's blend of policy competence, culture-war pugnacity and flirtations with isolationism didn't survive Iowa. On Feb. 24 South Carolinians will appraise Nikki Haley's formula: a combination of star power, barbs at Mr. Trump's expense, and "all that."

*Mr. Swaim is an editorial page writer for the Journal.*

## A Maine Lobster Town Sees Its Future in Shop Class



**CROSS COUNTRY**  
By Sierra Dawn McClain

**St. George, Maine** Vocational and technical courses are making a comeback in American education. But when residents of this coastal community sought to reintroduce shop class and career training to their local schools a decade ago, they discovered

an unexpected problem: The rules of the regional school district wouldn't allow it. So in 2014 St. George residents voted 1,163 to 226 to break free and create their own district. One of the first things they did with that independence was develop a trade program.

The town of St. George, which includes the villages of Port Clyde and Tenants Harbor, sits on a peninsula jutting out into the blue-green Atlantic southwest of the city of Rockland. The economy is built around lobstering and has been for generations. Parents here are uniquely driven—desperate, even—to make the trade program successful. They view lobster fishing as under threat from federal environmental regulations and the potential construction of offshore wind turbines. If the lobster industry collapses, St.

George parents want their children to have other career options. And they want to keep their town alive.

The district is unusual in that it doesn't wait until students reach high school to incorporate career and technical training into the curriculum. During a two-day visit, I watched fourth-graders design complex three-dimensional objects on Tinkercad, a basic engineering software system. Middle-schoolers made insulation for a miniature satellite. Kindergartners and first-graders sporting safety goggles and tool belts enthusiastically hammered at wooden boxes they'd designed.

Eighth-grader William "B.J." Halliwell is among those who have benefited from the program. His poor performance in school made a U-turn as soon as he was introduced to the trades. His yard is now cluttered with tractors and snowmobiles he's taking apart, and he dreams of becoming an engineer. His family says he's happier and calmer and his grades have improved. "Since he started doing hands-on learning, he's a totally different kid," his mom, Veronica, said.

Bryson Mattox, 17, said after St. George created its trade program he went from being bored and "coasting" in school to feeling "energized." Bryson's sentiment reflects

national trends. According to the Association for Career and Technical Education, vocational training is associated with higher levels of student engagement and reduced high-school dropout rates. Though still a high-school senior, Bryson has his own laser-cutting business; he

### St. George broke away from the regional district so its kids could learn skilled trades in school.

makes signs, mugs, puzzles and cheese boards. He already has an offer to work at Lyman-Morse, a custom boat builder in nearby Thomaston, after graduation.

Many St. George students build on their technical training with electives at Rockland's Mid-Coast School of Technology. Bobby Deetjen, the director, said students entering from St. George are better prepared than their peers: "They're coming preloaded." The parents and teachers I spoke with said hands-on technical education has been good even for college-bound students. They're not merely filling out a bubble on a standardized math test;

they're using math to build robots.

St. George administrators say they've heard from other school districts interested in adopting a similar model. But a constellation of factors, not all replicable, make St. George's program work.

For one, the district has Superintendent Mike Felton, whom parents and teachers describe as "a fearless leader" with "infectious energy." A law-school graduate, he has proved adept at navigating the state education bureaucracy and securing funding. He also talks like a salesman, which wins people to his cause. "If we ain't dreamin' big, we're doing a disservice to our students," he says.

It also helps that the district is small and parents are unusually engaged. With only 291 enrolled students, the St. George Municipal School Unit is a manageable size for experimenting with new programs. Local businesses have supported the program by taking on high-school interns, hosting field trips, sending representatives to speak in classes, and volunteering to teach workshops.

As the program expands, space has become an issue. Construction starts next month on a 5,130-square-foot "Makerspace," a shop with workstations for carpentry,

metalworking and other trades. Some 55% of the construction project's funding is from private donations. The lobstering families of St. George are in no way wealthy, but the region has plenty of well-to-do residents. Its scenic beauty draws many "rusticators"—families who spend long summers on the coast of Maine—and wealthy retirees. Locals call those who hail from outside the town "from away," a mildly derogatory term. But through the years, the from-aways and the longtime residents have come to appreciate each other.

A final ingredient that makes the program successful is social trust. St. George is the sort of town where people don't lock their front doors. Neighbors' willingness to lay aside political differences to work together is what makes the trade program work. It may also be what enabled the community to create an independent, locally controlled public school district in the first place. While many credit Mr. Felton, he says it's the people of St. George whose grit and determination make it all possible: "You don't get much more independent than a Yankee fisherman."

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



## OPINION

## REVIEW &amp; OUTLOOK

## LETTERS TO THE EDITOR

## Trump's \$355 Million Civil Fraud Verdict

Donald Trump and his business were found liable Friday of inflating asset values in paperwork to lenders, but given that nobody lost money, this punishment smacks of political overkill. In a 92-page ruling, New York Judge Arthur Engoron ordered him to pay \$355 million, while also banning him from being an officer for any New York corporation for three years.

The judge had previously found that Mr. Trump fudged numbers submitted on Statements of Financial Condition (SFCs), most egregiously by claiming that his 11,000-square-foot triplex in Trump Tower was actually 30,000 square feet. Friday's ruling, putting a price tag on that conduct, includes pages of summarized testimony from business partners.

Donald Bender, an accountant at Mazars who helped draw up the documents, said he discovered later, after being interviewed by investigators, "that the Trump Organization had withheld records, such as appraisals, that Mazars had requested," in the judge's telling. "Bender made clear that Mazars would not have issued the SFCs if it had known."

Nicholas Haigh, formerly a managing director of Deutsche Bank's Private Wealth Management Division, signed off on loans to the Trump Organization. "Haigh relied on Donald Trump's 2011 SFC and assumed that the representations of value of the assets and liabilities were 'broadly accurate,'" the judge says.

Mr. Haigh affirmed that Mr. Trump's "personal guarantee" was "the reason for favorable

pricing on the loan." Deutsche loans included covenants requiring Mr. Trump "to maintain a minimum net worth of \$2.5 billion, excluding any value related to his brand."

Perhaps this explains some of the obsession by the mogul-turned-President with puffing up his valuations over the decades. It's true that Mr. Trump was interacting with sophisticated financial counterparties. But not for the first time, Mr. Trump's casual relationship to the truth has come back to bite him.

Yet this remedy is like using a Hellfire missile to annihilate a shoplifter. Deutsche Bank made money on the loans, and its valuation teams gave a "haircut" to the numbers provided by Mr. Trump. There was no real financial victim.

More troubling is that this case was brought by New York Attorney General Letitia James, a Democrat who campaigned for office promising to find Mr. Trump guilty of something. This is choosing a target and then hunting for something to charge him with, which is an abuse of the law. Mr. Trump isn't guaranteed a jury trial here, the judge says, because of the kind of case it is. But that's another reason voters are unlikely to hold this judgment against Mr. Trump as he campaigns for the White House.

Mr. Trump denounced the verdict and says he'll appeal. Meantime, this example of targeted civil prosecution ought to worry fair-minded people regardless of political bent. CEOs might wonder about doing business in a jurisdiction where elected politicians use the law to smash companies this way.

## The judge found he inflated his assets, but this penalty is unreal.

## The Example of Alexei Navalny's Courage

Alexei Navalny didn't have to return to Russia in January 2021. That he did is a testament to his remarkable courage and also an explanation for why Vladimir Putin so feared Navalny, the opposition politician who died in a Siberian prison Friday at age 47.

Navalny first entered politics in the early 2000s, around the time Mr. Putin was starting his own long career as Russia's leader. By the 2010s Navalny had focused his energies on combatting corruption and challenging Mr. Putin's claim to power.

The risks of that political activism became more pronounced as Mr. Putin consolidated his grip. Navalny was arrested in 2011 following a parliamentary election the opposition said had been rigged and spent two weeks in jail. Navalny continued his work and over the course of the decade became Russia's leading opposition politician.

In August 2020, Navalny fell ill on a domestic flight. He already had been the victim of one chemical attack in 2017 and thoughts immediately turned to poison given the fate of so many of Mr. Putin's opponents. Navalny was flown to Germany for medical care, where doctors determined he'd been dosed with a nerve agent of the sort Russian operatives used to try to murder another Putin critic in Salisbury, Britain, in 2018.

As Navalny's health improved, he could have remained in relative safety in the West—as many dissidents under oppressive regimes choose to do, letting them continue their work though risking irrelevance. He chose instead to

return to Russia, where he was arrested immediately upon landing. At the time of his death he was serving sentences totalling more than 30 years on various trumped-up charges.

He kept up his political activism from prison with the help of aides based outside Russia (several of his lawyers who remained in the country are in jail pending trial). This probably explains why the Kremlin moved him to a remote prison last year. The world is unlikely to know the true circumstances of his death any time soon, and it doesn't matter whether he was murdered or succumbed to ill health as the Kremlin claims. If not for Mr. Putin's political oppression, Navalny would have been safe and well at home and engaged in a normal legal or political career.

Navalny's death may be a sign that Mr. Putin feels secure and therefore can risk provoking protests about Navalny's fate. Mr. Putin has seen off a potentially serious rebellion by Yevgeny Prigozhin of the mercenary Wagner Group and faces no opponent of Navalny's stature in "elections" due this year. A divided West at odds even over the territorial defense of European soil in Ukraine is unlikely to object too vigorously over the murky death of an internal foe. Navalny's death wounds Russia's opposition for the foreseeable future.

Yet the paradox of dictatorship is that the autocrat who believes he can kill a domestic opponent with impunity also knows that he must to keep power. Navalny's courage during his life reminds the world that many Russians still want something better for their country.

## Vladimir Putin thinks he can kill opponents, and knows he must.

## Big Climate Tries to Censor Opponents

If President Biden's electric-vehicle mandate is as popular as progressives claim, why are they trying to censor critics who want to inform the public about the mandate's costs?

That's the story this week, after the American Fuel & Petrochemical Manufacturers (AFP) launched ads in Pennsylvania, Wisconsin, Michigan, Nevada, Arizona, Ohio and Montana to educate Americans about the Administration's back-door EV mandate. Mr. Biden is "rushing to ban new gas-powered cars" and wants "to force you into an electric vehicle," one ad says.

The Biden team doth protest. "There is no EV mandate," a Biden campaign official declared. No? The Environmental Protection Agency has proposed greenhouse gas emissions standards that would effectively require that EVs make up two-thirds of auto maker sales by 2032. The standards will "accelerate the transition to electric vehicles," EPA said.

EPA's proposed emissions rules are so stringent that auto makers will be able to comply only by producing an increasing number of "zero-emission vehicles" or by buying regulatory credits from EV manufacturers like Tesla. Americans shopping for a new car will have no choice but to buy an EV or pay a fortune for the few gas-powered cars still available.

Yet Mr. Biden and his allies don't want voters to know that banning gas-powered cars is their end game. That's why the progressive umbrella group Climate Power on Tuesday shot off a missile to broadcasters demanding that they pull the AFP ads—or else. These "advertisements include obvious lies aimed at deceiving the public and must be pulled from the air immediately," Climate Power chief operating officer Jill Shesol wrote. But who's actually trying to deceive the public?

The letter cites a PolitiFact report claiming

it is "wrong to say there is a 'Biden mandate' to replace gasoline-powered cars with [electric vehicles]." PolitiFact is a liberal opinion operation. Was it also wrong for the New York Times last May to report that EPA's proposed rule is "designed to ramp up sales of electric vehicles while ending the use of gasoline-powered cars"?

"The EPA does not have the authority to demand such a mandate," the Climate Power letter says. Correct, which is why the EPA is using regulation to impose the de facto mandate. The Obama Administration similarly tried to force a transition to renewable power by setting unfeasible emissions standards for fossil-fuel power plants.

Climate Power warns local broadcasters that the Federal Communications Commission could pull their licenses if they continue broadcasting the ads. "Failure to prevent the airing of 'false and misleading advertising' may be 'probative of an underlying abdication of licensee responsibility' that can be cause for the loss of a station's license," the letter says.

EDF Action on Tuesday also sent stations a letter claiming that the AFP ad "appears to be a deliberate attempt to tarnish the politicians . . . who may support policies that reduce air pollution and save lives." But President Biden isn't trying to reduce air pollution or save lives, and the EPA rule doesn't aim to do either.

Opponents of "cleaner alternatives," the letter adds, "do not have the right to mislead voters and spread disinformation on public airwaves." But they do have a First Amendment right to critique public policies that damage their livelihoods.

AFP is doing a public service. Mr. Biden and the climate lobby are misleading the public. There's no reason for local broadcasters to bow to the climate lobby's deceptions.

## Media Gets Another Shot at Covering Trump

Peggy Noonan's column "Can the Media Get Trump Coverage Right?" (Declarations, Feb. 10) gives us a glimmer of hope that American journalism is about to make a 180-degree turn and provide readers with unbiased verifiable news. But her last words are revealing. She writes that digging "will make reporters what they really want to be and should be: dangerous." The word I wish she could have used is "truthful."

Her statement spells out why journalists have become political and antagonistic.

ULF GUSTAFSON  
Wellington, Fla.

Beyond any questions of journalistic fairness, former President Donald Trump will face the greatest onslaught of coordinated cultural opposition ever seen. Tech companies, Hollywood, academia, government censors and even our search engines will bury positive angles, protect Mr. Biden and drown the electorate in propaganda intended to frighten any sane person out of voting for Mr. Trump. All this is before broaching the conspiracy fever swamps about election officials.

Would that hard-nosed journalistic reporting could make a triumphant return. But in the 2024 election, I fear it won't make a difference.

MARC EDELSTEIN  
Miami

Ms. Noonan suggests the media "dig, find out." Well, journalists were given a monster opportunity with special counsel Robert Hur's report, which explained that President Biden couldn't be found culpable due to his age and mental frailty. Instead of digging for the basis for this conclusion, many journalists spun that this conclusion was "political" and "gratuitous."

RALPH F. MULLIN  
Prairie Village, Kan.

Ms. Noonan hit the nail on the head with her suggestions for clarity, fact-checking and unbiased news coverage of the candidates, including key questions that concern the public. May I suggest one more? Mr. Hur's observations about our president leads one to ask: Who, then, is running the country?

BRANDON HUSSING  
Flagler Beach, Fla.

## The Democrats Know What to Do About Biden

The insights in "A Tipping Point on Biden's Decline" (Review & Outlook, Feb. 10) perhaps underrate the skills of Democrats who grasp the need to offload President Biden before November's election.

Today's intrigues are the stuff of political fiction: A nation aghast confronts the determination of both parties to saddle themselves with the one nominee who might plausibly lose to the other. Following their ancient customs, Republicans let events play out, Democrats get together and do something about it, and the latter group enjoys maximum advantage, leaving the former flat-footed.

At the GOP convention in July, full

of poll-driven confidence that former President Donald Trump will avenge their humiliation at the hands of the unworthy Mr. Biden, Republicans will lock in their nomination of Mr. Trump. Convening a month later, Democrats will complete the bait-and-switch already in motion, by swapping out Mr. Biden for a seemingly likable and competent nominee. That is a two-word definition—likable, competent—of the candidate needed to defeat Mr. Trump.

A sane person might prefer reading these things in a novel to living through them.

DAVID HOOPMAN  
Monona, Wis.

## Anthropology and the 'Dark Side' of Research

Dominic Green's review of "Tripping on Utopia" by Benjamin Breen (Books, Feb. 10) goes beyond even the book in his claims about the lives and work of Margaret Mead and Gregory Bateson. As directors of the Bateson Idea Group, which serves as Gregory Bateson's literary estate, we'd like to set the record straight.

While Bateson worked for the OSS during World War II, there is no evidence, either in Mr. Breen's book or elsewhere, that he or Mead engaged in the use of drugs ("narcosynthesis" or otherwise) for military interrogation, during World War II or afterward. They did research the use of hypnosis, during World War II, as part of an applied anthropological project of understanding war-related cultural differences.

After the war, Bateson regretted some of his wartime activities, and both he and Mead did their best to avoid the "dark side" of research that Mr. Breen attributes to some of their colleagues. No matter the insinua-

tions, they did not join the scandalous, secret drug-testing project.

Regarding LSD in particular, Bateson warned James Hamilton, in a polite but uncompromising letter, against dosing unknowing persons. Bateson also rebelled against John C. Lilly's treatment of dolphins. Bateson left his employment under Lilly as soon as he could find another research position.

Neither Bateson nor Mead were frequent users of LSD or other drugs, or proselytizers for them. (Bateson took LSD three times, Mead never did.) Mead was eventually to write, "The ordinary LSD 'trip' has no more necessary relationship to mystical experience than the drinking of ten cocktails has, after which many people experience various alterations of consciousness."

As for the Macy Foundation, whatever partial CIA funding it might have received at some point did not turn it into a mere CIA "cut-out" or "front," as it remained in the forefront of basic research into what constitutes mental process. The CIA even funded artists and writers in that era, including many recognized independent thinkers. This had nothing to do with spying or secret activities. The goal was to showcase American culture, as an intellectual leader in competition with rival nations.

NORA BATESON, PHILLIP GUDDEMI AND  
STEPHEN NACHMANOVITCH  
Stockholm, Sacramento, Calif., and  
Charlottesville, Va.

## Better Than the Transcript

Regarding your editorial "Let's See the Biden-Hur Transcript" (Feb. 14): The transcript would shed light on who said what, but what's really needed is for President Biden to have a formal medical assessment. Neurologists routinely evaluate and follow patients with dementia using validated tests such as the Montreal Cognitive Assessment. If Mr. Biden is as sharp as claimed, the results of an evaluation would settle the matter.

CHARLES BUFFINGTON  
Pittsburgh

## When Hubert Humphrey Spoke at the Naval Academy

I enjoyed Robert Merry's review of "True Believer: Hubert Humphrey's Quest for a More Just America" by James Traub ("A Liberal of His Time," Bookshelf, Feb. 14). A little known story about Humphrey is the time, in June 1967, when he was the graduation speaker at the Naval Academy.

All of the graduating class at the Naval Academy already had jobs awaiting them in the Navy or Marine Corps, and most would be in Vietnam within a short period of time. But Vice President Humphrey's aides must have brought the wrong speech, and he had no option but to read it.

In his monotone voice, he spoke to our graduates about entering the world of business and striving for success in it. I was a junior (midshipman 2nd class) who fell asleep in the audience.

HAL DANTONE  
Kingsville, Texas

## What Kamala Harris Isn't

The letter "Underestimating the Veep" (Feb. 15) compares media treatment of Vice President Kamala Harris to that of Harry Truman, who ultimately turned out to be a great president. An adaptation of Lloyd Bentsen's famous 1988 debate retort comes to mind: "I served with Harry Truman. I knew Harry Truman. Harry Truman was a friend of mine. Vice President Harris, you're no Harry Truman."

DANA R. HERMANSON  
Marietta, Ga.

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## Pepper ... And Salt

THE WALL STREET JOURNAL



"But a deep sense of grievance and indignation is my Happy Place."



OPINION

# Democrats Are Too Resigned to Biden



**DECLARATIONS**  
By Peggy Noonan

The only time Democrats get excited now is when the subject is Donald Trump. Then they get marvelously worked up. An official of the administration called to let off steam. "Trump says NATO doesn't pay its bills—has anyone noticed the irony? Donald Trump is the biggest deadbeat in history. How many hundreds of contractors did he stiff through his career, how many plumbers didn't get paid for their work, and he complains about others? Talk about projecting!"

But when the subject is Joe Biden, they're depressed. They have accepted that he is the inevitable nominee and explain the reasons. I can't get myself to buy them. The thinking is too limited, too weary and defensive about life. And so a last stab at why it doesn't have to be this way.

**If he steps aside, he'll be a hero to his party. If he stays, his legacy may well be a second Trump term.**

Mr. Biden is stuck at 39% approval; Mr. Trump is leading; a large majority of the country thinks he's too old for the job. It's not that his walk is slow or stilted, not that he occasionally loses his thought. It's that the presidency is a speaking role and he can't make a sustained case on Ukraine, Israel, illegal immigration, all the great issues. This leaves things confused, without a central voice, and makes people nervous; there's too much mystery around this White

House. They say he's fine when he's well-rested, but events don't knock softly on the door and ask if you're ready for them.

This is what Democrats argue: *There is nobody else.* But there is. Here we summon the usual names, starting with the Gs—Gov. Gavin Newsom, Gov. Gretchen Whitmer, Commerce Secretary Gina Raimondo. Add Jared Polis, Josh Shapiro, all the candidates of the 2020 primary. There is no Biden movement within the party that would bolt without him, no Biden cult that must be appeased.

*The Democrats will never be able to agree on anybody.* Then they aren't a party. A party's function is to yield up and secure the election of candidates who fulfill its mission and meaning. The Democratic Party is a mess, but its constituent parts don't want it to die, they have too much invested. In the end they'll make a choice.

*It would be bloody.* So what? It would be vital, not as if the party is in some somnambulatory shuffle toward a dark, inevitable fate.

*It's too late.* Lyndon B. Johnson, the last president to decline to seek a second term, dropped out on March 31, 1968. There was still time for contenders to launch and fund races. *The primary rules have changed since then, and ballots have been printed up.* Mr. Biden can free his delegates, either from the day he steps aside or at the convention. *Only political romantics think an open convention is possible.* You can't know it's impossible. Now and then in life you have to say, "History, hold my beer."

*But the American people would see chaos.* Americans appear to enjoy chaos. *It will only help Trump.* His campaign is planning on a Biden rematch; he'll be crowded out of the news cycle for months; it'll throw a wrench in his works.

*What about the Kamala problem? What problem? She can run for the*



Lyndon B. Johnson announces he won't seek re-election, March 31, 1968.

nomination like anyone else.

*It's too big a gamble.* Backing Mr. Biden is a gamble. Bookmakers give him a nearly 70% chance of losing.

*The family won't go for it.* They aren't the arbiters of American history; the White House isn't their candy store.

*He will never change his mind.* Barack Obama dissuaded him from running for president in 2016. If Mr. Biden steps aside, sacrificing all vanity and need, he is a hero to his party forever. If he stays and loses, he's Ruth Bader Biden. They'll never forgive him. His legacy is the second Trump term.

Has anyone had The Talk with him, his family and staff? All the odds laid out, the arguments made, a plea spoken? Has anyone been frank, candid, tough?

If not, why not? Donors love to talk, so do senators and governors.

We end with the famous political intervention that took place 50 years ago this summer, in August 1974. Sen. Barry Goldwater, Sen. Hugh Scott and House Minority Leader John Rhodes went to Richard Nixon to tell him it was over.

Goldwater, in his blunt and gossipy

1988 autobiography, remembered telling a newspaper, in the spring of '74, that the Watergate scandal reminded him of Teapot Dome. He was summoned immediately after for dinner at the White House. He hadn't seen Nixon much and was taken aback. The president's conversation was a stream of "ceaseless, choppy chatter." He was "constantly switching subjects," "hunching and quickly dropping his shoulders." Goldwater drove home and dictated for his personal files: "I have reason to suspect that all might not be well mentally in the White House." The next day he phoned fellow guest Bryce Harlow, Nixon's counselor, who offered comfort: Nixon had merely been drunk.

On Aug. 6, as impeachment loomed, Goldwater alerted the White House the president may only have a dozen Republican senators with him. The next day he, Scott and Rhodes saw the president. Goldwater had been asked by chief of staff Al Haig not to demand or suggest resignation—that would leave Nixon defiant. In the Oval Office, Goldwater wrote, "Nixon put his feet up on the desk, leaned back in his swivel chair, and began reminiscing about the past."

Then Nixon's voice turned hard. He challenged his visitors. Goldwater was direct: "Things are bad." Nixon was sarcastic. "Less than a half-dozen votes?" "Ten at most," Goldwater said. He'd taken a nose count that morning. "You have four firm votes. The others are really undecided. I'm one of them."

Nixon asked if he had any options. None were offered. Goldwater left feeling, "He would make the decision in the best interests of the country. It was going to be all right."

But after the meeting, Goldwater returned to his office and called Katharine Graham of the Washington Post. He didn't much like the Post—earlier that day he'd stood on the Senate floor, looked up at the press gallery and declared "You are a rotten bunch!" But he knew the Post's place in the story and its power with its readers. He had one, Richard Nixon, in mind.

He decided to trust her. "I told Mrs. Graham what had happened in the Oval Office." Nixon might "go off in any direction, depending on how the media, particularly the Post, handled the story. Could they play it cool for just one day, refrain from saying Nixon was finally finished?" If they got Nixon mad, "there was no telling what he would do. As things stood, I believed he would resign."

Kay Graham chose to trust Goldwater. "The Post was as circumspect as it could be the following morning." Afterward she never mentioned it to Goldwater when they saw each other. Goldwater thought he knew why. "Newspapers call their own shots." But he felt the Post that morning put country over self. "I will never forget their recognition of responsibility as long as I live."

Nixon resigned that night. These old stories are always so moving, because everyone was always thinking about America, and thinking imaginatively, too, as if history's a thing you can personally shape.

## Black History Month Is More Complicated Than It Seems

By Lance Morrow

How does a person who isn't black think about Black History Month? With respect? With reverence? With guilt? Curiosity? Indifference?

It depends partly on that person's own history—on when and how his family arrived in America. Those whose predecessors were present during the wickedness of slavery, and all that followed, will have a livelier sense of the black-and-white binaries of the story than immigrants lately arrived from, say, Kazakhstan. A white New Englander whose ancestors made a fortune in the slave trade, or a Southerner whose forbears exploited black African labor on cotton or rice plantations, will understand the burden of that history. Those whose people came through Ellis Island—potato-famine Irish, Eastern European Jews, Hungarians, Italians—won't have the same haunted sense of the American past.

I am inclined toward reverence—for black history, for the literature and spiritual rhetoric (the Southern preacherly strain, with its tremendous cadences), and for black music, which is the most powerful and characteristically American music. The black American story is rich, painful, dramatic, triumphant—and shaming to the American conscience.

My great-grandfather Albert P. Morrow, a Pennsylvanian of Scotch-Irish stock, was 18 when he enlisted in the Union Army in spring 1861. He fought as a cavalry officer in every major battle, including Gettysburg, in the eastern theater of the war. He was wounded three times and captured three times (and freed in prisoner exchanges). He served in Virginia under the young George Custer. If my great-grandfather had accepted Custer's later invitation to join the Seventh Cavalry, he might have died in 1876 at the Little Big Horn, and with him my line of Morrows.

As it was, Albert ended the war as a brevet colonel. He signed on with the Ninth Cavalry, the "Buffalo Soldiers"—accomplished black horsemen recruited from plantations in the Deep South. Eventually he would command them during the 1879-80

war against the Warm Springs Apaches led by the guerrilla leader called Victorio. Albert Morrow might have been a model for the John Wayne characters in movies such as "Fort Apache" and "She Wore a Yellow Ribbon." He retired as a full colonel and moved to Florida.

I have wondered what his story amounted to, morally speaking. A white man commanded black troopers in battles against Native Americans in South Texas, New Mexico and Arizona. It was cruel, Cormac McCarthy country, the merciless landscape across which migrants in their thousands now pour in their trespass of America's southern border. My great-grandfather's career was complex from a racial point of view. Was he a hero or a villain? He was a dashing, reckless young man who fought and bled to end slavery. He had immense respect for the black men he later

commanded, and they for him. But their task, in chasing down Victorio's embattled people, was ignoble police work, with a taint of meanness and genocide in it.

The suffering of black people over

**Celebrate the story of survival and liberation, but beware dwelling too much on suffering and grievance.**

centuries at the hands of slave masters, lynch mobs, racists and others has—by an irony almost impossible to disentangle—endowed America with a deeper spiritual dimension, something complicated, ambiguous and profound that it lacked in its earlier, Tom Sawyer days: a dimen-

sion of tragedy. Slavery raised America's moral stakes and led on to the Civil War, which was the country's enactment of all of Homer and all of Shakespeare in four short years. The drama, at great price to the oppressed, introduced America to its need for redemption and thus, it may be, to a more interesting national theology.

But traumatic memories may grow toxic. A white American, Scotch-Irish by blood, may feel he has no standing to comment upon these things. He knows enough, however, to warn that there is danger in too much reverence for past suffering; it may become, as it were, overcherished.

Great grievances, too often and too vividly remembered, seal off the way forward. In the hands of demagogues, past injustices harden into bitter generalizations, into ideology

and theater: Black people are permanent victims and white people are incurable monsters.

The memories themselves aren't historically false. The fallacy occurs when grievance gets stuck in permanent rage, a tradition of hate that forestalls essentials of flourishing life: goodwill, acknowledgment of the facts of progress, the grace of forgiveness and what ought to be the healing effect of time.

Past wrongs may become an addiction and an art form—or a disabling excuse. They may obscure that 21st-century America is unrecognizably different from the black-and-white country to which the rich canon of Black History Month refers.

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

## Fani Willis Knows When a Trial Is a 'Show Trial'



**BUSINESS WORLD**  
By Holman W. Jenkins, Jr.

In the worst interpretation, the Fulton County, Ga., district attorney hired her boyfriend, a municipal court judge, as co-prosecutor against Mr. Trump despite his lack of relevant expertise in Georgia election or RICO law because she was cutting an ally in on a big-time case, a lucrative hustle, a chance for national fame. If so, it's a useful light on the Trump prosecutions generally.

They aren't about the facts and law, at least until they reach the appellate level, and maybe not then. They are battles of jury nullification (if I can stretch a point to include 150 million voters in the jury): "It doesn't matter what the law says, Trump is bad" vs. "It doesn't matter

what the law says, Trump's enemies are bad."

Trump opponents cloak themselves in sanctimony, whereas Mr. Trump portrays himself as a gamester outsmarting less competent, more self-deluding gamesters. That's why he keeps coming out ahead in such fights. Careful onlookers will often find little to choose ethically between him and his enemies.

To me, the most interesting case is the most legally sound, the documents-related case, though that's not why it's interesting. It gets to the unspoken issue.

Remember the lead balloon in a CNN story in December, soon followed by stories in the New York Times and elsewhere? An "intelligence binder" had gone missing in the last hours of the Trump administration. Except it wasn't information Mr. Trump had squirreled away for private use, it was info he had declassified to distribute to the press. His staff ran off multiple copies of the binder while waiting for last-minute redactions from the intelligence agencies that never came

before his term expired.

This week, in overly breathless reporting, independent journalists Michael Shellenberger, Alex Gutentag and Matt Taibbi suggest that the binder, among other things, showed that the intelligence agencies never really believed the Putin

**Credit the Georgia prosecutor with realizing no one will be hanging on fine points of the law.**

government craved a Trump victory but the opposite, preferring the known quantity of Hillary Clinton. Duh. In desultory fashion, the spooks went prospecting anyway for untoward ties between Trumpies and Moscow, and elicited overseas intelligence agencies to do so, which strikes me as old news and not automatically nefarious.

The interesting and untold story begins when the FBI stopped caring about the truth and began relying

on fabricated evidence, from a motive only acquired on Election Day, when Hillary Clinton lost most probably because of a ham-handed and improper intervention by the FBI that supplied Mr. Trump his minuscule win in the Electoral College.

Now the FBI and its intelligence confreres needed to change the subject quickly. If the judge in the documents case will allow it, Mr. Trump intends to make the actions of our intelligence agencies part of his defense. In effect, he will invite a jury and the larger public to nullify the law on intelligence handling because he was fighting for his political life against a government "conspiracy"—I use quotes only because conspiracy means illegal cooperation and it isn't clear much or anything was illegal about the collusion hoax.

Hoax it was, though, even if the fact goes politely ignored or played down because of the news media's complicity. The FBI knowingly presented fabricated evidence to a surveillance court. An FBI official deliberately falsified details of Carter Page's relationship with the CIA. The FBI put the chief Steele dossier fabricator on its own payroll for almost four years, becoming his family's major source of income, which he would jeopardize if he breathed the truth about his Steele fabrications to the press.

Mr. Trump, as any American, is free to believe anything he wants without evidence, including about the 2020 election, the focus in Ms. Willis's case as well as one of the federal cases. The great four-ring circus of jury nullification, including the Georgia case, the Manhattan case and two federal cases, won't change that.

Where all the convoluted Trump matters will likely be settled is in an election, by voters deciding whether Mr. Trump is more sinning than his enemies, or vice versa.

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## Notable & Quotable: Age

Jeet Heer writing for the Nation, Feb. 12:

Since Biden is running again, the question is how his age liability can be mitigated. . . . Biden could . . . give more interviews, press conferences, and speeches. This is a risky strategy, since seeing more of Biden will radically increase the odds of embarrassing gaffes. . . .

Another tactic would be to give a frank speech acknowledging his aging but distinguishing it from incapacity. Such a speech could be modeled on John F. Kennedy's 1960 speech addressing worries about his Catholi-

cism and Barack Obama's 2008 speech rebutting racist anxiety about his candidacy. . . .

Since Biden has trouble communicating, he could give greater prominence to Vice President Kamala Harris, making her the designated voice. Making the public aware that Harris stands by as a ready and able alternative would strengthen the case for Biden. The president could also make the 2024 battle more of a partisan struggle rather than a personal one by recruiting . . . eloquent Democrats as spokesmen, everyone from Barack Obama to Pete Buttigieg to Elizabeth Warren to Bernie Sanders.



## SPORTS

# Caitlin Clark Has Scored 3,569 Career Points—and Taken \$0 From Boosters

The superstar Iowa guard just broke the NCAA women's basketball scoring record. But the most eye-popping number of her career may be that she's been paid nothing by donors.



By RACHEL BACHMAN

Caitlin Clark is now the NCAA women's basketball career scoring leader with 3,569 points in just under four seasons at Iowa. She broke the record Thursday night in a win over Michigan with a signature “logo” shot from near midcourt—and finished with a single-game school-record 49 points.

Fans at Iowa's Carver-Hawkeye Arena chanted “One more year!”—underscoring that the sensational guard's milestone has only supercharged questions about her future. Will she return to the Hawkeyes for a fifth season, as the NCAA allows for players who started school during the pandemic fall of 2020? Or will Clark enter the WNBA draft in April?

There are many factors that will go into that decision. There's also one that won't: how much she will be paid by Iowa's main name, image and likeness collective. While most top college athletes get significant funds from these new multi-million-dollar booster groups, Clark isn't one of them. In fact, she doesn't get anything from them at all.

“She hasn't taken a dime from us yet, so I don't know why she would next year,” said Brad Heinrichs, CEO of the Swarm, Iowa's main collective. “Could she change course? Of course. I mean, we'd love to have her. We'd love to compensate her and do things through the Swarm for her. But she has her own thing, which is totally fine. That's her prerogative.”

Collectives grew out of the 2021

NCAA rule change that allowed athletes, for the first time, to profit from their name, image or likeness. Some of the booster-led groups have since morphed into tools to lure star players from other programs, to keep them from transferring or to coax them to stay another year in school. (The NCAA still prohibits paying athletes for playing, so these are sometimes delicate maneuvers.)

At Michigan, a collective gathered \$135,000 from donors after the football team's 2022 Big Ten title run “to raise funds to support players making the next run in 2023.” Several of those players did stick around for another year, helping Michigan win its first football national title since 1997.

At Iowa, the Swarm collective has two parts. One side of the

group raises money from boosters and distributes it to athletes in exchange for charity work—reading to patients at Iowa's children's hospital, for example. Iowa football players can make up to \$40,000 through such work, Heinrichs said.

The other side is the for-profit Swarm, through which businesses can partner with athletes to endorse their product. Including both sides, the Swarm collective brings in about \$4 million-\$5 million a year, most of it going to athletes on the football and the men's and women's basketball teams, Heinrichs said.

Clark is operating outside that system. She has a stable of direct sponsorships including Nike, Gatorade and State Farm—where she's a rare college athlete starring in TV ads alongside NBA players. She

is represented by Excel Sports Management, which also counts as clients Peyton and Eli Manning, Derek Jeter and Tiger Woods.

“Not to be self-deprecating, but I think the Swarm NIL collective might be small potatoes for what she's doing,” Heinrichs said.

Clark hasn't just elevated Iowa, she's raised women's college basketball to new heights. She leads the nation in scoring and assists. She can score from anywhere but is deadliest either streaking to the basket for a layup or letting fly a quick-release 3-pointer from near the midcourt logo.

Behind Clark's hot shooting, the Hawkeyes charged to their first NCAA title game last season, falling to LSU, 102-85, in front of a record 9.9 million viewers. This season, the fan frenzy around Clark has only grown.

Iowa sold out women's basketball season tickets for the first time ever. Hawkeyes road games have set attendance records, and their broadcasts are driving up ratings. Iowa's game last Sunday at Nebraska, when Clark was 39 points from breaking the scoring

**‘She hasn't taken a dime from us yet, so I don't know why she would next year.’**

record, drew 1.8 million viewers—the most-watched women's college basketball game ever shown on FOX Sports.

Through the Swarm, Iowa women's basketball players each could make \$15,000 through charity works last year, Heinrichs said, and some players made more in sponsorship deals through the collective.

Heinrichs said everywhere in the country he goes in Iowa gear, people bring up Clark.

“I used to think that not only should she come back, she should try to figure out any way she can stay in college as long as she possibly can because she's making so much money in NIL,” Heinrichs said.

“But now I'm starting to believe that she can transcend the sport and not only will she continue to make as much money as she does now, she can make a lot more as she continues to move forward. And she might make a lot more for everybody else in the league as well—just like Tiger made all this extra money for everybody on the PGA Tour. Everybody wants to watch.”

JEFFREY BECKER/REUTERS

By JARED DIAMOND AND LINDSEY ADLER

**WHEN MAJOR LEAGUE BASEBALL'S** owners were searching for a new commissioner to replace Bud Selig ahead of the 2015 season, their biggest concern was the brewing labor unrest across the industry. So they hired Rob Manfred, a bulldog attorney who had served as Selig's chief negotiator in various other disputes.

Now, a decade later, the sport is grappling with another challenge that threatens its future: the quest for revenue—and relevance—in an increasingly turbulent entertainment and media landscape.

That is the issue that serves as the backdrop as MLB's ownership class begins to ponder an era with somebody other than Manfred in charge. With spring training camps opening across Florida and Arizona this week, the 65-year-old Manfred said Thursday that he intends to step down when his current contract expires in early 2029.

The candidates who emerge as his potential successors will reveal a lot about the state of the game—and where it is going next.

“You can only have so much fun in one lifetime,” Manfred said.

Manfred leaving isn't entirely a surprise. He had previously alluded that he wouldn't return for a fourth term, but until Thursday he had never stated his plans so explicitly.

The revelation about Manfred's potential retirement comes at a pivotal time. Though the league and the players' union are preparing for the next round of collective bargaining in 2026, the most pressing concern facing baseball right now might not be labor strife, but rather questions about where the money will come from moving forward.

Teams have relied heavily on local television rights deals to drive profits—a collapsing busi-

## Is Major League Baseball Ready to Move On From Rob Manfred?



Rob Manfred announced that he intends to step down when his current contract as commissioner ends in 2029.

ness model that in the past year has lurched from “rapidly declining” to “outright implosion.” Last year, MLB had to step in to produce broadcasts for the San Diego Padres and Arizona Diamondbacks after they lost their broadcast partners. The Colorado Rockies are in the same position in 2024 with their regional sports network, with more dominos likely to fall.

As that happens, more organizations will be searching for a way to replace the revenues they are losing, and at this point, it's unclear whether streaming will be enough to make up the difference. Meanwhile, as the paradigm of how people consume sports shifts radically, MLB must find a way to ensure that baseball fans can actually watch baseball without an ex-

pensive cable bundle.

“It's a question of reach,” Manfred said Thursday. “You've got to get the games in the household.”

A recent promotion in the league office suggests that MLB understands the stakes. Two weeks ago, Manfred gave executive Noah Garden a promotion with a telling title: Deputy Commissioner, Business and Media. Garden's biography on MLB's website says that he oversees the league's league's “revenue-generating departments,” which prominently includes untangling the messy RSN situation.

Garden is the second deputy commissioner, joining Dan Halem, an attorney who is currently MLB's lead labor negotiator. Morgan Sword, MLB's executive vice president for baseball operations,

has also seen his influence grow in recent years, particularly after he took a prominent role in implementing baseball's sweeping rule changes last season.

It is impossible to know for certain what baseball's owners will prioritize five years from now, when Manfred's current contract expires. It's also impossible to know whether they would even want somebody who currently works in baseball, as opposed to looking for external candidates from the world of business or elsewhere.

Still, the makeup of baseball's owners is changing, increasingly populated with people like David Rubenstein, the private-equity billionaire who recently agreed to buy the Baltimore Orioles, and the New York Mets' Steve Cohen, a re-

nowned hedge-fund manager. More and more, baseball franchises are an asset in extraordinarily wealthy people's varied portfolios rather than a cherished family heirloom. It makes sense

that someone with a business background might appeal to them.

Ultimately, Manfred's stated intention to depart remains, for now, just an intention. He received an extension just last July, and there is plenty of precedent for a commissioner walking back his retirement. During his tenure, Selig announced that he would retire after the 2012 season but wound up sticking around for two more years before finally giving way to Manfred.

“I have been open with [the owners] about the fact that this is going to be my last term,” Manfred said. “I said it to them before the election in July, and I'm absolutely committed to that.”

Key moments from Manfred's time as commissioner so far include his handling of the Houston Astros' sign-stealing scandal, the shutdown of the industry in the wake of the pandemic in 2020 and the lockout in 2022 that nearly resulted in missed games. He also oversaw the 2023 rule changes, which resulted in shorter games and a surge in attendance.

The rest of his time will likely revolve around media rights, though on Thursday he cited two significant items on his to-do list: seeing the Oakland Athletics complete their tumultuous relocation to Las Vegas and attend opening day at a long-awaited new stadium for the Tampa Bay Rays.

For years, Manfred has said once the A's and Rays were settled, baseball would look to expand to 32 teams. He said Thursday that while he doubts two new teams would be playing games when he leaves, he hopes to “have the process in place and operating.”

CHARLIE NEBERGALL/ASSOCIATED PRESS





**'Hot and Cold'**  
He turns Elon Musk's musings into reality **B3**

# EXCHANGE

**Run on Dunkin'**  
The chain can't keep these trackuits in stock **B10**



## An Expanding Universe of Products and Productions



SpringHill recently announced plans to launch a men's grooming line that will be sold exclusively at Walmart.



Guests on the company's talk show 'The Shop,' set in a barbershop, have included Drake, above, and Tom Brady.



SpringHill produced a video for Toyota, starring J.R. Smith, about historically Black colleges and universities.



SpringHill's investments have included Naomi Osaka's production company.



LeBron James is using his ability to reach millions of fans on social media to build his company, SpringHill.

## Every Airline Is A Budget Airline Now

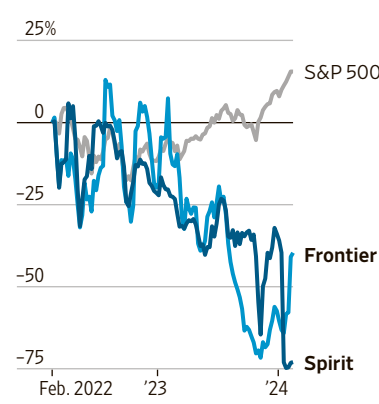
By ALISON SIDER

Almost everything has been going wrong for the deep-discount airlines that once drove major airlines crazy.

The big airlines, such as Delta, United and American, have become more adept at deploying their own bare-bones fares, and they have been chasing more leisure travelers to make up for less corporate travel business since the Covid-19 pandemic hit. Costs are going up, including higher wages to attract and keep pilots, flight attendants, mechanics and other workers. Fuel prices soared, too. Customers, sick of being stuck at home, spoiled themselves with creature comforts that notoriously no-frills airlines couldn't match.

Some financial analysts have

### Share performance, past two years



Source: FactSet

started calling the budget group LMAs—low margin airlines—instead of ULCCs, or ultra-low-cost carriers. Spirit shares fell nearly 16% last year, while Frontier tumbled 47%.

Now, Spirit Airlines is fighting to convince investors it can survive on its own, if needed, after a planned acquisition by JetBlue Airways was blocked for being anticompetitive by a federal judge who said it would hurt cost-conscious travelers. Frontier Airlines, which also once hoped to acquire Spirit, is reworking its strategy and redrawing its route map.

Low-cost airline executives say the troubles are temporary ripples—a bad year.

The bigger airlines "didn't figure out how to win," said Barry Biffle, Frontier's chief executive in an interview. "They got lucky."

To others, the airline giants have cracked the low-fare code and will soon crush the deep discounters.

Last year didn't play out how most airline executives expected. Emboldened by the postpandemic travel boom, airlines flooded seats into domestic-leisure destinations like Las Vegas and Orlando—budget carriers' bread and butter. But they overdid it, and overwhelmed demand as travelers gave priority to trips overseas to destinations that only the big airlines could offer. Budget airlines slashed fares even more than usual to fill seats.

For budget airlines, that com- Please turn to page B5

## The INSATIABLE AMBITION of LEBRON JAMES

The basketball legend is building a business that includes movies and TV, advertising and a grooming line. It's all part of a new model for how athletes can cash in on their fame. **By Jessica Toonkel**

**LEBRON JAMES IS PARTICULAR** about his facial hygiene. He favors a Neutrogena pink-grapefruit wash.

"I love it, I love it, I love it," the NBA superstar says.

James, 39 years old, also loves the business potential. His company, SpringHill, is launching its own rival face wash in a men's grooming line—part of a major expansion of his burgeoning business empire in the twilight of his career.

"I told them I want this face wash to resemble that," James said, "because I love how the crystals make your face feel super-washed."

Almost a decade ago, James helped create a new kind of company: one built around the personality of a sports superstar who can talk directly to millions of fans on social media. Entertainment was the primary focus. SpringHill has made movies like Adam Sandler's "Hustle" and "Space Jam: A New Legacy," and TV series like NBC's game show "The Wall" and the barbershop talk show "The Shop."

Now James and his longtime business partner, Maverick Carter,

have a dizzying list of expansion ideas. Beyond the grooming line, SpringHill is making plans to expand internationally, with an eye on Western Europe, the U.K. and possibly Japan and Africa. The company is planning to bring a version of "The Shop" to the U.K., hosted and executive-produced by British actor Idris Elba. SpringHill is discussing launching a free, ad-supported streaming channel, and is hunting for acquisitions, with a particular focus on videogames and animation.

Success isn't a slam dunk. Building a consumer-product brand is notoriously difficult, and in entertainment, SpringHill is competing with a crowd of companies that have similar ambitions, while a new era of austerity in Hollywood is clouding the prospects for production deals.

James, sitting in an airport hangar one December afternoon and awaiting a Los Angeles Lakers team flight, said he's always wanted to excel in more than one area—basketball fans know him as not just a Please turn to page B4

### SCIENCE OF SUCCESS | BEN COHEN

## Are Contests the Solution To All of Humanity's Problems?

Prizes improve everything from space ships to New York's trash cans



Innovation isn't the first word that comes to mind when you think about a sanitation department.

But a few years ago, when New York

City officials found themselves in the market for a better garbage can, they followed a strategy to spark creativity that has worked for centuries, producing breakthroughs from the oceans to the heavens and everywhere in between.

They started a contest. By setting a goal and engaging

the crowd for help with all sorts of tricky problems—driverless cars, missions to space, trash cans—organizations can find novel solutions in places they never would have looked and from people they never would have asked.

Last week, I wrote about the Vesuvius Challenge, a \$1 million competition with the goal of using artificial intelligence and machine learning to read 2,000-year-old papyrus scrolls. I'm still thinking about the way a bunch of students pulled off the seemingly impossible—and not just because using modern technology to crack an an-

cient mystery is undeniably amazing. It's also because the success of this contest should inspire a lot more contests.

Prize contests encourage talented people to work across disciplines and bring unusual perspectives beyond their areas of expertise. They are especially valuable in areas where progress is hard and unlikely to happen without a push, but not so hard that it's unattainable. The most effective prize contests are built around a simple premise: This is what we want to do, and we don't care how Please turn to page B6



New York uses public trash cans that won a contest a few years ago. The winning design in the Better Bin competition came from a group of friends.



# EXCHANGE

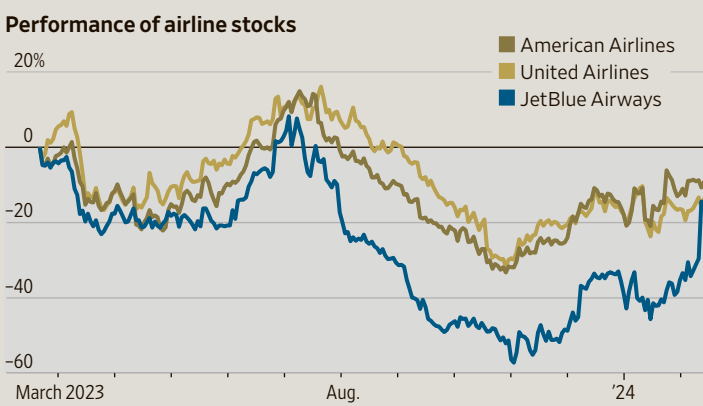
## THE SCORE | THE BUSINESS WEEK IN SIX STOCKS

# Icahn Targets JetBlue, Lyft Adds a Zero

### JETBLUE AIRWAYS

**JBLU** **22%**

Billionaire Carl Icahn reported Monday that he had a nearly 10% stake in JetBlue, saying in a filing he believed the shares were undervalued. By Friday, Icahn had struck a deal with the airline for two board seats. JetBlue has been struggling: Its operations have faltered in recent years, it hasn't turned a profit since 2019, and last month its plan to acquire Spirit Airlines was blocked by a federal judge. JetBlue's incoming chief executive, Joanna Geraghty, has pledged "aggressive action" to get the carrier back on track. JetBlue shares **surged 22% Tuesday**, but the stock is still down sharply, having lost more than half its value in the past few years.



### ROBINHOOD MARKETS

**HOOD** **13%**

Robinhood surprised Wall Street with a fourth-quarter profit. The online brokerage benefited from an increase in trading revenue, and crypto trading had its strongest revenue quarter since 2022. Robinhood posted \$30 million in net income in the latest quarter, its highest earnings yet as a public company. The company has faced a tough stretch since going public in 2021, including a drop in trading and monthly active users following pandemic-era highs. Robinhood shares **rose 13% Wednesday**, their best one-day performance since 2022.

**\$30 million**

Robinhood's fourth-quarter net income

### NIKE

**NKE** **2.4%**

Nike on Thursday said it will reduce its workforce by about 2%, or more than 1,600 employees. Chief Executive John Donahoe said the sneaker giant is using its resources to increase investment in categories like running, women's apparel and the Jordan brand, according to a memo reviewed by The Wall Street Journal. Nike in December lowered its full-year revenue outlook amid consumer-spending concerns, and said it would look to cut up to \$2 billion in costs over the next three years. Nike shares **lost 2.4% Friday**.

**1,600**

The number of potential job cuts at Nike



Lyft accidentally added an extra zero to a profitability metric.

### LYFT

**LYFT** **35%**

A strong earnings report—and a big typo—gave Lyft shares a lift. The ride-hailing company forecast better-than-expected bookings and said it expects to be cash-flow positive in 2024. Lyft's earnings release accidentally added an extra zero to a profitability metric, sending the stock up more than 60% in after-hours trading Tuesday. An executive corrected the error on a call with analysts later Tuesday, and Lyft shares **leapt 35% Wednesday**.

### Lyft performance this week



### DIAMONDBACK ENERGY

**FANG** **9.4%**

There's a new mega-deal in the oil patch. Texas-based Diamondback Energy and rival Endeavor Energy Resources are merging to create a \$50 billion oil-and-gas behemoth. Endeavor, founded by wildcatter Autry Stephens, has been one of the most sought-after businesses in the consolidating Permian Basin. In striking the deal, Diamondback fended off competition from others including ConocoPhillips, the Journal reported. Diamondback shares **jumped 9.4% Monday**.

### DOORDASH

**DASH** **8.1%**

Customers ordered more on DoorDash's app in the most recent quarter than they did earlier in the pandemic, and the food-delivery company projected continued growth. But investors were likely looking for better results to justify this year's stock-price run-up, according to analysts at Evercore ISI. Food-delivery apps like DoorDash surged in popularity during Covid lockdowns, and since have battled rising inflation and consumer belt-tightening. DoorDash shares **fell 8.1% Friday**. —Francesca Fontana



### KEYWORDS | CHRISTOPHER MIMS

# It's the End of The Web as We Know It

AI is changing how we use the internet, upending the online economy



The web is in crisis, and artificial intelligence is to blame.

For decades, seeking knowledge online has meant googling it and clicking on the links the search engine offered up. Search has so dominated our information-seeking behaviors that few of us ever think to question it anymore.

But AI is changing that, and fast. A new generation of AI-powered "answer engines" could make finding information easier, by simply giving us the answers to our questions rather than forcing us to wade through pages of links. Meanwhile, the web is filling up with AI-generated content of dubious quality. It's polluting search results, and making traditional search less useful.

Seeking information using a search engine could be almost completely replaced by this new generation of large language model-powered systems, says Ethan Mollick, an associate professor at the Wharton School of the University of Pennsylvania who has lately made a name for himself as an analyst of these AIs.

This could be good for consumers, but it could also upend the delicate balance of publishers, tech giants and advertisers on which the internet as we know it has long depended.

AI agents help cut through the clutter, but research is already suggesting they also eliminate any need for people to click through to the websites AI relies on to produce their answers, says Mollick. Without traffic, the business model for many publishers—of providing useful, human-generated information on the web—could collapse.

Over the past week, I've been playing with a new, free, AI-powered search engine-slash-web browser on the iPhone, called Arc Search. When I type in a query, it first identifies the best half-dozen websites with information on that topic, then uses AI to "read" and summarize them.

It's like having an assistant who can instantly and concisely relate the results of a Google search to you. It's such a time-saver that I'm betting that once most people try it, they'll never be able to imagine going back to the old way of browsing the web.

While Arc Search is convenient, I feel a little guilty using it, because instead of clicking through to the websites it summarizes, I'm often satisfied with the answer it offers up. The maker of Arc is getting something for free—my attention—and I'm getting the information I want. But the people who created that information get nothing.

In December, the New York Times sued Microsoft and OpenAI for alleged copyright infringement over these exact issues. The Times alleges that the technology companies exploited its content without permission to create their artificial-intelligence products. In its complaint, the Times says these AI tools divert traffic that would otherwise go to the Times's web properties, depriving the company of advertising, licensing and subscription revenue.

OpenAI has said it is committed to working with content creators to ensure they benefit from

AI technology and new revenue models. Already, publishers are in negotiations with OpenAI to license content for use in its large language models. Among the publishers is Dow Jones, parent company of The Wall Street Journal.

Liz Reid, general manager of search at Google, has said that the company doesn't anticipate that people will suddenly switch over to AI chat-based search all at once. Still, it's clear that Google is taking the threat of AI-powered search very seriously. The company has gone into overdrive on this front, reallocating people and resources to address the threat and opportunity of AI, and is now rolling out new AI-powered products at a rapid clip.

Those products include Google's "search generative experience," which pairs an AI-created summary with traditional search results. "Users are not only looking for AI summaries or AI answers, they really care about the richness and the diversity that exists on the web," Google Chief Executive Sundar Pichai said in a recent interview. "They want to explore too."

### Google killer?

For the first time in years, scrappy startups can credibly claim that they could challenge Google in search, where the company has above a 90% market share in the U.S.

Eric Olson is CEO of Consensus, a startup that uses large language models to offer up detailed sum-

maries of research papers, and to offer insights about the scientific consensus on various topics. He believes that AI-powered search startups like his can offer an experience superior to Google's on specific topics, in a way that will carve off chunks of Google's search business a piece at a time.

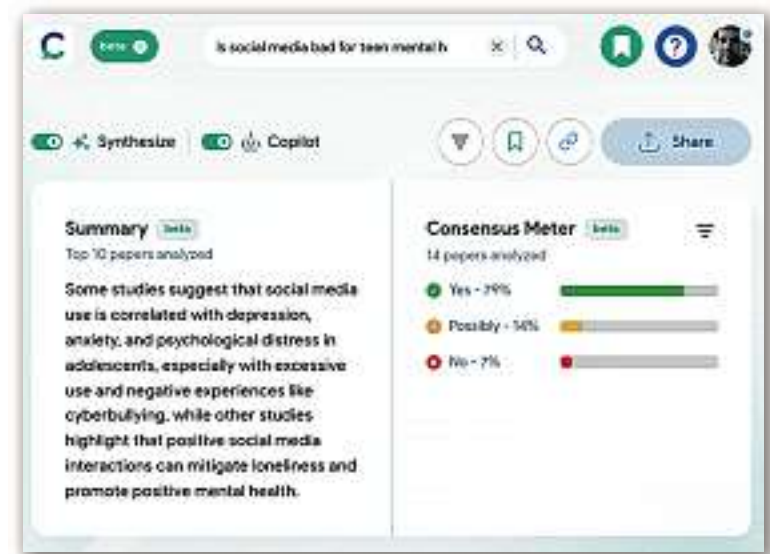
### Trust issues

is known as the "hallucination" problem, and forcing an AI to draw only from a prescribed set of inputs—like scientific papers—can help solve it, says Olson.

Despite these issues, users may move toward AI-based answer engines for the simple reason that AI-generated content threatens to make the web, and existing search, less and less usable. AI is already being used to write fake reviews, synthesize fake videos of politicians, and write completely made-up news articles—all in hopes of snatching dollars, votes and eyeballs on the cheap.

The stuff that spammers gin up with the help of generative AI sometimes ranks well in Google Search, though often the ranking is temporary, search-engine optimization expert Lily Ray told me.

The problem isn't just with Google's search results. AI-generated content has also been spotted in Google Maps, within Google's shopping listings, and in the news items Google features, she adds. It's important to note that Google has for decades battled those who would manipulate its search algorithms, and it continually updates its systems to sweep away spammy content, whatever the source. Its guidelines on AI-generated content, last updated in February, reiterate that the company is fine with using AI to help generate content—but only if it serves the people consuming it.



Consensus uses AI to summarize research papers. A short portion of its analysis is shown here.

A few errant links and listings offered up by Google are hardly anything new on an internet that's always been full of human-generated misinformation. But if AI means fake content can be churned out at such a rate that it becomes widespread, it could lead to a broader crisis of trust in all of the search results offered up by Google and others.

It's not clear what lies on the other side of the transition the web is going through. Much depends on how quickly people switch to AI-powered search, how much better future language models are than today's, and which company's AI comes to dominate. There will be both winners and losers in this future, as some publishers and services become obsolete, and others become trusted and necessary sources of information—for AIs.



EXCHANGE



# He Turns Elon Musk's Musings Into Reality

Tesla design chief, Franz von Holzhausen, innovates with curves and fluid lines—and the Cybertruck

BY REBECCA ELLIOTT

**T**esla Chief Executive Elon Musk told his top designer he wanted to make an electric pickup that would have good driving dynamics and a covered bed—and “feel like the future.”

It was up to Franz von Holzhausen to decipher what his boss meant.

“My job is to take the few words and turn them into many,” said von Holzhausen, a 15-year veteran at Tesla, in a recent interview.

The 55-year-old von Holzhausen, whom Musk poached from Mazda in 2008, is among the longest-serving executives at Tesla, where he has led design for nearly all the company's models. He's reported to Musk longer than just about anyone else at the carmaker.

Over the years, he has built a reputation for combining minimalist, tech-forward interiors with modern-looking exteriors with a touch of pizzazz, such as retractable door handles or panoramic glass roofs. He helped demonstrate electric cars could be cool and aspirational, not just better for the environment.

Now, von Holzhausen is facing his next big test: Tesla is getting ready to release a more affordable EV that is intended to enhance the company's mass-market appeal and target buyers on a tighter budget. Today, Teslas start around \$39,000 in the U.S.

The company's next generation of vehicles will debut in a very different marketplace than the one Tesla first

entered more than a decade ago. Rival automakers are catching up and flooding showrooms with battery-powered models of their own, putting more pressure on Tesla to stand out. Consumers have been displaying less enthusiasm for EVs than many carmakers expected, and Tesla has cautioned of “notably” slower growth this year.

As Tesla design chief, von Holzhausen converts Musk's at times vague ideas into physical lines, surfaces and vehicle silhouettes.

The Cybertruck, a pickup with hard angles and flat, stainless-steel panels, has been a polarizing design. It is a departure for von Holzhausen, whose earlier creations were defined by curves and fluid lines.

“Most designers, they find it hard to believe that Franz actually designed that car, because it's not really his aesthetic makeup,” said longtime automotive designer J Mays, who worked with von Holzhausen in the 1990s.

The back-and-forth on the Cybertruck was particularly arduous, dragging on well into 2019, people who worked on the truck said.

In reviews, Musk's comments weren't necessarily “tangible” and von Holzhausen had to make certain interpretive leaps, said Dave Morris, von Holzhausen's longtime deputy at Tesla.

“Elon was hot and cold. One day he would be really into an idea and pushing a direction, and then we would tease it out and he'd come in,

▲ Franz von Holzhausen with a Tesla Cybertruck prototype. The pickup's angular lines differ from the curves of his other designs.

### Franz von Holzhausen

- **First car:** VW Rabbit GTI
- **Work uniform:** Like many at Tesla, he often wears a black T-shirt
- **Longtime boss:** He has reported to Musk longer than just about anyone else at Tesla
- **FranzFit:** He often leads workouts at lunchtime in a parking lot behind Tesla's Los Angeles-area design studio

he was like, ‘Ugh, it's not what I was thinking.’” von Holzhausen recalled.

Come midsummer, von Holzhausen took a flier and made one last-ditch effort. He drew a truck with a triangular profile that was unlike what his team had been showing Musk.

The idea clicked. Those who've worked with von Holzhausen described him as decisive, hard to fluster and open to new ideas, qualities that have helped him form a close bond with Musk and thrive at a company known for high executive churn.

Around lunchtime, he can often be found leading workouts in a parking lot behind Tesla's Los Angeles-area design studio—sessions that started with a CrossFit trainer years ago and have evolved into what some have taken to calling FranzFit.

“I don't like to lose. Maybe it's a good outlet for that,” von Holzhausen said of the workouts.

Musk lured von Holzhausen away from Mazda on the promise of fulfilling Tesla's mission to accelerate the auto industry's transition away from oil and gas. He has reported to Musk from day 1.

He now runs a team of roughly 300 employees, including designers and sculptors responsible for transforming two-dimensional images into models made of clay. Most of them work out of the Los Angeles-area design studio, an open-floor office located in a converted airplane hangar next to the headquarters of Musk's rocket company, SpaceX.

For years, Musk visited von Holzhausen nearly every Friday to review the team's latest ideas. Today, those visits are less frequent, with Musk juggling more companies and Tesla's headquarters relocated to Texas.

Musk remains “very involved” in the design process, von Holzhausen said. Sometimes, the CEO sends von Holzhausen ideas he saw on X, the social-media platform Musk bought in 2022. Other times, von Holzhausen, who prefers to talk through design ideas in person, catches Musk where he can.

Von Holzhausen, who grew up outside of Hartford, Conn., was drawing at an early age and sketched his first car at the age of two, said his father, Frank von Holzhausen, an industrial designer.

The younger von Holzhausen joined Volkswagen's design group after graduating in 1992 from ArtCenter College of Design, outside of Los Angeles.

As a junior designer at VW, he was tapped to help out on the concept for what would eventually become a revamped, bubblier version of the company's iconic Beetle car.

He later joined General Motors, where he met his wife, Vicki, a fellow car designer. The pair worked together on the curvaceous Pontiac Solstice, with von Holzhausen focused on the exterior and Vicki on the interior. The two-seater won Automobile Magazine's design of the year award for 2006.

The couple, who live in the Los Angeles area, have two boys.

At Mazda, whose California studio von Holzhausen led after leaving GM, the designer's team earned a reputation for tackling challenging assignments, said Laurens van den Acker, Mazda's design boss at the time.

“They were the ones who wanted to jump on new projects, and if it was difficult, they loved it,” said van den Acker of von Holzhausen's team at Mazda.

Outside of Tesla, von Holzhausen is perhaps best known for accidentally smashing the window of a Cybertruck prototype with a metal ball at the pickup truck's 2019 unveiling, a stunt with Musk intended to show the vehicle's toughness.

Around the office, he works through design problems with a pen and paper in hand, jotting down ideas on scraps of paper that he leaves lying around in conference rooms or on people's desks for inspiration.

Von Holzhausen also has been known to bring Musk around to his way of seeing things. He was among those who persuaded Musk to revive plans for a lower-priced electric car that would extend Tesla's reach into the mass market, according to Walter Isaacson's biography of Musk.

On a recent walk through the Petersen Automotive Museum in Los Angeles, the designer stopped next to a car he said has inspired him as he thought about Tesla's future vehicles.

The coupe—a 1925 Rolls-Royce Phantom I—had been customized with large, swooping fenders and signature round doors that opened to reveal a red interior.

Von Holzhausen said, marveling at the vehicle's ability to convey a sense of motion, “it just feels like it's been pulled and stretched by the wind.”

He compared Tesla's forthcoming affordable car to VW's Beetle or Ford's Model T—“a product for the masses,” he said, albeit one that “feels like it's a continuation of the idea of the future.”



We ask recruiters and headhunters to share their wildest and most interesting stories.

**Q: What was an instance where candidates have resorted to deception or fraud?**

### ‘He's not who he says he is’

I placed an engineer with a large food-manufacturing company in North Carolina, and this client always did their own background check and vetting. We usually do that, but they liked to keep that separate.

Two years later, we got the call asking if we vetted this guy. We reminded them that they handled that process, and asked why.

Well, this guy's wife called the vice president of the company, and she said to the VP: “I just want you to know he's not who he says he is. He doesn't have an engineering degree. In fact, he never went to college at all.”

He had been doing that job for two years! The company asked me to do some digging, and I came to find out he never went to that school, or any school. His references were all friends who'd made up fake names and titles.

What this guy was good at was reading things and BS-ing his way through it. But the way they caught him was they put him on this highly technical job and he just kept postponing the project. He was helping in the design of high-speed equipment—and you can fake a lot of things in the business world but I'm not sure how

IF THESE RÉSUMÉS COULD TALK | FRANCESCA FONTANA

# When Job Applicants Lie...and Get Busted

Headhunters share their stories of workers who tried to fool their employers

you pull that off!

I don't know if the company ever would have caught him if his wife hadn't called—they ended up getting divorced. God knows what else he lied about.

—Al Polson  
The Colonial Group

### Losing two jobs at once

I placed a candidate as a vice president of sales at a company about 10 years ago.

After he had been on the job for about six months, the company's executive vice president called me: “We had a real problem.”

The VP of sales had a private office out of an executive suite here in Dallas, which provided an answering service. So he had a receptionist who would take his calls, and answer the phone: “John Doe, ABC Company.”

One day, the executive vice president called the guy, and the receptionist answered with the right name but the wrong company: “John Doe, XYZ Company.”

“Wait a minute, I'm looking for John Doe with ABC Company.”

“Yes, that's right. I answer for that company, too.”



“Wait, who do you answer for?”

“John Doe. He works for both ABC Company and XYZ Company.”

“He does?”

“Yeah. I answer for both of them.”

“What's the phone number for the second company he works for?”

The executive vice president called that second company, and once they figured out that this guy was working for both of them, the

CEOs called him and fired him at the same time.

—Tony Beshara  
Babich & Associates

### One person, four résumés

Over the years, I've had a candidate who has applied for numerous jobs at a hospitality company, using the same name and contact info, but four completely different résumés.

One résumé might say they

worked as a general manager at one hotel during a certain time, then another will say they worked for a different hotel during that time. At one point, I started looking up some of the company names that I didn't recognize to discover they didn't exist.

We actually talked to them about it—we have point-blank told that individual, like, “Hey, I have multiple résumés on file for you, I'm not sure where you're working right now, and it's very difficult for me to trust your skills when I have this on file.” But the applications from this person haven't stopped and neither have the changes to the résumés.

—Sunny Larkin-Newman  
Hospitality Ventures  
Management Group

### Dead wrong

I had a candidate for a tech position who did really well in the interviews, was close to getting the job. When they did the background check and checked his Social Security number, it belonged to someone who had passed away about five years ago.

He was literally impersonating a dead person. We reached out to him about his Social Security number, and asked if there was some kind of mistake. He said he would call right back. We could never get in touch with him again—and he disconnected his phone!

—Anthony Fanzo  
The Bachrach Group

These interviews have been edited and condensed for length and clarity.



## EXCHANGE

# LeBron James Envisions A Sprawling Business Empire

*Continued from page B1*  
dominant scorer, but an elite passer, rebounder and defender. “I have always felt like I was a Swiss Army knife,” says James.

He extends the analogy to the expansion of SpringHill into new lines of business. “We couldn’t just be a wine opener,” he says, “We wanted also to be a pair of scissors and a fingernail clipper.”

In its production business, SpringHill is trying its hand at a new format: a reality series following five National Basketball Association players, including James, through the season. The show is destined for Netflix.

SpringHill is looking to expand at a time when many streamers and advertisers are pulling back on spending, posing potential challenges for the company. The corporate owners of streaming services like Disney+, Peacock and Paramount+ are looking to burnish their balance sheets by culling their output and being more selective about which projects to pursue. SpringHill, like any creator in show business, could feel that pressure as it tries to sell programming in the coming years.

“Many of the potential buyers for content and acquirers for their company are themselves in financial distress,” said John Kosner, a former ESPN executive who now runs his own media-consulting company.

## Growing competition

SpringHill is competing with a number of production companies that are pitching sports content to the likes of Netflix, Amazon and Apple. Skydance Media, the company behind such hit movies as “Top Gun: Maverick,” and several “Mission: Impossible” titles, teamed up with the National Football League in 2022 to create sports-related content. “When you dig into leagues, athletes and the history of games themselves, it has been an untapped treasure trove with stories that haven’t been told,” said Skydance Chief Executive David Ellison in an interview last fall.

SpringHill is trying to distinguish itself with scripted content but hasn’t

sively on hits in the traditional sense.”

James ignited a movement in the sports world. Kevin Durant, Megan Rapinoe and Naomi Osaka are among the many other athletes that have launched media companies, hoping to control their own narrative, make a cultural impact and build a real business.

The list of such outfits keeps growing. The NBA’s Giannis Antetokounmpo in January announced a new production company, Improbable Media, whose first offering is a documentary about his rise for Amazon’s Prime Video.

It’s not only superstars: JJ Redick, a successful NBA role player, has launched his own firm built around podcasts like “The Old Man and the Three.” Pat McAfee parlayed a career as an NFL punter—not exactly the most glamorous of positions—into a successful YouTube show, building a company that now licenses its programming to Disney’s ESPN.

“There are a lot of people saying ‘why am I not doing it if LeBron is,’” said Paul Wachter, CEO of Main Street Advisors, a SpringHill investor who has been an adviser to James since 2005.

Omaha Productions, the entertainment company started by former NFL star Peyton Manning, has gained significant traction—not just because its series “Quarterback” became a Netflix hit last year, but because it is intent on developing a robust pipeline.

“You don’t want to be a one-trick pony in this business,” said David Nevins, a former head of Paramount’s Showtime, who is now CEO of North Road, which has a stake in Omaha. Having your company attached to a famous athlete only gets you so far, he said. “It’s the smart company builders that will win,” Nevins said, adding that Manning is one of those executives.

SpringHill is the most mature, and the most diversified of the bunch—with lines of business that include advising brands on strategy and creating content for advertisers like Nike. The majority of SpringHill’s roughly \$200 million in revenue comes from



▼ The 2010 ESPN interview when James told the world he was leaving Cleveland to join the Miami Heat.



had many breakthroughs. It is in early development with Brad Pitt’s production company on a new show about sports agents that will be similar to Netflix’s popular show “Call My Agent,” according to people familiar with the situation.

Some media investors who have looked at SpringHill question whether it is worth the \$725 million valuation it was given when it raised money in late 2021—at the peak of the streaming-video boom.

Investors who did put money into SpringHill are optimistic, in part because it is stretching beyond the uncertain business of producing hits in Hollywood.

“Hits can be consumer products, a touring live show, partnerships with Fortune 100 brands, as well as TV and film projects,” said Jason Stein, founder and managing partner of SC Holdings, an investor in SpringHill and adviser to the company. “By design, SpringHill is not focused exclu-

its studio business and advertisers hiring the company to create sponsored short videos meant to be shared on social media. For example, Toyota hired the company to create a short video about the importance of historically Black colleges and universities, starring former NBA player J.R. Smith.

When visitors enter SpringHill offices in Los Angeles, they are greeted with a neon sign saying, “I Am More Than an Athlete.” It’s dawning on more companies—from media to sportswear to luxury goods—that athletes can have a much bigger footprint in the business world than just starring in ads and movies, Carter said.

There’s a long history of athletes forging lucrative careers in business: Magic Johnson became a billionaire not as a former Lakers star, but through investments in an insurance company, movie theaters and sports franchises, among other areas. Now

social media has allowed athletes to develop a deeper connection with consumers, giving them even greater opportunities, Carter said.

“Talent and creators—and I am putting athletes in that bucket—mean more to consumers now because they have the technology to speak directly to them,” Carter said.

SpringHill invests in and helps to grow other athletes’ production companies, including tennis star Osaka’s Hana Kuma, which recently spun off from SpringHill, and Miniature Géant Studio, started by NBA superstar Joel Embiid.

## ‘The Decision’

James, the NBA’s all-time leading scorer and the league’s oldest player, was in a playful mood last year on the morning after a Lakers win. As he waited for his flight in December, he was icing his knees and joking with teammates barely half his age about videogames and their attire. “You look like you are going to Bermuda,” he said to Anthony Davis, who was sporting tropical shorts.

James saw a need for athletes to tell their own stories before many of his current teammates were in the NBA.

The turning point came when James and Carter got panned by the press and fans for “The Decision,” a live ESPN broadcast in 2010 in which James announced he was leaving his hometown team, the Cleveland Cavaliers, to join the Miami Heat.

That was one of the reasons that led to James and Carter to launch “Uninterrupted,” a website designed to enable athletes to speak directly to fans that was one of several companies that were combined to make up SpringHill.

Carter, who has known James since they were kids in Akron, Ohio, was working in marketing at Nike before going to work with his longtime friend in 2005. His office at SpringHill’s headquarters reflects his eclectic interests, with books ranging from “The Pininfarina Book,” filled with photography from the Italian design firm, to “A Time Before Crack,” another photography book about New York City in the 1980s.

Carter studied Disney’s business plan when launching SpringHill. His mentors include Walt Disney CEO Bob Iger, Verizon CEO Hans Vestberg and former American Express CEO Ken Chenault.

Many of SpringHill’s early projects have origins in James’s upbringing. For example, he was a big fan of game shows growing up, and was at the 9 a.m. pitch meeting with NBCUniversal for “The Wall,” in which contestants have the opportunity to win millions of dollars. NBCUniversal just renewed the show for a sixth season.

“The Shop,” a talk show that takes place in a barbershop, was inspired by James’s and Carter’s youth. “I didn’t grow up reading newspapers. I wasn’t fortunate enough to be in a library so you gained a lot of your information and intel of things in the world of the barbershop,” James said. “You can be unfiltered.”

The show, which has featured such guests as former President Barack Obama, football legend Tom Brady and singer Drake, is now on YouTube after airing for the first five seasons on HBO.

SpringHill’s upcoming men’s grooming line is named for his show “The Shop,” which spawned the idea, Carter said. James recalls that when

he used to visit the neighborhood barbershop as a kid, you could get everything from incense to beard oil to hair gel, and envisioned something similar with the grooming line.

James has been involved in product development—he participated in focus groups of male employees at SpringHill discussing their grooming routines. When it came to face wash, he wanted his beloved Neutrogena product to be a model.

The challenges for the grooming line, which is to be sold exclusively through Walmart, will include competing against consumer-product giants with deeper pockets and long-time connections to large retailers, and persuading more men to use such products in the first place.

## A new reality series

Every summer for years, James and Carter have gone on vacation together with their families on a yacht in the Mediterranean Sea. A question would pop up: Why aren’t we doing our own version of HBO’s “Hard Knocks”? It was a frequent conversation.

James, a lover of all things football, is a huge fan of the HBO show, which each year follows a different NFL team’s preseason training camp. When “Quarterback” became a big hit for Netflix, James saw an opportunity to press forward with a similar basketball show.

Getting the NBA to sign on was step 1. SpringHill had been cultivating its ties with the league for years. It cast a number of NBA players in “Hustle,” which helped build trust

# \$725 million

SpringHill’s valuation based on financing it raised in 2021, at the peak of the streaming-video boom.

between the two sides. After the NBA and Netflix signed up for the idea of an NBA reality series, it was time to find the players.

James was interested in participating, but he had one key question: How would this affect a documentary of his life if he decides to do that someday? “It’s the only question he cares about,” Carter said.

Carter told him not to worry—the show wouldn’t preclude a documentary spanning his career. The NBA series, which will also feature Jayson Tatum, Jimmy Butler, Domantas Sabonis and Anthony Edwards, is being made in partnership with Omaha Productions and the Obamas’ Higher Ground Productions.

James has been featured in TV shows and films including Judd Apatow’s “Trainwreck,” with Amy Schumer. He surprised many on that movie’s set with his deadpan delivery of lyrics from the song “Gold Digger,” offered as relationship advice for a pal played by Bill Hader.

James hopes to be more involved in the creative side of SpringHill when he retires. He says he would love to do a docuseries with his son Bronny, who plays for University of Southern California.

He also would like to do more acting.

“The next movie I want to do is a rom-com,” he said.



James starred in 2021’s ‘Space Jam: A New Legacy,’ the SpringHill-produced sequel to the 1996 movie in which Michael Jordan acted alongside cartoon characters like Bugs Bunny.



## EXCHANGE

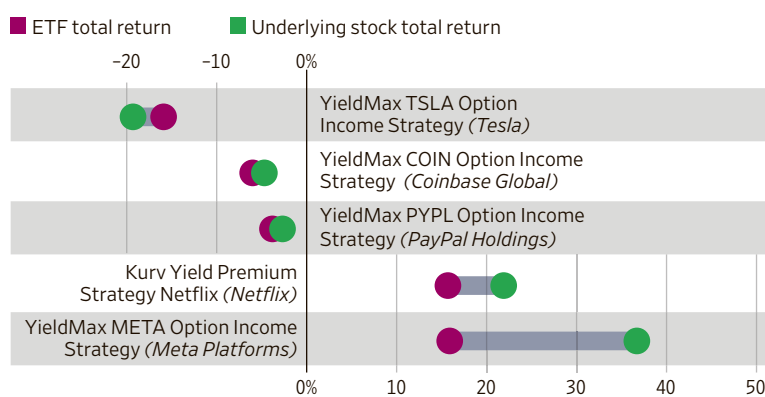
THE INTELLIGENT INVESTOR | JASON ZWEIG

# A Fund With a 94.9% Yield? You Guessed It—There's a Catch

When you see a sky-high yield, don't forget what you learned in Investing 101



Year-to-date performance of selected single-stock ETFs and their underlying stocks



Note: Yields as reported on Feb. 15, 2024; returns through Feb. 15 (ETF returns on market price)  
Sources: YieldMaxETFs.com; KurvInvest.com; FactSet



ETFs that trade options on single stocks are promoting themselves with some of the highest yields I've seen in more than three decades of writing about investing.

This past week, San Francisco-based Kurv Investment Management highlighted yields of between 11.3% and 30.5% on its six exchange-traded funds; YieldMax, a family of roughly 20 ETFs, held out yields of 11.3% to 94.9%.

What's the problem? You might think these yields predict future returns. They don't. And while the way these funds are reporting them is probably kosher, it is a perilously misleading illusion. You can't extrapolate such high yields, and you can easily end up deep in the red if the market moves against you.

These ETFs are a new wrinkle on what are known as "covered-call funds." They offer jumbo current payouts using options contracts to wring extra yield from a single stock. If the underlying stock drops, these ETFs should go down somewhat less. That makes them appealing to tech-stock fans whose holdings pay paltry dividends or none at all and often suffer steep declines in price.

Investors have flocked to some of these ETFs. The YieldMax fund that trades options related to Tesla stock was touting a yield of 56.6% this week and has attracted \$820 million since its launch in November 2022. YieldMax's option-income fund tied to Coinbase Global, reporting a 62.9% yield, has grown to \$330 million since it opened last August.

To get the percentages shown on their websites, these ETFs take the money they paid out in the latest month, multiply it by 12, then divide that by the fund's net asset value. That's called their distribution rate or distribution yield.

Unfortunately, income generated by selling options swings wildly as the underlying stock fluctuates. The distribution yield is "what you got this month, but it might not be what you get next month or going forward," says Howard Chan, founder of Kurv Investment Management, which runs the Kurv ETFs.

At YieldMax's TSLA option ETF, the payouts have varied between 44 cents and \$1.07 per share in recent months. Nothing could be further from fixed income—but giant distribution yields give no indication of that.

"You hope people understand that with more yield comes more risk," says Jay Pestrchelli, chief

executive of Zega Financial, which manages the YieldMax portfolios. "People should realize that something at a 70% yield should be riskier than something at 5%. That should be Investing 101."

Once people see a super-sized

double-digit yield, however, they're primed to flunk Investing 101.

Alongside distribution yield, the ETFs' websites also display a measure required by the Securities and Exchange Commission called SEC yield. This includes income from

dividends and interest, but not from selling options.

This past week, SEC yields at nearly all these single-stock option-income ETFs were below 5%.

That means these funds compensate you with a lower SEC yield than you could get in a low-risk government money-market fund even though, as their prospectuses openly warn, the ETFs could lose some—or all—of your money.

But I doubt many investors even see the SEC yield once that massive distribution yield smacks them in the forehead.

The return of this form of marketing bait harks back to the darkest days of the fund business.

In the 1980s, mutual-fund companies used distribution yields to hawk "government-plus" or option-income bond portfolios. Slurping up roughly \$50 billion from investors, these funds inflated income by selling call options on their bonds. The resulting double-digit payouts were unsustainable as interest rates went into free fall. The

funds ended up cannibalizing themselves and crushing their investors.

In response, the SEC imposed a rule in 1988 that required funds to stop using distribution yield unless it was accompanied by standardized measures of SEC yield and total return.

The single-stock option-income ETFs appear to comply with that rule, since their websites display SEC yield equally prominently and also show total return.

Back in 1988, the SEC noted concerns that "because investors naturally tend to focus on the larger number, the use of a distribution rate...[could] defeat the purpose of the uniformly calculated yield."

No one imagined back then that funds might someday promote distribution yields higher than 90%.

So don't focus on "the larger number." The SEC yield and total return give a more realistic picture. Remember that the distribution yields on these funds are no pro-

**When you buy a fund for its yield alone, you're likely to end up a lot wiser—but not wealthier.**

tection against a loss in principal value. Measuring total return—both income and changes in price—the YieldMax TSLA fund is down nearly 8% since inception, even though Tesla stock gained more than 9% over the same stretch.

"Nobody wants to disappoint investors because they don't understand how a fund works," says Zega Financial's Pestrchelli. "These funds are not conservative alternatives."

Losses like the YieldMax TSLA fund's can arise partly because a covered-call strategy doesn't shine when the underlying asset makes big sudden moves up or down. And risk is intensified when a covered-call fund is tied to only a single stock rather than a basket or a market index.

"You should know that when the underlying [stock] goes down, the fund will go down," warns Chan, whose firms runs the Kurv ETFs. That's because the income from options is only a partial buffer against loss.

When you buy a fund for its yield alone, you're likely to end up a lot wiser—but not wealthier. No one has ever said it better than the late market analyst Raymond DeVoie: "More money has been lost reaching for yield than at the point of a gun."

ILLUSTRATION BY ALEX NABAUIM



Frontier Airlines says it will save millions by making most of its trips out-and-back, which means planes and crews will return to bases each night.

## Budget Airlines Make Plans to Fight Back

Continued from page B1

pounded headaches from major operational constraints during their often-rocky emergence from the pandemic. In 2019, Spirit and Frontier were each able to fly planes over 12 hours a day on average—about 17% more than the four largest U.S. carriers, Frontier has said. Both airlines have lost about an hour a day of flying time.

"There may be market cycles where one model outperforms the other, but over the long term low cost ultimately wins," said Bill Franke, who invested in and pioneered the ultra-low-cost airline model and whose investment firm Indigo Partners owns roughly 80% of Frontier.

There are loyalists. Kevin Pelleter is an avid skier who bought Frontier's all-you-can-fly fall and winter pass for \$299. There is some fine print, but holders can book domestic and international Frontier flights, provided seats are available, paying only taxes, fees and seat or bag charges. He flies frequently from the Washington, D.C., area to Colorado, where he has a home an hour and a half west of Denver.

"Everybody gets it—the seats and no Wi-Fi and they nickel and

dime you," he said. But without the pass and Frontier's cheap tickets, he wouldn't be able to fly nearly as much. "At least every other week, if not every week, I'm traveling round trip."

For nearly two decades, the bargain-basement concept worked well. It was born out of the idea that there was a massive swath of people that were simply priced out of air travel altogether. Americans bought in.

Before Spirit, buying a seat on an airline generally included extras like a checked bag, advance seat assignments, and use of overhead bin space for carry-ons. Spirit and later Frontier stripped those out, offering them a la carte for extra fees.

For a while, full-service U.S. airlines were content to chase deep-pocketed business travelers and let the lowest-cost upstarts pick off cheapskates. But Spirit and Frontier got harder to ignore as they quickly added flights in major hubs like Dallas, Denver and Chicago.

And when oil prices plummeted in late 2014 and 2015, the big airlines could afford to offer cut-rate fares. Spiraling fare wars broke out that weighed on revenues but resulted in cheap tickets for fliers as

bigger airlines aggressively defended their turf.

Maury Gallagher, chief executive of low-cost airline Allegiant Air, said it makes more sense for discounters to try to avoid head-to-head competition with major airlines. Other ultra-low-cost airlines have gone after passengers in the big cities where major airlines have hubs—like the famous bank robber Willie Sutton who said he robbed banks "because that's where the money is," said Gallagher on a conference call last week.

"Historically, they've been easy money, but not anymore," he said. "The banks have developed ferocious tools to fight off their heroic robbers."

By 2017, Delta, American and United had all started selling barebones tickets. Those tickets come with drawbacks—seats often can't be chosen in advance, and there are restrictions on changes and re-funds. United's basic-economy tickets don't even come with a carry-on.

"Before the pandemic, mainline carriers were still experimenting" with how best to take on the discounters, said Mark Kopczak, a consultant and former network planning executive at Spirit. "Network carriers have really perfected how they're going to use basic economy to be competitive in the marketplace."

United CEO Scott Kirby is one of the budget carriers' most vocal detractors, predicting that they'll lose their low-cost edge and ability to grow. United Airlines said last month that it has refined how it sells basic-economy tickets, and it is winning over customers from budget airlines. Its basic-economy revenue from rose 20% in the fourth quarter from a year earlier.

Increasingly, passengers who start out shopping for a basic-economy fare end up buying something more, American said.

And, when fares are nearly equivalent, other factors like reliability, flight frequency, and loyalty programs—where bigger airlines have an advantage—start to matter more.

Zach Kaczor last year wanted to pick one airline to devote most of his travel to, going "all in" to maximize his frequent-flier potential. Spirit was in the mix, but his first

trip went badly.

He arrived at the Orlando airport two hours before his flight home to Philadelphia to find Spirit's check-in counter mobbed. Kiosks weren't working. By the time he was able to check his bag, it was too late and he missed the flight home. What had seemed like a cheap ticket was pricier when factoring in a hotel and a new flight on another airline.

So Kaczor signed up for an American Airlines co-branded credit card and has flown the carrier about four times since. He has racked up enough miles for a trip this spring to Hawaii, a destination Spirit doesn't serve.

"I don't think the cost is really that big of a difference," he said. "Looking back on the experience, it feels like an easy choice."

It isn't only ultradiscounters Spirit and Frontier that have to adjust. JetBlue Airways, which is also battling stubbornly high costs and operational stumbles, is pulling out of some routes and focusing on

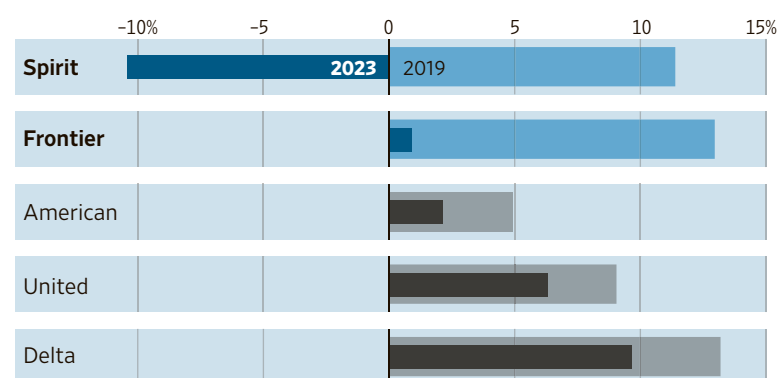
capacity growth in the U.S. for the coming months, and executives have said domestic travel demand has been stronger than they were anticipating. The international travel boom that bolstered big airlines last year could level off.

In an effort to turn things around, Spirit has suspended service to some new markets. It has reduced flights on off-peak days. It is also assessing ways to refinance debt coming due. Spirit has had the added challenge of an engine recall that will keep dozens of its planes on the ground this year.

Frontier is rejiggering its flying so that about 80% of its trips will be out-and-back, which means planes and crews will return to bases each night rather than hopscotching around the country.

And it is pulling back from overcrowded leisure markets to chase higher fares connecting big cities. It has announced expansions in Philadelphia, Minneapolis, Dallas and elsewhere. Many of those are already big airline hubs, but Fron-

Pre-tax profit margin



Source: FactSet

more lucrative leisure flying as it looks for a new path forward after a federal judge blocked its \$3.8 billion deal to acquire Spirit. Even Southwest, a budget pioneer that has become the biggest domestic airline by passengers, has grappled with shifting demand patterns and throttled planned capacity additions.

Conditions could swing back to budget airlines' favor quickly, some industry observers and executives say. Many airlines have slowed ca-

tier CEO Biffle says they can coexist. He's skeptical that basic economy fares are really a game changer—larger rivals can only sell so many cheap tickets before eating into their own profits.

American has shot back, adding flights or upgrading to bigger planes on flights from Philadelphia to Kansas City, Detroit, St. Louis and Indianapolis.

Biffle is unfruffled. "We're playing chess, not checkers. And it's my move."



## EXCHANGE

TAX REPORT | LAURA SAUNDERS

## I'm a Tax Columnist. Here's How I Tackle My Own Taxes.

Tax preparation can help Americans grapple with key financial issues. Don't miss this valuable opportunity.



Last weekend I joined millions of Americans starting their 2023 tax returns. After all, April 15 is drawing near.

But as I downloaded data and sorted records, I noticed that insights I've gathered from decades of writing about taxes seem remote from the tax-prep process. Instead, taxpayers must deal with instructions like, "If you check the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent."

Thank goodness tax professionals and commercial software help to hack through this linguistic jungle and perform the myriad calculations tax filing requires. Yet it's easy to get lost, or frustrated, by the details and complexity of filing.

That's a shame because I'm convinced you can also use the tax-prep process to touch base with important financial issues. Those who don't are missing a valuable opportunity.

Here are issues I think about as I work my way through my husband's and my joint return using popular software. No, I don't sharpen a pencil and dig out a calculator—although there are more of those gluttons for punishment than you'd think.

### What I think about

To begin with, I'm lucky that our joint return isn't complicated as tax returns go. While my husband has retired and receives Social Security payments and a small pension, I'm still an employee.

This means my company keeps records for my withholding and tax-related benefits. So I don't face the complexities of being a gig worker or owning an S Corp. Then again, taxpayers who earn income in these ways often qualify for tax breaks that employees don't.

Record-keeping also isn't a big problem. I tuck charitable-donation letters and forms reporting



our income to the IRS into a green folder I seldom look at before tax season.

Yet I'm scrupulous with records that could matter for this year or in the future. One of the best ways to win an argument with the IRS is to have what the agency calls "contemporaneous records"—i.e. ones you didn't reconstruct years later.

This means our receipts for donations of gently used clothing—always less than \$250, so we don't need notes from the charities—are detailed and dated. Records of eligible home improvements go in another folder. Although there's an exemption of \$500,000 per couple on gains from the sale of a home, it isn't adjusted for inflation so it's eroding. This means our home-improvement receipts might be needed someday to reduce taxes if we sell.

### Focus on the big picture

All told, this tax compliance takes relatively little time. Instead, I devote my energy to tax planning that can make a big-dollar difference.

Take saving for retirement. To-

day, people often can choose between traditional or Roth retirement accounts in workplace plans. This involves a trade off. With traditional IRAs and 401(k)s, the contributions are tax-deductible, though required withdrawals are taxable. Contributions to Roth accounts, on the other hand, aren't deductible, but withdrawals can be

### I devote my tax-planning energy to the sort of details that can make a big difference.

tax-free and the original owner doesn't have to take payouts.

Younger savers are lucky to have this choice. Being Boomers, my husband and I had no access to individual Roth IRAs—our income was too high—and there was no Roth 401(k) for most of our careers. So we saved almost exclusively in traditional 401(k) plans. Meanwhile, paying for our children's education drained savings that would have gone into taxable accounts.

Luckily the 401(k)s performed well. But now we—like many others our age—are worried about being locked into large taxable required withdrawals starting at age 73. So we're scrambling to do tax-efficient Roth conversions that could provide income flexibility and lower taxes later on.

In fact, a Roth conversion last year yielded my biggest tax mistake so far. After doing a Roth conversion in the second quarter, I forgot to pay estimated taxes. When I did remember them, I forgot the conversion amount. That led to year-end panic over a potential penalty, a change in paycheck withholding and a large payment to the IRS I didn't need to make. Now we're set for a humongous refund for 2023, and I'm pretending not to notice the smirks of certain family members.

### Where to hold an investment

I also keep a close eye on our investments held in taxable accounts. My work has taught me that taxes are often the largest element of rate of return, which is why private-equity moguls are obsessed with them.

## Let's Make a Contest for Everything

Continued from page B1  
it gets done or who does it.

But the real key to prize contests—and the reason there should be more of them—is that they pay only for success. That's a more efficient model than predicting who is most likely to succeed and giving those people money even if they fail.

They can help with today's issues and shape the future. And they have already uncovered secrets of the past.

The Vesuvius Challenge happens to be a perfect example of how prize contests should work.

The first thing it got right is that it had a clear, ambitious target: Read four legible passages of 140 characters in the unopened scrolls by the end of 2023. Instead of telling people to do something interesting with AI, people were told to use AI to do this specific interesting thing.

Netflix was similarly precise about benchmarks when the company famously offered \$1 million in 2006 to the first algorithm that could beat its recommendation engine by 10%. The company declared a winner in 2009 and paid out the prize, but never used the code.

The Vesuvius Challenge also focused the attention of an entire community on a puzzle that had vexed humanity for centuries. It manufactured an urgent race against the clock by setting a hard deadline. And it gave smart young developers an incentive to compete and collaborate, dangling incremental prizes for those who published their code and shared their critical discoveries with others.

Some of them were driven by money. But many of them just wanted to win. And most of them kept working because they were too obsessed to think about anything else. Silicon Valley has a word for that: They got nerd-sniped.

Prize contests like the Vesuvius

Challenge have existed for so long and resulted in so many unexpectedly brilliant ideas that it's surprising there aren't more of them by now.

### Napoleon to NASA

In the 1700s, when Britain was losing ships to navigation errors, the world's most powerful country offered piles of money to anyone who could devise a simple way of measuring longitude while at sea. That prize led to the invention of the chronometer.

By the early 1800s, "Napoleon was a great believer in the use of cash prizes to stimulate invention and innovation," historian Andrew Roberts told me. In the mid-19th century, with France suffering through the national crisis of a butter shortage, the emperor put a bounty on a substitute for butter. *Et voilà!* Margarine was born.

The early 20th century brought one of the most famous contests of all time, the Orteig Prize, a \$25,000 reward for the first nonstop flight between New York and Paris, which went to Spirit of St. Louis pilot Charles Lindbergh. Explorers have been following the money into the skies ever since.

In 2005, the National Aeronautics and Space Administration launched a series of prizes to engage the public in developing advanced technology. NASA's challenges have covered everything from lunar landers to lunar loos, plus astronaut gloves that were

### 'Napoleon was a great believer in the use of cash prizes to stimulate invention.'

stitched together with a sewing machine on a dining-room table.

One of the current NASA competitions is the Deep Space Food Challenge, a \$3 million contest to feed astronauts on long-duration missions. Among those experimenting with microgreens and single-cell proteins are university teams, startups and one scientist working out of his garage in Colorado.

"We recognize that we have some of the best and brightest at



1. NASA has held contests to come up with various advanced technologies, from lunar toilets to better astronaut gloves. 2. The inventor of margarine won a 19th-century French prize for creating a butter substitute. 3. Charles Lindbergh won \$25,000 for his pioneering trans-Atlantic flight in his plane the Spirit of St. Louis.

NASA," said Angela Herblet, a NASA program analyst and challenge manager. "But we don't have all of the best and brightest."

### One man's trash

To understand how federal agencies began giving out hundreds of millions of dollars through contests, you have to flash back to the 1990s, when a policy wonk named Tom Kalil read about Britain using incentive prizes centuries ago and thought: Why isn't the U.S. government doing this?

It struck him as odd that the country rarely made financial commitments that were contingent on success. So he asked the National Academy of Engineering to study prizes. He helped the Defense Advanced Research Projects Agency get the authority for prize competitions like the series of challenges it held for self-driving cars. Then he worked with the Senate in 2010 to make sure every agency could offer prizes up to \$50 million each.

Now agencies are hosting competitions and funding their own moonshots through the crowd-sourcing platform Challenge.gov. Those prizes allow them to pull innovation from the public rather

than push it through contracts and grants.

Of course, prize contests don't always work, and they're probably not right for tasks that require expensive hardware, trade secrets or specialized expertise. Still, even the ones that fail can be successful in their own way. The Google Lunar X Prize, a \$30 million race to put a rover on the moon, ended in 2018 without a winner, but that pot of money helped push the frontiers of private space exploration.

Meanwhile, back on Earth, there was another contest that began only a few months later.

That's when New York City's Department of Sanitation officials decided to give the iconic green wire litter basket a makeover. What they did next was unconventional: They opened the bidding process to anybody—and everybody. The only requirement was an idea for a garbage bin that would make life better for New Yorkers and sanitation workers. And worse for hungry rats.

"I didn't think we would ever get a chance to work on something like this," said the leader of the winning team, Colin P. Kelly, a New York industrial designer with a passion for municipal waste and recycling. "We

weren't a firm that would be asked to submit in a traditional procurement."

That's because they weren't a firm of any kind. "We were literally just a group of friends," he said.

But something funny happened when they began thinking about garbage: They got nerd-sniped. They spent time with sanitation workers to learn how they used the existing receptacles so they could build a superior one and make those jobs easier and the streets cleaner. Their modular, three-part design makes the more durable bins lighter and less of a burden to lift. They're also better at preventing overflow and deterring rodents.

Now these designers, engineers and architects who happened to live in New York and never would have had the opportunity to reimagine trash cans see their work every time they step outside, where the waste and recycling baskets on thousands of street corners are being replaced by theirs.

"I think being able to walk around the city and see them is pretty cool," Kelly said. "That's the prize."

So while our taxable accounts aren't large, I'll always look for opportunities that reduce taxes and raise returns. Always, always, I tell friends and readers, consider the tax effects before making an investment. You don't want to be like the irate investors I heard from who learned too late about the tax hazards of master limited partnerships.

Strategic sales as well, such as by checking timing. Would selling later bring a lower capital-gains rate? Could postponing part of a sale from December to January spread out income and avoid a higher bracket or the 3.8% surtax on net investment income?

Asset location also matters. For example, the interest payments on bonds are typically taxed at higher rates than dividends on many stocks. So we mostly hold our bonds and bond funds in a tax-deferred retirement account. One exception is Treasuries, because New York state can't tax the interest on them.

And so it goes. As we say at The Wall Street Journal, every-

thing has a tax angle.

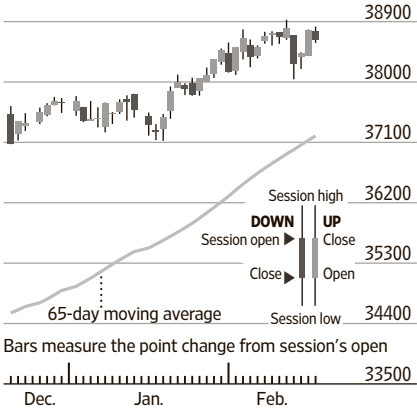




MARKETS DIGEST

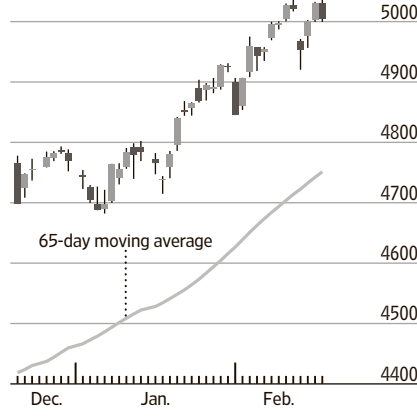
Dow Jones Industrial Average

38627.99 Last 25.66 Year ago 22.56
P/E estimate \* 18.49 17.91
Dividend yield 1.93 2.08
or 0.37%
All-time high 38797.38, 02/12/24
Current divisor 0.1517252595384



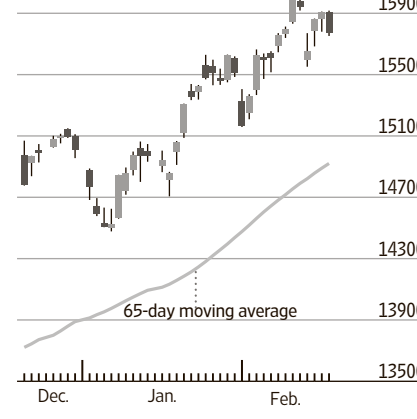
S&P 500 Index

5005.57 Last 22.78 Year ago 18.35
P/E estimate \* 22.79 18.72
Dividend yield \* 1.41 1.68
or 0.48%
All-time high 5029.73, 02/15/24



Nasdaq Composite Index

15775.65 Last 32.08 Year ago 24.98
P/E estimate \*\* 30.27 25.12
Dividend yield \*\* 0.84 0.86
or 0.82%
All-time high: 16057.44, 11/19/21



Weekly P/E data based on as-reported earnings from Biriny Associates Inc. † Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

Table with columns: Index, High, Low, Latest Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

§ Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

Trading Diary

Table with columns: Volume, Advancers, Decliners, Issues traded, Advances, Declines, Unchanged, New highs, New lows, Closing Arms, Block trades. Includes Nasdaq and NYSE Arca data.

\* Primary market NYSE, NYSE American, NYSE Arca only. (TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand, above 1 indicates selling pressure.

Track the Markets: Winners and Losers

A look at how selected global stock indexes, bond ETFs, currencies and commodities performed around the world for the week.

Table with columns: Index, Currency vs. U.S. dollar, Commodity traded in U.S., Exchange-traded fund. Lists various indices like NIKKEI 225, S&P 500 Materials, etc.

\* Continuous front-month contracts

Sources: FactSet (indexes, bond ETFs, commodities), Tullett Prebon (currencies).

THE WALL STREET JOURNAL

Methodology

Performance reflects price change (except DAX, Bovespa, and Tel Aviv 35, which reflect total returns). Commodities are represented by the continuous front-month futures contract. Bond exchange-traded fund performance may diverge from that of their underlying index. Bond categories are represented by the following ETFs: U.S. Bonds Total Market: Vanguard Total Bond Market; 1-3 Yr. U.S. Treasuries: iShares 1-3 Year Treasury; U.S. 7-10 Yr. Treasuries: iShares 7-10 Year Treasury; 20+ Yr. U.S. Treasuries: iShares 20+ Year Treasury; Treasury Inflation-Protected Securities (TIPS): iShares TIPS; Investment Grade Corporate Bonds: iShares iBoxx \$ Investment Grade Corporate; High Yield Corporate Bonds: iShares iBoxx \$ High Yield Corporate; Municipal Bonds: iShares National Muni; International Bonds: Vanguard Total International; Emerging Market Bonds: iShares J.P. Morgan USD Emerging Markets.



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Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Table with columns: Country/currency, Fri in US\$, Fri per US\$, YTD chg (%), Country/currency, Fri in US\$, Fri per US\$, YTD chg (%). Lists currencies like Argentina peso, Brazil real, Canada dollar, etc.

Sources: Tullett Prebon, Dow Jones Market Data

Commodities

Table with columns: Commodity, Friday Close, Net chg, % Chg, 52-Week High, Low, % Chg, YTD % chg. Lists commodities like DJ Commodity, Refinitiv/CC CRB Index, Crude oil, etc.

International Stock Indexes

Table with columns: Region/Country, Index, Close, Net chg, Latest % chg, YTD % chg. Lists indices like MSCI ACWI, S&P/TSX Comp, Euro STOXX, etc.

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Table with columns: Company, Symbol, Close, Net chg, % chg, 52-Week High, Low, % chg. Lists companies like MicroCloud Hologram, Hitek Global, Backblaze, etc.

Percentage Losers

Table with columns: Company, Symbol, Close, Net chg, % chg, 52-Week High, Low, % chg. Lists companies like Semilux International, China Natural Resources, Trupanion, etc.

Most Active Stocks

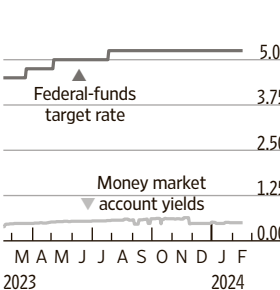
Table with columns: Company, Symbol, Volume (000), % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low. Lists stocks like ProSh UltraPro Shirt, Direxion Dly Semi 3 Bear, SoundHound AI, etc.

\* 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

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

Money Market/Savings Accts

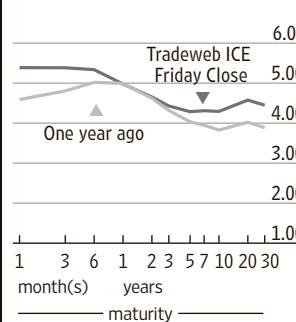
Table with columns: Bankrate.com avg, Banesco USA, Coral Gables, FL, CFG Community Bank, UFB Direct, TAB Bank, BrioDirect, Montebello, NY. Lists rates for various banks.

Table with columns: Interest rate, Yield/Rate (%), Last, 52-Week Range (%), Low, High, 3-yr chg (pct pts). Lists rates for Federal-funds rate target, Prime rate, SOFR, Money market, etc.

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: FactSet; Dow Jones Market Data; Bankrate.com

Treasury yield curve

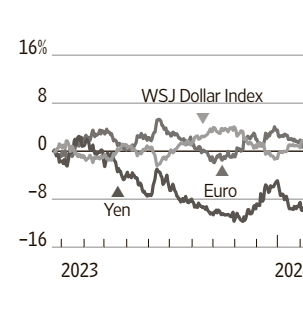
Yield to maturity of current bills, notes and bonds



Sources: Tradeweb ICE U.S. Treasury Close; Tullett Prebon; Dow Jones Market Data

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: J.P. Morgan; Bloomberg Fixed Income Indices; ICE Data Services

Corporate Borrowing Rates and Yields

Table with columns: Bond total return index, Close, Yield (%), 52-Week High, Low, Total Return (%), 52-wk, 3-yr. Lists U.S. Treasury, U.S. Treasury Long, Aggregate, etc.







BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE American and Nasdaq Stock Market listed securities. Prices are in dollars, unless otherwise indicated. All prices are as of 4 p.m. the previous day.

YTD 52-Week

Table with columns: %Chg, HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including AECOM, AES, AFL, etc.

YTD 52-Week

Table with columns: %Chg, HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including GEHC, Environmental, GSK, etc.

YTD 52-Week

Table with columns: %Chg, HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including MKCV, MSTR, MTD, etc.

YTD 52-Week

Table with columns: %Chg, HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including Servint, Shell, SherwinWilliams, etc.

Friday, February 16, 2024

Table with columns: YTD %Chg, 52-Week HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including AECOM, AES, AFL, etc.

Friday, February 16, 2024

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Friday, February 16, 2024

Table with columns: YTD %Chg, 52-Week HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including Servint, Shell, SherwinWilliams, etc.

DEF

Table with columns: YTD %Chg, 52-Week HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including DTE, Danaher, DRI, etc.

DEF

Table with columns: YTD %Chg, 52-Week HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including DTE, Danaher, DRI, etc.

JKL

Table with columns: YTD %Chg, 52-Week HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including JM, JBL, JCI, etc.

JKL

Table with columns: YTD %Chg, 52-Week HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including JM, JBL, JCI, etc.

OPQ

Table with columns: YTD %Chg, 52-Week HI, LO, Stock, Yld, Sym, % PE, Last, Net Chg. Lists top 1000 stocks including ONEK, ONY, ORO, etc.

Mutual Funds

Table with columns: Fund, NAV, YTD %Chg, %Ret. Lists various mutual funds like Fidelity, iShares, etc.

Mutual Funds

Table with columns: Fund, NAV, YTD %Chg, %Ret. Lists various mutual funds like Fidelity, iShares, etc.

Mutual Funds

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# BUSINESS & FINANCE

## Streaming Giants Weigh Teaming Up

Paramount has held talks with Comcast about partnership or venture in the space

JESSICA TOONKEL  
AND AMOL SHARMA

Paramount Global has held recent talks with Comcast about joining forces in streaming through a partnership or joint venture, among several potential strategic options the entertainment company is pursuing, said people familiar with the situation.

Paramount's flagship service, Paramount+, is home to "Star Trek" programming, originals such as "1883" and simulcasts of CBS football games, while Comcast's Peacock is known for live soccer and football, originals like "Poker Face," and a deep library with shows such as "The Office."

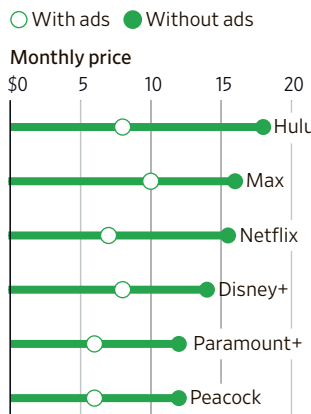
Bringing the two streaming apps under one roof could produce significant cost savings—

from spending on programming to marketing—and create a more in-depth offering for consumers, especially with regard to live sports. A commercial partnership or joint venture are among the arrangements the companies could pursue.

Entertainment companies across the industry are exploring new streaming bundles and ventures to gain scale, attract more customers and help alleviate the costs of running their direct-to-consumer services amid declines in pay TV subscribers. Last week, Walt Disney's ESPN, Fox Corp. and Warner Bros. Discovery announced they were combining forces to create a sports streaming joint venture.

Paramount and its parent company, National Amusements, have been exploring a range of potential strategic options in recent months as the entertainment company, owner of the Paramount movie studio and cable channels such as Nickelodeon and MTV, faces

### Streaming-service prices



Note: Monthly prices for each individual service in the U.S. Ad-free prices are for the most popular versions.  
Source: the companies

continued headwinds in a media industry dominated by bigger players.

Shari Redstone, boss of National Amusements, has had talks with Skydance Media Chief Executive David Ellison to sell National Amusements, which would include her controlling stake in Paramount, to

the group of investors he is leading, and merge the Paramount movie and TV studio into Skydance. While Paramount and Skydance have started diligence, the transaction would be complicated and it is unclear whether they would reach a deal.

Meanwhile, Paramount CEO Bob Bakish has had conversations with Warner Bros. Discovery CEO David Zaslav about a merger, the Journal previously reported.

Some companies would have interest in acquiring certain pieces of Paramount, should it be broken up. Comcast has no plans to make major acquisitions now, the company's CEO Brian Roberts told investors late last month.

A weaker-than-expected ad market and continued declines in pay-TV subscribers have pushed Paramount to aggressively cut costs to meet its promise to investors that it will deliver positive earnings growth in 2024. This week, the company cut around 800 jobs,

or 3% of its workforce.

Warren Buffett's Berkshire Hathaway, which was the biggest owner of nonvoting shares of Paramount as of Dec. 31, sold about one-third of its stake in the entertainment giant last quarter, a late Wednesday filing showed. Paramount shares fell 4.7% Friday and the stock is down almost 50% over the past year, trading at \$12 a share.

Streamers are contending with customers getting choosier about how many streaming services they pay for as the costs of monthly subscriptions rise. Many households have become savvier at managing their streaming bills, canceling subscriptions when they are done bingeing a popular show.

This isn't the first time that Comcast and Paramount have discussed teaming up on streaming offerings: The two discussed partnerships a few years ago, launching a joint streaming service called SkyShowtime in several markets in Europe in 2021.

## Icahn and JetBlue Reach Deal For Seats On Board

By CARA LOMBARDO

Activist investor Carl Icahn struck a deal for two JetBlue Airways board seats just days after he unveiled a nearly 10% stake in the struggling airline.

The billionaire, who turns 88 years old Friday, and the airline reached a settlement agreement in which two of Icahn's lieutenants, Jesse Lynn and Steven Miller, will join its board.

It is the second victory Icahn has notched in the span of a week—after American Electric Power on Monday said it struck an agreement to give him two board seats—and a sign of his continued sway in corporate America, despite a short-seller attack last year that curtailed his ability to make big bets.

Icahn revealed his JetBlue stake Monday, saying in a filing he believed the shares were undervalued. That sent JetBlue's shares up 21% Tuesday, giving the company a market value of around \$2.4 billion. The shares are still down sharply, having lost more than half their value in the past few years.

JetBlue has been losing money and is plotting a new course after its plan to acquire Spirit Airlines was blocked by a federal judge. The companies are appealing the ruling, though overturning it could be a long shot and JetBlue has warned Spirit it might have grounds to terminate the deal anyway.

JetBlue's incoming chief executive, Joanna Geraghty, who took the helm the same day Icahn revealed his position, has pledged "aggressive action" to get the carrier back on track.

Icahn encountered his own turbulence last year when Hindenburg Research argued his publicly traded firm, Icahn Enterprises, was overvalued and held assets at inflated prices. The attack shaved billions off the company's value and Icahn's net worth. For months, some on Wall Street wondered if the octogenarian would ever launch an activist campaign again.

Throughout the saga, Icahn continued to agitate at gene-sequencing company Illumina, which he had criticized for purchasing Grail, the blood-test maker it is now in the process of divesting.

Unlike most people his age, Icahn still works most days from his Miami-area home office, and has said he has no plans to stop. "The height of a deal for me, there's nothing like it," he told The Wall Street Journal in 2019, the same year he spent his birthday weekend urging Caesars Entertainment to put itself up for sale.

—Alison Sider  
contributed to this article.

## Dunkin's Orange Super Bowl Apparel Is a Hit

By SURYATAPA BHATTACHARYA  
AND VICTORIA ALBERT

America may run on Dunkin', but only sprinters got the coffee chain's sold-out custom tracksuits.

The neon-orange and pink Dunkin' apparel worn by Matt Damon, Ben Affleck, and Tom Brady in a now-viral Super Bowl commercial went on sale Monday and disappeared in minutes, the company said. Dunkin' then quadrupled its inventory, only to sell out again. A fuzzy pink bucket hat and Dunkin' tumbler, which retailed for \$40 apiece, sold out, too.

The jacket and pants—which featured crown-topped doughnuts, gold flames and the Dunkin' logo—retailed for \$60 each. On eBay, bidding wars for the tracksuit topped \$300 on Thursday.

Josh Rubinstein, a 32-year-old account manager in Atlanta, was fast enough to snap up the set from Dunkin'. He plans to wear it on Halloween.

"I hate to admit, but I bought both," he said, adding that the jacket and pants were gone minutes after he made his purchase.

He said the price tag felt right for what he viewed as novelty pieces. "If it stays as a limited drop, I think it was the perfect price," Rubinstein said. "If it becomes something that they sell all the time, everywhere, then I think it's expensive."

Dunkin' didn't detail how many items it sold, but said its initial run disappeared in 19 minutes. By Thursday afternoon, its additional inventory was down to only track pants



The tracksuits modeled after the ones actor Ben Affleck and others wore in the Super Bowl ad sold out fast.

in the smallest size. Hours later, the page was gone.

A spokesperson for Dunkin' said the company isn't planning to restock the items.

Dunkin' is the latest food brand to turn to fashion to generate buzz and sales. Kraft Real Mayo partnered with Juicy Couture in 2022 for a \$150 limited-edition blue velvet tracksuit meant as a nod to the early aughts. The New York-based fashion label Telfar had a \$120 shirt collaboration with the burger chain White Castle in 2017. Canada's Tim Hortons, a Dunkin' rival, celebrated National Coffee Day last year with a limited-edition apparel collection.

Jonah Berger, an associate professor of marketing at the Wharton School of the University of Pennsylvania, said these types of marketing campaigns appeal to both brands and consumers.

"[Brands] realized that people love to show that they're smart, special, in-the-know to others," Berger said. "You don't have to be Louis Vuitton to have limited-edition products. You can just be a more accessible brand like McDonald's or a Dunkin' Donuts and sell something at a price point that's much lower, but appeals to your audience."

Dave Messenger, chief technology officer at Torc, an AI-

based talent platform, couldn't get his hands on a Dunkin' tracksuit.

If the 47-year-old had gotten one, he said, he would have worn it to a friend's wedding rehearsal dinner in March. "Hey, does this count as cocktail attire?" Messenger texted his soon-to-be married friend.

The Dunkin' apparel was part of a broad marketing campaign tied to the coffee chain's Super Bowl spot. In the commercial, Affleck and his boy band the Dunkin'—including Brady and a reluctant Damon—pitch a song to Affleck's wife, actress and singer Jennifer Lopez.

Dunkin' has released several additional videos, including behind-the-scenes footage, a four-minute-plus extended cut of the ad and a video with the lyrics for Affleck's song, "Don't Dunk Away at My Heart."

Berger, the Wharton professor, said the tone of the advertisements is key to winning people over. "Do the people that are buying the Dunkin' tracksuit think that Dunkin' is selling the tracksuit for no reason? No, they know Dunkin' is a company that wants to make money," he said. "They know that Dunkin' may be trying to capitalize on a buzz, but they're excited about it because this feels authentic."

## Financier Sneaker King Readies an Auction of His Prized Collection

By JACOB GALLAGHER

Five years ago, during an idle afternoon at his lakeside vacation home in Ontario, Canadian financier Miles Nadal purchased 99 of the rarest sneakers in the world from Sotheby's for \$850,000.

His wife was out wakeboarding with the children, he was sitting at his computer, and suddenly he had bought nearly 100 high-value shoes. Nadal recalled telling his wife simply, "I bought some shoes," as if he were describing buying a lone pair of Nikes from Zappos.

That sale was Sotheby's first-ever sneaker auction. And Nadal took home the entire lot. Days later, in a private sale, the financier, now 65, bought a Nike prototype sneaker, the waffle-soled "Moon Shoe" from 1972, for \$437,500, a then-record-shattering sum for a single pair of sneakers.

In the span of a week, this kooky middle-aged investor had become perhaps the most unexpected sneaker collector in the world.

As Nadal, the founder of Peerage Capital, an investment firm with holdings in the real-estate, self-storage and wealth-management sectors, later said, "It became the beginning of a trend that sneakers became walkable art."

Now Nadal has decided to cut short his reign as a sneaker-collecting kingpin. On June 1, he will be auctioning off the bulk of his shoe collection.

Around 750 pairs will be up for grabs at R.M. Sotheby's auction house. They include roughly 500 pairs of Air Jordans (some from as far back as the mid-1980s) and shoes signed by O.J. Simpson, Tom Brady, Steph Curry and Joel Embiid. There will also be two pairs of Nike's rare Air Mag shoes and a pair of self-lacing sneakers designed to look like the futuristic ones that Marty McFly wore in "Back to the Future Part II." The entire collection is estimated to notch well over \$2 million, according to R.M. Sotheby's.

Additionally, 144 of Nadal's cars and motorcycles are being auctioned off, including an electric car from 1913 and various high-value Ferraris, McLarens and Lamborghinis. That assortment is estimated to sell for in excess of \$60 million, though R.M. Sotheby's is still completing the assortment and estimates for the sale.

While some analysts have expected the high-end sneaker auction market to cool after a pandemic buying bonanza, recent sales have continued to grab headlines.

In early February, a series of six sneakers that Michael Jordan wore to win his six NBA championships sold at Sotheby's for a record-setting \$8 million.

The financier's dream would be for someone to purchase the entire collection together, as he did with his 100 initial shoes, but Nadal admitted that "the probability of that is not that high."

Nadal first made his fortune as the founder and long-time CEO of MDC Partners, owner of advertising agencies. Nadal stepped down from MDC in 2015 amid a Securities and Exchange Commission investigation into his expenses and other matters. He agreed to pay MDC \$8.6 million for reimbursement expenses at the time.

Nadal got into collecting in 2000, when he purchased his first high-end auto. More cars would follow, with prices eventually creeping up to over a

million dollars apiece. He also invested in NBA jerseys, racing helmets and art. His sundry stockpiles were housed in his "Dare to Dream" museum just outside Toronto.

Decades before becoming an investor, Nadal had worked through his advertising firm for companies like Asics and Adidas—the brands that would later line his archive.

"I knew a fair bit about the sneaker world, but I didn't really know about it as a collector at all," said Nadal. Sneakers, he thought, "would be a fun thing, a great complement to the rest of our collections."

Much the way art collectors hire advisers to shape their collections, Nadal hired Sean Go, a popular sneaker YouTuber, to guide his sneaker investing.

"Sean helped us take it from a random fun activity to being a more deliberate thoughtful collection," he said. Nadal's collection has since grown to almost 1,000 shoes, including a pair of signed Air Jordan 1's from Jordan's rookie season, which he purchased in 2020 for \$560,000.

According to R.M. Sotheby's, the proceeds from the sale of the sneakers are "100% committed" to the Dare to Dream Foundation, a charitable foundation Nadal registered in 2022.



Michael Jordan autographed these shoes of Miles Nadal's.



BUSINESS & FINANCE

NatWest Results Beat Expectations

British lender plans to launch a £300 million share buyback in 2024

By ELENA VARDON

NatWest shares rose after the British lender posted fourth-quarter earnings that beat expectations, but said it expects income to decline this year as higher interest rates start to taper off.

The stock rose 7% in London trading to 229.50 pence, after opening in the red.

The bank said it sees total income excluding notable items in 2024 coming in between £13 billion and £13.5 billion, or between \$16.38 billion and \$17.01 billion.

While revising its expectations to adapt to an environment of anticipated falling interest rates, NatWest's guidance was initially met with disappointment by the

market, with analysts seeing the view as conservative.

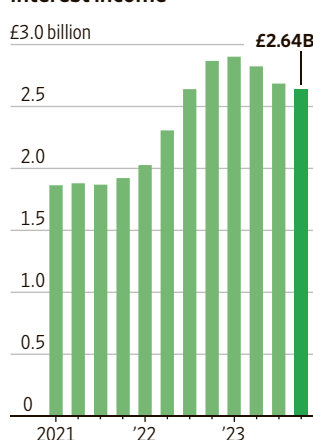
This follows bumper revenue of £14.75 billion in 2023 driven by interest income, which surpassed expectations of £14.6 billion.

Higher rates, lending growth and a larger contribution from its markets business offset lower deposit balances and pressure on margins in the year, NatWest said.

In terms of net interest margin—the difference between what lenders earn on loans and pay out on deposits—the group didn't mention its expectations for the year ahead, which frustrated analysts who closely watch the metric's trajectory. For 2023, it posted net interest margin of 3.04% in line with views, with a continuing declining margin at 2.86% for the last three months of the year.

For the quarter ended Dec. 31, the group reported total income of £3.54 billion, ahead of the £3.38 billion forecast by

NatWest's quarterly net interest income



Note: £1 billion = \$1.26 billion Source: S&P Capital IQ

analysts. Net interest income slipped compared with the previous quarter to £2.64 billion against consensus' expected £2.59 billion. Pretax profit for the quarter was £1.26 billion, beating estimates of £1.02 billion.

The bank also guided for a

return on tangible equity—a key measure of profitability—of around 12% for 2024, after reporting 17.8% for 2023, and sees this at more than 13% for 2026. The guidance is below its previous midterm 13% to 14% target, likely providing the market with another source of disappointment.

"Consensus is largely there, so the downgrade has a bit of a 'kitchen sink' feel to it," RBC Capital Markets said in a note to clients.

NatWest's common equity Tier 1 ratio—a key measure of balance-sheet strength—stood at 13.4% at Dec. 31, in line with expectations.

The lender—in which the U.K. government has a 35% stake—added that it would launch an on-market £300 million share buyback in 2024. It proposed a final dividend of 11.5 pence a share, bringing the full-year payout to 17 pence.

"Better-than-expected profitability and distributions

to shareholders are fine, but any optimism was tempered by news medium-term returns targets have been watered down," AJ Bell wrote, pointing to the share price reaction.

The appointment of Interim Chief Executive Paul Thwaite as permanent boss, which was outlined alongside the results on Friday, removes a key uncertainty for the group as it provides continuity, according to analysts.

The confirmation points to stable leadership and could open the door to the retail share offer that the Treasury is exploring to sell down its stake in the bank later in the year.

"The government holding...has been an overhang on the shares for some considerable time and its sale would leave the bank free of these shackles," Interactive Investor said, adding that the results increase the appeal to individual investors.

Goldman Gives Its Chief Executive a 24% Raise

By ANNA MARIA ANDRIOTIS

Goldman Sachs Chief Executive David Solomon made \$31 million in 2023. That's a 24% raise from the year before.

His pay package consisted of a \$2 million base salary and a cash bonus of \$8.7 million. It also included a stock award tied to how well the bank performs in the next few years valued at \$20.3 million.

The board's compensation committee increased his pay to reward Solomon's "decisive leadership in recognizing the need to clarify and simplify the firm's forward strategy," Goldman said in a filing. The bank last year pulled back sharply on its consumer-lending business. It is now focusing on its core Wall Street businesses and asset and wealth management.

In 2021, he made \$35 million after Goldman posted a record annual profit that was largely fueled by a surge in investment banking activity. The bank at the time was expanding its consumer-lending operations.

Goldman's profit has fallen for two consecutive years, thanks to a slowdown in deal-making. It fell 24% in 2023, worse than every other big U.S. bank except Citigroup.

Goldman last year unwound much of its consumer-lending business. It shuttered its personal loan business and sold off most of those balances, agreed to sell specialty lender GreenSky at a steep discount and moved to offload the General Motors credit-card partnership.

Swiss Re Posts Rise In Annual Net Profit

By ADRIÀ CALATAYUD

Swiss Re reported a sharply higher net profit for last year thanks to an improved performance in its property-and-casualty reinsurance segment, where large natural-catastrophe claims were below budget.

The Zurich-based reinsurer said Friday that it made a net profit of \$3.21 billion compared with \$472 million in 2022.

It targeted a profit of more than \$3 billion in 2023, while analysts polled by FactSet had forecast \$3.27 billion.

Swiss Re's property-and-casualty segment was the largest profit contributor with \$1.86 billion, while its life-and-health and corporate-solutions businesses also posted higher profits.

Large natural-catastrophe claims amounted to \$1.3 billion last year, below the budget of \$1.7 billion, the company said.

Net premiums earned and fee income rose to \$45 billion from \$43.12 billion.

Swiss Re said it renewed treaty contracts valued at \$13.1 billion on Jan. 1, representing a 9% volume increase compared with the business that was up for renewal and achieving a price rise of 9%.

Swiss Re maintained its profit target for 2024 of more than \$3.6 billion.

Its board proposed a dividend of \$6.80 a share for 2023, up 6% on the prior year.

Coca-Cola Executive Talks About Sustainability

By ROCHELLE TOPLANSKY

Coca-Cola sells around 2.2 billion servings of drinks daily across more than 200 brands. In 2022 it had a carbon footprint of 65 million metric tons, 88% of which was in its value chain. The company aims to reach net-zero emissions by 2050 and has a number of other sustainability goals including ones for packaging, water use and sustainable agriculture.

Bea Perez joined the company in 1994 and was appointed as its first chief sustainability officer in 2011. At the start of this year, she was promoted to executive vice president with global responsibility for sustainability, communications and strategic partnerships.

Perez spoke to WSJ Pro about her company's role in creating a circular economy, how Coca-Cola added sustainability targets to its executive compensation and the importance of disclosure and transparency to drive meaningful impact.

This interview has been edited for length and clarity.

WSJ Pro: Where were you in December 2015, when the Paris accord was agreed?

Perez: I was in Paris, it was one of my first COPs. We were launching our Inffineo recycling facility in France. I remember all the delays, people wondering what was going to happen. We had a really lovely dinner to celebrate that progress had been made—in terms of at least the commitments. It was a pretty exciting moment.

WSJ Pro: Did you have a green epiphany?

Perez: I've been going to Miami since I was a kid. About 20 years ago, I stood out on the beach I've known my whole life, it was so hot, there was bacteria in the water and this brown seaweed all over

the beach that smelled awful. I thought, How can I help ensure that these beaches are here for my children and my grandchildren to enjoy?

WSJ Pro: Aside from flying, what is the most carbon-heavy thing you do?

Perez: I do live in the south, so while I know it is energy intensive, I do use air conditioning often, but I am conscious about length of use and temperature.

WSJ Pro: What are some of the most important sustainability developments in recent times?

Perez: Disclosure and greater transparency is crucial to how we all make a meaningful impact and make sure we're focused on the things that matter to society. The other piece is having the discussion around how these goals are interconnected. I've learned that I have to look at water, packaging and climate all together because I don't want to set a goal that has an unintended impact. Those things aren't the big shiny toys, but these are some of the basics that will actually unlock the impacts that we're all looking to make.

WSJ Pro: What are your big, thorny sustainability challenges?

Perez: One is balancing between the short term and the long term. Also, we don't really know what lies ahead, so we have to leave some space for it. One frustration is when I have to say no to some things because we have to focus on the things that matter most to society and the business—there's a finite amount of resources.

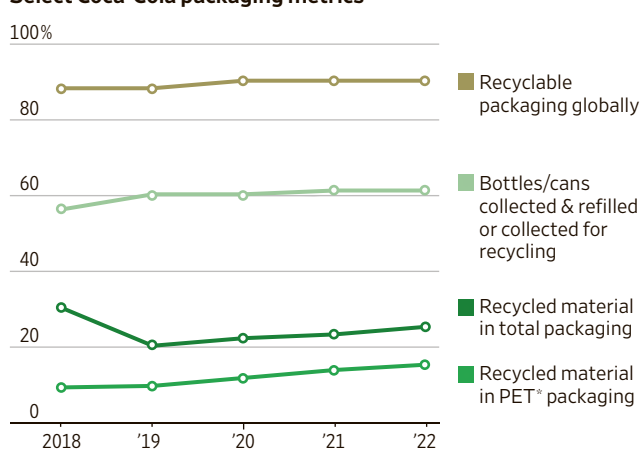
WSJ Pro: What part will the company play in building a sustainable future?

Perez: The circular economy is one area we've invested in to help drive that



Bea Perez says disclosure and considering connections between goals are basics that will unlock progress.

Select Coca-Cola packaging metrics



\*Polyethylene terephthalate plastic Source: company

change. Putting the infrastructure in place where it doesn't exist and investing with our business. At the same time advocating for extended producer responsibility, for deposit schemes and to work with regulators to help them understand why these things are important, such as allowing food-grade recycled con-

tent—there were a few countries that didn't allow us to actually go bottle to bottle.

WSJ Pro: Are there best practices that you would recommend?

Perez: Start with the priority matrix: what's important to your company and to your stakeholder. And then it is the

discipline of business planning. Embedding it into the operations, making sure that it is through the processes and systems. Make your planning team your best friend, help them understand why this is so important. Make sure finance understands the economic story. Once you've done the work and assured your data, then go to the marketers and talk to them about how to tell the story.

WSJ Pro: Coca-Cola linked ESG goals to the executive annual and long-term incentive programs. How did that happen?

Perez: Sustainability was part of the business plans and so the compensation committee said, Why isn't it in comp? We figured out what would be required—we already had common definitions but needed a common tool to collect the data and report it. So we got a digital tool in place and moved this into comp. We have two different key [sustainability] metrics: water and packaging. We're only into our second real year of having it embedded into the compensation metrics at that level, and so far, it is driving the behaviors and the outcomes that we would want to see happen.

WSJ Pro: Your total carbon footprint increased between 2021 and 2022. Why was that?

Perez: During the pandemic [recycling] collection was very difficult because of the lockdowns, which meant we fell behind on rPET [recycled polyethylene terephthalate plastic]. Now that things are opening up again, we're starting to see progress made there. At the same time, we have started to scale our new HFC-free refrigeration and we're putting energy-management systems in place using renewable energy. Part of this too is making sure that the best practices are shared across the suppliers.

SEC Asks Court to Rethink Ruling on BDO Audit

By JONATHAN WEIL

The Securities and Exchange Commission asked a federal appeals court to reconsider its decision last year in favor of the accounting firm BDO in a shareholder lawsuit over its audit work for the insurance company AmTrust Financial Services.

The court in August ruled in favor of BDO on the grounds

that the firm's audit report was so general that an investor wouldn't have relied on it. Consequently, the court said the audit report wasn't material—meaning it didn't matter—and upheld the dismissal of fraud claims against BDO.

The ruling, by the Second U.S. Circuit Court of Appeals, prompted new debate within the accounting profession and

among investors about whether audit reports serve a useful purpose. Audit reports operate on a pass-fail model, and their language is standardized.

After the ruling, a trio of former SEC officials filed a brief with the court asking it to reconsider. The court then asked the SEC to submit a brief expressing its views on the subject.

In its brief Friday, the SEC

said it agreed that the court should reconsider its analysis "to reflect that audit certifications convey crucial information to the investing public." It said "audit certifications are not too general to be material," and that "false audit certifications need not be tied to errors in financial statements to be material."

A BDO spokeswoman declined to comment.

The SEC in a 2018 order had accused three BDO accountants of signing off on their audit work for AmTrust's 2013 annual report without completing all the required audit procedures beforehand. They agreed to be suspended from auditing public companies, without admitting or denying the agency's misconduct claims. The SEC didn't allege any violations by BDO.

New Highs and Lows

Table with columns for Stock, 52-Wk High/Low, and % Change. Lists various stocks like AGCO, AIGI, and AMZN.

Table with columns for Stock, 52-Wk High/Low, and % Change. Lists various stocks like CrownElectron, Cyantech, and DigitalTurbine.

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MARKETS

# Stock Investors Hit Pause on 2024 Rally

All three major U.S. indexes finished the week lower after inflation readings

By RYAN DEZEMBER AND NICK TIMIRAO

The stock-market rally hit speed bumps this week when government data showed that prices rose more than expected last month and suggested that the Federal Reserve's fight against inflation may not end as easily as some investors expected.

All three major U.S. stock indexes fell Friday after wholesale prices came in hotter than expected, confirming the signal sent Tuesday when consumer prices rose beyond economists' expectations.

ing the timing and extent of the interest rate cuts that the central bank has penciled in for this year.

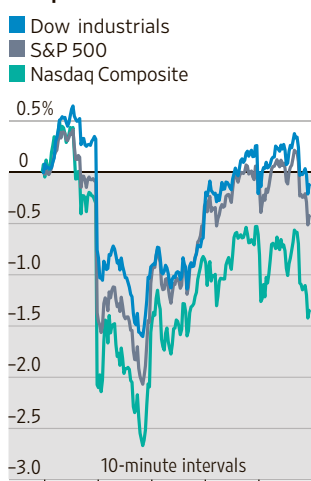
"We need to see more robust signs of inflation being under control before the Fed cuts rates," said Sumali Sanyal, senior portfolio manager, systematic global equities at Xponance.

On Friday, interest-rate-sensitive technology and real-estate stocks led indexes lower. The tech-heavy Nasdaq Composite Index lost 0.8%. The S&P 500 shed 0.5%. The Dow Jones Industrial Average fell 0.4%, or 145 points. Each index ended the week lower, the first weekly decline for any of them since early January.

Both the Dow and the S&P 500 had hit record highs earlier in the week.

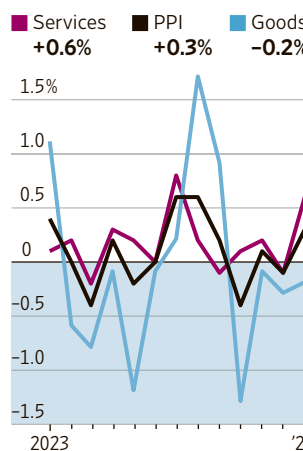
This week's two inflation readouts together tell economists and investors that the Federal Reserve's preferred

Index performance this past week



Source: FactSet

Producer-price index for final demand, change from previous month



Note: Seasonally adjusted Source: Labor Department

gauge is likely to show price pressures firmed in January, ending a streak of much better inflation readings.

Core inflation as measured

by the personal-consumption-expenditures price index, which will be released later this month by the Commerce Department, is likely to have in-

creased by 0.4% in January, according to forecasts from a handful of Wall Street economists.

The implications of a firm January inflation report are limited for the Fed because officials have already signaled they are likely to hold rates steady at their meeting next month.

Dec Mullarkey, managing director of investment strategy and asset allocation at SLC Management, said the stock market's sharp moves in reaction to bits of inflation data aren't necessarily reflecting strong views on the economy.

He said solid quarterly results from regional banks, a boom in corporate bond and loan issuance last month and divergence in the trading of the big technology stocks that have driven the rally based on their own earnings show the economy remains on solid footing.

Almost 80% of companies in the S&P 500 have reported

quarterly results, with 75% posting earnings above estimates, according to data compiled by FactSet.

Housing data also disappointed. Housing starts in January fell 14.8% from December to a seasonally adjusted annual rate of 1.33 million homes, the Census Bureau said Friday. It was the largest decline on a percentage basis since April 2020. Shares of home builders and other property companies fell.

Overseas, stocks mostly rose. Germany's DAX climbed 0.4% Friday to a record. The Stoxx Europe 600 ended up 0.6% at a 52-week high. Japan's Nikkei 225 index climbed 0.9% to its highest close since the start of 1990. Hong Kong's Hang Seng Index ended higher for the second consecutive week after a 2.5% gain Friday. Markets in mainland China were closed all week for the Lunar New Year holidays.

# Bulls Buy Into Trump's Truth Social

By AMRITH RAMKUMAR

Donald Trump meme-stock mania is back.

Shares of the company planning to merge with Truth Social, the former president's social-media platform, are up about 180% this year, joining a broad rally in speculative investments. Digital World Acquisition Corp. hopes to combine with Truth Social to take it public.

The renewed fervor around the company, which trades under the ticker DWAC, is reminiscent of the surge in GameStop and other beaten-down shares during the pandemic.

The stock now implies a valuation of more than \$4 billion for Truth Social's parent company. Trump would own at least 58% of the firm if the deal is completed, giving him a po-

tential windfall.

The latest gain for the stock came Thursday after the Securities and Exchange Commission approved the plan for the deal, a major step toward its completion. Shareholders still have to approve the merger. The company has struggled to mobilize enough of them for past votes. It has extended its merger deadline twice.

Truth Social also has struggled to gain traction. The platform has logged \$5 million in sales since its launch three years ago and burned through nearly all of its cash.

DWAC is "the meme-iest of the meme stocks because you've got Trump involved," said Matthew Tuttle, chief executive of Tuttle Capital Management, which oversees a fund that holds special-purpose acquisition companies. SPACs, such as Digital World, are shell

companies that merge with private firms to take them public.

Tuttle said the belief that a Trump win would be a boon for Truth Social defies logic. The former president has been allowed back on Facebook and X, social platforms whose reach dwarfs that of Truth Social.

Digital World faces a September deadline to complete the merger, after resolving regulatory and criminal investigations into insider trading and premature deal talks this past summer.

The deal to take Truth Social public could give the platform a badly needed cash infusion to grow. Its parent company had about \$1.8 million in cash on hand at the end of the third quarter after burning through nearly all of the roughly \$40 million it previously raised in sales of convertible notes, according to regula-

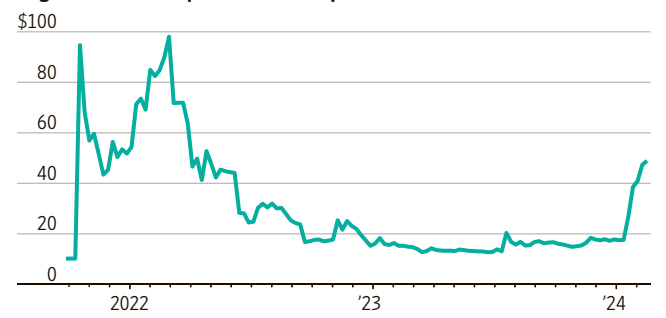
tory filings. The platform warned in November that it might not survive if the SPAC deal doesn't get done.

Investors, nevertheless, continue to pile in. The stock sits at roughly \$50, up from a starting price of \$10 but well below an intraday peak of \$175 hit right after its plan to take Truth Social's parent public was first announced.

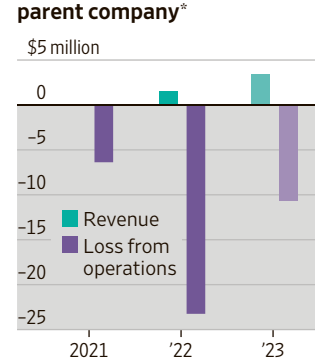
Traders have been making long-shot bets tied to the shares climbing further. Some of the most actively traded options recently were calls pegged to the shares jumping to \$60, according to Cboe Global Markets. Calls that would pay off if the shares doubled to \$100 have also been active. Calls give the right to buy shares at a specific price, by a stated date.

—Gunjan Banerji contributed to this article.

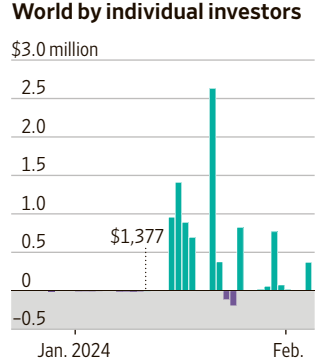
Digital World Acquisition stock price



Financials for Truth Social's parent company\*



Net purchases of Digital World by individual investors



\*2023 data through end of September; 2021 data doesn't include revenue and began in February. Sources: FactSet (stock price); Trump Media & Technology Group (financials); Vanda Research (net purchases)

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NOTICE OF SALE

NOTICE OF SECURED PARTY PUBLIC AUCTION OF 100% OF THE CLASS A LIMITED LIABILITY MEMBERSHIP INTERESTS IN AY PHASE II DEVELOPMENT COMPANY, LLC PLEASE TAKE NOTICE that, in accordance with applicable provisions of the Uniform Commercial Code as enacted in New York, DDB AYB FUNDING, LLC a Delaware limited liability company, as Administrative Agent for DDB AYB FUNDING, LLC and AYB FUNDING 100, LLC, a Delaware limited liability company, ("Secured Party"), will sell 100% of the Class A limited liability membership interests in AY PHASE II DEVELOPMENT COMPANY, LLC, a Delaware limited liability company, as more particularly described in that certain Amended and Restated Pledge and Security Agreement, dated as of June 17, 2015, by and among Secured Party and AY PHASE II MEZZANINE, LLC, a Delaware limited liability company (the "Collateral") to the highest qualified bidder at a public sale. The public sale will take place at 3:30 p.m. on April 30, 2024, both in person and remotely from the offices of Rosenberg & Estis, P.C., 733 Third Avenue, New York, New York 10017, with access afforded in person and remotely via Zoom or other web-based video conferencing and/or telephonic conferencing program selected by Secured Party. Secured Party's understanding is that the principal asset of the Class A limited liability membership interests in AY PHASE II DEVELOPMENT COMPANY, LLC is the parcels of real property identified as B5, B6, B7 and B8 located in Brooklyn, New York and more particularly known as the air rights parcels above Block 1120 and Block 1121 and the terra firma known as Block 1120, Lots 19, 28 and 35, in Kings County, New York, as such Collateral is described in that certain Schedule II to the Omnibus First Amendment and Reaffirmation of Loan Documents, dated as of June 17, 2015, by and among Secured Party, AY PHASE II MEZZANINE, LLC, a Delaware limited liability company, FOREST CITY ENTERPRISES, INC., a corporation organized under the laws of the State of Ohio, GREENLAND US HOLDING, LLC, a Delaware corporation, and GREENLAND US COMMERCIAL HOLDING, INC., a Delaware corporation, as amended. The Collateral will be sold to the highest qualified bidder; provided, however, that Secured Party reserves the right to cancel the sale in its entirety, or to adjourn the sale to a future date by announcement made at the time and place scheduled for the public sale. The sale will be conducted by Mannion Auctions, LLC, by Matthew Mannion, Licensed Auctioneer, NYC Division of Consumer Affairs Licensed Auctioneer, License No. 142494. The Collateral will be sold as a single lot and will not be divided or sold in any lesser amounts. Interested parties who would like additional information concerning such conditions, as well as other information regarding the Collateral, the requirements to be a bidder for the Collateral, or the terms of the Sale should contact the agent for Secured Party, Nick Scribani of Newmark, at (212) 372-2113 or Nick.Scribani@nmrk.com to receive the Terms of Public Sale and bidding instructions. Upon execution of a standard non-disclosure agreement, additional documentation and information will be made available. Interested parties who do not contact Secured Party and qualify prior to the public sale will not be permitted to enter a bid or participate at the public sale either in person or remotely.

NOTICE OF SALE

NOTICE OF SECURED PARTY PUBLIC AUCTION OF 100% OF THE CLASS B LIMITED LIABILITY MEMBERSHIP INTERESTS IN AY PHASE II DEVELOPMENT COMPANY, LLC PLEASE TAKE NOTICE that, in accordance with applicable provisions of the Uniform Commercial Code as enacted in New York, DDB AYB FUNDING II, LLC, a Delaware limited liability company, as Administrative Agent for DDB AYB FUNDING II, LLC and AYB FUNDING 200, LLC, a Delaware limited liability company, ("Secured Party"), will sell 100% of the Class B limited liability membership interests in AY PHASE II DEVELOPMENT COMPANY, LLC, a Delaware limited liability company, as more particularly described in that certain Pledge and Security Agreement, dated as of June 17, 2015, by and among Secured Party's predecessor-in-interest and AY PHASE II MEZZANINE, LLC, a Delaware limited liability company (the "Collateral") to the highest qualified bidder at a public sale. The public sale will take place at 3:30 p.m. on April 30, 2024, both in person and remotely from the offices of Rosenberg & Estis, P.C., 733 Third Avenue, New York, New York 10017, with access afforded in person and remotely via Zoom or other web-based video conferencing and/or telephonic conferencing program selected by Secured Party. Secured Party's understanding is that the principal asset of the Class B limited liability membership interests in AY PHASE II DEVELOPMENT COMPANY, LLC is the parcels of real property identified as B9 and B10 located in Brooklyn, New York, and more particularly known as the air rights parcels above Block 1121 and the terra firm known as Lots 42 and 47, Block 1121 in Kings County, New York, as such asset is described in that certain Schedule II to the Mezzanine Loan Agreement, dated as of June 17, 2015, by and among Secured Party's predecessor-in-interest and AY PHASE II MEZZANINE, LLC, a Delaware limited liability company. The Collateral will be sold to the highest qualified bidder; provided, however, that Secured Party reserves the right to cancel the sale in its entirety, or to adjourn the sale to a future date by announcement made at the time and place scheduled for the public sale. The sale will be conducted by Mannion Auctions, LLC, by Matthew Mannion, Licensed Auctioneer, NYC Division of Consumer Affairs Licensed Auctioneer, License No. 142494. The Collateral will be sold as a single lot and will not be divided or sold in any lesser amounts. Interested parties who would like additional information concerning such conditions, as well as other information regarding the Collateral, the requirements to be a bidder for the Collateral, or the terms of the Sale should contact the agent for Secured Party, Nick Scribani of Newmark, at (212) 372-2113 or Nick.Scribani@nmrk.com to receive the Terms of Public Sale and bidding instructions. Upon execution of a standard non-disclosure agreement, additional documentation and information will be made available. Interested parties who do not contact Secured Party and qualify prior to the public sale will not be permitted to enter a bid or participate at the public sale either in person or remotely.

This Notice of Secured Party Public Auction of 100% of the Class B Limited Liability Membership Interests in AY Phase II Development Company, LLC constitutes notice that the prior sale of the Collateral, previously scheduled for February 12, 2024, has been adjourned to April 30, 2024, as set forth above. ROSENBERG & ESTIS, P.C., Attorneys for Secured Party, 733 Third Avenue, New York, New York 10017. Attention: Eric S. Orenstein, Esq., Telephone: (212) 551-9438; E-mail: eorenstein@rosenbergestis.com

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