Meta fights 'tentative' discovery ruling in investor suit over data breach

2025 SECDBRF 2398 • By Nicole Banas

WESTLAW Securities Enforcement & Litigation Daily Briefing • July 02, 2025

(July 02, 2025) - Meta Platforms Inc. is urging a California federal judge to pause discovery in a long-running securities fraud lawsuit while it seeks dismissal of an updated complaint involving a Facebook data breach.

In re Facebook Inc. Securities Litigation, No. 18-cv-1725, *memo opposing motion to lift stay filed* (N.D. Cal. June 27, 2025).

Meta, CEO Mark Zuckerberg, Chief Strategy Officer David Wehner and former Chief Operating Officer Sheryl Sandberg filed an opposition memo June 27 after U.S. District Judge Edward J. Davila of the Northern District of California tentatively lifted a stay on discovery in the proposed class action.

The judge said that further delaying discovery in the 7-year-old suit would unduly prejudice the plaintiffs.

The case made headlines last year when the U.S. Supreme Court granted review of a federal appeals court's ruling and then declined to issue a decision on the merits.

Cambridge Analytica scandal

The consolidated lawsuit alleges that Meta and top executives misled investors in 2017 and 2018 about a data breach that allowed British political consulting firm Cambridge Analytica Ltd. to access the personal data for 87 million Facebook users.

The defendants falsely assured investors that they would require the deletion of any compromised data, the third amended complaint says. Meta also disclosed hypothetical risks related to data security when it knew Cambridge Analytica had misused Facebook data to influence political campaigns, according to the suit.

The company's share price fell more than 20% in July 2018 after it reported declining user engagement and lower-than-expected quarterly earnings, the complaint says.

The District Court dismissed the securities fraud suit in 2021, but a divided panel of the 9th U.S. Circuit Court of Appeals reinstated some claims in 2023.

The suit sufficiently alleged that Meta knew Cambridge Analytica had violated its privacy policies when it warned investors in February 2017 that data "could" be compromised, the majority said. *In re Facebook Inc. Sec. Litig.*, 87 F.4th 934 (9th Cir. 2023).

The Supreme Court granted the defendants' petition for review in June 2024 but it dismissed the dispute as improvidently granted in November. *Facebook Inc. v. Amalgamated Bank*, 604 U.S. 4 (2024).

Discovery row

The case returned to the District Court, and the parties agreed to a discovery schedule. After Meta began producing documents, lead plaintiffs Amalgamated Bank and Public Employees' Retirement System of Mississippi filed a motion for leave to amend the complaint May 30.

The defendants said they would move to dismiss the proposed fourth amended complaint, triggering an automatic stay on discovery pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C.A. § 78u-4(b)(3)(B).

The plaintiffs argued that a stay was "unfair and unduly prejudicial," given the 9th Circuit's ruling that some of the claims were properly stated.

Judge Davila construed the plaintiffs' response as a motion to lift the stay, which he tentatively granted June 17. He said further delaying discovery would prejudice the plaintiffs, but he gave the defendants an opportunity to oppose the motion.

The judge also granted the plaintiffs' motion to amend the complaint.

The defendants' opposition memo says that filing another complaint more than seven years into the lawsuit has "clear statutory and procedural consequences."

The plaintiffs will not be "forced to sit idly by" until the motion is resolved because Meta already produced more than 1 million documents and testimony from six related cases, the memo says.

A stay will also allow the parties to tailor discovery to claims that survive the motion to dismiss and avoid wasting time and resources, the memo says.

Brian M. Lutz and Martie Kutscher Clark of Gibson Dunn & Crutcher LLP represent the defendants.

Attorneys at Bernstein Litowitz Berger & Grossmann LLP and Robbins Geller Rudman & Dowd LLP represent the lead plaintiffs.

By Nicole Banas

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Bloomberg Law

Apellis Investors Ask to Revive Suit Tossed as Scientific Clash

July 1, 2025, 1:03 PM PDT

- **Investors said lower court ignored half-truths on eye therapy**
- **Want 2025 dismissal reversed on falsity, intent to deceive**

Apellis Pharmaceuticals Inc.'s misleading half-truths to hide risks tied to its blindness-prevention treatment before a series of clinical trial updates led to the company stock's worst month since its market debut are a sufficient basis for a suit, investors told an appellate court.

A federal judge adopted a "distorted reading" of their allegations surrounding instances of a form of eye inflammation when she tossed their case this year, the investors' brief, filed Monday in the US Court of Appeals for the First Circuit, said.

Investors weren't tricked about the publicly available details of Apellis' clinical trials, how often participants were checked for the inflammation, or the adequacy of the testing protocol, the brief said. Shareholders were misled by the pharmaceutical company and CEO Cedric Francois repeatedly citing the absence of retinal vasculitis, which constituted pseudo-truths that the clinical trials properly tested for it when, in reality, they didn't.

At the very least, this was a disputed question of fact best decided by a jury, they said.

The lower court also erred in saying the investors didn't adequately plead the level of intent needed to support securities fraud claims—scienter—the brief said. Judge Julia E. Kobick wrongly focused her dismissal on a purported scientific dispute over clinical trial methodology, the investors said. But Apellis and Francois knew having vasculitis in study participants would have devastated the product's marketing, and that the correct use of a certain testing method would have found it, they said.

The treatment, SYFOVRE, was Apellis' leading product candidate, meaning the company and leadership were paying close attention to it, investors said. The defendants were at least reckless by implying they properly tested for vasculitis when they didn't, they said.

And the court should have recognized that later attempts at disguising the risk of the inflammation bolstered an inference of scienter, the brief said. Kobick had said company actions taken after alleged misstatements were made didn't demonstrate a "propensity to lie" in earlier statements about an absence of vasculitis.

Federal regulators approved SYFOVRE to treat geographic atrophy in 2023.

After six instances of vasculitis came to light in a July 2023 report, Apellis stock plummeted 38% in one trading day, the investors said—at that time a record single-day drop amid the stock's worst trading month since opening in 2017, according to data compiled by Bloomberg. Share prices fell further as more information about instances of vasculitis came out, amounting to a 70% slide over the second half of that month, the shareholders said.

The proposed class targeted those who got stock from Jan. 28, 2021, through July 28, 2023.

Neither party immediately responded to emails seeking comment.

Robbins Geller Rudman & Dowd LLP and Pomerantz LLP represent the plaintiffs-appellants, Ray Peleckas and Michigan Laborers' Pension Fund.

Wilmer Cutler Pickering Hale & Dorr LLP represents Apellis and Francois.

The case is In re: Apellis Pharm., Inc. Sec. Litig. , 1st Cir., No. 25-01383, brief filed 6/30/25 .

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Class Action

Lion Electric SPAC Cofounder Defeats Investor Claims Over Merger

July 2, 2025, 6:13 AM PDT

The cofounder of a special purpose acquisition company defeated investor allegations that he helped release a misleading proxy statement for its deal to take electric vehicle maker Lion Electric Co. public in 2021, a federal judge ruled.

Michael Hoffman's status as a "proxy solicitor" for Northern Genesis Acquisition Corp. isn't sufficient by itself to support an inference that he acted negligently, Judge Jennifer L. Rochon said while dismissing the proposed class action's claims against him in the US District Court for the Southern District of New York on Tuesday.

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Securities Law

Unity Software Investors Drop Insider Suit Against Directors

July 1, 2025, 12:02 PM PDT

A shareholder derivative suit against Unity Software Inc. board members over alleged false statements and insider trading is dismissed as the parties requested, a federal court said Tuesday.

Investors Krishna Movva and Tom Duong, along with the directors, cited the recent demise of a related class action in asking to drop the suit, according to the dismissal order by Judge Eumi K. Lee of the US District Court for the Northern District of California.

- Movva and Duong alleged—on behalf of the graphics and game software company—that board members hid data and code problems and that some of them also engaged in insider trading, selling about $735 million in stock
- Unity won dismissal of a version of the class complaint in March 2024, and Lee dismissed that case with finality in March of this year
- The deadline for the class plaintiffs to appeal that order has expired, the parties to the derivative suit said in asking for dismissal Monday

The Brown Law Firm PC and the Rosen Law Firm PA were lead counsel for the investors. Morrison & Foerster LLP represented the board members and Unity, which was a nominal defendant.

The case is In re Unity Software Inc. Deriv. Litig. , N.D. Cal., No. 5:22-cv-07416, 7/1/25 .

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News | **Class Actions**

Critical Mass With Law.com's Amanda Bronstad: Could Supreme Court's Ruling Restricting Nationwide Injunctions Prompt More Class Actions? Solicitor General Gets Invited to Participate in Monsanto's Roundup Petition

July 02, 2025 | By **Amanda Bronstad**

U.S. Supreme Court building in Washington, D.C., on May 1, 2025. Photo: Diego M. Radzinschi/ALM

Welcome to **Law.com Class Actions: Critical Mass**, a weekly briefing for class action and mass tort attorneys.

This week: The **U.S. Supreme Court**'s June 27 decision striking down nationwide injunctions could cause public interest lawyers to pursue more class actions. **Solicitor General D. John Sauer** was asked to weigh in on whether the U.S. Supreme Court should review **Monsanto**'s **Roundup** case. Find out who represents **Procter & Gamble** in more than half a dozen greenwashing class actions.

I'm **Amanda Bronstad**, and Happy July 4th! Feel free to reach out to me with your input. My email is abronstad@alm.com. Follow me on LinkedIn or X: @abronstadlaw

F. Paul Bland, Jr., former Executive Director of Public Justice now at Berger Montague. May 8, 2014. Photo by Diego M. Radzinschi/THE NATIONAL LAW JOURNAL.

'Class Actions Will Fill an Important Gap Here'

The **U.S. Supreme Court**'s June 27 ruling that nationwide injunctions are likely unlawful prompted much reaction about **President Donald Trump**'s executive order restricting birthright citizenship, but speculation also surfaced about a rise in class actions.

What did the Supreme Court say? In a 6-3 vote, the high court sided with the Trump administration's arguments that individual federal judges lack the authority to block certain laws or policies from taking effect anywhere in the country. **Justice Amy Coney Barrett** wrote that parties must bring class actions in compliance with Federal Rule 23 of Civil Procedure. In fact, hours after the ruling, immigration rights group **CASA** already filed an emergency motion for a temporary restraining order and preliminary injunction on behalf of a class of children who will be ineligible for birthright citizenship.

I reached out to current and former public interest attorneys to gather their views on the likelihood of class actions being filed soon. Here's what they said:

Paul Bland (**Berger Montague**): *"I am very hopeful that class actions will fill an important gap here. Much will depend on specific policies and the laws relating to them, but I strongly suspect that a number of the Administration's illegal acts will be successfully challenged in cases where courts certify classes. Historically, courts have been more likely to certify classes in cases principally seeking injunctive relief, and in many of the cases where the Administration is violating the law, it is doing so in ways that are rather universal for every class member."*

Jocelyn Larkin (**Impact Fund**): *"One of the challenges in a class action is your plaintiff has to be humans, individuals. One of the challenges of a class action is you have to find people who are willing as individuals to take on this role, and there are a lot of class actions where individuals are willing to do that. And it's really important. But that's really one of the fundamental differences."*

Dean John Sauer testifies before the Senate Judiciary Committee during his confirmation hearing to be U.S. Solicitor General, on Wednesday, February 26, 2025. Photo: Diego M. Radzinschi/ALM

What Will Solicitor General Say This Time About Roundup?

The U.S. Supreme Court has invited the U.S. Solicitor General to file a brief in a case over **Monsanto**'s **Roundup** pesticide.

Here's my report on Monday's development in a case that **Bayer,** which owns Monsanto, petitioned the Supreme Court to hear. Monsanto wants a ruling finding the Federal Insecticide, Fungicide, and Rodenticide Act preempts claims that it failed to warn about Roundup's risk of non-Hodgkin lymphoma. In 2022, under the **Biden Administration**, then-**Solicitor General Elizabeth Prelogar** filed an amicus brief arguing not to review a prior Roundup case that ended in an $80 million verdict against Monsanto in California federal court in 2018. The Supreme Court rejected review of that case.

But the first **Trump Administration** sided with Monsanto in a brief filed in the same case when it was before the **U.S. Court of Appeals for the Ninth Circuit**.

U.S. Solicitor General D. John Sauer, who was appointed earlier this year, has been a prominent figure in cases against the Trump Administration involving various issues including immigration policy and federal government workforce cuts.

Monsanto has insisted that this time the Supreme Court should grant review because of a circuit split carved after the **U.S. Court of Appeals for the Third Circuit**'s 2024 decision sided in its favor on federal preemption in a Roundup case. That split only widened, according to Monsanto's June 16 reply before the Supreme Court, after a Pennsylvania appellate court on May 8 found no preemption existed, upholding a $177 million verdict in the **Philadelphia Court of Common Pleas**. On June 25, the Pennsylvania appellate court cited that decision in upholding another Roundup verdict in Philadelphia, of $3.5 million, writing:

"This holding is consistent with numerous other state and federal court decisions and we are bound by it. Monsanto's federal preemption claim, thus, fails."

David Lender, with Weil, Gotshal & Manges, at their New York offices. November 13, 2019.

Who Got the Work?

David Lender (**Weil Gotshal**) stepped in to represent **Procter & Gamble** in more than half a dozen class actions alleging unlawful greenwashing on its Charmin toilet paper and Puffs tissues with its Protect-Grow-Restore logo and logos of third-party certifiers, such as the **Rainforest Alliance Inc**. Christopher Cole (**Katten Muchin**) represents Rainforest Alliance, which is named in one of the suits over its "Forest Allies" program. Both appeared before the **U.S. Judicial Panel on Multidistrict Litigation**, which has scheduled the cases for its July 31 hearing.

Here's what else is happening:

Farm Fraud? Four Minnesota law firms face a new class action alleging they were intentionally excluded from the class action settlement over **Syngenta**'s genetically modified corn seed and lured to accept contingency fee contracts that promised 40% in fees. The suit, filed in Minnesota state court by attorney Douglas Nill (**FarmLaw**), names **Gustafson Gluek, Lockridge Grindal Nauen**, **Bassford Remele** and **Schwebel Goetz & Sieben**, all of which received a large share of the $503 million in fees tied to a $1.51 billion nationwide settlement. The suit seeks the return of at least $63 million in fees from the firms, alleged to have partnered with **Mikal Watts**. Michael

Lafeber (**Taft**), for Gustafson Gluek, called the allegations “frivolous.” Three similar cases Nill filed in prior years failed.

Boeing Trial: The first trial over the 2019 crash of a 737 Max 8 aircraft in Ethiopia is set to begin this month against **Boeing** in federal court in Chicago. The plaintiff, Paul Njoroge, who is from Toronto, Canada, lost his wife and three small children, as well as his mother-in-law, when Ethiopian Airlines Flight 302 crashed, killing 157 people. Robert Clifford (**Clifford Law Offices**) will spearhead the plaintiffs’ team at the July 14 trial, which is solely for damages. The civil trial comes after the **U.S. Justice Department** reached a deal to allow Boeing to avoid criminal prosecution over the 737 Max 8, which also includes the 2018 crash of Lion Air Flight 610 in Indonesia. A prior trial scheduled to begin in April on behalf of a different plaintiff settled. Dan Webb (**Winston & Strawn**) represents Boeing.

Deútsch Class: Social media sites **TikTok** and **X** are facing two German class actions alleging privacy and data breach violations. One suit, brought by the **Foundation for Market Information Research**, based in the Netherlands, accuses TikTok of deliberately manipulating children by misusing their data for algorithmic purposes and addictive design features. A second class action accuses X of failing to report serious data breaches and using sensitive personal data for algorithmic profiling. Peter Hense (**Spirit Legal**) brought both cases as representative actions, known as Abhilfeklage, which was introduced in Germany in 2023. Markus Langen (**White & Case**) represents TikTok and X in the actions. If the data breach allegations are upheld, claimants under the age of 21 could be awarded up to 2,000 euros in compensation each.

Thanks for reading Critical Mass! I’ll be back next week.

News | **Legal Malpractice**

'Like Cattle at a Sale Barn': Four Minnesota Firms in $1.51B Syngenta Settlement Accused of Malpractice

July 01, 2025 | By **Amanda Bronstad**

What You Need to Know

- The suit claims the four law firms, which received $63 million in fees, failed to inform the Minnesota farmers about the Syngenta settlement in order to lure them to contingency fee contracts that charged 40% in fees.
- A lawyer for Gustafson Gluek called the complaint "frivolous" and the fourth unsuccessful attempt to sue class counsel in the Syngenta settlement.
- A fight ensued over an estimated $503 million in fees that were allocated in the Syngenta settlement, $118 million of which went to lawyers with Minnesota cases.

Farmer inspect young green corn plants in mud and water, damaged field after flood, agriculture in spring. Credit: sima/Adobe Stock

Four Minnesota law firms were hit with a malpractice lawsuit alleging they conspired to exclude 9,000 farmers from the $1.51 billion class action settlement over Syngenta's genetically modified corn seed.

The June 26 class action, filed by Minneapolis attorney Douglas Nill, of FarmLaw, in Minnesota's Stearns County District Court, alleges that the four firms, which include Minneapolis-based Gustafson Gluek and Lockridge Grindal Nauen, failed to inform the Minnesota farmers about the Syngenta settlement in order to lure them to contingency fee contracts that charged 40% in fees. The suit, flagged by Law.com Radar, seeks the return of their $63 million in fees and expenses, which, when trebled, total $189 million.

"This class action seeks to hold accountable four Minnesota law firms for their participation in a concealed attorney fee scheme that deprived thousands of Minnesota corn growers of critical legal rights," Nill and another lawyer in the complaint, John Weisensell, of Weisensell & Corgan in Akron, Ohio, told Law.com in a statement.

"The clients were never told," they added. "They were not given notice that they were being excluded from the class, nor offered a choice to opt out or back in. Behind the scenes, the defendants had already signed agreements that dictated the outcome. In effect, they bought and sold their clients, and thousands of absent class members, like cattle at a sale barn."

Three of the four firms served as co-lead counsel for Minnesota farmers in the Syngenta settlement but, according to the complaint, all were co-conspirators with attorney Mikal Watts, then at San Antonio's Watts Guerra, to lure farmers through dishonest television and internet ads, newsletters and "town hall" community meetings into pursuing individual lawsuits rather than participate in class actions, which they said "only recover coupons for plaintiffs," according to the complaint.

The alleged actions violated the Minnesota Rules of Professional Conduct, consumer fraud statutes and common law claims of breach of fiduciary duties, among others, according to the complaint, filed by a Minnesota farmer who received $7,500 from the settlement after paying attorney fees.

"Defendants' misconduct stains the administration of justice," the complaint says. "Defendants pursued an intentional fraud upon the individuals who were in the market for honest and ethical legal services."

Michael Lafeber, who represents Gustafson Gluek, where partner Daniel Gustafson was on the plaintiffs' settlement negotiation committee in the Syngenta litigation, insisted that some of the claims in the complaint were brought in bad faith.

"We deny the allegations strenuously," he told Law.com. "We think they are frivolous and don't have merit for a variety of reasons and intend to defend ourselves vigorously."

Lafeber, a Minneapolis partner at Taft Stettinius & Hollister, noted that the suit is the fourth attempt by Nill to sue class counsel in the Syngenta litigation. Three prior attempts, including a suit against Watts, were either dismissed by a judge or voluntarily dismissed.

Further, he said, the Minnesota farmers were never improperly excluded from the class.

"They had the opportunity to opt in or opt out of the class, and most of his clients did in fact opt in and participate in the class," he told Law.com of Nill.

Richard Lockridge, of Lockridge Grindal Nauen, did not respond to a request for comment.

Lawyers at the two other Minneapolis firms named in the complaint—Lewis Remele, senior counsel at Bassford Remele, and William Sieben, of Schwebel Goetz & Sieben—did not respond, either.

Watts, now at Watts Law Firm in Austin, Texas, declined to comment.

'Not A Clerical Mistake'

The litigation alleged that Syngenta sold genetically modified corn seed that China refused to import, costing billions of dollars to over 600,000 U.S. farmers. The $1.51 billion settlement, approved in 2018, resolved multidistrict litigation in Kansas and state court lawsuits in Illinois and Minnesota.

A prolonged fight over an estimated $503 million in fees ensued, with Watts, who represented nearly 60,000 farmers, insisting he was owed $150 million. Special master Ellen Reisman rejected that request, and U.S. District Judge John Lungstrum, who oversaw the Syngenta multidistrict litigation in the District of Kansas, approved an allocation that gave nearly 24% to lawyers with Minnesota cases. In 2019, Minnesota Fourth Judicial District Judge Laurie Miller ordered more than $118 million to be divided among 188 law firms.

In 2018, Nill sued Watts and more than a dozen other firms, alleging they cut him and other lawyers who represented Minnesota farmers with state court cases out of the negotiations so they could pocket exorbitant fees in violation of the U.S. Racketeer Influenced and Corrupt Organizations Act, Minnesota ethics rules and their fiduciary duties to their clients.

Lungstrum dismissed that case, as well as three others that Nill subsequently filed.

The latest suit focuses on alleged undisclosed joint prosecution agreements between the four Minnesota firms and class counsel. Concealing material information and entering into secret agreements that limit client rights violates Minnesota's fiduciary duties on attorneys, according to the statement by Nill and Weisensell.

"This was not a clerical mistake or individual oversight," Nill and Weisensell said in the statement. "It was the product of private joint prosecution agreements signed by the defendant firms, which rerouted clients away from the protections of court-supervised class proceedings and into contingency fee contracts charging 40 percent or more."

Expert Opinion | Litigation

Why Texas—and the Nation—Need Limits on Local Public Nuisance Litigation

July 02, 2025 By **Frank Francone**

Frank Francone is an intellectual property attorney licensed to practice before the United States Supreme Court. Courtesy photo

The U.S. Constitution vests the power to set national policy in the political branches—Congress and the President—not in the courts. Elected officials, accountable to the people, are tasked with balancing competing interests to shape the nation's course. The judiciary, by contrast, is designed to resolve concrete disputes between parties, not to dictate policy outcomes. This separation of powers preserves the integrity of democratic governance by ensuring that courts apply the law, not make it.

Historically, the common law doctrine of public nuisance served as a narrow tool for addressing local harms. Local governments brought such claims to abate specific, place-based disruptions—such as a blocked roadway, a polluted water source, or a disorderly house. These were practical, clearly defined matters that local courts were well positioned to resolve. Today, however, some local governments seek to transform this doctrine into a national policymaking weapon. Their lawsuits aim not merely to redress local injuries, but to circumvent the legislative process.

These suits frequently target politically unpopular corporations with deep pockets that they would like to regulate—for example, energy producers, pharmaceutical companies, gun manufacturers, and tobacco firms. Claimed damages often reach into the billions—adding a perverse economic incentive to taking such actions—and threaten the viability of firms already regulated by Congress. Faced with the prospect of ruinous verdicts, many companies settle. These settlements frequently resemble legislation in both scope and effect, reshaping markets without any input from voters or elected representatives.

Understanding how these lawsuits have proliferated as well as potential remedies requires examining the legal authorities at play. States possess *parens patriae* authority, which allows them to sue on behalf of their citizens. Local governments, by contrast, lack this power. They may sue only for direct harms to themselves, such as increased public service costs. As the *South Carolina Law Review* notes, "Public nuisance suits brought by local governments are founded not on injuries suffered by individuals but on secondary injuries the city or county suffered in responding to the situation."

Yet despite these limitations, many local governments have pursued aggressive litigation strategies in hopes of shaping policy or securing large payouts. Fueled by contingency-fee arrangements with mass-tort firms that are often backed by hedge funds, litigation services are marketed to local governments at no upfront cost. This "free" legal representation is not neutral—it encourages speculative lawsuits driven by the promise of large recoveries rather than legal merit. As these firms tour the country pitching new theories—whether about fossil fuels, gun violence, or opioid misuse—localities are drawn into a profit-driven litigation machine.

The implications of these shifts are severe. With more than 90,000 local governments in the United States, any single lawsuit can trigger a cascade of copycat litigation. The result is a fragmented legal landscape in which hundreds of overlapping cases strain court dockets, increase the risk of inconsistent rulings, and delay justice across the board. National settlement efforts become tangled in conflicting local interests, making it nearly impossible to resolve claims efficiently or coherently.

Local juries also pose a structural challenge. In politically homogenous jurisdictions, jurors are more likely to reflect the activist goals of the local government bringing suit. This undermines the expectation of impartiality—particularly when jurors are asked to award massive damages to their own city. In cases involving controversial national issues like climate change or gun violence, the risk of localized policymaking by sympathetic juries is especially high.

Given these risks, the solution is clear: only state attorneys general should be permitted to bring public nuisance claims on behalf of the public. Unlike local governments, AGs possess *parens patriae* authority to represent the broader interests of their state's citizens. This legal foundation aligns with their constitutional role and provides a more stable basis for pursuing legitimate public harms.

State AGs are also more structurally restrained. They operate with greater institutional oversight and are better positioned to weigh statewide interests rather than parochial concerns. Limiting nuisance claims to AGs would promote consistency, help avoid the courthouse chaos that results from decentralized local action and would make it easier to regulate contingency fee arrangements with private attorneys. Importantly, state AGs are also more likely to consider long-term public outcomes—not just political optics or revenue potential.

The next wave of nuisance lawsuits is likely already on its way. Probes into fluoride in toothpaste and food dyes signal trouble. Mass-tort attorneys and hedge funds are probably already ramping up for their national tour to push this litigation. If local governments succumb, thousands of lawsuits will flood courts and repeat the chaos of past public nuisance mass tort litigations.

Restricting public nuisance authority to state attorneys general would bring some order to this increasingly unruly and unbalanced process. Fifty AGs are manageable. Ninety thousand local governments are not. Taking such measures would increase the likelihood that public nuisance litigation serves the public good, not private contingency-fee profits or activist ambitions. Most importantly, it would begin the process of restoring public nuisance law to its proper role: a legal remedy for genuine public harms, not a substitute for national policymaking.

Frank Francone *is an attorney admitted to practice before the United States Supreme Court. He led major civil litigation at the trial and appellate levels for 25 years. Until recently, he served as a policy fellow in law and politics at the Centennial Institute.*

Appellate Advocacy Blog

lawprofessors.typepad.com/appellate_advocacy/2025/07/your-brain-and-brief-on-ai.html

Tuesday, July 1, 2025

By Lance Caughfield

Recently, MIT's Medial Lab released a report on how AI impacts the brains of those who use it to write. In that study, researchers monitored brain activity in participants who were asked to write SAT essays over a period of four months. One group used AI, one group used Google search, and one group just used their own brain. The results were so dramatic that the lab released their study before full peer review, because they were concerned that students were being taught to use AI in a way that could be detrimental to their development.

The study showed that those who used AI for every essay started by using it primarily for organizational or proofing tasks. As time went by, they became more dependent on it for more and more functions, until they tended to just cut-and-paste directly from the result into the document. Their brain development showed a lack of attention and low executive control. And when asked later about their essays, they had a hard time recalling what they had written about.

The group that only used their brain, however, showed development in their brain through their work. They showed heightened activity in regions of the brain associated with creativity, memory and language processing. The group that "just" used their brains also expressed more satisfaction and ownership of their work.

Perhaps most interesting, from a legal writing perspective, was the fact that those who used AI became "disassociated" from their results. They felt less assurance about what was "their" work, and less interest in re-engaging with it. Those who had used "only" their brains to generate an essay, however, could later re-engage with it using AI without a decline in brain activity relating to creativity, language, and engagement.

This study comes at a time when lawyers are making headlines for not checking their work. They are using AI to generate briefs and memos with hallucinated cases, and submitting them to courts. Perhaps the study helps us understand how this is happening - they do not have ownership of their work. Not only have they not done the actual research, but they haven't integrated the lessons from that research into their own brains in a way that helps them think critically about their writing. And since they have low confidence in their own knowledge, they are less likely to edit and check the work.

While this is an early study with a low sample, the results suggest that AI has a place in legal writing, just not at the start of the process. Traditional research tools require struggle and ownership of the results, which in turn sparks critical thinking and self-editing. Adding in AI tools after the first draft can help deepen engagement and improve the final product. But using AI as an initial tool can hinder the process.

Worries about impact of AI switch from fear of job losses to concerns about professional development, report says

abajournal.com/news/article/concerns-about-impact-of-ai-switch-from-fear-of-job-losses-to-concerns-about-professional-development

Debra Cassens Weiss

Practice Technology

July 2, 2025, 8:53 am CDT

Twenty-four percent of legal and other professionals surveyed by Thomson Reuters are worried that overreliance on artificial intelligence will have a negative effect on professional development. (Image from Shutterstock)

Twenty-four percent of legal and other professionals surveyed by Thomson Reuters are worried that overreliance on artificial intelligence will have a negative effect on professional development.

The 2025 *Future of Professionals* report by Thomson Reuters, available here, said the concerns have changed from the early days of AI, when the worries were about widespread job losses and malicious use of AI.

Malicious use remains a concern, expressed by 14% of survey respondents. Fifteen percent were concerned about privacy, confidentiality and transparency, while 13% were concerned about data security implications.

The report is based on a survey of 2,275 professionals across legal, risk, compliance, tax, accounting, audit and trade professions from more than 50 countries, according to a June 26 press release. The professionals include 1,363 legal professionals in law firms, in-house roles and government positions, Law.com reports.

Steven Assie, the general manager of global and large firms at Thomson Reuters, told Law.com that the concerns vary by generation. Thirty-seven percent of baby boomer lawyers cited loss of professional skill development as their No. 1 concern, compared to just 14% of Generation Z lawyers, Assie said.

AI can now create a first draft of a document that would have fallen to a junior firm associate in the past, Assie told Law.com.

“Some firms are changing their training process,” he said. “They also recognize that the skills required by the modern lawyer may be different. Lawyers will still need to apply technical judgment but will be applying this to reviewing AI outputs, rather than creating the first draft from scratch."

Eighty percent of the survey respondents think that AI will have a high or even transformational impact their profession within five years—but 30% say their organizations are moving too slowly to adopt AI, according to the press release and the report.

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United States Supreme Court

Former DOJ, Big Law Appellate Attorneys Join Anti-Trump Group Democracy Forward

July 01, 2025 | By Jimmy Hoover

Nathaniel Zelinsky, who recently won a unanimous Supreme Court victory while at Milbank, joins Democracy Forward as senior counsel. Courtesy photo

The liberal group Democracy Forward has beefed up its appellate firepower to take on the Trump administration with several recent U.S. Department of Justice and Big Law attorneys.

The new hires—who include a former high-ranking DOJ appellate lawyer and a Milbank associate coming off of a unanimous Supreme Court win—are part of the "pro-democracy" group's efforts to bolster its litigation, oversight and policy teams as President Donald Trump rounds out the first year of his second term.

The DOJ has seen massive turnover since the start of Trump's second term, with buyouts, resignations and firings amid Attorney General Pam Bondi's push to end the so-called weaponization of the law enforcement agency. The world of Big Law, too, has been shaken by White House efforts to punish law firms that have worked on Democratic or anti-Trump causes, with several firms striking deals with the president to avoid further scrutiny.

By picking up some of these attorneys, Democracy Forward is deepening its appellate expertise at a time when the Supreme Court and federal courts of appeal will be central in the legal battles over Trump administration policies.

The high court's decision last week in *Trump v. Casa Inc.*, for instance, largely gutted the power of individual federal courts to block Trump's actions from taking effect nationwide. Justice Brett Kavanaugh emphasized in a concurrence that it will be the Supreme Court which decides whether policies should stand as legal challenges move through the courts.

Founded in 2017, Democracy Forward has become a central player in these various courtroom battles against the president's agenda, filing more than 75 lawsuits and 1,000 Freedom of Information Act requests against the administration. Its board is chaired by prominent Democratic lawyer Marc Elias.

"As attacks on the rule of law and the basic rights of people escalate, this is a moment for lawyers to step up," Skye Perryman, the group's president and chief executive officer, said in a statement announcing the hires Tuesday. "We are thrilled to welcome our newest team members as we continue to grow and expand our ability to meet the administration's harmful and unlawful conduct with swift legal action, while also continuing our impactful and necessary work in state and local communities."

The group's new attorneys include Joshua Salzman, who was recently the assistant director of the DOJ's civil appellate staff. An 11-year veteran of the department, Salzman became a fixture in U.S. circuit courts during his tenure, arguing more than 40 appeals and briefing hundreds more. Salzman previously worked at the Supreme Court and appellate practice of Big Law firm WilmerHale.

Salzman is joined by former DOJ civil appellate staff attorney Simon Brewer, a Yale Law graduate who helped defend federal agencies and officers in the federal courts of appeal.

Another appellate hire, Nathaniel Zelinsky, until recently was a brand new associate at the powerful litigation firm Milbank, which he joined from Hogan Lovells earlier this year in the footsteps of his mentor, star Supreme Court lawyer Neal Katyal.

Zelinsky joins Democracy Forward fresh from a unanimous Supreme Court victory that he won on behalf of the mother of a police shooting victim.

The Yale Law graduate looked ready to join the ranks of Big Law's next appellate aces after his strong debut at the Supreme Court lectern in the excessive force case *Barnes v. Felix* in January, where he was second-chaired by Katyal. His move to full-time anti-Trump, pro-democracy work now makes him the latest defection from the ranks of Big Law firms that struck deals with the White House.

Zelinsky served from 2020 to 2023 as a special counsel and embedded appellate lawyer for Minnesota to support the prosecution of the police officers charged with the slaying of George Floyd.

Other hires include Amy Vickery, a former trial attorney in the DOJ's civil rights division, which has seen a mass exodus of more than 100 attorneys during Trump's second term. At the DOJ, Vickery helped enforce federal anti-discrimination laws through investigations, settlements and litigation. She is also an expert in international trade, having served as an International Trade Specialist for the Commerce Department prior to law school and later clerking on the U.S. Court of International Trade in New York.

Democracy Forward is also bringing on Yenisey Rodríguez from the NAACP Legal Defense & Educational Fund, where she worked as a senior counsel advocating for fair housing, voter enfranchisement and other causes championed by her Achieving Racially Equitable Communities through Housing project.

Amanda Hindocha joins Democracy Forward from American Oversight, a watchdog group where she investigated, among other things, the Jan. 6, 2021, attack at the U.S. Capitol.

Joe Shantz will become the group's newest senior policy counsel after working for Labor Secretary Julie Su during the Biden administration.

Lawsuit seeks to ice planned Everglades ICE detention center

legalnewsline.com/florida-record/lawsuit-seeks-to-ice-planned-everglades-ice-detention-center/article_3fc1b6a3-d1c9-4608-a226-232164a4887b.html

Michael Carroll July 2, 2025

President Trump toured the facility dubbed Alligator Alcatraz on July 1.

MIAMI — The ongoing construction of a mass detention facility in the Florida Everglades for up to 5,000 undocumented immigrants violates both federal and state laws, environmental groups allege in a new federal lawsuit.

Friends of the Everglades Inc. and the Center for Biological Diversity filed the lawsuit June 27 against the federal Department of Homeland Security and Immigration and Customs Enforcement, as well as Miami-Dade County and the executive director of the Florida Division of Emergency Management. The complaint alleges violations of the National Environmental Policy Act (NEPA), Administrative Procedure Act (APA) and state statutes.

“Construction on the detention center has unfolded at a breakneck pace, and is ongoing,” the lawsuit states. “The (Emergency Management) Division took control of the site only on June 23, 2025. Since then, kitchen facilities, restrooms, housing facilities, portable industrial lighting and other infrastructure have been positioned on site, and heavy vehicular traffic in and out of the site has been observed, and is ongoing.”

The detention site, dubbed “Alligator Alcatraz,” is located at what is now a pilot-training facility occupying 17,000 acres. The site is owned by Miami-Dade County and borders the Big Cypress National Preserve and Big Cypress Area, which are protected, ecologically sensitive lands containing threatened species such as the Florida panther, Everglade Snail kite and Florida bonneted bat, according to the lawsuit.

Florida officials have defended the facility as a cooperative move with the federal government to advance President Trump’s immigration policies.

“Gov. Ron DeSantis has insisted that Florida will be a force multiplier for federal immigration enforcement, and this facility is a necessary staging operation for mass deportations located at a pre-existing airport that will have no impact on the surrounding environment,” the Florida Governor’s Office said in a statement emailed to the *Florida Record*. “We look forward to litigating this case.”

But the legal complaint criticizes the federal and state agencies for moving forward on the construction without fully informing the public of the details of the project and not conducting any environmental studies about the project's impact.

"The decision to construct a mass migrant detention and deportation center at the TNT (Dade-Collier Training and Transition Airport) site was made without conducting any environmental reviews as required under NEPA, without public notice or comment, and without compliance with other federal statutes such as the Endangered Species Act, or state or local land-use laws," the complaint states.

The lawsuit seeks the court's declaration that the defendants' actions violated the NEPA, APA and state environmental and land-use laws, an injunction to halt work on the detainment center and reimbursement of attorney fees and court costs.

"The site is more than 96% wetlands, surrounded by Big Cypress National Preserve, and is habitat for the endangered Florida panther and other iconic species," Eve Samples, executive director of Friends of the Everglades, said in a prepared statement. "This scheme is not only cruel, it threatens the Everglades ecosystem that state and federal taxpayers have spent billions to protect."

The Center for Biodiversity calls the Everglades the most important breeding ground for wading birds in North America and the largest mangrove region in the Americas.

Trump nominates new attorney for Ohio's southern district. Who is it?

cincinnati.com/story/news/politics/2025/07/01/trump-nominates-new-attorney-for-ohios-southern-district-who-is-it/84431993007

Erin Glynn

POLITICS

President Donald Trump has a new nominee to handle federal prosecutions in southern Ohio.

Trump July 1 nominated Dominick Gerace II to replace Parker and oversee cases in the 48 counties in southern Ohio. Gerace previously served as a federal prosecutor in the Southern District of Ohio and is a partner with Taft Law Firm. He will need to be confirmed by the U.S. Senate.

Trump fired Ken Parker, the former U.S. Attorney for the Southern District of Ohio, in February.

Among his cases, Parker prosecuted Larry Householder, the former Ohio Speaker of the House. Householder was convicted for taking bribes in exchange for a $1.3 billion bailout bill to benefit Akron-based FirstEnergy and is now serving 20 years in federal prison.

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Securities Law

Opinion

Matt Levine’s Money Stuff: A Drug-Trial Stock Sale

July 1, 2025, 11:26 AM PDT

INMB

Here’s a weird little trade, first reported by Adam Feuerstein of StatNews. INmune Bio Inc. is a biotechnology company working on treatments for cancer and Alzheimer’s Disease. It recently conducted a Phase 2 trial of an Alzheimer’s drug called XPro. It … didn’t work, is the short summary (“showing no effects in the modified intent-to-treat population”), though there is some good news (“predefined analyses demonstrated a cognitive benefit for XPro over placebo on the primary endpoint”), and I do not want to give you any investing or medical advice. But INmune got these results last week, and it seems safe to say they were not what it was hoping for.

As a small biotech company, INmune is not exactly awash in cash. As of March, it had about $19 million of cash and was spending about $3 million a month. A little more money might be nice, and for a small biotech company the way to get a little more money is to sell stock. Ideally the way to do this would be (1) get *good* trial results, (2) announce those results, (3) stock goes up, (4) sell stock into that demand. That option was not available, because the trial results were bad.

That left some unappealing options. INmune could announce the results, watch the stock go down, and sell stock into a lack of demand. It couldn’t really *sit on* the trial results: If it sold stock, it would need to publish a prospectus describing all the material facts about the company, and its lawyers would probably make it put the results in the prospectus. And then people would read the prospectus and the stock would go down.

There is, however, a tiny loophole of sorts. What INmune actually did was:

1. At 4 p.m. on Thursday, June 26, it put out a press release saying that it would “host a conference call on Monday, June 30 beginning at 8:00am EDT to present top line data from the Phase 2 MINDFuL trial in early Alzheimer’s Disease.” Not saying the results, mind you, just saying that it *would* deliver the results on Monday.

- 2. The stock traded up: Investors read that press release and thought “ooh, an announcement of trial results, probably they’re good.” The stock hit a high of $11.64 per share at 10:47 a.m. on Friday, June 27.
- 3. On Friday morning, INmune agreed to sell $18.9 million of stock to “two healthcare focused institutional investors,” at a price of $6.30 per share, 2 cents above the $6.28 closing price of the stock on Thursday.
- 4. On Friday at 12:16 p.m ., it announced the stock sale publicly.

Because the stock offering was a privately negotiated deal with two sophisticated investors, INmune didn't have to tell them the trial results: The investors signed a "big boy" representation acknowledging that the company had material nonpublic information that it wasn't sharing with them. The purchase agreement said:

Each Purchaser acknowledges that (i) the Company is in possession of top line data from the Phase 2 MINDFuL trial in early Alzheimer's Disease (the "Phase 2 Trial Results") and has announced that it will host a conference call on June 30, 2025 to present such Phase 2 Trial Results; (ii) the Phase 2 Trial Results constitutes material non-public information that could adversely impact the price of the Securities; and (iii) such Purchaser desires to proceed with the purchase of the Securities under this Agreement notwithstanding such pending Phase 2 Trial Results.

Why would the investors do this? If the clinical results are bad, the stock will trade down to, say, $2. (It hit a low of $1.89 this morning.) If the results are good, it will trade up to, say, $15. In a vacuum, you might say "I think the chances of good results are 50/50, so paying $6.30 for the stock is a good trade." But you wouldn't do that trade *with the company*. The company knows the results! If the results are good, the company will announce them and sell stock at $15. If the company is selling stock to you at $6.30, you can guess that the results are bad.

But there is a better answer. The investors can buy the stock and *resell* it immediately. The offering was a "registered direct" offering: Even though it was sold only to two institutions, it was structured as a public offering, INmune filed a prospectus, and the two investors got immediately tradeable stock. They also had no material nonpublic information: *INmune* knew the trial results, but the *investors* did not. They could just sell their stock whenever they wanted.

On Friday morning, the stock was trading well above the $6.30 purchase price. Then the stock sale was announced and the stock started falling — it closed at $5.33 on Friday — but, still, the investors had a decent chance to get out at a profit. (Why did the stock fall when the stock offering was announced? Presumably some combination of (1) everyone did the calculation I did above, which is that the company wouldn't be selling at $6.30 if the results were good, and (2) if the investors in the offering *were* selling, that would drive down the price.)

This doesn't *seem* like that much of a loophole: It was a registered offering, INmune had to file a prospectus, it *did* file a prospectus, and the prospectus had to (and did) include the disappointing trial results. From the prospectus:

On June 30, 2025, the Company announced topline results from its Phase 2 MINDFuL trial evaluating XPro for early AD. The trial did not meet its primary or key secondary endpoints in the modified intent-to-treat population (n=200). However, in a pre-specified subgroup of patients with amyloid-positive AD and multiple inflammatory biomarkers (n=100), XPro demonstrated cognitive and biomarker benefits, including improvements on EMACC and NPI-12, and reductions in plasma pTau217 and GFAP.

But the prospectus is dated Monday, June 30: The investors bought the stock, and possibly sold it, before the prospectus was published. INmune, like many US public companies, has a "shelf registration statement," allowing it to do public stock offerings quickly. It could sell the stock to the registered direct investors, and they could resell it, using that generic registration statement. It just had to deliver an updated prospectus — describing the actual offering, and disclosing the trial results — before the offering *closed:* INmune couldn't take the investors' money, or give them stock, without delivering a prospectus, but it could agree to the trade before that. The closing is T+1 (one trading day after the offering), so Monday for a Friday offering. Technically INmune delivered the stock to the investors on Monday, along with a prospectus, but by that time they could already have sold it.

This is a small, weird, occasionally lucrative niche in the capital markets. Sometimes a company cannot do a public offering of stock directly to retail investors, because it would create too much embarrassment and/or legal liability. But it can find an intermediary, some investment firm that will buy its stock and immediately turn around to sell it to the public, interposing some complication to save the company from the awkwardness. (The classic case that we have discussed around here is Bed Bath & Beyond Inc.) Here, INmune probably couldn't have sold stock directly to the public, but it could sell stock *indirectly* to the public, and it did.

Linqto

It used to be that most big well-known companies were public, but that is not as true anymore. Now a lot of big exciting tech companies — SpaceX, Stripe, OpenAI, etc. — are private, which means that you can't just buy them by clicking a button in your brokerage account. You need to know somebody. A lot of people want to buy shares in big exciting private tech companies, but it is hard for them to do so.

Also, the fact that these companies are private means that, if you *do* own some shares, you can't just sell them by clicking a button in your brokerage account. You have to find someone to buy. Even though there is a lot of demand for these shares, it can be hard to cash out.

One way to put this is that the bid/ask spread on private shares is really wide, particularly for individual investors without direct access to the companies. If some hot private company's stock is "really" worth $50 per share, and you want to buy some, you might have to pay $70. And then if you want to sell, you might get only $40.

We talk about this dynamic all the time. We talked about it last week , because a crypto-y company is offering "tokens" on private-company stocks to, uh, possibly increase the supply. In December, we discussed a company offering SpaceX shares through a special purpose vehicle at roughly a 100% markup to the actual trading price of the shares: Institutions were buying SpaceX at $135 per share, but if you wanted in on that SPV, you'd pay $258. Even that seemed pretty tame compared with DXYZ, the Destiny Tech100 fund, a closed-end fund that owns about $70 million of private-company stocks and has a market value of about $400 million; when we first discussed DXYZ , it traded at more than a 1,000% markup to the value of its underlying shares.

Each time I discuss these things, I get emails from readers saying "actually my broker is offering me SpaceX shares at a very reasonable markup." I am sure that's true. The point here is not that retail investors will always pay an enormous markup for SpaceX shares. The point here is that retail investors will pay an enormous *range* of markups for SpaceX shares: Some will pay 0%, some will pay 5%, some will pay 100%, some will pay 1,000%. There is not a simple single "market price" for private-company shares, the way there is for public-company shares. People can sell you private-company shares at pretty much whatever price you are willing to pay.

Here's a Wall Street Journal article about Linqto, a company that "said it would make private equity investing easy, and 'democratize' the rarefied private markets." If someone in finance tells you that they are going to "democratize" anything, hold on to your wallet. Basically Linqto's business model was (1) acquiring shares of hot private companies and then (2) selling them to retail-ish investors at enormous markups:

In January 2023, the chief executive of the private stock investment firm Linqto announced a "Spike Day," a one-day sprint to boost sales to its customers—small investors looking for a shot at buying shares of coveted private companies.

"Take no prisoners," the now-former CEO, William Sarris, wrote in an email to staff, reviewed by The Wall Street Journal. "This is guerrilla warfare."

Sarris was trying to unload shares of Ripple, a privately held crypto company, to Linqto's 11,000 users, at a price at least 60% higher than what Linqto paid. The Securities and Exchange Commission generally prohibits markups above 10% but Sarris pushed ahead, not disclosing the price hike to customers, and the company pocketed $2 million, according to people close to the situation.

Well, for a normal brokerage firm, buying stock and then reselling it to customers at a 60% markup would be *quite high*, but in the context of the 100% or 1,000% private-company markups we talk about around here, it's not that surprising. Meanwhile, the nature of the business is such that there will be fewer cases of the broker *buying* from customers at too *low* a price — mostly the customers want to keep their exciting private stocks — but not none:

Linqto didn't just profit from selling shares of private companies to users. Sometimes the deals went the other direction.

At the end of 2023, Linqto learned that Ripple, which remains private, was preparing to buy back shares from customers at roughly $61 each. Linqto reached out to customers, who were in the black on their Ripple investments, and convinced them to sell 144,000 shares of Ripple back to the company at an average of $55 per share, according to people close to the situation. It then sold them all to the crypto company at the higher offering price, booking more than $8 million in revenue.

In the private markets, the intermediaries can take a big cut coming and going.

SRT

There is a financial product called an SRT, which has the amusing quality that (1) everyone knows what it means but (2) there is no agreement on what it stands for. (In the US, it often stands for "synthetic risk transfer," while in Europe it normally stands for "significant risk transfer.") The rough idea of an SRT is:

1. A bank makes $1 billion of loans to various companies, which pay, say, 6% interest.

- 2. Those loans are somewhat risky, and regulators will require the bank to have a lot of regulatory capital in case they don't get paid back.
- 3. But the bank can sell the first-loss piece to a hedge fund or other investor. The bank sets up a structure where the first $850 million of repayments, on the whole pool of loans, goes to the bank; the remaining $150 million goes to the hedge fund. If there are defaults and only $925 million of the loans actually get paid back, the hedge fund only gets $75 million, but the bank still gets its full $850 million.
- 4. The first-loss piece gets packaged into a bond, which the bank sells to the hedge fund for $150 million, and the bank pays, say, 10% interest on that bond. (That is: The bank gets $60 million of annual interest on the whole loan portfolio, 6% of $1 billion, and pays $15 million of interest, 10% of $150 million, to the hedge fund.)
- 5. The hedge fund takes more risk than the bank (it has the first loss), and it gets more reward (it gets a higher interest rate).
- 6. The bank gets better capital treatment from its regulators: Instead of holding, say, $80 million of capital against the whole portfolio, the bank can hold, say, $8 million of capital against the much safer $850 million senior piece. The bank's cost of equity capital is higher than 10%, so paying the hedge fund to reduce capital requirements can be a good deal for the bank.

There are variations on the structure, and the numbers here are illustrative and not meant to be taken seriously. The point is just that the hedge fund takes the first loss, the bank takes the second loss, and this is a very common theme in modern banking. Banks are "re-tranching" : They are stepping back from taking certain economic risks (like making corporate loans), letting other players (hedge funds, private credit firms, etc.) take those risks, while the banks provide financing to those other players and take a more senior claim on the risks.

There are various more-or-less economically equivalent ways to structure that tranching. In the abstract, the SRT looks something like "the *hedge fund* makes a $1 billion pool of loans, and the bank *lends* the hedge fund $850 million of non-recourse leverage collateralized by those loans." It's not quite set up that way — in part because the hedge fund doesn't have the corporate relationships required to originate those loans — but economically that is roughly the same thing as the SRT. (And in fact, elsewhere, private credit firms *do* have the relationships required to originate corporate loans, and they do, and banks lend them money against their loans, though usually not at 85% loan-to-value ratios.)

And then there are some funds that are in the business of buying these SRTs, so some hedge fund will buy $150 million of this SRT and $100 million of another SRT and end up with a $2 billion portfolio of SRTs. And then, being a hedge fund, it will think: "I have this big $2 billion pot of assets. It's a pretty good pot of assets: Sure, it's first-loss pieces of corporate loans, but it's diversified, and the loans were made by big banks to good companies, so they'll probably mostly get paid back. Perhaps someone would lend me, say, $1 billion against this portfolio. I'd take the first loss — if $500 million of the SRTs don't get paid back, I'll lose $500 million and my lender will still get its $1 billion back — so the lender should feel pretty safe. And I can pay my lender a lower interest rate on the loan than I get on the SRTs, so I can juice my return on equity."

And the hedge fund will call some banks, and one of them will probably give it that loan. Ideally not one of the banks that issued the SRTs, though. It is arguably a *little* awkward for a bank to sell its credit risk to the hedge fund (via SRT) and also finance that trade.

Arguably it's a little awkward anyway. Bloomberg reports :

European authorities are pushing banks to disclose more data on loans to investors who turn around and use the funds to help peers offload credit risk, according to a top regulator.

Regulators want to ensure that risk is actually leaving the system when banks use significant risk transfers, or SRTs, to free up capital while keeping the assets on their balance sheets.

"We've been asking for more transparency, more reporting information," Jose Manuel Campa, who leads the European Banking Authority, said in a Bloomberg TV interview on Monday in London. "Potentially you get a vicious circle by which a bank sells protection to somebody that's been financed by another bank."

"Banks Transfer Risk to Themselves," is how I characterized the concern last year. SRT structures tend to be driven by regulation: The bank sells enough risk to the hedge fund to get the capital relief it wants; the regulator says, in effect, "if you sell the 15% first-loss piece and keep the rest then you get to have less capital." If a bank then goes and lends 50% against the first-loss piece, then the banks collectively have 92.5% of the risk and the hedge fund has only a 7.5% first-loss piece, and that can look like cheating.

AI agents

A traditional early step in any big investment banking deal is the compilation and distribution of the working group list. Some junior analyst at one of the banks will put together a nicely formatted list of all the principals and bankers and lawyers and accountants on the deal, with their email addresses and office and mobile phone numbers, and will circulate it to everyone so that everyone knows how to reach everyone else.

I suppose in the not-too-distant future, each person’s entry on the WGL will also include contact information for their artificial-intelligence assistant. You have a question for me about the data room, you email matt.levine@fancybank.com, you copy matt.levine.ai@fancybank.com, and two seconds later you get back an email from the AI saying “Matt is on a flight right now, but I went into the data room and found the agreement you’re looking for; it’s attached to this email. Let me know if you need anything else. Best, RoboMatt.” Eventually you notice that my AI assistant is much more prompt, polite and helpful in responding to your questions than I am, and you start emailing the AI directly and not even copying me. Then your employer gets *you* an AI assistant, and you give it tasks to complete, and when your assistant needs help from me it emails my assistant. Eventually you and I just go to the beach, and our respective assistants negotiate and document the deal.

In the slightly more distant future, the WGL will be put together by the AIs, and it will *only* have contact information for the AIs, and it won’t have to be a nicely formatted PowerPoint because only the AIs will read it.

There are other imaginable paths for AI, including perhaps:

1. Banking looks a lot like it does now, with bankers and lawyers interacting with one another and putting their names on the work product, but using AI tools behind the scenes to make their jobs easier.

- 2. Entirely AI-native workflows replace the normal banking workflows, so instead of a bunch of principals and banks and law firms getting together to negotiate a merger, corporations will, you know, be autonomous entities that combine and split without any human interference.

But the path I laid out above — in which banking processes look kind of like they do now, except that a lot of the actual bankers are replaced by lightly anthropomorphized AI assistants who sometimes deal with humans and sometimes deal with other AIs — has a certain creepy appeal. You sort of know what that AI assistant is; it fits into familiar categories. It’s an assistant, a junior banker, something like that. (Over time, it gets promoted: It’s a midlevel banker, a senior banker, a bank CEO.) You can’t hang out with the AI banker in the analyst bullpen; it can’t make small talk with the client over drinks. But you’re probably mostly communicating by chats and emails anyway, and the AI assistant is good enough at that.

Anyway here’s a fun Wall Street Journal article about “digital employees” at banks:

Similar to human employees, these digital workers have direct managers they report to and work autonomously in areas like coding and payment instruction validation, said [Bank of New York Mellon] Chief Information Officer Leigh-Ann Russell. Soon they’ll have access to their own email accounts and may even be able to communicate with colleagues in other ways like through Microsoft Teams, she said. …

BNY said it took three months for its AI Hub to spin up two digital employee personas: one designed to clean up vulnerabilities in code and one designed to validate payment instructions. Each persona can exist in a few dozen instances, and each instance is assigned to work narrowly within a particular team, Russell said.

Man, that is absolutely the dream of an investment bank, an army of identical perfect analysts who can exist in dozens of instances and be assigned to work narrowly within particular teams. Also:

At JPMorgan Chase, Chief Analytics Officer Derek Waldron thinks of "digital employees" as more of a helpful model for business people to conceptualize AI tools. They are fundamentally different from human employees, of course, but also traditional software systems, and so they may need their own type of system connectivity and access management, he said. It's an open question exactly how much or how little access to give an agent, and it's going to have to be figured out on a case-by-case basis, he said.

And while it's not clear yet exactly what it will look like, he does envision a future where every employee will have an AI assistant and every client experience will have an AI concierge.

At some fairly abstract level, the job of an investment banker or salesperson *is* to be a concierge for certain categories of client experiences. If there's an AI concierge for every client experience … you know what, never mind. Elsewhere: "Amazon Is on the Cusp of Using More Robots Than Humans in Its Warehouses."

AI wars

I wrote yesterday that "I don't understand how anyone who works in artificial intelligence gets any work done," what with Mark Zuckerberg standing on their lawn with a boom box and a sack of money. It turns out that they don't. The Financial Times reports:

Over the weekend, Mark Chen, chief research officer at OpenAI sent an internal memo saying that he felt "as if someone has broken into our home and stolen something" following recent staff departures.

OpenAI has given staff the week off to rest and recharge, according to people close to the company. Chen added that Meta was trying to "take advantage" of the planned break to pressure employees to make decisions on job offers.

I don't understand? They are so exhausted by getting offered so much money that they need a week off to hike, watch television, and not think about all the money Meta is offering them? And Meta is trying to "take advantage" of that break by, you know, scheduling interviews with them during that week? That does seem … pretty obvious and predictable? Anyway, I also wrote yesterday that "the AI researchers have vast reservoirs of intrinsic motivation that I cannot begin to imagine (they just love AI so much)," and the FT article also gets into that:

Researchers often prioritise the reputation of team leaders and the quality of work over the huge sums of cash being offered, according to AI recruiters.

Researchers are "incentivised by the type of work they're doing. And there's always a risk, if you end up in a Meta, you're not going to be doing the level of work that you might do at a DeepMind or an OpenAI, or an Anthropic," according to Firas Sozan, chief executive of Harrison Clarke.

One possibility is that Meta is the extremely cushy semi-retirement home for OpenAI researchers: You do good work at OpenAI, you make a name for yourself, and then when you get tired you take Zuckerberg's bag of cash, go to Meta, and sit around with your fellow extremely well-paid ex-OpenAI researchers reminiscing about the glory days when you used to do AI research instead of just polishing your Ferraris.

Things happen

A Trio of US Treasury Hacks Exposes a Pattern Making Banks Nervous. US judge orders Argentina to give up majority stake in state-run oil company YPF. Standard Chartered hit with $2.7bn lawsuit over 1MDB scandal. Aberdeen chair says 'save the world' claim by asset managers was a 'mistake.' Greenhushing. The Oil Tycoon and the Philosopher Threatening Big Oil's Carbon Capture Plans. A Desert Oasis for Youth Sports Was Built on a Financial Mirage. Britain's Royals Give Up Their Luxury Train in the Name of Fiscal Restraint. Cap and trade, but for rent control. Snoafers . CEO Spends 1.83 Million Amex Points to Pay Surprise Tariff Bill. Trump Says He'll Have to 'Take a Look' at Deporting Musk . Why Is Everyone Inviting Strangers to Their Weddings?

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- 1. Feurstein reports: "The funds immediately flipped (sold) the stock — instant profit."
- 2. Just for fun, I looked at INMune's trading activity between 12:16 p.m. (the time stamp I see on the offering press release) and 12:46 p.m. on Friday, June 27. Bloomberg (page INMB US Equity AQR) shows me that 6.2 million shares traded in that half-hour window, at a volume-weighted average price of $6.68. The investors bought 3 million shares at $6.30. Could they have gotten out of all of it at a profit in that half hour? Seems like a lot (they'd be 50% of volume), but not completely impossible. Total trading on Friday was 59.9 million shares (the company normally trades fewer than 1 million shares per day), so selling 3 million shares over the course of the day was totally possible. Also the purchase agreement specifically says that "none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company" and that "any Purchaser … presently may have a 'short' position in the Common Stock." So it is possible that the investors sold the stock short *before* they agreed to buy it.
- 3. Plus "dilution," which I suppose is always a worry in stock offerings for small companies.
- 4. Regular-way stock trades also settle T plus 1 , so on Friday the investors could have sold the stock, even though they didn't have it yet.

- 5. Not legal advice! One could raise objections; this does seem a bit unsporting to the people who bought stock on Friday.

- 6. The legal situation is that, for the most part, you can only sell private-company shares to "accredited investors," meaning people who make at least $200,000 a year or have a net worth of more than $1 million. This is not all that high a bar , and I think it is fair to call Linqto's customers "retail-ish." But also there are some exceptions to those rules, and Linqto did manage to find ways to sell private-company shares to non-accredited investors. The Journal reports: "The company even allowed some people who weren't accredited investors to participate in the deals. Among them was Thomas Lennon, 33, who in September 2024 invested $10,000 in Ripple — the minimum amount for a promotion offering investment 'slots' to 35 who weren't accredited, he said." (I assume the structure here is an SPV owning Ripple shares, with the SPV doing a Rule 506 offering to no more than 35 non-accredited investors.)

- 7. To me "synthetic" sounds more descriptive (you are transferring risk synthetically, that is, through a derivative), but "significant" in Europe refers to a specific regulatory test: You can reduce your capital requirements if the risk transfer is significant enough.

- 8. *Here are primers on the structure from the European Systemic Risk Board, A&O Shearman and the Managed Funds Association.*

- 9. This isn't quite right, to the extent that the financing of the SRT might have margin triggers and create less economic exposure than a long-term loan at 50% LTV.

https://www.wsj.com/business/media/paramount-to-pay-16-million-to-settle-trump-lawsuit-over-60-minutes-interview-fd8dd21c

BUSINESS | MEDIA

Paramount Agrees to Pay $16 Million to Settle Lawsuit by Trump

Trump alleged CBS News committed election interference with edit of '60 Minutes' Kamala Harris interview

By Jessica Toonkel Follow

Updated July 2, 2025 2:18 am ET

Bill Whitaker interviewing Kamala Harris for '60 Minutes.' PHOTO: CBS NEWS/60 MINUTES

Paramount Global PARA **-0.99%** ▼ said it has agreed in principle to pay $16 million to settle a lawsuit with President Trump over a "60 Minutes" interview with former Vice President Kamala Harris, the company said Tuesday.

The settlement, which doesn't include an apology, comprises payments made to the president's future presidential library and legal fees. Paramount also agreed that "60 Minutes" will release transcripts of interviews with presidential candidates in the future after they have aired, according to the company.

The announcement caps a monthslong legal saga and extended negotiations between Paramount, which owns CBS News, and Trump's lawyers that included mediation. The company said the terms of the settlement were proposed by the mediator.

A spokesman for Trump's legal team said the settlement was "another win for the American people as he, once again, holds the Fake News media accountable for their wrongdoing and deceit." He said CBS and Paramount "realized the strength of this historic case."

Trump's lawsuit against CBS News alleged the network deceitfully edited a "60 Minutes" interview with the Democratic presidential candidate to make her sound better. The lawsuit sought $20 billion in damages.

CBS has said the broadcast was "not doctored or deceitful."

The settlement is the latest in a string of legal agreements between media and tech companies and Trump.

Paramount owns CBS, its namesake production studio and several cable channels. The lawsuit has hung over Paramount's planned merger with Skydance Media, which the Federal Communications Commission has been reviewing.

During the talks, some CBS News executives have left the storied unit. Chief Executive Wendy McMahon told staff in May that she was leaving. One point of tension between McMahon and Paramount was her unwillingness to issue an apology to Trump as part of any potential settlement, The Wall Street Journal reported.

A major concern for some Paramount leaders was whether paying to settle the lawsuit could expose directors and officers to liability in potential future shareholder litigation or to criminal charges for bribing a public official.

Yet some of the leaders feared continuing to fight the suit might affect the company's ability to close the Skydance deal, the Journal has reported.

Some Paramount executives had said they hoped to minimize liability, some of the people familiar with the talks said, by striking a deal within the range of what other companies have paid to end litigation with Trump.

In May, the company offered $15 million to settle the suit but Trump wanted more than $25 million, the Journal has reported.

The board brought in law firm Gibson Dunn in June to determine whether Paramount could offer to pay more to settle the lawsuit without increasing the liability, the Journal reported.

Disney last December settled a defamation lawsuit against its ABC News division and star anchor George Stephanopoulos. As part of the settlement, Disney agreed to contribute $15 million to Trump's presidential foundation or museum and pay $1 million in legal fees to Trump's lawyer.

In January, Meta agreed to pay $25 million to settle a 2021 lawsuit from Trump, after the social-media platform suspended his accounts following the Jan. 6, 2021, riot at the U.S. Capitol. X agreed to pay about $10 million to settle a similar suit in February.

Trump filed the CBS suit in October, asking for $10 billion in damages. He later amended the suit, doubling that dollar figure.

The lawsuit alleged that the network committed election interference by favorably editing portions of an interview with Harris, boosting her campaign for president. The suit claimed CBS aired one version of the October interview in a segment on its Sunday morning news magazine show "Face the Nation" that wasn't flattering to the vice president, and then another version in the full interview on that evening's episode of "60 Minutes."

CBS has said it aired a more succinct version of Harris's interview on "60 Minutes."

Brendan Carr, chairman of the FCC, has said that a third-party news distortion complaint about the interview's edit could factor into the agency's review of the Paramount-Skydance merger.

Based on that complaint, Carr is pursuing an inquiry into how CBS News handled the interview edit and demanded the company release the full transcript and raw footage. CBS published the transcript and videos.

The FCC has authority over the Paramount-Skydance transaction because it would involve the transfer of broadcast television licenses held by CBS. The chairman has broad discretion to block a merger or delay its review.

Write to Jessica Toonkel at jessica.toonkel@wsj.com

Corrections & Amplifications

X agreed to pay about $10 million to settle a lawsuit in February. An earlier version of this article incorrectly said it was last week. (Corrected on July 2)

Videos

Paramount Global

Paramount agrees $16mn settlement in Donald Trump's lawsuit against CBS News

Agreement comes as Shari Redstone's company and Skydance face deal deadline

US President Donald Trump alleges that CBS's "60 Minutes" defamed him © Adam Gray/Bloomberg

Christopher Grimes in Los Angeles

Published YESTERDAY

Paramount has agreed to pay $16mn to settle President Donald Trump's $20bn defamation lawsuit against its CBS News division, potentially clearing an obstacle as Shari Redstone seeks to move ahead with the sale of her family's company to Skydance.

The payment will be made to Trump's future presidential library, marking the second time since the November election that he has won damages from a major news organisation. In December, Disney-owned ABC paid $15mn to Trump's presidential library to settle a defamation suit.

The announcement comes as Paramount prepares to hold its annual shareholders' meeting on Wednesday, where it was to install three new board members. Paramount and Skydance face a deadline to complete a merger by July 7. The companies have an automatic 90-day extension if needed.

The merger deal has faced months of scrutiny from Brendan Carr, the Trump-appointed head of the Federal Communications Commission, which would need to approve the transaction. Carr has denied that Trump's CBS lawsuit influenced his deliberation over the Paramount-Skydance deal.

Paramount said in a statement that the settlement of the Trump lawsuit was "completely separate from, and unrelated to, the Skydance transaction and the FCC approval process". The two sides are expected to formalise the settlement agreement over the next 10 days.

Paramount noted that the settlement did not include a statement of apology or regret.

The company's willingness to settle the suit has sparked concern among free-speech advocates, who say Trump's case would not have stood up to a challenge under First Amendment protection for the press.

Trump alleged that CBS's *60 Minutes* news programme defamed him by editing a portion of an interview with then-vice president Kamala Harris in a way that he claimed was deliberately deceptive.

Talk of a potential settlement angered journalists at CBS, prompting the resignation of the network's chief executive and a longtime executive producer of *60 Minutes*.

In a court filing on June 23, lawyers for CBS called the Trump suit "meritless" and accused the president of attempting to "evade bedrock First Amendment principles" allowing free speech.

In May, the settlement discussions prompted senators Elizabeth Warren and Bernie Sanders to express "serious concern" that Paramount might be "engaging in improper conduct" by moderating the content of its programmes to win approval of the Skydance deal.

"If Paramount officials make these concessions in a quid pro quo arrangement to influence President Trump or other Administration officials, they may be breaking the law," the senators warned in a letter. "Under the federal bribery statute, it is illegal to corruptly give anything of value to public officials to influence an official act."

Redstone recused herself from the board's deliberations over how to resolve the case, which has been the subject of months of mediation between Paramount and Trump's lawyers.

The case has been an obstacle for Redstone, who stands to reap a windfall from the $8.4bn sale of Paramount to Skydance, a smaller Hollywood studio founded by David Ellison with backing from his father, Oracle co-founder Larry Ellison.

In the suit, Trump contended that CBS sought to "tip the scales in favour of the Democratic party" during the 2024 election by airing two different edits of answers Harris gave to a question.

Trump accused *60 Minutes* of editing the segment in a way that would "paper over Kamala's 'word salad' weakness".

CBS said its *Face the Nation* programme used a longer clip of Harris's answer, while *60 Minutes* used a shorter edit from the same interview to save time — a common practice in broadcast journalism.

The company said *60 Minutes* would release transcripts of future interviews with US presidential candidates after they air.

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Litigation

Paramount Settles Trump's '60 Minutes' Suit for $16 Million (1)

July 2, 2025, 7:05 AM PDT

- **Trump alleged Kamala Harris interview was edited to favor her**
- **Company to pay attorney's fees, contribute to future library.**

Paramount Global reached a settlement with President Donald Trump over a lawsuit that alleged election interference by the company's CBS news network when it showed two different versions of a *60 Minutes* interview with then-Vice President Kamala Harris in October.

Paramount agreed to pay $16 million, including plaintiff's fees, according to a statement from the company. What's left will go to a future presidential library. Trump had sought damages of $20 billion. No money will be paid to him directly.

The settlement doesn't include an apology. The network has agreed to release transcripts of presidential candidate interviews in the future. Although officially unrelated, the settlement is widely viewed as critical for Paramount to gain approval from federal regulators for its pending merger with Skydance Media .

Read More: Behind the '60 Minutes' Upheaval, a Big Merger Seeking Approval

CBS aired a preview of Harris's *60 Minutes* interview during its *Face the Nation* news program. The clip featured Harris answering a question about the relationship between the US and Israel Prime Minister **Benjamin Netanyahu**. A later *60 Minutes* episode aired an edited version of Harris's response.

Trump, who had backed out of his own *60 Minutes* interview, alleged in a court filing that the Harris response was "doctored to confuse, deceive, and mislead the American People in order to try and interfere in the election" and that the edit made her appear less incoherent. CBS said in a statement in response to the suit that *Face the Nation* had used a longer cut of Harris's answer than *60 Minutes*.

"When we edit any interview, whether a politician, an athlete, or movie star, we strive to be clear, accurate and on point," CBS said in response. "The portion of her answer on *60 Minutes* was more succinct, which allows time for other subjects in a wide ranging 21-minute-long segment."

CBS had been fighting the litigation on multiple fronts, contending that Trump improperly filed it in a federal court in Texas and that the complaint was without merit.

The network's lawyers argued that the Texas consumer protection law that Trump sued under was designed to protect "consumers engaged in commercial transactions against false, misleading, and deceptive business practices, not to police editorial decisions made by news organizations with which one disagrees." US Representative Ronny Jackson, a Republican from Texas, was added to the suit in February as a co-plaintiff.

Bill Owens, the executive producer of *60 Minutes*, announced in April that he was leaving the show, citing a lack of editorial independence. **Scott Pelley**, one of the show's correspondents, addressed Owens' departure on the air saying "Paramount began to supervise our content in new ways."

Bloomberg reported that prior to Owens' decision to step down, Paramount Global Chair Shari Redstone had reviewed a list of *60 Minutes'* planned stories about Trump and indicated which ones she thought were fair and which ones she thought were problematic, though the show didn't make changes based on her feedback. Redstone and Paramount are trying to finalize a merger with independent film and TV studio Skydance in a deal that has faced regulatory scrutiny .

Trump reached a settlement with Walt Disney Co.'s ABC in December where the TV network agreed to give $15 million to Trump's future presidential foundation or museum. Trump alleged that ABC News anchor **George Stephanopoulos** defamed him in March 2024 when he said in an interview that Trump had been found "liable for rape." A jury found Trump civilly liable in May 2023 for sexually abusing writer E. Jean Carroll in the mid-90s and that Trump had defamed her by accusing her of lying to sell a book.

Meta Platforms Inc. agreed to pay $25 million to settle a 2021 Trump suit over the suspension of his social media accounts, according to the Washington Post. Meta had said at the time that Trump violated its rules against inciting violence.

In light of the settlements, critics have argued that news networks and tech companies are kowtowing to Trump in order to preserve access to the White House and protect against retribution. **Brendan Carr**, who Trump appointed as chair of the Federal Communications Commission , has said he'd probe CBS's editing of the interview in the context of the Skydance-Paramount merger.

Carr has also revived FCC investigations into whether CBS, ABC, and Comcast Corp.'s NBC are politically biased and begun a probe into whether commercials aired on public broadcasters NPR and PBS violate federal law. Trump still has lawsuits against the *Des Moines Register*, book publisher Simon & Schuster and the board that awards the Pulitzer Prizes.

Read More: ABC Settles Trump Defamation Case With a $15 Million Donation

(Corrects story to clarify that timing of ABC interview and jury finding Trump liable in 11th paragraph.)

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Just spitballing here, but maybe this is because...it's a bribe?

Dave Itzkoff @ditzkoff.bsky.social · 2h
here's a sentence you don't see every day

The size of the settlement, $16 million, is the same sum that ABC News agreed to pay in December to settle a defamation case filed by Mr. Trump against the network and one of its anchors, George Stephanopoulos. Paramount's board was concerned that paying a higher amount to settle the case could increase the company's exposure to potential legal actions from shareholders accusing them of bribery.

ALT

July 2, 2025 at 5:23 AM · Everybody can reply

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munkinarts.bsky.social @munkinarts.bsky.social · 1h
Paramount would have been better off countersuing for extortion and creating an original crime drama film for their platform based on it.

9

GardyLou @gardylou-games.bsky.social · 1m
Yeah, it's obviously a transactional payment to Trump to get a favorable ruling on their business deal and major pending merger.

Core business operations in America are no longer legitimate for these oligarchy serving corporations.

kschultze.bsky.social @kschultze.bsky.social · 1h
A bribe is initiated by the person paying.

A shakedown or extortion is initiated by the person receiving.

Let's call it what it is.

4

https://bsky.app/profile/kairyssdal.bsky.social/post/3lsy7elggu22t

Bill Grueskin @bgrueskin.bsky.social

+ Follow

CBS's "we can put this behind us" idea is the biggest category error of all.

Each capitulation lays the groundwork for the next. Each surrender emboldens Trump much more.

This won't end until news orgs push back, in unison.

Via @brianstelter.bsky.social

view.newsletters.cnn.com/messages/175...

This is a disturbing development

It's going to take time for CBS News to absorb this gut punch. The newsroom has been distracted and dismayed by Trump's pressure and corporate intrigue for months now. There is widespread outrage and disgust, according to staffers who spoke on condition of anonymity. But this morning, one of the sources said, there is also**"a slight sense of relief that we can start to put this behind us."**

ALT

July 2, 2025 at 6:56 AM Everybody can reply

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lohphat @lohphat.bsky.social · 3m
Vichy TV

Laminariales @kelpkelpkelp.bsky.social · 1h
CBS News just jumped off a bridge and is relieved they don't have to worry about falling off it anymore.

2

Dave Rakowski @daverakowski.bsky.social · 11m
That's what the Czechs said in 1938...

Ann M. Lipton
@annmlipton.bsky.social

To state the obvious, the blatant nature of the payoff is its power
This is a public demonstration that Trump can demand bribes, they will be paid, and there will be no consequences. That matters for the next demand.

> **Lizzie O'Leary** @lizzieohreally.bsky.social · 5h
> This may sound old fashioned, but again it's worth saying. 60 Minutes did nothing wrong. This is a payoff for merger approval.
>
> www.nytimes.com/2025/07/02/b...
>
> 
>
> **Paramount to Pay Trump $16 Million to Settle '60 Minutes' Lawsuit**
> www.nytimes.com

July 2, 2025 at 5:30 AM · Everybody can reply

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Brian JM Quinn @bjmquinn.bsky.social · 3h
Its power is in its obviousness.
2

Yet Lotuses Bloom @yet-lotuses-bloom.bsky.social · 3h
We have a mob boss for a chief executive.
1 5

Patti T. @ptuller.bsky.social · 3h
And the SCOTUS signed off on it with that unethical " Immunity"

Tesla Inc

Tesla deliveries fall for second straight quarter

Electric-vehicle maker grapples with increased competition and blowback from Elon Musk's political activism

Tesla has released an upgraded version of its flagship Model Y car in an effort to reboot demand © Michael Robinson Chavez/Bloomberg

Kana Inagaki in London and **Stephen Morris** in San Francisco

Published 2 HOURS AGO

Tesla's deliveries fell for a second straight quarter as the electric-vehicle maker contends with slumping demand in Europe and rising competition from western and Chinese rivals.

The company, led by Elon Musk, delivered 384,122 vehicles in the three months to the end of June, below the 389,000 forecast by analysts and down 13 per cent from 443,956 in the same period last year.

The second-quarter figure was an improvement from the first three months of the year when the company delivered 336,681 cars — its worst quarter since 2022.

As well as new and more affordable models from China's BYD and European rivals including Renault and Stellantis, Tesla is grappling with a consumer backlash triggered by Musk's political activism.

In May, Musk quit his role in Donald Trump's administration, where he had led the so-called Department of Government Efficiency (Doge), to focus on running his business empire.

Tesla also recently released an upgraded version of its flagship Model Y car in an effort to reboot demand, while Musk touted the launch of its robotaxi service in Austin as a potential source of growth.

The rollout of the robotaxis was limited in scale with a Tesla employee seated in the passenger side for safety. But Musk claimed there would be 1,000 robotaxis "in a few months", and that the service would expand to cities such as San Francisco and Los Angeles.

While the revamped Model Y helped drive a rebound in sales in Norway and Spain in June, registrations of Tesla vehicles fell 28 per cent in Europe and the UK in May, according to European car industry body ACEA.

Shares in Tesla were trading up about 2 per cent on Wednesday, gaining ground from a drop on Tuesday when Trump suggested the subsidies handed out to Musk's business empire should be investigated.

Chinese rival BYD charged ahead in the second quarter, delivering 606,993 electric cars, up 42 per cent from the same period last year.

While Tesla did not give a geographical breakdown of the deliveries, analysts pointed to signs of a sales recovery in China for the month of June.

"If Musk continues to lead and remain in the driver's seat, we believe Tesla is on a path to an accelerated growth path over the coming years," Wedbush analyst Daniel Ives said, predicting that deliveries will pick up in the latter half of the year on the new Model Y demand.

Tesla deliveries slump, Musk's EV maker stares at second year of falling sales

reuters.com/business/autos-transportation/teslas-quarterly-deliveries-fall-sharper-than-analysts-estimates-2025-07-02

Akash Sriram July 2, 2025

New Tesla vehicles are loaded on a car carrier in New York City, U.S., April 26, 2024. REUTERS/Mike Segar/File Photo Purchase Licensing Rights, opens new tab

- Tesla Q2 deliveries drop 13.5%, below analyst expectations
- Needs to deliver over 1 million EVs in H2 to meet growth goal
- China sales rebound with refreshed Model Y
- Shares, which have lost 25% this year, rise about 5%

July 2 (Reuters) - Tesla (TSLA.O), opens new tab posted another big drop in quarterly deliveries on Wednesday, setting it up for its second straight annual sales decline as demand falters due to backlash over CEO Elon Musk's political stance and an aging vehicle lineup.
The automaker said it delivered 384,122 vehicles in the second quarter ended June 30, posting a fall of 13.5% from 443,956 units a year ago, despite Musk saying in April that sales had turned around.

Still, its shares rose 5% as the decline was less severe than the bleakest analyst forecast, partly helped by a modest recovery in demand in China. The stock has lost nearly 25% of its value this year.

Analysts expected Tesla to deliver 394,378 vehicles, according to an average of 23 estimates from Visible Alpha, although projections dropped as low as 360,080 units based on estimates from 10 analysts over the past month.

Several Wall Street brokerages had slashed their deliveries estimates in the past month, fearing demand and brand damage from Musk's embrace of right-wing politics and his role in spearheading the Trump administration's cost-cutting effort.

"The market is reacting to the deliveries not being as bad as potentially thought with multiple analysts cutting their forecasts over the past week," said Seth Goldstein, senior equity analyst at Morningstar.

Tesla in June snapped eight straight months of sales decline in China, a sign that its refreshed Model Y crossover SUV was attracting some buyers despite tough competition from more affordable Chinese rivals such as BYD (002594.SZ), opens new tab.

Sales also rose in Norway and Spain last month as some buyers turned to the new Model Y in a region where Musk's politics had sent Tesla sales into a free fall.

TOUGH TASK

Still, Tesla faces an uphill task in avoiding another yearly decline. To achieve Musk's target of returning to growth this year, Tesla would need to deliver more than a million units in the usually strong second half - a record, according to analysts.

That could be tricky as competition heats up and the Trump administration's massive tax-and-spending bill threatens to eliminate key EV incentives, including a $7,500 tax credit on new sales and leases.

Federal tax credits for EV purchases have helped sustain sales in the sector, even as the U.S. Federal Reserve raised interest rates to tame inflation.

Musk and U.S. President Donald Trump have also escalated a feud over the tax bill, with the latter threatening to cut off the billions of dollars in subsidies his companies receive from the federal government.
The spat has rattled investors, fueling concerns that regulators could intensify scrutiny of Tesla's self-driving tech that is central to its nearly trillion-dollar valuation.

The company last month rolled out a robotaxi service in limited parts of Austin, Texas, for a select group of invitees and with several restrictions, including having a safety monitor in the front passenger seat.

The automaker had said it would start producing a cheaper vehicle — expected to be pared-down Model Y by June end. Reuters had reported in April it was delayed by at least a few months.
Reporting by Akash Sriram in Bengaluru and Abhirup Roy in San Francisco; Editing by Arun Koyyur

Akash reports on technology companies in the United States, electric vehicle companies, and the space industry. His reporting usually appears in the Autos & Transportation and Technology sections. He has a postgraduate degree in Conflict, Development, and Security from the University of Leeds. Akash's interests include music, football (soccer), and Formula 1.

Tesla Hit Refresh on Its EVs. It Didn't Work.

B
bloomberglaw.com/bloombergterminalnews/bloomberg-terminal-news/SYS0UAT0AFB4

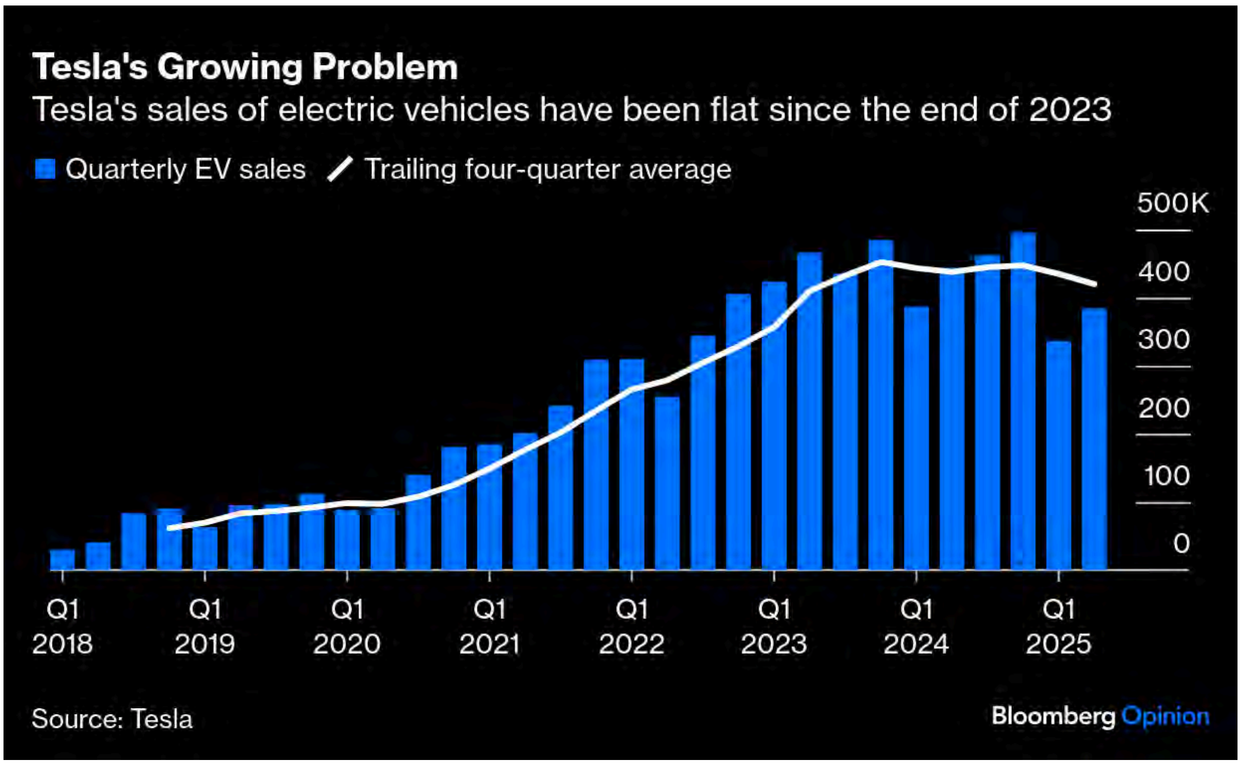
Liam Denning July 2, 2025

Buy me.
Photographer: David Paul Morris/Bloomberg

Forget Tesla for a moment. Just imagine an anonymous company with the following characteristics. Sales of its main product suddenly stopped growing over a year ago and are down 13% so far this year. Its last big product launch bombed. It reiterated plans for new lower-cost versions of its product as recently as three months ago, and they then didn't materialize. The chief executive dove head-first into divisive political activities that alienated customers and then picked a fight with the US president and his party. Having promised a revolutionary new automated product for a decade, missing repeated deadlines, the company finally launched a limited, somewhat automated pilot that looks years behind the competition.

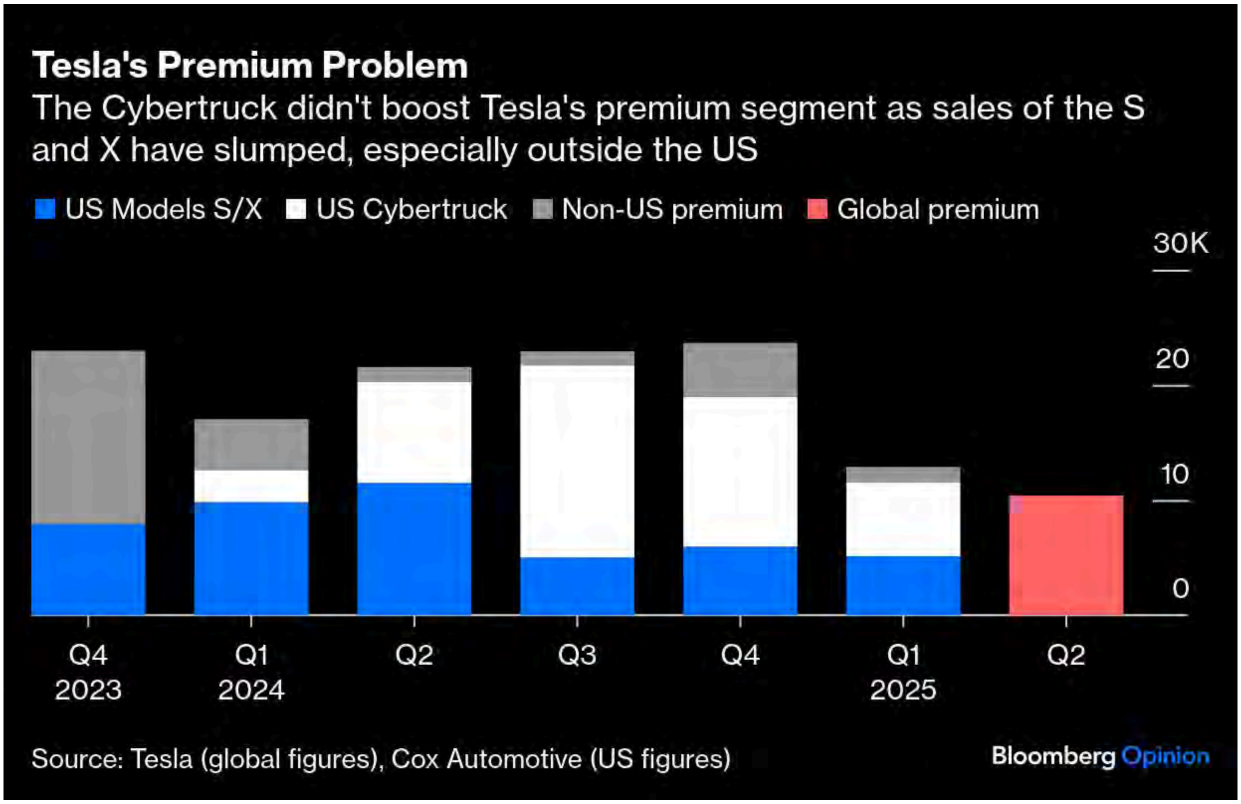
Would you pay 140 times earnings to own a sliver of that?

Tesla Inc. is in trouble. It just reported another dreadful set of electric vehicle sales numbers, once again missing a much-reduced consensus forecast. Tesla has now reported two sub-400,000 quarters in a row for the first time since 2022. The excuse given for the prior quarter's collapse, a temporary shutdown of production lines to refresh the Model Y, was never that convincing and these second-quarter figures now discredit it utterly. The recent sudden departure of Omead Afshar, longtime deputy to Chief Executive Elon Musk, plus news that Musk will assume oversight of sales in Europe and the US, signal an acute problem. As it was, Tesla was forecast to rack up a second year of falling EV sales and this latest miss likely means further cuts to 2025 estimates.



The wrinkle is that Musk himself represents the largest part of that problem. For example, the robotaxi rollout in Austin, for all its limitations, would represent a milestone for Tesla had Musk not spent years egregiously overselling it. The Cybertruck, an utter flop that distracted Tesla from designing cheaper EVs for the mass market, is Musk's brainchild. Above all, Musk's political exploits have damaged Tesla's brand in key markets and installed an administration openly hostile to EVs and the subsidies propping up what's left of Tesla's profits.

The latest sales figures confirm structural weakness across Tesla's markets. The collapse in the premium segment, which comprises only about 5% of unit sales but perhaps 10-15% of automotive revenue[1], is particularly striking. It is all the more striking because that line-up expanded from two to three models with the release of the Cybertruck only about a year and a half ago. Rather than boosting the segment, however, the Cybertruck's own sales peaked early, compounding a marked slump in the Models S and X, both launched at least a decade ago. Tesla's premium segment outside the US has shriveled to almost nothing in recent quarters. While we don't yet have a model breakdown by geography for the second quarter, the low headline number suggests more of the same.



The bulk of the business comprises the cheaper Models 3 and Y, with the latter alone accounting for perhaps 70% of EV sales. This core of Tesla's core business is also struggling badly, with the two together registering a 13.5% decline in the second quarter. Moreover, Tesla built about 23,000 more of them than it sold, their fifth quarter of excess production out of the past eight; further signaling a demand problem and adding a working capital headwind to cash flow.

Refreshes of both models over the past two years have not addressed a basic truth: As with the S and X, these are old models in a fast-evolving market. Nowhere is that more evident than in China, where few care about Musk's relationship with MAGA, but drivers do want the latest technology at an affordable price. Tesla's sliding sales there result purely from a combination of its ageing lineup being overtaken by a range of competitors offering equal or better vehicles at lower prices. The recent release of Xiaomi Corp.'s YU7 SUV, a high-tech Model Y killer, epitomizes the challenge.

Tesla's stock was, characteristically, higher Wednesday morning on the back of this unambiguously bad data. The justifications for such exuberance are collapsing, regardless. Tesla is clearly no longer primed for dominance in EVs, losing share in China, Europe and its domestic market, with Morgan Stanley estimating an 8.8% drop in Tesla's US sales in June against a 1.7% increase for battery EVs overall. And this is before the impact of EV tax credits being removed by the Republican majority Musk helped to elect.

In terms of that other great hope, automation, Chinese competitors are already offering as standard the kind of advanced driver assistance features that Tesla upsells for thousands of dollars. That leaves the US robotaxi dream — and even there, the Austin pilot isn't so much proof of concept as a demonstration that Tesla has much to prove, relative to Musk's rhetoric at least. Tesla's buoyant stock owes everything to a persistent, and US-centric, perception of technology leadership that cannot be found in the actual numbers.

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https://www.wsj.com/business/autos/tesla-sales-q2-2025-e2087c11

BUSINESS | AUTOS

Tesla's Global Vehicle Deliveries Plunged in Second Quarter

Global vehicle sales fall 13.5% as the electric-vehicle maker struggles to reverse months of declining sales

By Becky Peterson Follow

Updated July 2, 2025 10:19 am ET

Tesla has turned to vehicle updates and low-cost financing to try to drum up customer interest. PHOTO: M. SCOTT BRAUER/ZUMA PRESS

Tesla's TSLA **5.25%** ▲ global vehicle sales fell 13.5% in the second quarter compared with a year ago, continuing a steep slide in automotive sales, as the company tries to pivot to autonomous vehicles.

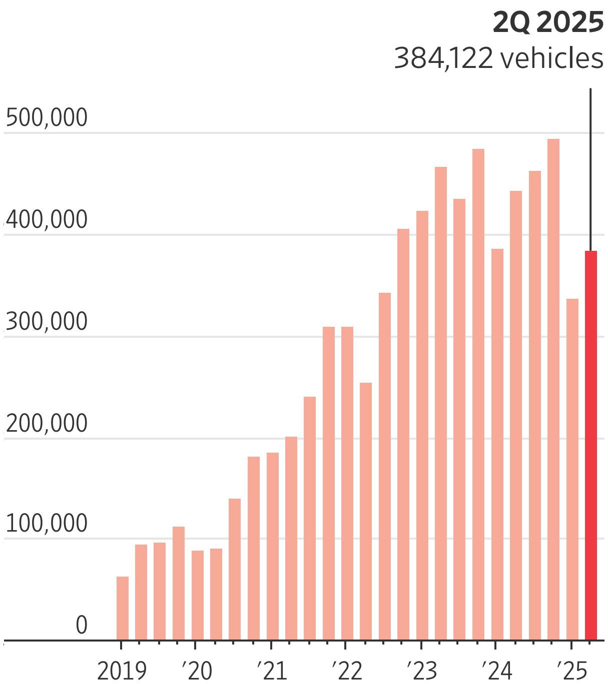
The final quarterly tally of 384,122 Teslas delivered missed analysts' expectations of 387,000 deliveries, according to FactSet.

The electric-vehicle maker has struggled to reverse months of declining sales, which analysts have in part attributed to consumer backlash against the brand and its Chief Executive Elon Musk, whose role in cutting government spending was polarizing. He stepped down from his federal role at the end of May.

Morgan Stanley cited Musk's public falling out with President Trump as a potential problem for sales in a June note to investors: "While the situation remains fluid, we believe the disagreement will not help Tesla demand but could potentially (temporarily) alienate multiple sides of the political spectrum."

Tesla shares traded up 4.5% by Wednesday midmorning following the release of its latest delivery figures.

Tesla vehicle deliveries, quarterly



Source: the company

Tesla has turned to vehicle updates and low-cost financing to try to drum up customer interest as it faces increased competition and pressure on its brand stemming from Musk's stint in politics.

The EV maker released a refreshed version of its popular Model Y midsize SUV in March and a cheaper, pared down version of the Cybertruck in April. It unveiled updated versions of its Model S and Model X luxury vehicles in June.

Tesla executives have played down Wall Street's concerns about declining sales and shrinking margins, pointing instead to potential upside stemming from Tesla's investments in its autonomous driving software, which it calls Full Self-Driving, and its Optimus humanoid robot.

On June 22, Tesla rolled out its long-promised robotaxi service, opening up its new ride-hailing app to a small group of customers, including social-media influencers, who took rides in autonomously driven Tesla Model Ys through a limited area of Austin.

Though it started with fewer than 20 autonomous vehicles and a standardized fare of $4.20 per ride, Musk has said the program could one day add $5 trillion to $10 trillion to Tesla's market cap.

To get there, Tesla needs to keep selling cars, which largely fund Tesla's investments in AI and robotics.

Musk said he expects there to be hundreds of thousands of Teslas driving fully autonomously on roads in the U.S. by the end of 2026, many of which would be personally-owned vehicles. In his vision, drivers will one day be able to lease their cars to other riders on the robotaxi network, much like Uber or Airbnb.

The company plans to start production on its dedicated autonomous vehicle, the Cybercab, as soon as next year. The gold two-seater will be available to customers for $30,000.

U.S. results posted by other major automakers on Tuesday showed that sales slowed in June but not enough to undo the big gains that automakers saw in the first half of the year, as consumers raced to buy new cars ahead of tariffs in earlier spring.

EV sales were another story. Ford Motor, Hyundai and Kia on Tuesday all reported steep drops in EV sales for the second quarter. Ford said its EV sales fell more than 30% in the three months ended June 30, and 12% for the year. General Motors was a rare winner. The company said its EV sales more than doubled to 46,280 in the second quarter from the same time last year. Tesla plans to report its full financial results for the quarter on July 23.

Last year, Tesla reported its first annual decline in deliveries in more than a decade, with global deliveries falling 1%. The decline continued in the first quarter, when deliveries fell 13%, plunging automotive revenue 20%.

Tesla's share price has swung wildly in recent months. The stock nearly doubled in the weeks after President Trump's election, sending its market capitalization to a high of $1.5 trillion in mid-December. In the weeks after the inauguration, the share returned to pre-election levels. By spring, it was back over $1 trillion.

Write to Becky Peterson at becky.peterson@wsj.com

Videos

Tesla's June China-made EV sales see first rise in 9 months, but quarterly fall continues

reuters.com/business/autos-transportation/teslas-june-china-made-ev-sales-see-first-rise-9-months-2025-07-02

Reuters July 2, 2025

People walk by a store of the electric vehicle (EV) maker Tesla, in Beijing, China March 24, 2025. REUTERS/Florence Lo/File Photo Purchase Licensing Rights, opens new tab

- Tesla's June China-made EV sales +0.8% y/y, 1st rise in 9 months
- Q2 China-made deliveries fall 6.8% y/y, third such fall in a row
- Sees heightened threat from Chinese rivals

(TSLA.O), opens new tab sales of its China-made electric vehicles edged up 0.8% in June from a year earlier, snapping an eight-month losing streak, but they continued to fall on a quarterly basis in the face of lower-cost new models from its Chinese rivals.
Deliveries of Model 3 and Model Y vehicles made in its Shanghai factory, including both China sales and exports to Europe and other markets, rose 16.1% from May to 71,599 units, data from the China Passenger Car Association showed on Wednesday.

By comparison, global car sales for BYD (002594.SZ), opens new tab, Tesla's biggest Chinese rival, increased 11% year-on-year to 377,628 units last month.
Tesla recorded the fastest-ever model ramp-up with just six weeks to full production of the refreshed Model Y in its largest manufacturing hub in Shanghai earlier this year.

But its sales in China and Europe have been cooling and mounting pressures from rivals and the political backlash against CEO Elon Musk are dragging on demand.
Sales of its China-made EVs in the April-June period slid 6.8% on-year, the third quarterly decline in a row.

Tesla's China-made EVs accounted for 51.3% of its global deliveries in the first quarter.

The U.S. EV maker is expected to report another fall in global quarterly deliveries later on Wednesday.
For all of 2025, Tesla's EV sales are expected to drop 10% this year to make up 13% of the global market, while BYD's global EV sales are forecast to grow by 45% to a record high or one-fifth of the world's total, according to Counterpoint Research.

Xiaomi's (1810.HK), opens new tab new YU7 SUV, priced from 253,500 yuan ($35,396), nearly 4% below the Model Y, the best-selling SUV in China in May, received exceptionally strong initial orders.

The SU7 sedan, the first EV from the smartphone maker turned automaker, has outsold Tesla's Model 3 on a monthly basis since December.

Tesla has yet to further cut prices in China to fend off the YU7, as some analysts have speculated it may do. Instead, it raised the price of the long-range variant of Model 3 by 3.6% in China on Tuesday and upgraded the range by 40 km to 753 km (468 miles).

($1 = 7.1618 Chinese yuan renminbi)

Reporting by Qiaoyi Li, Zhang Yan and Brenda Goh, Editing by Louise Heavens and Kim Coghill

Our Standards:

EY

EY broke US audit rules on Shell mandate two years in a row

Big Four firm in regulatory crosshairs after exceeding time limits on work for oil major in the US and UK

The update comes after UK regulators fined EY in April for auditing Stirling Water Seafield Finance for more than 10 years without publicly retendering for the contract © Tolga Akmen/AFP/Getty Images

Ellesheva Kissin and **Malcolm Moore** in London

Published 7 HOURS AGO

EY breached independence rules for its audits of Shell in the US and in the UK, the energy major has revealed, putting the Big Four firm in regulators' crosshairs again.

Shell said on Wednesday that the EY partner who led the audit of its 2023 and 2024 financial results had exceeded the period allowed under strict rotation rules set by US regulators, meaning the individual was not eligible to perform that role. EY also told Shell that it had breached UK rotation rules.

The update comes after the Big Four firm was fined in April by the UK accounting watchdog for a similar breach. The Financial Reporting Council issued EY with a £325,000 penalty for auditing listed company Stirling Water Seafield Finance for more than 10 years without publicly retendering for the contract.

The FRC fined rival firm KPMG for breaching the same rules in June.

Shell said EY had informed the energy group's audit and risk committee on Tuesday that it had fallen foul of rules set by the US Securities and Exchange Commission, and that its US opinions on the company's financial statements and effectiveness of internal control over financial reporting for 2023 and 2024 could no longer be relied upon.

EY had moved a different partner into the role of lead audit partner for Shell since discovering the issue and concluded that no changes to the previously issued financial statements were necessary, Shell said.

Shell will amend its regulatory filings with the SEC for the two years EY had breached the rules, while the FRC said it was aware and reviewing the issue in the UK. The FRC will then decide whether to open a formal investigation.

Shell's financial statements remain unchanged. EY earned $66mn from work for Shell in 2024, according to the company's annual report.

EY UK said: "EY UK deeply regrets this occurred and has remediated the matter. There has been no change to the financial information previously prepared by Shell plc, for the applicable years, and EY UK is providing updated, unqualified, SEC audit opinions.

"We are committed to the highest standards of audit quality and will continue to take any necessary steps to ensure these standards are upheld."

Shell did not comment on whether it would retain EY as auditor. EY has been its auditor for nearly 10 years. While Shell has previously said it will reappoint it for another decade, that decision will be voted on at next year's annual meeting.

Securities Law

Herbal Medicine Maker Blames Short Squeeze for 82,000% Stock Pop

July 1, 2025, 10:02 AM PDT

A money-losing traditional Chinese medicine company blamed short sellers for last month's massive stock gain, which briefly boosted its chief executive officer's paper wealth to one of the world's 100 largest fortunes.

Hong Kong-based Regencell Bioscience Holdings Ltd., which develops herbal treatments for ADHD and autism, saw its shares soar more than 82,000% from a February low. The company's stock has since fallen about 80%.

Read More: Herbal Medicine CEO's Fortune Hits $33 Billion as Stock Soars

In interim financial results released Monday, Regencell — which has reported six consecutive years of net losses — pointed to short sellers as a possible cause of its stock's extreme volatility.

"We believe that a 'short squeeze' due to a sudden increase in demand for our ordinary shares that largely exceeds supply has led to, and may continue to lead to, extreme price volatility," according to the filing . It added that nothing has changed about its operating performance or financial position.

At the shares' June 17 peak, founder **Yat-Gai Au**'s 86% stake was worth $33.3 billion, according to the Bloomberg Billionaires Index , putting him ahead of such rich-list stawarts as **Phil Knight** and **Masayoshi Son**. His net worth has since dropped to $6.8 billion.

Some experts, including S3 Partners' **Ihor Dusaniwsky**, questioned Au's explanation for the price swings, saying "it doesn't hold water."

Regencell's current short interest is only about 1 million shares, or just 3% of the company's already low float, data from S3 Partners shows. Given those numbers, it's unlikely that short sellers wield enough muscle to move the share price significantly, Dusaniwsky said.

"Looking at the size of the short selling compared to the trading volume, it can't be the cause," Dusaniwsky, the firm's managing director of predictive analytics, said in an interview.

Regencell's outstanding shorts as a percentage of float briefly spiked to above 40% on March 18, as the company's shares climbed from 10 cents to more than $1. Short interest quickly returned to below 5% three weeks later, where it has remained. There was no significant change in the number of outstanding shorts in mid-June, when Regencell's shares climbed to their peak of $78.

"Long buying and long selling was by far the primary driver of its price moves," Dusaniwsky said. The number of shorts "are a drop in the bucket compared to total average trading volume."

A spokesperson for the Securities and Exchange Commission, which regulates short selling, declined to comment, while attempts to reach Regencell were unsuccessful.

In its interim financial report, Regencell disclosed a $1.9 million net loss for the six months ending Dec. 31, 2024. It has lost money in every reporting period since 2019, filings show.

--With assistance from **Phil Kuntz**.

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Securities Law

DOGE Officials Examining Looser SEC Rules on SPACs, Reuters Says

July 1, 2025, 3:22 AM PDT

DOGE officials at the SEC have in recent weeks sought meetings with staff to explore loosening regulations on Special Purpose Acquisition Companies and reporting requirements for private investment advisers, Reuters reports , citing two people familiar with the matter.

- A White House spokesperson told Reuters that DOGE was working with the SEC "to more efficiently maintain fair and orderly markets while protecting everyday investors"

- An SEC spokesperson told Reuters that "the SEC is working with DOGE to find cost efficiencies and ensure public funds are being used as effectively as possible"

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Tuhin Kar

FT Alphaville US financial regulation

The 'we're still dancing' quote of our time

This will probably age badly

Paul Atkins, our era's Chuck Prince? © REUTERS

Robin Wigglesworth

Published 5 HOURS AGO

In July 2007, the FT interviewed Citigroup's then-CEO Chuck Prince in Tokyo, and asked him about the buyout boom. The answer was a banger, given the debacle that would soon unfold:

> When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing.

Some have defended the quote as being narrowly about acquisition finance, which was indeed still humming along (albeit increasingly out of tune). A few weeks afterwards, an RBS-led consortium sweetened its nearly $100bn offer for ABN Amro with some extra cash.

However, Prince also dismissed talks of subprime mortgage crisis and argued that "the depth of the pools of liquidity is so much larger than it used to be that a disruptive event now needs to be much more disruptive than it used to be." It has therefore justifiable gone down in the record books as one of the all-time classic top-of-the-market quotes.

Sadly, it doesn't have quite the same level of pizzazz as Prince's "get up and dance" quote, but Alphaville suspects that this quote by the SEC's new chair Paul Atkins — made at an open meeting a few weeks ago — will age similarly badly, if not perhaps quite as quickly:

> One thing that I know is true with respect to FSOC [the Financial Stability Oversight Council] is, at least my counterparts on that body, are in agreement that **non-bank financial institutions don't pose systemic risk to our markets.**

Look, yes, the systemic dangers posed by popular bogeymen like private credit are possibly overstated (for now at least). Banks are historically the main locus of systemic financial risk, given the multitude of vital functions they fulfil. Investment managers really are built differently, and applying the same bank-centric “too big to fail” regulatory framework to them always seemed a bit weird.

However, arguing that “*non-bank financial institutions don’t pose systemic risk to our markets*” is plainly ludicrous.

Alphaville would argue that even 2008 was actually more of a non-bank financial crisis than it was a bank financial crisis.

Even if you classify the likes of Lehman Brothers and Merrill Lynch as traditional banks (though their dependency on wholesale finance really made them quintessential shadow banks), how can you memory-hole how the US government felt forced to guarantee the entire then-$4tn money market fund industry?

Forgetting the LTCM shenanigans might be forgiven — though Atkins was an experienced lawyer with a senior stint at the SEC under his belt at the time — but the new SEC chair must surely have been aware of the near-catastrophe that unfolded in the US Treasury market in 2020. That required the Federal Reserve to fire off more QE in a few weeks than it did in all of 2008.

Sure, yes, we had the Silicon Valley Bank debacle in 2023, but for every SVB we have probably had a dozen major mishaps in the shadow banking world, several of which could easily have escalated into something more serious — mostly because of their myriad links to the banking system.

Are banks still the bigger absolute danger? Yes, given their greater importance. But do non-banks pose zero danger? C'mon.

If you think we're taking Atkins out of context you can see the whole open meeting below. The topic was once again delaying the deadline for a revised "Form PF" — the requirement that hedge funds and similar investment vehicles report more information to the SEC. The comment comes in his closing remarks at about the 37 minute mark.

It's possible that Atkins didn't mean to express himself quite so definitively. Alphaville also finds its hard to believe that all his counterparts on FSOC think that non-banks are harmless, given how much FSOC has — across administrations — fretted about this.

But it's precisely the kind of off-the-cuff quote that people like us will roll out again and laugh at the next time the non-bank bit of the finance industry soils itself.

Further reading:

— SEC commissioner Crenshaw rips the agency's 'regulatory Jenga' (FTAV)

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US financial regulation

Securities Law

Trump’s $620 Million of Quick Crypto Riches Reshapes His Fortune

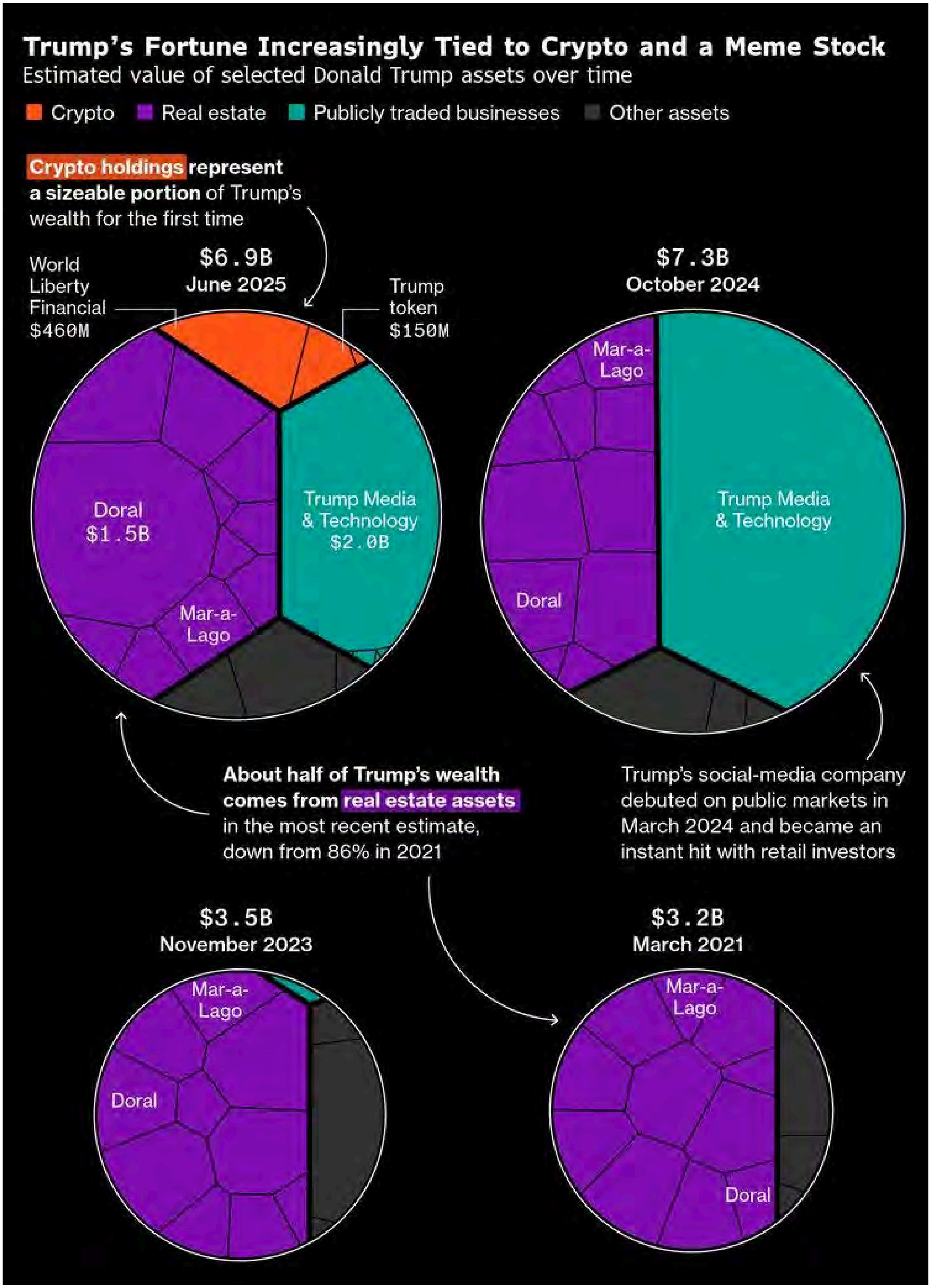
July 2, 2025, 7:00 AM PDT

On the surface, Donald Trump ’s personal net worth looks remarkably unchanged since retaking the White House: $6.5 billion on Election Day, $6.4 billion now.

But digging deeper into the figures reveals an unprecedented and unmistakable shift in how he and his family are buttressing their empire — and how much more quickly they stand to potentially profit from their fame, influence and power.

Whether it’s putting their brand on real estate projects or attaching it to perfumes and mattresses, licensing deals have long been used by the Trump family to make money fast compared with the years of planning and execution needed in real estate development. But with crypto, the Trumps can turbocharge the monetization of their name.

Combined with loosened constraints on foreign dealmaking in the second Trump administration, it has been a bonanza. Crypto ventures have added at least $620 million to Donald Trump’s fortune in the span of months, according to the Bloomberg Billionaires Index , which is valuing his family’s earnings from projects like World Liberty Financial and the Trump memecoin for the first time.


Trump's Fortune Increasingly Tied to Crypto and a Meme Stock
Estimated value of selected Donald Trump assets over time
Crypto
Real estate
Publicly traded businesses
Other assets
Crypto holdings represent a sizeable portion of Trump's wealth for the first time
$6.9B
June 2025
World Liberty Financial $460M
Trump token $150M
Doral $1.5B
Trump Media & Technology $2.0B
Mar-a-Lago
$7.3B
October 2024
Mar-a-Lago
Doral
Trump Media & Technology
About half of Trump's wealth comes from real estate assets in the most recent estimate, down from 86% in 2021
Trump's social-media company debuted on public markets in March 2024 and became an instant hit with retail investors
$3.5B
November 2023
Mar-a-Lago
Doral
$3.2B
March 2021
Mar-a-Lago
Doral

Source: Bloomberg Billionaires Index
Note: Liabilities are excluded. Publicly traded assets in most recent estimate valued as of end of June.
Bloomberg

The money made from an expanding lineup of virtual tokens and obscure companies deriving their value largely from their association with the president and his MAGA movement dwarfs the more than $34 million the Trump Organization reported taking in from real estate licensing deals last year.

“I am incredibly proud of our wonderful company,” said Eric Trump , executive vice president of the Trump Organization. “We have never been stronger.”

While the president’s assets are in a trust administered by Donald Trump Jr. , he continues to personally benefit from the success of the Trump Organization, and Bloomberg’s wealth index rolls up the family’s various interests to the patriarch. For now, many private ventures that Trump’s children are engaged in haven’t been included because the details of their financial interests couldn’t be determined, including the private club Executive Branch in Washington, Japanese hotel company-turned-Bitcoin stockpiler Metaplanet, radio and podcasting outfit Salem Media Group Inc., prediction-market startup Kalshi and online drug retailer BlinkRX.

For as much as Trump and his children are wading into crypto — Eric and Don Jr. have spoken, sometimes independently and sometimes together, at events in Abu Dhabi, Washington, Dubai and Las Vegas since December alone — one of the biggest boosts to his personal fortune has been a project close to home that was years in the making.

Eric Trump, left, and Donald Trump Jr. during the Bitcoin 2025 conference.
Photographer: Ronda Churchill/Bloomberg

Trump National Doral won approval in January to build about 1,500 luxury condos on the property, a longstanding goal of the family that required extensive outreach to the community. That elevates the value of the more than 600-acre property on Miami's outskirts, home to four golf courses and a more than 600-room resort, to $1.5 billion from $350 million previously, according to Bloomberg calculations.

Meanwhile, the wild swings in Trump Media & Technology Group Corp. , the president's publicly traded social-media company, has shown just how quickly assets untethered to fundamentals can lose their luster. The parent company of Truth Social, which reported a net loss of $401 million last year, added more than $4 billion to Trump's fortune in October. These days his stake is worth $2 billion, even as the firm attempts to pivot into finance and Bitcoin.

The blitz of Trump-linked crypto projects, however, offer new avenues for the family to profit.

Among the most prominent of those is World Liberty Financial, a platform that sells its own branded token and issues a stablecoin called USD1 — a virtual currency meant to mirror the value of a US dollar. The Trump family earns money from the project through token sales, by owning a portion of the project's parent company and by holding its World Liberty-branded tokens.

By March, World Liberty sold tokens worth $550 million. About $390 million of that goes to the Trump family, according to Bloomberg calculations. The Trump family also owns 22.5 billion tokens, which would be worth more than $2 billion based on the price at which the tokens changed hands in June. They are excluded from Trump's net worth calculation because the tokens are meant to be non-transferrable, though in recent weeks the company has said that could soon change.

The Trump family last month reduced its stake in World Liberty to 40% from 60%, according to details on the company's website. It's unclear who the buyers were or what the family made from the divestment.

World Liberty also launched a stablecoin, USD1, which got a major boost to its circulation when MGX, an Abu Dhabi-based technology investment firm, said it was using the token to make a $2 billion investment in cryptocurrency exchange Binance. Binance's founder, Changpeng Zhao , who has been seeking a presidential pardon after pleading guilty to violating US anti-money laundering laws, according to a Wall Street Journal report , is serving as a World Liberty adviser, alongside crypto impresario Justin Sun and Bilal Bin Saqib , the head of Pakistan's Crypto Council.

Donald Trump at the Bitcoin 2024 conference in Nashville.
Photographer: Brett Carlsen/Bloomberg

Applying the ratio of stablecoin issuer Circle Internet Group Inc. 's market capitalization to its USDC circulation would imply World Liberty was worth some $1.4 billion, according to Bloomberg calculations. Bloomberg excludes the stablecoin from Trump's net worth because it's considered too speculative to value given its limited adoption. But its circulation of $2.2 billion means its reserves are likely to earn roughly $100 million this year for World Liberty.

A separate token with the president's name launched on his inauguration weekend. The Trumps benefit when the price of the memecoin increases: Fight Fight Fight and Trump Organization affiliate CIC Digital hold 80% of the memecoin's supply, with portions of that stake becoming available for sale over a three-year period. Memecoins have no underlying value, and trade based on sentiment.

The Trump memecoin, which has drummed up enthusiasm from its connection to the family of a sitting president, got an added demand boost after a contest in which the 220 largest holders were invited to a private dinner where Trump spoke in May. Sun was among the guests, and posted a selfie in his black tie attire en route to the Trump golf club in Virginia where the event took place. Guests dined on filet mignon and pan-seared halibut while protesters outside brandished signs calling it a "Grifter Gala."

Memecoins are notoriously difficult to value, usually because creators own the vast majority of the supply and can't sell their stash without crashing the market. Gauntlet, a crypto risk modeling firm, found that digital wallets associated with the creation of the memecoin own nearly 17 million tokens.

Roughly another 17 million Trump tokens were transferred to crypto exchanges by these wallets.

Activists from Our Revolution demonstrate outside the Trump National Golf Course during a dinner for 220 largest holders of the Trump memecoin in Sterling, Virginia on May 22.
Photographer: Kevin Wolf/AP Photo

The Trump Organization is credited with 40% of the total, the same ownership stake as its disclosed position in World Liberty Financial. After applying a large liquidity discount and adding nearly $300 million in trading and selling proceeds, Trump’s memecoin investment is worth roughly $150 million, according to Bloomberg calculations. That excludes 800 million coins worth more than $7 billion vesting over the next three years, beginning later this month.

Though World Liberty Financial and the Trump token began as two separate efforts, they’ve collided in at least one way: Eric Trump revealed plans for World Liberty Financial to amass a “substantial position” in the Trump memecoin for the company’s stockpile of virtual assets.

The Trump family also has a crypto wild card up its sleeve.

American Bitcoin — an entity spun out by a small Trump-affiliated investment bank — is planning to become a publicly traded company, which would add another stream of crypto wealth for the family. When its predecessor started in February, a press release said it would focus on AI infrastructure and data centers. By March, it had a new strategy, pivoting to crypto and changing its name.

Hut 8 Corp., a Bitcoin miner, agreed to to take a majority stake in American Bitcoin, handing over nearly all of its cryptocurrency mining devices. The whole business will leap on to public markets in a planned merger with Gryphon Digital Mining Inc. , a Nasdaq-listed penny stock. The Trumps and their partners own 20% of American Bitcoin.

Gryphon’s shares are trading at a level valuing the new venture at more than $3 billion, according to Bloomberg calculations. By just about any traditional measure, that figure appears far too high, given that its main asset will be the Bitcoin mining equipment that Hut 8 provided, with a book value of roughly $120 million.

But, like with many of the assets and ventures that make up Trump’s new wealth, fundamental value is often besides the point.

Class Action

Column

Amy Coney Barrett Is the Most Interesting Justice on the Court

July 2, 2025, 1:30 AM PDT

Columnist David Lat writes that Justice Barrett seemed to turn rightward at the end of the SCOTUS term, raising questions about whether she felt conservative pressure or has been following her legal judgment all along.

Steeped in tradition, the US Supreme Court is not an institution known for surprises. But a surprise is exactly what we got on the court's last decision day of the term, at the very start of the morning session.

Chief Justice John Roberts announced that Justice Amy Coney Barrett would announce the first opinion. And that opinion was in the case of… *Trump v. CASA*?

Although *CASA* arose out of President Donald Trump's executive order attempting to curtail birthright citizenship, the appeal before the Supreme Court actually concerned the legality of universal injunctions. It's one of the most important cases of the term, with broad implications for the federal courts, so most court watchers expected Roberts to write this opinion himself. But he instead assigned it to Barrett—the second most junior member of the court.

Assigning *CASA* to Barrett might have surprised some observers for another reason. Going into the final two weeks of the term, Barrett was "showing signs of leftward drift," according to a study of her jurisprudence. The study's authors—Lee Epstein, Andrew D. Martin, and Michael J. Nelson—reported that Barrett was "aligning more frequently with liberal majorities," winding up as "the Republican appointee least likely to support Trump in Trump-related disputes."

But Barrett's opinion in *CASA*, which essentially put the kibosh on universal injunctions, was a significant win for Trump. Although the size of that victory is hard to assess right now, given all the uncertainties about what might follow, there's no disputing that *CASA* is positive for the administration, given how many of its actions have been stopped by universal injunctions. In fact, Trump himself praised the ruling as "a monumental victory."

And it wasn't just the substance of Barrett's *CASA* opinion that was noteworthy; there was also the matter of its style. Typically Barrett employs rather restrained rhetoric, consistent with how she once described herself as a "one jalapeño gal"—in contrast to the jurist for whom she once clerked, the late Justice Antonin Scalia, who was a "five jalapeño" kind of writer.

But in *CASA*, Barrett took the gloves off—especially in her forceful response to the dissent of Justice Ketanji Brown Jackson, which Barrett dismissed as being "at odds with more than two centuries' worth of precedent, not to mention the Constitution itself." It will be interesting to see whether her *CASA* opinion winds up being a harbinger of a more Scalia-esque style on Barrett's part—or nothing more than an intriguing outlier among her opinions.

In doctrinal terms, *CASA* wasn't Barrett's only rightward turn in the last two weeks of the term. In *United States v. Skrmetti*, the Supreme Court, in an opinion by Chief Justice Roberts, upheld Tennessee's ban on certain hormones and puberty blockers for transgender minors. It did so after concluding that the law doesn't discriminate based on sex or transgender status. But Barrett would have gone further than that.

In a separate concurrence, Barrett argued that transgender individuals don't constitute a "suspect class"—and so as a result, the "Equal Protection Clause does not demand heightened judicial scrutiny of laws that classify based on transgender status." This analysis wasn't needed to decide *Skrmetti*, and in several other cases, Barrett has argued that the court shouldn't address issues it doesn't have to address. But in *Skrmetti*, she seemingly went out of her way to advance a conspicuously conservative conclusion.

What might explain Barrett's uncharacteristically bold opinions in *CASA* and *Skrmetti*? Some suggest that the justice, stung by conservative critics who only a few weeks ago derided her as "Amy Commie Barrett" and a "DEI hire," might have moved rightward in response. In the words of Trump ally Mike Davis, founder of the Article III Project, "Sometimes feeling the heat helps people see the light."

But other commentators push back on such armchair theories, maintaining that Barrett is simply calling the cases as she sees them. According to Samuel Bray, a professor at Notre Dame Law School (where Barrett used to teach), "she's her own justice, and she's committed to giving legal answers to legal questions." Or as Harvard Law School professor Noah Feldman—who has known Barrett for more than 25 years, since they clerked together at the Supreme Court—put it, the justice is "deeply committed to rule-of-law principles," deciding cases based on "what she thinks of as fundamental principles of legal judgment."

So just how conservative is Justice Amy Coney Barrett? Is she a horsewoman of the MAGA apocalypse, or a traitor to the Trumpian cause? In directional terms, is she drifting to the left or tacking to the right?

Those of us who are Supreme Court obsessives have debated—and will continue to debate—these questions. But here's something I suspect many of us, from across the ideological spectrum, can agree on: Amy Coney Barrett is the most interesting justice on the court right now.

David Lat , a lawyer turned writer, publishes Original Jurisdiction . He founded Above the Law and Underneath Their Robes, and is author of the novel "Supreme Ambitions."

Read More Exclusive Jurisdiction

To contact the editors responsible for this story: Jessie Kokrda Kamens at jkamens@bloomberglaw.com; Daniel Xu at dxu@bloombergindustry.com

Securities Law

Sinovac Controlling Investors Ordered to Amend Disclosures

July 1, 2025, 3:42 PM PDT

- **Control of Sinovac has been subject of previous litigation**
- **Board chair, fund enjoined from 'further' misleading remarks**

A Sinovac Biotech Ltd. minority investor fighting for a $600 million dividend and board changes at the vaccine company is entitled to an order requiring controlling shareholders to make several disclosures, a federal court ruled.

The allegedly controlling stock owners must file "an amended and accurate Schedule 13D with the SEC disclosing their beneficial ownership interests, control relationships, group affiliations, and plans/proposals relating to Sinovac," the US District Court for the District of Massachusetts said Monday. The submission to the Securities and Exchange Commission must be made within five days, Judge Myong J. Joun said.

New board chair Jiaqiang "Chiang" Li and his 1Globe Capital LLC investment fund are prohibited "from making further materially misleading statements regarding their shareholding or intentions with respect to Sinovac," Joun said.

Beijing-based Sinovac, which is incorporated in Antigua and Barbuda and listed on the Nasdaq exchange, has been the subject of other litigation over its board composition and control. Two suits—one in the same district and one in the Delaware Chancery Court—were dismissed as untimely, and another minority investor voluntarily dismissed its suit in June 2024.

Minority investor Vivo Capital Surplus Fund VIII has shown it's likely to succeed on the merits of its suit, Joun said here. Li and 1Globe "appear to have engaged in coordinated activities regarding Sinovac's governance while failing to file accurate and timely Schedule 13D disclosures," he said.

"Accurate and transparent disclosure is essential for fair and efficient markets. Contrary to Defendants' assertions, this relief does not intrude upon foreign sovereign authority and instead reinforces regulatory compliance across jurisdictions," the judge said.

Simpson Thacher & Bartlett LLP represents Vivo. Morgan, Lewis & Bockius LLP represents Li and 1Globe.

The case is Vivo Cap. Surplus Fund VIII, L.P. v. 1Globe Cap. LLC , 2025 BL 226404, D. Mass., No. 25-10914, 6/30/25 .

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2nd Circ. Scrubs $4M Wet Wipes Settlement Over Atty Fees

By **Mike Curley**

Law360 (July 1, 2025, 3:10 PM EDT) -- The Second Circuit on Tuesday vacated a $4 million settlement agreement to end claims that wet wipes made by Kimberly-Clark Corp. are not flushable as advertised, saying the trial court didn't properly consider the allocation of recovery between class counsel and the class.

In the **published opinion**, the three-judge panel said the trial court only considered that the $3.1 million awarded to class counsel was not from the same settlement fund as the $1 million in claims, but should have compared the allocation to determine whether the settlement was indeed fair.

However, the panel declined to reach the question of whether the deal was itself unfair, as that decision remains within the district court's discretion.

"Successful class counsel should certainly be compensated," the panel wrote. "But the share of recovery that class counsel takes as compensation sheds light on how much is left for the class — or how much was negotiated for the class in the first place."

According to a suit filed by D. Joseph Kurtz, the wipes sold by Costco and Kimberly-Clark are not flushable as advertised. He alleged the wipes damage pipes and septic systems because they don't disintegrate after being flushed, and as a result customers are paying more for the wipes than is warranted. The case was later consolidated with an identical class action complaint by Gladys Honigman.

U.S. District Judge Jack B. Weinstein certified the damages and injunctive relief classes in Kurtz's case **in February 2017**, while denying certification to Kurtz's proposed national class, but in **June 2020**, during a previous appeal, the Second Circuit decertified the injunctive relief class, saying there's no indication Kurtz planned to buy the wipes again and thus had no standing for an injunction against the companies.

In **June 2023**, U.S. District Judge Pamela K. Chen granted final approval to the settlement, in which Kimberly-Clark agreed to pay up to $20 million to the class and about $4 million to class counsel. However, the class members ultimately claimed only $1 million, with the remaining $19 million reverting to the company, and Judge Chen reduced the attorney payout to just over $3 million.

Theodore H. Frank objected, and the trial court granted final approval over his objections, leading to the appeal.

While Kimberly-Clark had argued that Judge Chen had properly taken into account the attorney fees' fairness when she considered that they were paid separately from the fund, the panel wrote that the analysis doesn't end there, as the judge should have compared and judged the allocation of funding before deciding whether it was fair.

The court's rules do not distinguish between fees paid out of the settlement fund and those paid separately, the panel added, saying in either case, the fees and settlement are "symbiotic" and most settling parties would be expected to consider them as a single sum and negotiate them in that manner.

The panel further found that whether to compare attorney fees with the projected payout or actual recovery is a fact-bound question for the district court to decide, noting that different settlement structures, rates of recovery, and treatment of unclaimed funds might affect what comparison is apt.

As such, the panel declined to offer an opinion about the settlement's overall fairness, but instead sent the case back to the district court to consider whether it is fair when the attorney fees and class recovery are considered together.

"We look forward to presenting the settlement again to the district court, and remain confident that it will ultimately receive approval," Samuel H. Rudman of Robbins Geller Rudman & Dowd LLP, representing the proposed class, said Tuesday.

Representatives for the other parties could not immediately be reached for comment Tuesday.

Senior Circuit Judges Guido Calabresi Susan L. Carney and Judge Maria Araújo Kahn served on the panel.

Frank is represented by Anna St. John of Hamilton Lincoln Law Institute Center for Class Action Fairness.

The proposed class is represented by Douglas Wilens, Samuel H. Rudman, Vincent M. Serra and Francis P. Karam of Robbins Geller Rudman & Dowd LLP.

Kimberly-Clark is represented by Patrick Reischl, Theodore J. Boutrous Jr., Timothy W. Loose, Daniel R. Adler and Patrick J. Fuster of Gibson Dunn & Crutcher LLP and Kara L. McCall, Eamon P. Joyce and Brianna O. Gallo of Sidley Austin LLP.

The case is Kurtz et al. v. Kimberly-Clark Corp., case number 24-425, in the U.S. Court of Appeals for the Second Circuit.

--Additional reporting by Elliot Weld. Editing by Alyssa Miller.

Update: This story has been updated with the proposed class's attorney's comment.

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Investors Sue Petco Over Premium Pet Food Business Model

By **Katryna Perera**

Law360 (July 1, 2025, 7:12 PM EDT) -- Petco and several current and former executives misled the public about the sustainability of its premium pet food business model and oversold the company's growth prospects while hiding the impact of shifting consumer behavior post-COVID-19, a new lawsuit has alleged.

Investor Joshua Spurbeck **filed a complaint** Monday in California federal court against Petco, CEO Joel Anderson, Chief Financial Officer Sabrina Simmons, and several former CEOs and CFOs of the company. The suit is on behalf of a proposed class of individuals and entities that purchased or acquired Petco securities between Jan. 14, 2021, and June 5, 2025.

According to the complaint, one of Petco's key business metrics is "comparable sales" or "same-store sales," which "measures the change in period-over-period net sales from physical locations and digital sites that have been open for the applicable period."

Spurbeck alleged in the wake of the pandemic's height, Petco and its top brass continuously touted the benefits and sustainability of pandemic-related tailwinds on the company's growth and profitability, including comparable sales growth due to increased rates of pet adoption.

The defendants also allegedly touted Petco's transformation from a general pet retailer into a more health-focused pet company, specifically its ability to capitalize on ongoing purported "pet humanization" and "premiumization" trends, the complaint states.

"According to Petco, these trends were driven by an increase in younger, more health-conscious consumers becoming pet owners, who were purportedly more prone to treat pets more like humans than property and, accordingly, invest more in healthy, premium pet products," Spurbeck said.

"Petco represented that it was uniquely positioned to capitalize on the foregoing trends and drive sustainable, profitable growth based on its purported differentiated business strategy centered around ... healthy, premium pet foods containing no artificial ingredients," he continued.

However, the investor said that as pandemic-related tailwinds died down, Petco's sales and profitability metrics began to plummet, and by mid-2023, the company's financial performance had taken a "notable turn for the worse."

Despite the company's worsening financial performance, the defendants continued to represent to the public that Petco's business model focused on healthy or premium pet food products and that this business strategy remained viable, according to the complaint.

Throughout the class period, Spurbeck said the defendants failed to disclose that the strength of Petco's product strategy and its ability to deliver sustainable, profitable growth was overstated, and that they had downplayed the true scope and severity of issues the company was facing.

According to the investor, the truth began to come to light in August 2023 when Petco issued a press release announcing its financial results for the second quarter of 2023 and negatively revised its adjusted EBITDA for fiscal year 2023, citing a "shift in consumer spending and pressures on our discretionary business[.]"

On this news, the complaint states Petco's stock price fell by $1.35 per share, or 20.64%, to close at $5.19 per share on Aug. 24, 2023.

A few months later, in November 2023, Petco again negatively revised its fiscal year 2023 adjusted EBITDA guidance, and the company's executives revealed Petco had "broadened its product offerings to include 'value' — i.e., cheaper, lower-quality — pet food brands in an effort to improve sales."

Spurbeck said on this news, Petco's stock price fell by $1.11 per share, or 28.91%, to close at $2.73 per share on Nov. 29, 2023.

In March 2024, Petco announced that defendant Ronald Coughlin Jr. had stepped down as Petco's CEO, and it announced disappointing financial results for the fourth quarter of 2023, according to the complaint.

Additionally, during an investor conference call, Petco's management acknowledged that the company's business model focused on premium products was not sustainable because it could not weather ongoing consumer preference trends towards cheaper goods for their pets.

Following these disclosures, the complaint states that Petco's stock price fell $0.50 per share, or 19.53%, to close at $2.06 per share on March 14, 2024.

Three additional stock price drops occurred over the following year, as Petco announced further executive departures, according to the complaint. The final disclosure took place on June 5, 2025, when Petco reported its financial results for the first quarter of 2025, which included a 1.3% year-over-year decline in comparable sales.

On this news, Spurbeck said Petco's stock price fell $0.84 per share, or 23.2%, to close at $2.78 per share on June 6, 2025.

The suit seeks damages, attorney fees and a jury trial.

Petco declined to comment on Tuesday, and counsel for Spurbeck did not respond to requests for comment.

Spurbeck is represented by Jennifer Pafiti, Jeremy A. Lieberman and J. Alexander Hood II of Pomerantz LLP.

Counsel information for the defendants was not available Tuesday.

The case is Spurbeck v. Petco Health and Wellness Co. Inc. et al., case number 3:25-cv-01667, in the U.S. District Court for the Southern District of California.

--Editing by Lakshna Mehta.

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Mallinckrodt Execs See Securities Fraud Claims Trimmed

By **Emilie Ruscoe**

Law360 (July 1, 2025, 10:12 PM EDT) -- Mallinckrodt Pharmaceuticals executives must face investors' claims alleging they concealed signs of the company's impending 2023 bankruptcy and share cancellations, but a New Jersey federal judge pared down allegations against two executives and other aspects of the case in a partial dismissal Monday.

U.S. District Judge Zahid N. Quraishi's order partially granted a dismissal bid by Mallinckrodt's CEO Sigurdur Olafsson, board chair Paul Bisaro, Chief Financial Officer Bryan M. Reasons, Chief Strategy and Restructuring Officer Jason Goodson and former controller Daniel Speciale.

Specifically, Judge Quraishi declined to toss an investor claim under the New Jersey Uniform Securities Act, as well as common law allegations of fraud and negligent misrepresentation, finding those claims weren't preempted by the Securities Litigation Uniform Standards Act just because of the existence of a separate proposed class action making similar claims.

"This action is not joined, consolidated, or proceeding as a single action with" the separate case, Judge Quraishi said Monday.

However, the judge did grant dismissal of state law claims against Goodson and Speciale, and tossed claims against the restructuring chief and controller brought under fraud provisions of the federal securities law. Allegations of control person liability were also tossed.

Judge Quraishi also left in place a claim that all five Mallinckrodt executives should face liability for investor damages following the purchase or sale of securities based on misrepresentations in the company's filings with the U.S. Securities and Exchange Commission.

Notably, Judge Quraishi said, in their partial dismissal bid, the Mallinckrodt executives didn't ask the court to toss federal securities fraud claims, or control person liability claims, against Olafsson, Bisaro and Reasons. Those claims remain in place.

Ireland-headquartered Mallinckrodt filed for bankruptcy in Delaware in October 2020, citing in its bankruptcy filings liabilities related to both selling and marketing opioid products and allegedly employing illegal kickbacks and Medicaid rebates to suppress competition for its anti-inflammatory drug Acthar.

In Mallinckrodt's June 2022 restructuring plan, the company agreed to pay $1.725 billion over eight years into an opioid-crisis settlement trust and $260 million to resolve improper billing practice claims.

However, the company continued to face headwinds and filed a second bankruptcy petition in August 2023, canceling shares, including over 1.9 million held by the investors who brought the instant action. The company emerged from that bankruptcy in October 2023.

Investment management firm Alta Fundamental Advisers LLC and four funds it managed brought claims in September 2024, alleging that in the lead up to the company's latest bankruptcy filing, the company and its executives "perpetuated a fanciful tale to attract and maintain equity investors in the company for their own benefit."

"In reality, Mallinckrodt was in distress nearly immediately upon its emergence from bankruptcy," the investors claimed.

In May, the company and a proposed investor class **got initial approval** in a separate but similar suit before Judge Quraishi for a $5.5 million deal. In April, the company **received final approva**l for a $46 million settlement to end investor claims that it misled them with rosy projections about the business prospects for Acthar.

Mallinckrodt finalized a **$6.7 billion merger** in June with Pennsylvania-based pharmaceutical company Endo Inc.

On Tuesday, Jeffrey Rotenberg, an attorney for the investors, told Law360 via email, "We look forward to moving the case forward and holding the defendants accountable for the losses they caused our clients."

Representatives for Mallinckrodt and counsel for its executives did not immediately respond to requests for comment Tuesday.

Plaintiffs Alta Fundamental Advisers LLC, Alta Fundamental Advisers Master LP, Alta Fundamental Advisers SP LLC, Blackwell Partners and Star V Partners LLC are represented by Rodney C. Villazor, Christopher J. Clark and Jeffrey D. Rotenberg of Clark Smith Villazor LLP.

Defendants Paul Bisaro, Jason Goodson, Sigurdur Olafsson, Bryan M. Reasons, and Daniel Speciale are represented by Allison M. Wuertz, William M. Regan Jacey L. Gottlieb and Christine Jiha of Hogan Lovells US LLP.

The case is Alta Fundamental Advisers LLC et al. v. Bisaro et al., case number 3:24-cv-09245, in the U.S. District Court for the District of New Jersey.

--Additional reporting by Sydney Price, Katryna Perera and Al Barbarino. Editing by Drashti Mehta.

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Arrival Investors Seek Approval For $13.3M Partial Settlement

By **Emilie Ruscoe**

Law360 (July 1, 2025, 12:45 PM EDT) -- Investors in bankrupt electric vehicle company Arrival are seeking the OK for a nearly $13.3 million deal to end claims the company presented a flashy, profitable business plan when it went public through a special purpose acquisition company only to scale back its ambitions a year later.

In a Friday motion in the proposed class action, Arrival investors Mostaco Corp. and named plaintiff Salvatore Fiorellino asked U.S. Magistrate Judge Peggy Kuo in New York to grant preliminary approval to the proposed partial settlement, which includes a cash payment of nearly $11.3 million and a $2 million reserve that would cover certain defense costs and would revert to the settlement fund after those costs were covered.

"In other words, the settlement will provide a maximum of $13,275,000 and a minimum of $11,275,000 for the settlement class," the investors said in the filing. "This is a highly favorable result particularly given the significant risks of continued litigation."

The investors cited their expert's estimate that the maximum damages to members of their proposed class were $1.1 billion, adding that the proposed settlement is between 0.10% and 0.12% of total maximum recoverable damages.

"A certain recovery of approximately .10-.12% of the 'best case' damages recovery is fair and reasonable in light of the significant risks of continued litigation," the investors said, noting that the settlement was partial and claims are ongoing against the company's founder, Denis Sverdlov, and Arrival's parent company, Kinetik.

The investors also told the court that the "adequacy and fairness of the settlement should be examined in light of Arrival's bankruptcy, and the depreciating insurance proceeds available to fund a settlement" and added that interested parties were far flung, since Arrival was a Luxembourg company whose principal operations took place in England.

If approved, the settlement deal would resolve not only the federal claims, but similar allegations brought in New York state court that are stayed as well as claims brought in Delaware's Chancery Court. The federal plaintiffs' counsel in the Delaware matter hadn't engaged in mediation and subsequent negotiation in the lead-up to the instant deal and said they believed counsel in the Delaware matter might object to the settlement.

The investors said the current deal could result in "global peace" with its liability release, "regardless of Delaware plaintiffs' and their counsel's desire to preserve their action for self-serving reasons."

The investors also said their attorneys at the Rosen Law Firm would seek one-third of the settlement fund and litigation cost reimbursement of up to $325,000, adding they'd plan to allocate some of the fees to counsel in the state court matter, and the lead plaintiff and named plaintiff will seek potentially as much as $30,000 as a compensatory award for their role in the case.

The proposed class includes those who purchased Arrival shares between the SPAC transaction announcement in November 2020 and the company's scaling back of certain previously stated goals in November 2021.

In the latest version of the claims, from February 2023, the investors cited records showing that when special purpose acquisition company CIIG Merger Corp. announced plans to bring Arrival public via merger, the companies subsequently touted Arrival's plans to build electric cars with lower costs than its competitors, promising "double-digit margins on a per vehicle basis" in part due to Arrival's planned use of AI-programmed autonomous robots at its so-called microfactories.

When the SPAC merger closed in March 2021, the investors said, trading prices for the company's shares were about $22.80, up from about $10 prior to the merger announcement.

But despite the specificity of the company's purported plans, the investors claimed, "Arrival's business model was a house of cards built upon a series of knowingly incorrect assumptions, any one of which nullified Arrival's IPO financial model and production plan."

The investors claimed that the company's heralded robots never actually worked as intended and the company's public production capacity projections were far higher than projections it arrived at internally, and the company's original plan to use thermoplastic for its vehicles was reworked because it looked "horrible."

Arrival filed for bankruptcy and was declared bankrupt in May 2024. Its bankruptcy proceedings are in Luxembourg, and it was not immediately clear Tuesday what stage those proceedings have reached.

Representatives for the parties did not immediately respond to requests for comment Tuesday.

The investors are represented by Laurence Rosen and Sara Fuks of the Rosen Law Firm PA.

Arrival SA is represented by Susan L. Saltzstein, Robert A. Fumerton and Shaud G. Tavakoli of Skadden Arps Slate Meagher & Flom LLP.

The case is In re: Arrival SA Securities Litigation, case number 1:22-cv-00172, in the U.S. District Court for the Eastern District of New York.

--Editing by Orlando Lorenzo.

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FTX Bahamas, Celsius Settle Clawback Claims

By **Rick Archer**

Law360 (July 1, 2025, 5:51 PM EDT) -- Crypto exchange FTX's Bahamas unit and crypto lender Celsius Network have reached a deal to end Celsius' attempt to claw back $516.6 million transferred out of Celsius accounts just prior to its Chapter 11 filing.

In a **motion** filed late Monday, FTX Digital Markets asked the court to approve a settlement ending what is now a year-old dispute with Celsius over the transfers.

"In essence, the parties have agreed to withdraw their respective claims and causes of action and mutually release each other of all liability in connection with the disputes," it said.

Collapsing crypto values sent Celsius into Chapter 11 in **July 2022**, and crypto giant FTX followed in **November** of that year.

FTX Digital Markets became subject to liquidation proceedings in the Bahamas at around the same time, with joint provisional liquidators appointed to handle the wind-down of the Bahamian entity. Those liquidators later commenced a Chapter 15 case in New York bankruptcy court that was transferred to Delaware to be jointly administered with the main FTX Chapter 11 cases.

In July 2024 the litigation administrator put in place when Celsius' Chapter 11 plan was approved in November 2023 filed a suit against FTX DM seeking to claw back what it said were more than $516.6 million in assets transferred from Celsius accounts to FTX DM accounts just prior to Celsius' bankruptcy.

FTX DM **argued** the litigation stay imposed by the Bahamas courts for the liquidation proceedings blocked the suit. Celsius asked the court to find it could bring the case in Delaware bankruptcy court, but the motion was dismissed as moot after the court dismissed Celsius' overall clawback claims against FTX for failing to give FTX sufficient notice.

In Monday's settlement motion, counsel for the FTX DM foreign representatives said Celsius has continued to pursue its claims in the Bahamas courts, but that in "recent months" the parties began talks that resulted in the settlement.

Counsel for the parties did not immediately respond to requests for comment Tuesday.

The FTX DM foreign representatives are represented by Kevin Gross, Paul N. Heath, Brendan J. Schlauch, Alexander R. Steiger and David T. Queroli of Richards Layton & Finger PA and Jessica C. Lauria, J. Christopher Shore, Brian D. Pfeiffer, Ashley R. Chase, Brett L. Bakemeyer, Thomas E Lauria and Richard S. Kebrdle of White & Case LLP.

The Celsius litigation trustee is represented by Justin R. Alberto, Patrick J. Reilley and Melissa M. Hartlipp of Cole Schotz PC and Seth H. Lieberman, Richard Levy Jr. and Andrew S. Richmond of Pryor Cashman LLP.

The case is In re: FTX Trading Ltd., case number 1:22-bk-11068, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Emlyn Cameron. Editing by Linda Voorhis.

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Judge Advances Shaq And FTX Investors' $1.8M Deal

By **Aislinn Keely**

Law360 (July 1, 2025, 7:35 PM EDT) -- A $1.8 million settlement between FTX investors and former NBA star Shaquille O'Neal has received preliminary sign-off from a Florida federal judge in a step toward confirming the deal that would resolve claims that the retired NBA star misled FTX investors with his alleged promotion of the now-collapsed cryptocurrency exchange.

U.S. District Judge K. Michael Moore, who is overseeing a sprawling multidistrict litigation over the fall of FTX, granted preliminary approval Monday after FTX investors **requested** sign-off on the deal and certification of their proposed class last month. Judge Moore's order stayed the claims against O'Neal until the court issues a final decision on the settlement and noted that it's likely to be approved down the line.

"The court preliminarily finds that the proposed settlement, on the terms and conditions set forth in the settlement agreement, is fundamentally fair, reasonable, adequate, and in the best interests of class members and is likely to receive final approval," the order said.

Judge Moore's Monday order noted that the deal is likely to be approved based on its benefits to class members, the potential impact of additional litigation, and the fact that the deal is a product of arm's-length negotiations.

The deal would see O'Neal pay $1.8 million to a class that includes all those who owned assets on FTX or held its proprietary token FTT or other instruments affiliated with the bankrupt exchange as of May 2019. Judge Moore's order also preliminarily approved the class and the appointment of Adam Moskowitz of The Moskowitz Law Firm PLLC and David Boies of Boies Schiller Flexner LLP to serve as co-lead class counsel.

"We are grateful to Judge Moore for his order in the promoter track and look forward to orders in the other MDL tracks to move these cases along," Moskowitz said in a statement to Law360 on Tuesday.

If approved, the deal would release O'Neal from the claims against him, which stem from a November 2022 putative class action brought by investor Edwin Garrison that argued O'Neal and others should have known their promotions helped FTX solicit investments in unregistered securities and that they aided the fraud and mismanagement that ultimately destroyed the business.

O'Neal previously tried to get the suit dismissed over insufficient service when he argued the complaint had been tossed in front of his moving car. But an attorney for Garrison announced months later that a process server successfully handed O'Neal the complaint in the Miami arena once named after FTX as the former basketball star commentated a game.

In addition to targeting O'Neal's alleged promotions of FTX, investors who felt the fallout of the exchange's stunning 2022 collapse have also brought claims against other alleged promoters, including former NFL star quarterback Tom Brady and his ex-wife model Gisele Bündchen, basketball star Stephen Curry, MLB star Shohei Ohtani and comedian Larry David. In May, Judge Moore **dismissed** many of the claims against the promoters.

Class representatives first told the court that they had reached a deal with O'Neal last November before finalizing the details at the start of April. The $1.8 million sum will cover all costs in connection with the settlement, including attorney fees and litigation expenses, according to the settlement documents.

Counsel for the parties did not immediately respond to requests for comment Tuesday.

The plaintiffs are represented by Adam M. Moskowitz and Joseph M. Kaye of The Moskowitz Law Firm PLLC.

O'Neal is represented by Sorell E. Negro, Jonathan D. White, Stephen A. Best and Rachel O. Wolkinson of Brown Rudnick LLP.

The case is In re: FTX Cryptocurrency Exchange Collapse Litigation, case number 1:23-md-03076, in the U.S. District Court for the Southern District of Florida.

--Editing by Janice Carter Brown.
