Securities Law News

Advance Auto Parts Says Errors Aren't Fraud in Investor Appeal

July 24, 2025, 10:34 AM PDT

Advance Auto Parts Inc. told an appellate court that it shouldn't face revived investor proposed class action over accounting mistakes that it later fixed.

A lower court accurately concluded Advance and former executives found and fixed errors rather than intended to deceive investors about its financial state, the auto repair company told the US Court of Appeals for the Fourth Circuit Wednesday. The US District Court for the Eastern District of North Carolina conducted a holistic analysis when finding there wasn't a strong enough inference of intent or reckless disregard and tossed the lawsuit without prejudice, Advance said in its brief encouraging the appellate court to affirm.

- The shareholder, the City of Southfield General Employees' Retirement System, said the district judge didn't make that overarching analysis in its opening brief, pointing to leadership departures, compensation, and accounting corrections themselves
- Advance in May 2023 revealed a $17 million out-of-period charge and slashed its full-year guidance. Share prices plummeted over 35% that day, then the stock's biggest one-day drop since its 2001 market debut, according to data compiled by Bloomberg

Robbins Geller Rudman & Dowd LLP, Deutsch Hunt PLLC, and Higgins Benjamin PLLC represent the pension fund. Hogan Lovells US LLP and Smith Anderson represent Advance and three former executives. Attorney Robert N. Hunter Jr. of Higgins Benjamin declined to comment. None of the other law firms nor Advance immediately responded to emails seeking comment.

The case is City of Southfield Gen. Emps. Ret. v. Advance Auto Parts, Inc. , 4th Cir., No. 25-01188, appellees' brief filed 7/23/25 .

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NewsRoom

7/24/25 Bond Buyer (No Page)
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Bond Buyer (USA)

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Easterly investor sues over high-yield fund's 'stunning collapse'

Caitlin Devitt

Jessica Lerner

An investor in Easterly RocMuni High Income Municipal Bond Fund filed a class-action securities fraud lawsuit Tuesday, accusing the firm and its portfolio managers of causing the fund's "shocking destruction of wealth" in June by inflating the fund's bond prices and overinvesting in illiquid assets.

"The stunning collapse in the value of fund shares in such a short time span is virtually unprecedented in connection with municipal bond mutual funds," said the complaint , filed by investor Troyt Victorson.

"Such a shocking destruction of wealth was possible because the fund's [public filings and documents] materially misrepresented the nature of the fund, the value of fund investments, and the policies and procedures employed by the fund."

The lawsuit was filed in the U.S. District Court for the Southern District of New York on behalf of investors who purchased shares of the fund between May 5, 2023 and June 12, 2025.

Easterly declined to comment on the lawsuit. The plaintiff's firm, Robbins Geller Rudman & Dowd LLP, could not be reached for comment.

The suit names 19 defendants, including James Alpha Funds Trust, which does business as Easterly; portfolio managers Troy Willis and Charlie Pulire; investment advisors and board trustees.

Easterly RocMuni High Income Municipal Bond Fund in mid-June began to sell large chunks of its holdings, with buyers snapping up bargains on bonds that priced at sharp discounts to their valuation.

The fund's net asset value started the month of June at $6.36 and had dropped to $3.09 by June 24. Its net assets totaled $25.1 million by that date, down from $232 million as of March 31.

As of Thursday, the fund's NAV was $2.94 and its assets totaled $15.3 million.

In a response to emailed questions sent before the lawsuit was filed, Easterly said it's "tracking the [assets under management] level closely, and if necessary we will provide an update."

Victorson seeks compensatory damages and rescission under the Securities Act of 1933 and asked for a jury trial. The class could include thousands of investors, the complaint said.

The sell-off illustrates valuation risks in the high-yield muni market, where limited liquidity can challenge accurate pricing, market participants said. For bonds that are not traded frequently, it can be difficult for pricing services to peg their underlying value, particularly if the information is hidden from public view, as is increasingly the case with small project finance deals.

The investor lawsuit describes the fund's statements that it maintains "rigorous internal pricing methodologies and third-party verifications" as "materially false and misleading"

The fund's assets are "generally valued at their market price on the valuation date and are based on valuations provided by independent pricing services consistent with the trust's valuation procedures," the complaint said, quoting from the fund's public documents. "When market prices are not readily available, a security or other asset is valued at its fair value as determined under fair value pricing procedures approved by the board."

In response to emails before the lawsuit, Easterly declined to name the pricing service it uses.

"The muni market is a market that requires patience and research," said Mark Paris, CIO and head of municipals at Invesco, which runs three large high-yield muni mutual funds.

When an influx of high-yield paper enters the market, "not everyone has time to do research and absorb what's going on in the marketplace ... When this happens, there may be big price swings," he said.

Pricing can also be tough in distressed situations where credit information is not readily available. The Easterly complaint alleges the fund's documents "included several assets at materially inflated valuations as part of the Fund's total NAV, including municipal bonds issued for Legacy Cares, Proton International Alabama, LLC, Purecycle Technologies, and Gladieux Metals Recycling LLC."

Those credits are in various stages of default.

Lack of frequent trades means a pricing service needs to look elsewhere for its valuation. The concentration of credits in the hands of a few bondholders means they may be able to support the price until an actual trade is printed, said market participants.

"These smaller nonrated deals that are minimally held can be a challenge for independent pricing services to obtain the secondary market disclosure information they need to properly value those bonds," said JR Rieger, publisher of the Rieger Report and longtime former head of global fixed-income evaluations at S&P Evaluations.

"They mark the securities to the best of their ability, but without that information, they really can't do it; they need access to secondary market information just like a bondholder has. This is a challenge to the bond municipal market," Rieger said.

Ultimately, it's the fund's responsibility to value the securities accurately as part of its daily NAV mark, Rieger said. "At the end of the day, the board of directors has the responsibility to do it right, and if they don't feel the pricing services are doing it correctly, they're obligated to."

For larger high-yield issues that trade frequently, like Tobacco Buckeye bonds and Puerto Rico, the pricing is typically accurate, said a pricing services veteran who asked to remain anonymous.

But for smaller non-rated to single-B credits, it's a "best estimate" as the bonds trade infrequently, the source said.

"They're not many posts to go off of and it's difficult to use comps because of things like the state it's in, couponing, calls, etc.," the veteran said.

Because of all the "bespoke nuances" of lower-rated high-yield deals, it's a "best guesstimate" on pricing. "The pricing services do the best they can with what they have to compare to, but in the end, those prices are never written in stone," they said.

Invesco is confident in its pricing abilities, Paris said. The firm boasts a large analyst staff that looks through sectors and searches for anomalies.

"Are there going to be surprises here and there, when either there's a large seller or an immediate credit issue happens, then yes, but we're very diligent and consider ourselves experts," he said.

---- Index References ----

Company: ROBBINS GELLER RUDMAN & DOWD LLP; James Alpha Funds Trust; Legacy Cares, Inc.; GLADIEUX METALS RECYCLING, LLC; PURECYCLE TECHNOLOGIES, INC.; INVESCO LTD

News Subject: (Bond Instruments (1BO92); Fund Instruments (1FU72); Funding Instruments (1FU41); High-Yield Bonds (1HI69); Municipal Bonds (1MU39); Securities Law (1SE59))

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Other Indexing: (U.S. District Court; Proton International Alabama, LLC; Robbins Geller Rudman & Dowd LLP; James Alpha Funds Trust; Legacy Cares; Gladieux Metals Recycling LLC; Purecycle Technologies; Invesco)

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End of Document

Securities Law News

Intel Defeats Investor Suit Over Reorganization Claims (2)

July 24, 2025, 5:58 AM PDT; Updated: July 24, 2025, 9:15 AM PDT

Intel Corp. beat an investor proposed class action alleging that the company and top executives at the time overhyped its internal revitalization plan.

Investors leading the case failed to allege financial updates or executives' statements on savings, efficiency, and demand as the computer parts maker expanded its semiconductor manufacturing strategy were misleading, Judge Trina L. Thompson said in tossing the lawsuit Wednesday.

The US District Court for the Northern District of California had dismissed a prior complaint this year, saying then the stockholders failed to plead falsity and leaving room for them to file an amended version.

But the investors' re-pleaded complaint largely asked her to reconsider that prior ruling, Thompson said, which she declined.

Intel clearly stated results from its revamped internal chip-making unit wouldn't be reported until 2024, so the obscuring of $7 billion in operating losses in 2023 financial statements wasn't adequately alleged to be misleading, she said.

And investors failed to provide specifics to bolster their claims that chief financial officer David Zinsner and former CEO Pat Gelsinger's statements about operational efficiencies and savings from its reorganization plan were deceptive, she said.

"Leave to amend is not an end-run vehicle to challenge the Court's prior order without pleading any additional particularized facts," Thompson said, asking the court to close the case.

The shareholders tried boosting a falsity pleading of an accounting standard violation with statements from Gelsinger, but his claims were consistent with ones the court previously said weren't sufficient, Thompson said. Rather, Gelsinger's statements suggested "a trial-and-error process" in the implementation of Intel's boosted foundry business to make chips for itself and others.

The dismissal came as the struggling chipmaker's expected to deliver financial results Thursday with 2025-appointed CEO Lip-Bu Tan, under whom the company has moved to cut costs.

Investors said that Intel rosily touted its turnaround plan to expand its manufacturing division before that business reported a $7 billion operating loss for 2023, with the company's stock price sinking 8.2% after that April 2024 financial update.

Further news about the internal re-invigoration led to two more stock drops, shareholders said, including a 26% one-day decline to close at $21.48 on Aug. 2, 2024. The day prior, Intel revealed disappointing financial results and a 15% workforce reduction. It was the stock's steepest single-day slide in at least four decades, according to data compiled by Bloomberg.

The investors leading the case were the Intel Investor Group and Byoung Wook Jeon, with additional shareholders Kevin Geist, Albert Zhou, and Construction Laborers Pension Trust of Greater St. Louis.

Glancy, Prongay & Murray LLP and Rosen Law Firm PA are co-lead counsel for the proposed class, which would've included those who got US Intel stock, or bought or sold call options on its stock, from Jan. 25, 2024, through Aug. 1, 2024.

Munger, Tolles & Olson LLP represents Intel, Gelsinger, and Zinsner.

None of these law firms immediately responded to emails seeking comment. Intel said in an email it doesn't comment on pending litigation.

The case is In re Intel Corp. Sec. Litig. , N.D. Cal., No. 3:24-cv-02683, closed 7/23/25 .

(Updates to reflect that Intel declined to comment in the 15th paragraph.)

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Securities Law News

UiPath Knocks Down Investor Suit Over Post-Turnaround Setback

July 24, 2025, 11:20 AM PDT

UiPath Inc. investors can't proceed with their proposed class action alleging the technology company misled them about sales and customer relationships as it implemented a turnaround strategy, a federal court ruled.

Federal securities laws don't "guarantee smooth sailing in turbulent markets," Judge John P. Cronan said Wednesday for the US District Court for the Southern District of New York. "Nor do they permit disappointed investors to recast business setbacks as actionable fraud," he said.

The case follows another proposed class action blaming UiPath for stock drops, based on statements by the robotics and artificial intelligence company before and after its April 2021 initial public offering. That case is proceeding after another judge in the same district allowed some claims. UiPath's request to dismiss the latest version of the complaint is pending in that case.

Here, investors in several consolidated suits sought to represent those who purchased UiPath stock later, after the company announced strong results under its new leadership and business model in November 2023. That success was allegedly fleeting; on May 29, 2024, the company announced disappointing financial results and the replacement of its CEO. UiPath's stock price fell 34% the following day, closing at $12.07 per share.

The investors asserted securities fraud claims, saying that UiPath and its top executives misled them in statements about closing deals with customers under the turnaround strategy and about the company's investment in sales and customer-retention staff.

Cronan granted UiPath's request for dismissal. The key issue "is not whether UiPath's strategy succeeded, but whether Plaintiffs have plausibly alleged that Defendants misled the market," he said. "They have not."

The investors failed to show the necessary level of intent for securities fraud for the statements about executing contracts under the strategy, and two of those statements weren't actionable anyway, the judge said. And the plaintiffs didn't show the statements about personnel investments caused their losses, he said. The "alleged loss here followed a disclosure of business underperformance, not any revelation" about false or misleading statements, he said.

The plaintiffs will have a chance to re-plead their claims.

Bleichmar Fonti & Auld LLP is lead counsel for the investors. Davis Polk & Wardwell LLP represents UiPath and the individual defendants.

The case is In re UiPath, Inc. Sec. Litig. , 2025 BL 258000, S.D.N.Y., No. 1:24-cv-04702, 7/23/25 .

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Securities Law News

Luminar Hid CEO Conduct Before Resignation, Selloff, Suit Says

July 24, 2025, 2:26 PM PDT

Luminar Technologies Inc.'s stock price dipped 17% after it announced its founder-CEO's resignation over undisclosed conduct that prompted an internal inquiry, an investor alleges in a proposed class action.

The Lidar sensor developer failed to disclose the risks associated with Austin Russell's departure, Mariglen Yskollari says in the suit, filed Wednesday in the US District Court for the Middle District of Florida. Russell is also named as a defendant.

Since Luminar went public in 2020, Russell "remained the fixture personality and key employee of the Company," Yskollari says.

A March 28 quarterly financial report "neglected to state Defendant Russell had engaged in conduct that would make him the subject of an inquiry by the Audit Committee of the Board of Directors," Yskollari says. But the report stated that Luminar was "highly dependent" on Russell, the investor says. Luminar's positive business updates in that report—and in a press release preceding it—were misleading because they didn't flag the issue that led to Russell's resignation, according to the complaint.

Russell's departure was announced May 14 after the market closed. The company's stock price declined, closing at $3.96 per share the following day.

The proposed class consists of hundreds or thousands of members, the complaint estimates.

Yskollari seeks damages on the complaint's securities fraud claims.

Luminar didn't immediately comment when emailed Thursday.

Shamis & Gentile PA and Edelsberg Law PA represent Yskollari.

The case is Yskollari v. Luminar Techs., Inc. , M.D. Fla., No. 6:25-cv-01384, corrected complaint 7/24/25 .

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Securities Law News

JBS Sued for Manipulating Pilgrim's Dividends, Reworking Board

July 24, 2025, 10:52 AM PDT

Brazilian meatpacking giant JBS SA exploited its dominant stake in Pilgrim's Pride Corp. to seize value by manipulating the US poultry supplier's dividends and restructuring its board, according to an unsealed lawsuit.

A pension fund is challenging charter changes pushed by JBS that grew its board control beyond 80%, a threshold triggering significant tax savings when Pilgrim's issues dividends, including the $1.5 billion special dividend it declared within weeks. JBS had previously spent two years blocking Pilgrim's from paying dividends—even as its cash reserves ballooned by $1.6 billion—until the opportune moment, the suit says.

Although JBS agreed to share some of the tax benefits with Pilgrim's, the obligation is capped at a $725 million dividend, meaning the enormous payout in April already topped the limit, according to the court complaint made public Wednesday. The 82% economic interest and 78% board representation enjoyed by JBS "made the approval of the charter amendment a fait accompli," the filing says.

Abuses of corporate control comprise a recurring theme for Delaware's Chancery Court, where minority investors frequently bring self-dealing claims against founders, financiers, and majority stockholders. The elite business tribunal is also the forum for a cottage industry of cases targeting the complex mechanics surrounding tax sharing agreements among companies and influential insiders.

JBS didn't immediately have a comment Thursday. Pilgrim's didn't immediately respond to a separate request for comment. The American company isn't directly named as a defendant, although several board members are.

Leaving Nothing to Chance

The charter changes at the heart of the dispute, adopted in December, authorized JBS to expand the Pilgrim's board from nine seats to 10 and appoint an eighth director, which it did in February. According to the lawsuit, the maneuver was aimed at US tax rules allowing corporate parents to "consolidate" a subsidiary's financials when they hold an 80% economic stake and 80% voting power.

The IRS has allegedly interpreted the voting power provision to require 80% board control, a definition that previously excluded JBS, which had the right to name seven Pilgrim's board members out of nine. The move to fill an additional board seat followed a year and a half after JBS initially tried a lighter touch in 2023, the suit says.

At the time, its pledge to vote its shares in the same proportion as public investors backfired, so JBS left nothing to chance in December, voting "in its sole and absolute discretion" to help itself to favorable tax treatment, according to the court filing.

The unilateral nature of the charter changes placed them outside a safe harbor created for some controlling stockholder transactions as part of a major corporate law overhaul earlier in the year, the lawsuit says.

It was originally filed under seal July 17 by the City of Miami Beach Fire and Police Pension Fund, which is represented by Labaton Keller Sucharow LLP, Bernstein Litowitz Berger & Grossmann LLP, Friedman Oster & Tejtel PLLC, Equity Litigation Group LLP, and Klausner, Kaufman, Jensen & Levinson. JBS, Pilgrim's, and its board haven't yet made court appearances.

The case is City of Miami Beach Fire & Police Pension Fund v. JBS Wisc. Props. LLC , Del. Ch., No. 2025-0828, complaint unsealed 7/23/25 .

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Judge disqualifies three Butler Snow attorneys from case over AI citations

reuters.com/legal/government/judge-disqualifies-three-butler-snow-attorneys-case-over-ai-citations-2025-07-24

Sara Merken July 24, 2025

Figurines with computers and smartphones are seen in front of the words "Artificial Intelligence AI" in this illustration taken, February 19, 2024. REUTERS/Dado Ruvic/Illustration/File Photo Purchase Licensing Rights, opens new tab

July 24 (Reuters) - A federal judge in Alabama disqualified three lawyers from U.S. law firm Butler Snow from a case after they inadvertently included made-up citations generated by artificial intelligence in court filings.

U.S. District Judge Anna Manasco in a Wednesday order, opens new tab reprimanded the lawyers at the Mississippi-founded firm for making false statements in court and referred the issue to the Alabama State Bar, which handles attorney disciplinary matters. Manasco did not impose monetary sanctions, as some judges have done in other cases across the country involving AI use.

Fabricating legal authority "demands substantially greater accountability than the reprimands and modest fines that have become common as courts confront this form of AI misuse," Manasco said. "As a practical matter, time is telling us – quickly and loudly – that those sanctions are insufficient deterrents."

The case is the latest example of a judge sanctioning or admonishing lawyers as AI-generated "hallucinations" have continued to crop up in court filings ever since ChatGPT and other generative AI programs became widely available. Professional rules require lawyers to vet their work however it is produced.

The three Butler Snow lawyers were part of a team defending former Alabama Department of Corrections Commissioner Jeff Dunn in an inmate's lawsuit alleging he was repeatedly attacked in prison. Dunn has denied wrongdoing.

The judge said the three lawyers' conduct was "tantamount to bad faith." She sanctioned partner Matthew Reeves, who admitted to using AI to generate the citations and including them in the filings without verification. Reeves in a May filing apologized to the court and said he regretted his "lapse in diligence and judgment."

She also disqualified partners William Cranford and William Lunsford, who each signed their names onto the filings. The lawyers said in May filings that they did not independently review the legal citations that were added.

Reeves, Cranford and Lunsford did not immediately respond to requests for comment on Thursday.

The judge declined to sanction Butler Snow, finding the firm "acted reasonably in its efforts to prevent this misconduct and doubled down on its precautionary and responsive measures when its nightmare scenario unfolded."

The firm previously warned its attorneys about the risks of AI and escalated the issue after the court issued an order for the lawyers to explain what happened in the case. Butler Snow also mounted an internal investigation and retained another firm, Morgan, Lewis & Bockius, for an independent review to verify citations in 40 other cases, the judge said.

A Butler Snow spokesperson did not immediately respond to a request for comment. Nor did one of the lawyers representing plaintiff Frankie Johnson, or a lawyer from the Alabama attorney general's office, which had appointed Lunsford to litigate on behalf of the state, according to the order.

The judge ordered the three lawyers to share a copy of the order with their clients, opposing lawyers and judges in other pending state or federal cases in which they are involved, and also to every lawyer at Butler Snow.

News

10 Top AI Blunders: From Latham's Apology to K&L Gates' 'Debacle'

July 24, 2025 | By Caroline Byrne

AI Faceplant; Credit: Adobe Stock

This story was first published by Law.com International.

A Boston lawyer is facing sanctions after blaming a Microsoft AI tool for fabricating legal quotes—an outcome Cervantes Law describes as a "nightmare of mistakes."

Sound familiar? These 10 cases—including two Big Law snafus—show how fast legal tech can go from helpful to hazardous.

1. 'Cosmetic Errors'

An English barrister and her solicitors were sanctioned after citing five fake cases and dismissing them as "cosmetic errors." During a costs hearing for *Ayinde v London Borough of Haringey*, barrister Sarah Forey said the "minor citation errors" arose because she kept a box of relevant authorities and a list, and dropped the cases from her list into the pleadings. The judge wasn't entirely convinced. One of the fictional cases, *R (on the application of El Gendi) v Camden London Borough Council*, involved a High Court—seemingly from an alternative universe—ruling on a homeless accommodation. The judge referred Forey and the solicitors to their regulators.

2. Latham vs Claude

Latham & Watkins found itself apologizing to a California judge in May after citing an incorrectly named report while defending Anthropic in a copyright dispute over AI-generated lyrics. A Latham citation—proffered by the client's AI 'Claude'—became an unintentionally famous work of fiction, prompting associate Ivana Dukanovic to assure the court it was an honest mistake rather than outright fabrication, even if Claude did get the title and authors muddled.

3. The Al-Haroun case

As AI blunders go, England's *Al-Haroun v Qatar National Bank QPSC* sets the bar high. The claimant's case against the bank, valued at about £90 million, was based on AI-generated "research", which cited no less than 49 false authorities either entirely fabricated or misquoted. Mr Al-Haroun lost, unable to use his research to win over the judge. Instead, the case was referred to the Divisional Court where Justice Foxton warned of the threat of AI to justice and public trust in his June ruling. Proof that in court, AI hallucinations can cost a fortune.

4. Lost in Translation?

In Canada's *Ko v Li*, Jisuh Lee of ML Lawyers faced contempt sanctions in May for relying on multiple fake or misrepresented cases in matrimonial proceedings. The judge pointed out that the hyperlinks led to unrelated cases, error messages, and non-existent rulings. The Ontario judge reprimanded Lee, suspecting the factum was generated by AI and poorly verified. Lee's explanation? Her office doesn't usually call on AI to build cases but she'd need to run that by her clerk first, just to be sure.

5. ChatGPT Made Me Do It

Two New York lawyers were sanctioned for using fake ChatGPT-inspired research during a 2023 personal injury claim that offered up no less than six fictitious cases. A Manhattan District Judge ordered lawyers Steven Schwartz, Peter LoDuca and their firm, Levidow, Levidow & Oberman, to each pay a $5,000 fine, accusing counsel of acting in bad faith and making misleading statements. Levidow, Levidow & Oberman "respectfully" disagreed in a statement saying, "We made a good faith mistake in failing to believe that a piece of technology could be making up cases out of whole cloth." The moral of the story? When AI's the author, the judge may be your toughest editor.

6. ChatGPT Strikes Again

Mississippi's 400-lawyer firm Butler Snow found itself apologizing to U.S. District Judge Anna Manasco after the firm inadvertently included fictitious ChatGPT case citations in two court filings. Butler Snow partner Matthew Reeves said he regretted his "lapse in diligence and judgment" for failing to verify the filings. The firm was defending a former Alabama Department of Corrections Commissioner in an inmate's lawsuit. The firm, facing sanctions, ate humble pie in its May 19 response: "There are no excuses for counsel's behavior, only explanations."

7. Bard's Citation Slip

In 2023, Donald Trump's ex-lawyer Michael Cohen also found himself in a legal mess, this time courtesy of Google Bard AI. Cohen told a Manhattan federal court he'd unwittingly passed along fake case citations generated by AI, which his attorney then included—unchecked. The cases were in a motion seeking an early end to Cohen's supervised release after he was imprisoned for campaign finance violations. Cohen said the citations came from his online research and he didn't expect his lawyer to "drop the cases wholesale" into his submission without confirming they existed.

8. K&L Gates' Hallucination

K&L Gates and Ellis George's AI hallucination case in May was nothing short of "collective debacle", according to a California judge. The legal brief contained bogus AI-generated citations in an insurance case, outraging the judge who noted approximately nine of the 27 legal citations in the 10-page brief were incorrect and at least two authorities cited didn't exist. The penalties were ordered jointly and severally against the firms and attorneys reflecting their shared institutional failure. The resulting fine? A sharp $31,000.

9. Expert AI?

The Minnesota District Court case *Kohls v Elison* involved "deepfakes" but the legal research left everyone questioning whether fact-checker was the real fake. The parties relied on expert evidence about AI but it transpired that one of the "experts" had used generative AI to draft his report, including citations of non-existent academic articles. "The irony," U.S. District Judge Laura Provinzino noted, "a credentialed expert on the dangers of AI and misinformation, has fallen victim to the siren call of relying too heavily on AI—in a case that revolves around the dangers of AI, no less."

10. Mata v. Avianca

The infamous Mata case involving Avianca airline case remains the standard bearer, a cautionary tale that unraveled quickly in court. Roberto Mata claimed injury on a U.S. flight and hired lawyers Peter LoDuca and Steven Schwartz, who then cited numerous fake cases in a New York court. Despite assurances from ChatGPT that the cases were real and available on LexisNexis and Westlaw, Judge Castel found the filings full of "gibberish" analysis, contradictory histories—and even one case citing itself as a precedent. Both lawyers were sanctioned for "subjective bad faith" and fined $5,000.

Years later, the 2022 case is still being mistakenly cited by lawyers who clearly need a reminder: trusting AI as your paralegal is one thing—trusting it as your legal fact-checker can lead to a whole other courtroom drama.

Lawyers warn Eaton Fire clients to reject Edison's compensation program

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dailyjournal.com/articles/386724-lawyers-warn-eaton-fire-clients-to-reject-edison-s-compensation-program

Jul. 25, 2025

Plaintiffs' attorneys urge Eaton Fire victims to avoid Southern California Edison's compensation program, calling it a PR move that could shortchange victims compared to legal settlements and ongoing lawsuits over the fire's cause.

Plaintiffs' attorneys are urging Eaton Fire victims to disregard Southern California Edison's wildfire compensation program, which the utility announced on Wednesday.

The attorneys say that the utility's offer to directly compensate fire victims is a PR move that is at odds with the company's posture in the proceedings in Judge Laura A. Seigle's court in downtown Los Angeles.

Plaintiffs contend that Edison is to blame for the fire that destroyed over 14,000 acres in the Altadena area of Los Angeles County and killed 19. They contend that a fault on one of Edison's lines caused a surge as heavy winds tore through Eaton Canyon on Jan. 7. Video footage showing electricity arcing at the base of an Edison tower makes it virtually an open-and-shut case, they say.

The plaintiffs' attorneys tried to persuade Seigle in June to set an early trial date to compel mediation.

Edison's counsel said it was too early for that because the cause of the fire was still under investigation. Hueston Hennigan's Douglas J. Dixon leads Edison's defense but did not respond to phone requests for comment on the plaintiffs' attorneys' response to the compensation offer.

So, Wednesday's announcement "was a shock in one way but not another," said Anastasia K. Mazzella. The Kabateck LLP partner said she was on the phone with clients until 10 p.m. that night because the announcement was short on specifics.

"One client thought they were settling the lawsuit. Another client thought SCE would pay money in addition to what they'll pay in the lawsuit. Most of the clients wanted to know if it will reduce the pot in the lawsuit," Mazella said.

"They're trying to get people to forgo their day in court. There is no way these programs can pay someone and make them whole when a seasoned wildfire firm like ours privately mediates a case," she continued. Kabateck represents over 500 clients in the Eaton Fire cases.

Edison says its Wildfire Recovery Compensation Program will directly compensate individuals and businesses with claims for "total and partial structure loss, commercial property loss, business interruption, smoke and ash, physical injury and fatalities."

The statement quotes Edison's president and CEO, Pedro J. Pizarro, as saying that the community should not have to wait for the conclusion of the Eaton Fire investigation to get financial support.

"Even though the details of how the Eaton Fire started are still being evaluated, SCE will offer an expedited process to pay and resolve claims fairly and promptly. This allows the community to focus more on recovery instead of lengthy, expensive litigation," Pizarro is quoted as saying.

SCE says it will seek input from plaintiffs' attorneys and elected officials before the program is finalized. Kenneth R. Feinberg and Camille S. Biros will consult on Edison's program. Feinberg was the special master for the 9/11 victim compensation fund. Biros was Feinberg's administrative deputy.

Edison's move is not without precedent. Pacific Gas and Electric set up a compensation fund for victims of the Mosquito Fire in November 2022.

Those who accepted the Mosquito Fire settlement got 20 to 30 cents on the dollar of a "fair settlement," according to Singleton Schreiber's managing partner, Gerald Singleton, who characterized Edison's program as a "terrible deal" for Eaton Fire victims that is intended to reduce the company's payouts. Singleton pointed out that the inverse condemnation claim that has been raised against Edison requires the defendant to pay attorney fees.

"We don't think you should settle when Edison is fairly negligent," he said.

"Pedro Pizarro is publicly saying, 'We want to speed it up' but attorneys working directly for him are saying, 'Your honor, we can't have mediation. I don't want to say that they're being disingenuous with this, but they're being disingenuous," he continued. "They're delaying the process and taking advantage of vulnerable people."

Kiley Grombacher, co-founder of the California Fire Victims Law Center, echoed Singleton's comments.

"Edison is asking victims to potentially waive their rights for what history shows will likely be pennies on the dollar. Fire victims deserve full and fair compensation, not a quick deal that leaves them shortchanged," Grombacher said in a written statement.

"We urge all affected residents to seek proper legal advice before engaging with any utility-run program that could compromise their family's future recovery," Grombacher continued.

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Uber dials up new fights with plaintiffs lawyers

reuters.com/legal/legalindustry/uber-dials-up-new-fights-with-plaintiffs-lawyers-2025-07-24

Mike Scarcella, David Thomas, Sara Merken July 24, 2025

The Uber logo is seen on the side of a taxi, in Dublin, Ireland, June 29, 2025. REUTERS/Clodagh Kilcoyne [Purchase Licensing Rights, opens new tab]

- Uber continues push against alleged attorney misconduct, overreach
- D.C. lobbying revenues surge
- France's Macrons turn to Clare Locke
- UK firms point to U.S. growth as revenues rise

July 24 (Reuters) - (Billable Hours is Reuters' weekly report on lawyers and money. Please send tips or suggestions to D.Thomas@thomsonreuters.com, opens new tab.)
As it grapples with a slew of lawsuits from passengers, ride-hailing giant Uber is again taking aim at members of the plaintiffs bar, accusing an attorney in one case of misusing confidential information and suing another group of lawyers for allegedly filing fraudulent personal injury claims.

In a lawsuit, opens new tab filed on Monday in federal court in Los Angeles, Uber said a group of lawyers had conspired with medical providers to create and submit artificially inflated medical bills.
Uber's complaint alleged “unscrupulous personal injury attorneys" were sending clients to medical providers for unnecessary or unrelated medical treatment in a kickback scheme designed to generate fraudulent injury claims.

"As this lawsuit shows, we won’t hesitate to act when we uncover misconduct on our platform," said Adam Blinick, who leads Uber’s state and local public policy team for the United States and Canada.

Uber said “fraud and legal abuse raise costs for everyone.”

Downtown LA Law, one of the firms named as a defendant, said in a statement that it stood by its work, and that Uber is more interested in attacking people "than addressing the real issue: a system where many drivers are left without adequate medical support after an injury."

Uber said in a statement that a network of lawyers, doctors and chiropractors were turning minor accidents into high-dollar lawsuits in states like California, "where insurance costs are already out of control."

Igor Fradkin, an attorney named as a defendant in the case, did not immediately respond to a request for comment.

In a separate case, Uber asked a U.S. judge last week to stop a lawyer from allegedly using and sharing confidential corporate information produced in a series of lawsuits by passengers alleging they were sexually assaulted by the ridesharing service's drivers.

Uber accused, opens new tab lawyer Bret Stanley of misusing internal policy materials in the litigation in connection with other cases Stanley is pursuing against the company over vehicle crashes.
In a filing, Uber said it was "facing the risk of competitive harm from the repeated improper disclosure" of protected business materials. The company has denied any wrongdoing in the lawsuits.

Stanley, in a statement to Reuters, disputed Uber's allegation that he breached a so-called protective order in the litigation, and said he will respond to the claims in court this week.

Uber's fights with plaintiffs lawyers go back years.

A federal judge in Manhattan in 2016 faulted Uber for authorizing what the court called an "intrusive and clandestine" effort to dig up dirt on a plaintiff and his lawyer in a price-fixing lawsuit.
More recently, Nevada's highest court in January rejected an effort by Uber and a political action committee called Nevadans for Fair Recovery to cap the contingency fees that lawyers can earn in civil lawsuits in the state to 20% of the amount their clients' recover.
Uber was a key backer of the ballot initiative, which would have amended Nevada law and taken effect in 2027. Opponents said the fee cap would have been the most restrictive in the country. The state high court in its ruling said the ballot initiative suffered from "misleading and confusing" language.

Uber is also a plaintiff in at least two other lawsuits filed this year against attorneys and firms in federal courts in New York and Florida alleging personal-injury related fraud.
The American Association of Justice, a trade group for trial lawyers, accused companies of targeting their adversaries in the plaintiffs' bar out of desperation.

"When bullies can't win on the merits, they resort to intimidation tactics against those who dare to stand up to them," the group told Reuters.

There are other recent examples of companies turning the tables on the lawyers who sued them.

Manufacturing giant 3M in June accused several attorneys in a lawsuit in federal court in Kentucky of pursuing fraudulent claims in the hopes of pressuring the company to settle. An

early hearing in that case was scheduled for Thursday.
In March, plaintiffs law firm Simmons Hanly Conroy defeated a lawsuit in federal court in Chicago by plastic pipe maker JM Eagle that accused it of “systemic fraud and misconduct” over hundreds of asbestos personal injury cases.
Simmons Hanly said in a statement at the time that the firm would "not be intimidated by unwarranted legal attacks designed to smear its reputation and derail its pursuit of justice for victims of asbestos exposure."

-- Lobbying activity related to President Donald Trump's "big, beautiful" tax-and-spending bill, his shifting tariffs and other administration moves helped fuel a banner second quarter for some law and lobbying firms in Washington.
Ballard Partners, which has ties to the Trump administration, appeared to be the biggest winner. The firm said its federal lobbying revenue for the second quarter of 2025 rose more than 300% compared to the same period last year, and was up 47% from the first quarter, reaching $20.6 million.
-- French President Emmanuel Macron and his wife Brigitte turned to Alexandria, Virginia-based law firm Clare Locke for their defamation lawsuit in Delaware alleging right-wing influencer Candace Owens has waged a lie-filled "campaign of global humiliation" against them by repeatedly claiming that Brigitte Macron is a man.
Lead counsel Tom Clare did not immediately respond to a request for comment regarding his firm's involvement. Clare in a press release said that this "lawsuit is about bringing that truth to light and seeking justice for the Macrons by holding Ms. Owens to account."

Owens did not respond to Reuters' request for comment regarding the Macrons' lawsuit.

Clare Locke was founded in 2014 by Clare and his wife, Libby Locke, both of whom were formerly partners at Kirkland & Ellis. The firm was co-counsel to Dominion Voting Systems in the voting machine vendor's lawsuit against Fox Corp that netted a $787.5 million settlement in 2023.
-- In the year leading up to its merger with U.S. law firm Kramer Levin, global firm Herbert Smith Freehills recorded its highest-ever revenue and profits. The firm increased revenues by 4% to 1.358 billion pounds ($1.84 billion) and grew profits by 9.5% to 486.9 million pounds ($659.26 million) in the fiscal year that ended April 30, it said on Thursday.
The firm in June combined with New York-founded Kramer Levin as part of an effort to expand in the U.S. legal market. Herbert Smith Freehills Kramer has 2,700 lawyers globally.

Other large global firms with UK roots pointed to their U.S. growth when they reported financial results this week. Linklaters on Tuesday said U.S. profits grew by 57% last year, and Clifford Chance on Wednesday reported an 18% increase in U.S. revenue.
Read more:

New law firms bank on 'boutique' edge

Clock ticks for Jackson Walker, US Trustee in ethics case involving ex-judge
Litigation funders get a boost in budget bill drama, court wins
($1 = 0.7386 pounds)

Reporting by David Thomas, Mike Scarcella and Sara Merken

Our Standards: The Thomson Reuters Trust Principles., opens new tab

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NewsRoom

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July 24, 2025

Ohio utility regulators near decision on FirstEnergy's punishment for HB6 scandal

Jeremy Pelzer; cleveland.com

COLUMBUS, Ohio—After years of delays, weeks of witness testimony, and thousands of pages of arguments, state utility regulators are getting close to deciding what penalties FirstEnergy should pay for improperly spent customer fees and other issues connected to the House Bill 6 corruption scandal.

But as FirstEnergy and others involved in the three Public Utilities Commission of Ohio cases lay out their closing arguments, there's an enormous gap between what the Akron-based electric utility says its punishment should be and much harsher consequences recommended by critics.

The three PUCO investigations haven't centered directly on the core of the HB6 scandal, in which FirstEnergy admitted to giving millions of dollars in bribes to ex-Ohio House Speaker Larry Householder and his political network, as well as to ex-PUCO Chair Sam Randazzo, to secure the company a windfall of financial perks.

Rather, the cases have focused on FirstEnergy's:

Collection of more than $450 million from customers in the name of modernizing the company's electric grid without tracking how much of that money was actually used for its stated purpose

Use of $6.6 million in ratepayer money for questionable payments, mostly to entities associated with prominent Cleveland businessman Tony George

Compliance with state corporate separation requirements, which are designed to prevent utility subsidiaries from being "cross-subsidized" in a way that gives them an edge over their competitors.

Secret payment of more than $13 million, arranged by Randazzo, to an influential group of industrial companies to drop their opposition to FirstEnergy's electric rate plan, which was subsequently approved by the PUCO in 2014.

FirstEnergy, in a brief filed this week, argued that the PUCO should limit its punishment to ordering the company to refund customers the $6.6 million used for the flagged payments, plus interest - a refund the company has already built into its new rate proposal currently before the PUCO — and imposing a "measured" penalty for not disclosing the secret $13 million payment.

"The FirstEnergy companies are not the same today as they were years ago when the misconduct occurred," the utility's brief stated, noting the company has cooperated with authorities, put in place new financial and ethics controls, and paid a total of more than $390 million in penalties and settlements with state and federal officials.

At the other end of the spectrum is the Office of the Ohio Consumers' Counsel, the state's utility consumer watchdog group and perhaps the most dogged critic of FirstEnergy regarding the HB6 scandal.

They suggested the PUCO should force FirstEnergy to pay more than $544 million in total - including more than $467 million in customer refunds - and order additional audits and requirements regarding company finances.

"It is critical to repair the damaged legitimacy of Ohio public utility regulation," the consumers' counsel brief stated. "These matters provide the PUCO the (perhaps the only) opportunity to right the wrongs against consumers from the actions of FirstEnergy Corp., the FirstEnergy Utilities, and the former PUCO chair. The facts are clear. Now is the time to act."

The next step is for FirstEnergy, the consumers' counsel, and other parties involved in the case to file reply briefs by Aug. 4. It's not yet clear exactly when the PUCO will announce its decision after that.

Two of the three PUCO cases - regarding the grid modernization fee and the corporate-separation issue - began in 2017, two years before Randazzo became PUCO chair and Householder, a Perry County Republican, pushed HB6 through the legislature.

The third, regarding the questionable payments, was launched in October 2020, after Householder's arrest and shortly before Randazzo resigned as PUCO chair following an FBI raid on his Columbus home.

Householder is currently serving a 20-year prison sentence; Randazzo died by suicide last year after being indicted on federal and state charges.

All three PUCO cases - as well as a fourth, less-controversial probe into FirstEnergy's charitable and political spending - were placed on hold in 2022 at the request of the U.S. attorney's office in Columbus, who warned they would interfere with the federal HB6 investigation.

The PUCO resumed the cases in February 2024, after Householder was convicted and Randazzo was indicted.

Last month, several former FirstEnergy officials and lobbyists testified — some with immunity from prosecution — at PUCO administrative hearings about the HB6 scandal and their roles in it. However, the testimony elicited no major details that weren't already known.

---- Index References ----

Company: FIRSTENERGY CORP.; Federal Bureau of Investigation

News Subject: (Consumer Protection (1CO43); Government Litigation (1GO18); Legal (1LE33))

Industry: (Electric Utilities (1EL82); Electric Utilities Distribution (1EL02); Energy & Fuel (1EN13); Utilities (1UT12))

Region: (Americas (1AM92); North America (1NO39); Ohio (1OH35); U.S. Midwest Region (1MI19); USA (1US73))

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Other Indexing: (Public Utilities Commission of Ohio; Office of the Ohio Consumers' Counsel; FirstEnergy Utilities; FirstEnergy Corp.; FBI)

Word Count: 723

End of Document

Securities Law News

Opinion

Matt Levine’s Money Stuff: Strategy Does a Stretch

July 24, 2025, 10:29 AM PDT

Algorithmic stablestretch

A fixed-rate bond has interest-rate risk. If you buy a five-year $100 bond that pays interest of 8%, and then interest rates go up by one percentage point, your bond is only worth $96. As rates go up, the yield of your bond has to go up, and to make the yield go up the price has to drop.

A floating-rate bond has, to a first approximation, no interest-rate risk. If you buy a five-year $100 bond that pays interest of SOFR (the Secured Overnight Financing Rate, a standard interest benchmark) plus 4%, then today it pays 8.28% interest (SOFR is 4.28%); if SOFR goes up by one percentage point, then the bond pays 9.28% and it’s probably still worth about $100. As rates go up, the yield of your bond goes up (it pays more interest), so the price doesn’t have to drop.

But that’s not entirely right: A floating-rate bond normally floats with some index of prevailing risk-free-ish interest rates, like SOFR. But most companies that issue floating-rate bonds are not themselves risk-free. If a company issues a bond with a rate of SOFR plus 4% — if it issues at a credit spread of 400 basis points over the risk-free rate — then that means that the market thinks it is 400 basis points riskier than risk-free. If circumstances change — if the company gets riskier — then the right interest rate *for that company* will go up, even if prevailing risk-free rates don’t. If SOFR stays the same, but the company’s credit risk increases, then the yield of the bond will have to go up, and to make the yield go up the price has to drop. That is, floating-rate bonds don’t have much interest-rate risk, but they do have credit risk.

You might find this a bit untidy. You might want a bond that pays a floating rate that is not tied to prevailing interest rates, not “SOFR plus 4%” or whatever, but rather one that pays a floating rate that is like “whatever the right rate is each quarter to make the bond worth $100.” That is, you want the bond’s interest rate to float with *both* prevailing interest rates *and* the issuer’s credit spread, or rather to float with the combination of them.

I'm not exactly sure *why* you would want this. There's a fairly straightforward substitute, which is *short-term debt:* If a company borrows money for a month, and then next month it pays back the debt by borrowing new money for another month, then its borrowing costs will float with the market rate (each month it has to borrow at whatever rate the market demands). But I suppose that's kind of a pain — you have to do a whole new deal every month — and it might be tidier to have long-term debt with an interest rate that moves like short-term debt. There are not a lot of bonds like that, though, for two reasons:

1. It is mechanically complicated: How do you set, each month, a rate that will make the bond trade at $100?
- 2. It is quite *wrong-way*, for the issuer. If a company sells a bond whose rate floats with its own credit, then as its credit gets worse, it has to *pay more interest*. Why would it want that? For the issuer, that bond is essentially very-short term financing; it needs to be repriced every month. If the company's credit gets really bad, it might have to pay 30% or 40% interest on that bond. If it gets even worse, there might be no rate it can pay to keep the bond priced at $100.

The first problem is more or less solvable. One very partial solution, found in many syndicated loans, is to have some matrix of spreads based on financial metrics and/or credit ratings: "This loan pays interest of SOFR + 200, if the company is rated BBB- or better, or SOFR + 225, if it's rated BB+," etc.

A more rigorous solution used to exist in the form of auction-rate securities (ARS), long-term bonds whose rates floated based on periodic auctions. (Brokers would put in bids saying "we will buy this bond at $100 with a rate of ____%," and whatever rate cleared the auction would be the new rate on the security.) This extremely did not solve the second problem, though: In 2008, as the market became very risk-averse, these auctions failed to find clearing prices, and the ARS market more or less died.

MicroStrategy Inc. (now doing business as Strategy), the great financial innovator of our age, has delightfully solved both problems in the simplest possible way. This week it announced an offering of "Stretch" preferred stock ("Variable Rate Series A Perpetual Stretch Preferred Stock," ticker STRC) whose floating rate is designed to keep it priced at $100. The way it will do this is:

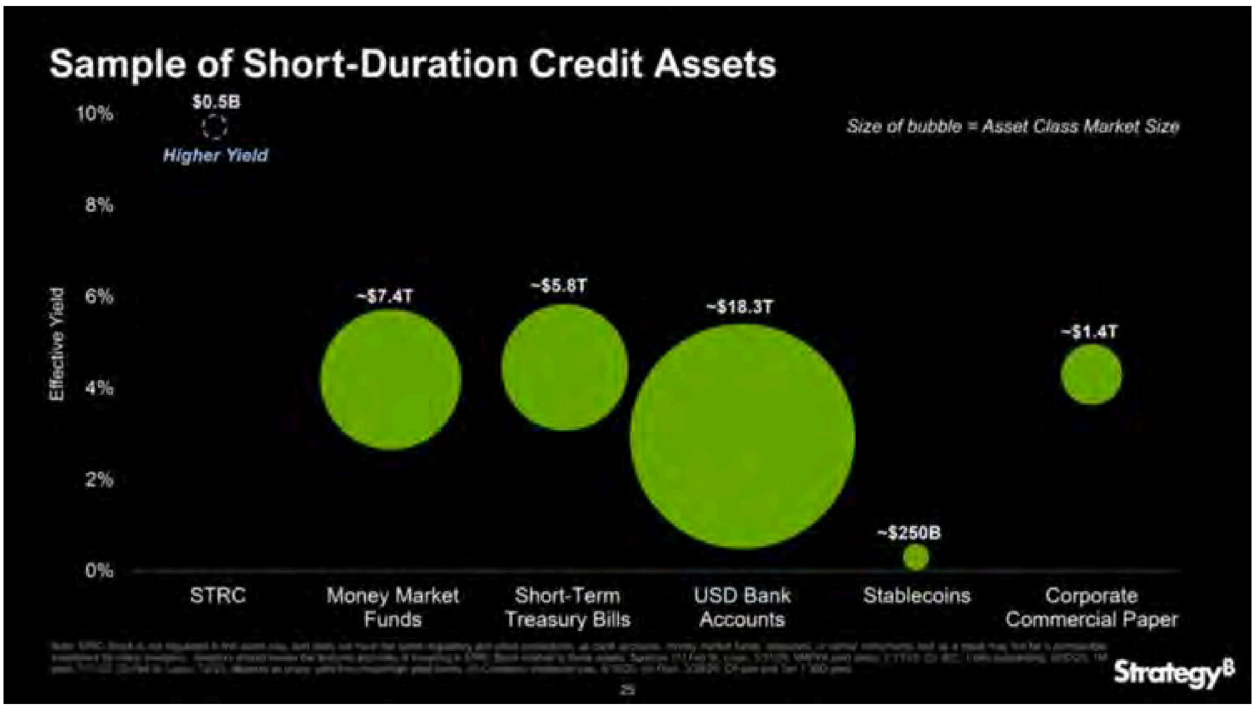
1. MicroStrategy will just set the rate each month to whatever it thinks will get it to $100, but if it's wrong no biggie. This solves the first problem: There is no complex and gameable mechanism to set the interest rate; MicroStrategy just picks the rate that it thinks is best.
- 2. If that process produces a rate that would be unpleasantly high for MicroStrategy, MicroStrategy will just pick a lower rate. If the rate required to make the thing trade at $100 would be, like, 20%, MicroStrategy has the flexibility to say "no thank you we'll stick to 9%."

That is oversimplified but not by much. From the prospectus:

The initial regular dividend rate will be 9.00% per annum. However, we will have the right, in our sole and absolute discretion, to adjust the regular dividend rate applicable to subsequent regular dividend periods in the manner described in this prospectus supplement. ...

Our current intention, which is subject to change in our sole and absolute discretion, is to adjust the regular dividend rate in such a manner as we believe will maintain STRC Stock's trading price at or close to its stated amount of $100 per share. For example, if the trading price of STRC Stock exceeds $100, our current intention would be to reduce the regular dividend rate with the goal of causing the trading price of STRC Stock to decrease. Similarly, if the trading price of STRC Stock is less than $100, our current intention would be to increase the regular dividend rate with the goal of causing the trading price of STRC Stock to appreciate. We will take any such actions at our sole discretion based on our subjective assessment of market conditions and the measures we believe are necessary to achieve our intended objectives.

Here is the investor presentation, with slides with titles like "Building out the Yield Curve for BTC Credit" and "STRC is Designed to be Stable in Price." Because Stretch is a perpetual preferred stock, it is in some ways very long-term (perpetual) debt, but because its rate floats every month based on market conditions, it is in some ways like very short-term (monthly) debt. The presentation compares it to other short-term debt instruments:



Source: Strategy.

I suppose the point here is that, compared to, you know, *bank accounts*, or *Treasury bills*, Stretch is much smaller, much higher-yielding and, though the presentation doesn't specifically say this, much weirder.

This obviously demands a certain amount of trust, on the part of investors, in MicroStrategy. If you think "sure this thing won't trade *above* $100, because then they'd lower the rate, but if it trades *below* $100 they might be slower to raise the rate," then you might not want to pay $100 for it. (If it can only go down?) But on the other hand, everything in capital markets demands a *certain* amount of trust, and everything MicroStrategy does demands a bit more, and MicroStrategy does have a lot of fans.

And because it is essentially in the business of finding weird new sources of capital, it does have incentives to be trustworthy: If this thing trades consistently at $100, people will want to buy whatever it cooks up next; if it doesn't, they won't. (The presentation also has a slide titled "Our Preferreds have Outperformed since their IPOs," which is why Strategy can sell new, weirder preferreds.) Strategy and its investors are all in this together: The more money Strategy makes for investors in its weird securities, the more weird securities it can issue to buy Bitcoin, and that is the business it is in.

Tesla/xAI

What?

Elon Musk suggested any potential investment by Tesla Inc. in his artificial intelligence startup, xAI, should be proposed by the electric carmaker's shareholders.

"Shareholders are welcome to put forward any shareholder proposals that they'd like," Musk said on Tesla's earnings call Wednesday in response to a question about a potential xAI investment. Musk offered support for such an investment from his X account earlier this month, but suggested that it wasn't his decision.

That's not how any of this works. We talked last week about how (1) xAI needs a ton of money, (2) various other bits of Musk's empire (Tesla, SpaceX) have tons of money, (3) so, you know. SpaceX *has* agreed to send some of its money over to xAI, while Musk said, on X, "if it was up to me, Tesla would have invested in xAI long ago" and suggested that there might be a Tesla shareholder vote on doing so. Like an idiot, I took this hypothetical seriously and wrote about what sorts of formalities might be required for Tesla, a public company, to invest its money in one of its chief executive officer's other projects. (Ideally: A special committee of independent directors would negotiate the investment and then shareholders would vote.) I also wrote:

Of course if you own Tesla stock it's not because of cars. … It's because you think that Musk is a really good allocator of capital to futuristic endeavors, and Tesla is his only public company, which just happens to be a car company. If Tesla was "an index fund for Musk's futuristic endeavors," you'd probably be fine with that.

That is: People own Tesla stock because they want Elon Musk to allocate capital for them. *They* don't want to do the capital allocation! They don't want to submit shareholder proposals telling him what to do! "Shareholders are welcome to put forward any shareholder proposals that they'd like"? Come on! Imagine what Musk would say if shareholders *actually* submitted proposals for what he should do. (Wouldn't the proposals be, like, "Resolved, shareholders would like Elon to spend less time on politics and getting in fights online"?) Shareholders of Elon Musk companies are not in the business of telling Elon Musk what to do with their money. They're in the business of letting Musk cook with their money.

Also, even apart from the specifics of Elon Musk fandom, this is not how companies are run? A company's strategy is set by its executives and board of directors, not by shareholder proposals; shareholder proposals are normally nonbinding and cannot "micromanage" the company's decisions. If Tesla is going to invest in xAI, ideally shareholders would get a *say* — they'd get to vote on the idea — but the proposal would come from Musk, not from the shareholders. The way for shareholders to vote on it is for Musk to ask them to vote on it, not for them to ask him.

I don't really know what's going on here. But one possibility is that, while Musk does *want* to pump more money into xAI, and while he does want Tesla shareholders to feel like they are participants in the broader futuristic Musk ecosystem, he doesn't actually want the constraints that would come from pumping public-company money into xAI. If he proposed it, Tesla probably would want a shareholder vote on it, which might mean public disclosure about xAI's finances and business plans, and which could mean shareholder lawsuits about disclosure and conflicts of interest and the fairness of the deal. (Though the lawsuits would be in Texas and Tesla would probably win.) It is useful for Musk's empire to have a big source of public money, but it is also useful for Musk to shield most of that empire from the public markets.

Alpha capture

Here's an insider trading hypothetical:

1. You are a financial professional, a research analyst or a small hedge fund manager, something like that.

- 2. You get market-moving inside information about a company, in a bad way. Your brother-in-law is an executive at the company and he tells you that it's about to be acquired at a premium, that sort of thing.
- 3. If you bought the company's stock or call options, you'd make a lot of money but you'd also obviously go to prison for insider trading.
- 4. Several big multistrategy hedge funds run "alpha capture" programs. Basically there's a website where people — sell-side analysts, managers of smaller funds, etc. — can submit trade ideas, and the big hedge fund might use those ideas in its own trading. People who submit good ideas are rewarded, sometimes even if the big fund doesn't trade on them. For the big hedge fund, the point here is not so much "we give people a cut of the trades they bring us" and more "we want people to bring us good ideas, so we pay for good ideas whether or not we trade on them, because in the long term that gets us more good ideas." It also gives the big fund more *data* to evaluate which ideas are good. We talked last month about Marshall Wace's alpha capture program, which treats contributors' trade ideas as raw inputs to its own quantitative process for finding trades: "'It would be quite wrong to think of it as a simple translation of Joe Schmo's idea into a portfolio,' said Marshall. 'Joe Schmo may have an idea, and that might be a small part of a signal of whether or not that stock is interesting.'"
- 5. You go to the website and put in "buy short-dated out-of-the-money call options on this company."
- 6. The company announces its deal, the stock shoots up, and your trade turned out to be a good one. The big hedge fund writes you a check for your good trade.
- 7. Did the big hedge fund use your idea? Did it literally do your suggested trade? Did it use your suggestion as an input to a model that slightly increased its long position in the company? You don't care.

You have turned your inside information into money. Do you also go to prison? A few arguments you might make here:

You never did a trade, so you didn't do insider trading.

- The big hedge fund might not have done a trade, in which case it didn't do insider trading.
- Or maybe it did do a trade, but your submission was only one part of its quantitative process to evaluate what stocks to buy, so who can say whether it did insider trading.
- Or maybe it did do a trade based entirely on your submission, but it didn't *know* that you had inside information, so it isn't guilty of insider trading. And if there was no insider trading by anyone, then you aren't guilty of insider trading.

I don't think those arguments are really right — not legal advice! — but they're tempting. And this is sort of a known problem, so the big funds that do alpha capture try quite hard *not* to get tips based on inside information, and to document that all of their information is legitimate. Still. One theory is that there is some incentive and opportunity to structure big hedge funds in a way that allows them to (1) trade on inside information but (2) insulate their executives from that information, so that the executives can say "how was I to know that we had inside information?" Letting unsupervised outside randos submit trade recommendations, and using those recommendations indirectly as signals in a quantitative process, might be one way to do that.

Anyway Bloomberg's Lucca De Paoli reported yesterday:

Squarepoint Capital collects ideas for its quant hedge fund from all over the world, with gleaming offices in London, Singapore, Dubai, New York and one above a Paris art gallery near the Champs Elysees.

It also paid for stock tips from an Albanian day trader working in a cramped flat on the other side of London that she shared with her brother. Oerta Korfuzi toiled there on a large curved screen in the corner of her living room, squeezed between an alcove and a grey L-shaped sofa.

That was until March 24, 2021, when agents from the Financial Conduct Authority arrested Oerta and her brother, Redinel, in a dawn raid. The siblings were convicted of insider trading and money laundering; Redinel, 38, was sentenced to six years in prison this month and Oerta, 36, got five years.

Squarepoint, one of the world's best-known systematic investment funds, wasn't accused of any wrongdoing, and the Korfuzis' contributions to Squarepoint weren't what landed them in jail. It's not clear whether any of the tips they gave to the fund were based on insider information, or that Squarepoint acted on them. But the episode raises questions about what goes into the black-box process that some of the biggest quant hedge funds use to solicit ideas and help them invest billions of dollars.

The Alpha Capture System, as it's known, seeks "signals" based on vast amounts of data and ideas pitched by thousands of outsiders in exchange for money. A computer-driven algorithmic model converts it all into lucrative trades. There's nothing illegal about it — investment firms have used such systems for decades.

The hazard, as the Korfuzi trial showed, is that paying rewards might attract people with information they're not supposed to share, and whose methods and side hustles aren't always clear. The Korfuzis, for instance, were proffering trading ideas while also stuffing ill-gotten cash from other ventures that didn't involve Squarepoint into designer bags and transferring money to mysterious recipients in Albania.

At some level "day-traders stuffing ill-gotten cash into designer bags" really is a differentiated source of alpha: If you have an alpha capture system, your goal is not to just get the same ideas that every other hedge fund analyst has; you want insights from people other funds don't talk to. At another level it does seem to raise compliance risks.

Head of macro

Remember James Fishback, the guy who claimed to be the former " head of macro" at Greenlight Capital Inc., and who got a certain amount of public attention by relentlessly trolling Greenlight about it? He later expanded into anti-woke exchange-traded funds, and is generally a model for how to build a financial career through trolling. Anyway now he's suing the Federal Reserve for not being transparent enough. This stuff does seem to work for him.

NFT treasury strategy

Sure why not whatever:

GameSquare Holdings, Inc. (Nasdaq: GAME) (the "Company" or "GameSquare"), a next-generation media, entertainment, and technology company, today announced that its Board of Directors has approved the strategic purchase of a rare and highly sought-after "Cowboy Ape" CryptoPunk NFT from Robert Leshner, founder of the DeFi protocol Compound and CEO of Superstate. Under the terms of the purchase agreement, GameSquare issued Robert Leshner $5.15 million of preferred stock that is convertible into approximately 3.4 million shares of GameSquare's common stock at $1.50 per share. The purchase marks GameSquare's first direct NFT investment and is a major milestone in its blockchain-native brand and treasury strategy that is targeting 6-10% annualized stablecoin returns.

It will be amazing if all of the CryptoPunks and Bored Apes end up in the hands of crypto treasury companies. "The stock market will pay $2 for $1 worth of crypto," I keep saying, and maybe it's the last bid for nonfungible tokens too.

Things happen

'A long, slow bleed': Quant hedge funds are getting slammed and scrambling for answers. Hayes Calls for All Rate-Rigging Convictions to Be Overturned. Morgan Stanley's Screening of Wealth-Management Clients Draws More Scrutiny. BlackRock Private Funds Face Attempted Exit by Key Investor Arch. Carlyle to Buy $250 Million of Farm Loans in Private Credit Deal. Goldman and BNY Team Up to Tokenize Money-Market Funds. A Billionaire's Quest to Find Credit Suisse Nazi Accounts Puts UBS in the Spotlight. Goldman Sachs to forgo second round of job cuts as outlook improves. PredictIt Says It Can Expand Political Trades With CFTC Deal. Replit's AI Agent Wipes Company's Codebase During Vibecoding Session. Lamb Weston Plans More Restructuring as French Fry Demand Faces Tough Environment. Sydney Sweeney sparks latest meme stock rally as American Eagle soars 12%. You Can Now Venmo the Government to Help Pay Off National Debt.

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- 1. In theory investors can sort of roll their own version of this by buying (1) a floating-rate corporate bond plus (2) a credit default swap on the company.
- 2. In particular there are some limits on how quickly Strategy can *lower* the rate (no more than 25 basis points per month, plus any decline in SOFR for that month). So if this thing quickly traded to a 4% yield, it would trade above par, as Strategy couldn't lower the rate (from 9%) fast enough to bring it down. But it can't trade too far above par, since Strategy has a call right at 101. Strategy also points out that it can use *issuance* to manage the price: It has an at-the-market offering program for the Stretches, so if it trades up too much Strategy can sell more to bring the price down.
- 3. Every so often there are trading/investing competitions where you trade a paper portfolio but the prize for winning is real money. If you use inside information for those trades, is that … legal?
- 4. Maybe its model turned your input ("buy Stock X") into a signal like "buy Stock X's competitors," and it shadow traded.

https://www.wsj.com/health/healthcare/unitedhealth-contacts-u-s-justice-amid-reports-of-medicare-billing-probe-8892033e

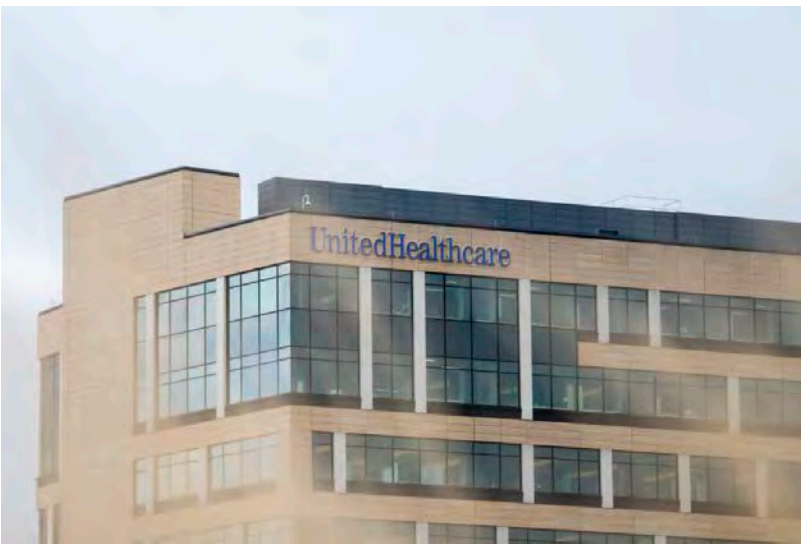
HEALTH | HEALTHCARE

UnitedHealth Confirms Civil and Criminal Justice Department Probes

Company says it is complying with requests from the agency following media reports

By Christopher Weaver Follow , *Anna Wilde Mathews* Follow and *Denny Jacob* Follow

Updated July 24, 2025 12:26 pm ET



UnitedHealth says it has full confidence in its practices. PHOTO: STEPHEN MATUREN/GETTY IMAGES

UnitedHealth UNH **-4.76%** ▼ Group said Thursday it was responding to requests from civil and criminal investigators at the Justice Department following media reports of probes into its Medicare business.

The disclosure follows a series of Wall Street Journal articles in recent months detailing Justice Department investigations of the company. The Journal most recently reported that the Justice Department's criminal healthcare-fraud unit is investigating the healthcare conglomerate's Medicare billing practices, including how the company deployed doctors and nurses to gather diagnoses that bolstered its payments.

UnitedHealth in a securities filing Thursday said it had contacted the Justice Department about the reports. The company said it has "now begun complying with formal criminal and civil requests" from the Justice Department. It added that it has full confidence in its practices and is committed to working cooperatively through the process.

The disclosure, which didn't include the timing of the Justice Department requests to UnitedHealth, is the first time the company has publicly confirmed the investigations.

It comes as UnitedHealth is preparing to release its second-quarter earnings on July 29. Chief Executive Stephen Hemsley, the company's prior leader who took back the top job in May amid financial challenges and a share-price meltdown, is expected to give investors a clearer picture of UnitedHealth's financial status and future direction.

Shares of UnitedHealth fell more than 3% in morning trading Thursday.

UnitedHealth previously disputed the Journal's articles on the Justice Department investigations, calling the reports "misinformation" and "deeply irresponsible" in statements published on its website.

When the Journal reported in May that the Justice Department's criminal health-fraud unit had been overseeing a probe of UnitedHealth's Medicare business since at least last summer, the company said it hadn't been notified by the agency.

In July, the Journal reported that former UnitedHealth employees said they had been questioned by prosecutors working for the healthcare-fraud unit. The Federal Bureau of Investigation and the Department of Health and Human Services' Office of Inspector General also participated in some of the interviews, according to the report.

The Journal reported in February that the Justice Department had launched a separate civil fraud probe examining the company's practices for recording diagnoses. The company said at the time that it wasn't aware of any new investigation.

In March, a UnitedHealth lawyer wrote to a former employee that "the government has asked us some questions regarding Optum's coding practices," a reference to documenting diagnoses used in the Medicare payment system. Optum is the UnitedHealth arm that employs doctors. The email was revealed in a lawsuit by a UnitedHealth investor alleging the company misled investors.

When the Journal asked about the email in May, a UnitedHealth spokesman said the company stood by its earlier statement denying knowledge of the probe.

A UnitedHealth spokesman earlier this month said that the company welcomed "regular reviews of our policies and practices" and that it engaged with government agencies directly, and not through the press. The company said it would "deploy a regular, independent third-party" oversight and audit process for its diagnosis-recording practices.

The Justice Department investigations have focused on topics covered in a series of articles by the Journal over the past year examining some of UnitedHealth Group's Medicare practices.

The Journal reported that UnitedHealth and other insurers in the Medicare Advantage program, where private insurers oversee federal health benefits for seniors and disabled people, added extra diagnoses to patients' Medicare records that triggered higher payments. Some of the diagnoses were for conditions for which patients received no treatment, or for which they had already been cured.

UnitedHealth received far higher payments per patient for such insurer-driven diagnoses than other major Medicare Advantage companies, the Journal's analysis of Medicare data found.

The articles also examined UnitedHealth's practice of buying up medical groups and suggesting extra, payment-boosting diagnoses to the physicians it employs.

At least seven doctors and other medical providers who previously worked for UnitedHealth and were named in Journal articles have been interviewed by Justice Department investigators in the criminal and civil probes.

UnitedHealth has said its practices help find diseases earlier, saving the health system money. The company says Medicare Advantage insurers improve health outcomes and reduce costs for patients.

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Videos

Cryptocurrencies

Companies load up on niche crypto tokens to boost share prices

Listed firms load up on ether, litecoin and $TRUMP as they bid to emulate Michael Saylor's Strategy

Listed companies and new special purpose acquisition vehicles are now targeting other tokens besides bitcoin © FT montage/Dreamstime

Nikou Asgari in London and **Antoine Gara** in New York

Published YESTERDAY

Public companies are loading up on cryptocurrencies such as US President Donald Trump's memecoin, HYPE token and litecoin, as they branch out into hoarding digital currencies beyond bitcoin in an attempt to drive up their own share prices.

Issuing shares or bonds in order to buy bitcoin has become a hot trend globally this year as companies seek to emulate billionaire Michael Saylor's $116bn company Strategy in stockpiling the digital currency.

But listed companies and new special purpose acquisition vehicles are now targeting other tokens, as they seek to differentiate themselves from the hundreds of bitcoin-owning businesses.

Former Cambridge Analytica executive Brittany Kaiser is working on a deal to raise $200mn of equity using a public shell company to buy Toncoin at a discount to its current trading value with Canadian investment group RSV Capital, according to two people briefed on the matter. Toncoin is the token of the blockchain used by messaging app Telegram and built by its founders, including Pavel Durov.

"Since TON is the exclusive blockchain for Telegram, which has over 1bn monthly active users, the opportunity for rising demand is unparalleled," Kaiser told the Financial Times, adding that the deal "will focus on growth of the Telegram ecosystem".

RSV Capital did not respond to a request for comment.

Blockchain platform Avalanche is also studying a similar deal where it would sell some of its tokens to a publicly listed shell company. The shell company would then hold and stake the AVAX tokens, which are used on the Avalanche network, to earn yield in hopes of attracting an investor base, the people said. Avalanche declined to comment.

The moves beyond bitcoin come as the price of the world's biggest cryptocurrency recently hit a record high of more than $123,000, boosted by the US's friendly approach to digital assets under Trump. Last week, Washington passed landmark crypto legislation, marking a significant step forward in the mainstream adoption of crypto.

Bitcoin has outperformed other tokens, climbing 77 per cent over the past year compared with a 6 per cent rise for ether and 52 per cent rise for litecoin over the same period, leading some firms to look at other cryptocurrencies.

Among other deals in the sector, logistics management company Freight Technologies recently raised $20mn through convertible debt to spend on buying the president's official coin, $TRUMP. Chief executive Javier Selgas said buying the coin would help "diversify our crypto treasury and simultaneously bring attention to trade policy".

Oncology company Sonnet BioTherapeutics agreed an $888mn special purpose acquisition deal with a vehicle backed by former Barclays chief executive Bob Diamond to buy HYPE this month. HYPE is the token of the Hyperliquid blockchain. Sonnet's stock price surged 200 per cent on the deal, but later fell.

But many are sceptical of the benefits of these smaller tokens.

Buying coins other than bitcoin and ether was a "hugely speculative" move, said Eric Benoist, tech and data research specialist at Natixis CIB, adding that struggling companies acquiring tokens is not a long-term business plan.

"That's not going to save them for a very long time. At the end of the day they'll be worth whatever [crypto] they have on the balance sheet and that's it."

The market for companies buying bitcoin has become saturated, and the moves to buy other tokens "are more of a flash in the pan", said Geoff Kendrick, global head of digital assets research at Standard Chartered, adding that if prices collapse "you'll have pain in either equity holders or bondholders."

The crypto-buying vehicles have also become a means for investors owning large amounts of tokens to store them, with the aim of achieving more value.

Typified by Saylor's Strategy, whose shares trade at nearly double the value of the bitcoin it holds, companies holding crypto are often valued higher than the tokens they have, due to the use of debt to fund purchases that benefit equity holders, and speculative momentum.

Andrew Keys, co-founder of Consensys Capital, on Monday launched a special purpose acquisition deal to buy ether. Keys is putting about $645mn of his own ether tokens into the deal, alongside $800mn of investment from names including Pantera Capital and Blockchain.com.

Charlie Lee, the co-founder of litecoin, is investing $100mn into MEI Pharma in order for the cancer care company to buy the token and become the "first and only publicly traded litecoin holder". MEI Pharma's shares jumped as much as 78 per cent on the announcement last week.

Meanwhile, YZi Labs, the investment firm of Binance co-founder Changpeng Zhao, this month said it was supporting the creation of a treasury firm that will load up on BNB coins, the token of Binance.

Bitcoin's appeal lies in large part in its finite nature, say proponents, with 21mn tokens that will ever be mined, according to rules written into its code. However, few other tokens have such concrete limits and their supply can increase, leading to doubts among some commentators about how sustainable these strategies are.

Some in the industry are sceptical of the prospects of most of these companies, whether they are buying bitcoin or other tokens.

Crypto venture capital firm Breed wrote recently that it expected "more companies around the world to adopt this playbook, extending to more assets and taking on greater leverage to chase success".

"Most will fail," it added. "Ultimately, only a select few companies will sustain a lasting [share price] premium."

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Lincoln National Beats Investor Suit Over $2.6B Loss, For Now

By **Dorothy Atkins**

Law360 (July 24, 2025, 8:44 PM EDT) -- A Pennsylvania federal judge on Thursday tossed with leave to amend a proposed securities class action alleging that Lincoln National Corp. misled investors about its financial health before reporting a $2.6 billion net loss in 2022, finding that the investors didn't specify when Lincoln National had access to certain data and studies.

In **a 20-page opinion**, U.S. District Court Judge John F. Murphy held that the plaintiffs, led by Local 295 IBT Employer Group Pension Trust Fund, failed to meet the heightened pleading standards required for securities fraud claims under the Private Securities Litigation Reform Act.

"The complaint does not sufficiently allege what data Lincoln had at the time of each alleged statement, undermining any inference of fraudulent intent," the order said. "As a result, it falls short of the demanding bar for securities fraud cases."

The judge granted Lincoln's motion to dismiss, but allowed the investors another shot at amending their complaint.

Counsel for the parties and representatives for Lincoln National did not immediately respond to requests for comment Thursday.

The ruling is the latest chapter in securities fraud litigation launched in April 2024 against the company and its executives Ellen Cooper, Dennis Glass and Randal Freitag.

The litigation stems from a 33% stock drop in November 2022 that followed Lincoln National's report of a net loss of $2.6 billion for the third quarter, compared to a net income of $318 million in 2021. According to the complaint, the drop was largely due to revised assumptions regarding certain life insurance policies.

Lincoln National allegedly said the results included "net unfavorable notable items" of $2 billion related to its annual debt-to-capital and reserve assumptions. The company also disclosed that it incurred a $634 million goodwill impairment to its life insurance business. On that news, Lincoln National's shares declined $17.27 each, or about 33%, to close at $34.83 per share on Nov. 3, 2022, according to the complaint.

The investors said Lincoln National and several of its executives failed to disclose that the goodwill associated with the life insurance business was overstated and the company's policy lapse assumptions were outdated. The suit accuses Lincoln National of acting with scienter, or actual knowledge of wrongdoing or reckless disregard, and violating the Exchange Act.

In October, the judge appointed Robbins Geller Rudman & Dowd LLP to serve as lead counsel representing its client Local 295, which suffered approximately $122,000 in losses, while Saxton & Stump LLC would serve as local counsel.

But in February, the defendants asked the court to throw out the case for good, saying the complaint failed to sufficiently allege that it withheld adverse information or that its public statements were misleading.

In his ruling Thursday, the judge agreed with the defendants, finding that the investors failed to plead with particularity a viable securities fraud claim, especially since they didn't say when Lincoln National possessed all policyholder lapse rate data, or an internal Lincoln National study, which included data from 2019 to 2022.

"Lincoln cannot be liable for statements contradicting the Lincoln study if it did not have that information at the time of the statements. ... Because we do not know when Lincoln got its study results, we cannot infer misrepresentation in statements supposedly contradicting what the study eventually revealed," the order said.

The judge added that the investors likely don't have a copy of the internal study so they don't know what is in it, and Local 295 did not plead with particularity the reasons another industry study, which influenced its competitor Prudential's decision to take a $1.4 billion charge, was "necessarily dire for Lincoln."

Judge Murphy gave the investors two weeks to amend their complaint.

Local 295 IBT Employer Group Pension Trust Fund is represented by Danielle S. Myers and Michael Albert of Robbins Geller Rudman & Dowd LLP and Lawrence F. Stengel of Saxton & Stump LLC.

Lincoln National and the individual defendants are represented by Timothy D. Katsiff of Faegre Drinker Biddle & Reath LLP and Alex G. Romain, Howard S. Suskin, Gabriel K. Gillett and Emily S. Mannheimer of Jenner & Block LLP.

The case is Meade v. Lincoln National Corp. et al., case number 2:24-cv-01704, in the U.S. District Court for the Eastern District of Pennsylvania.

--Additional reporting by Sydney Price. Editing by Stephen Berg.

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Intel Secures Final Toss Of Investor Suit Over Chip Struggles

By **Katryna Perera**

Law360 (July 24, 2025, 6:48 PM EDT) -- A California federal judge has permanently tossed a twice-amended complaint from Intel Corp. investors that alleged the company concealed struggles with expanding its domestic computer chip manufacturing, saying the investors failed to properly plead that any of the suit's challenged statements were false or misleading.

U.S. District Judge Trina Thompson **issued an order** Wednesday tossing the suit with prejudice, saying the investors failed to plead falsity, scienter and loss causation.

Intel investors claimed in their lawsuit that they were led to believe a financial restructuring of the company would save billions of dollars over several years. However, the company reported in April 2024 that its Intel Foundry Services segment had incurred $7 billion in operating losses the previous year. The Intel Foundry Services segment was a new business unit created by Intel to manufacture chips for external customers.

Judge Thompson previously had dismissed the suit, finding the investors failed to allege falsity, and on Wednesday, she reached the same conclusion.

Similar to the previous complaint, the operative complaint alleges falsity related to Intel's audited fiscal year 2023 financial statements and various statements made by former CEO Pat Gelsinger and Chief Financial Officer David Zinsner.

Specifically, the investors alleged the 2023 financial statements were misleading because the defendants reported "only external foundry financial results — a tiny piece of the overall foundry picture," while omitting the the foundry's financial results, obscuring $7 billion in foundry losses.

But Judge Thompson said Wednesday the allegations in the operative complaint are "largely a restatement" of the previous claims, and while it is true that the defendants did not report the foundry results with the external results, they were clear that the internal results would be obscured and not reported until 2024. Therefore, the investors failed to allege falsity related to Intel's financial reporting, the order said.

The investors also replead their claim that the defendants' failure to report the full foundry financial results violated Generally Accepted Accounting Principles, and they "bolster" their claim in the operative complaint with additional statements made by Gelsinger, according to the order.

However, Judge Thompson said she does not find the investors' arguments to be persuasive and that the additional statements are insufficient to establish a GAAP violation.

"As it did in its previous order, while not dispositive, the court finds that the lack of a restatement [of financial statements] and a clean audit opinion cut against a finding of falsity," the judge said.

She also found that the investors failed to plead falsity for challenged "efficiencies and savings" statements and "traction and demand" statements made by Gelsinger.

Because the investors failed to plead falsity, the judge did not reach the parties' arguments on scienter and loss causation.

Intel Corp. was hit with the **putative class action** in May 2024, alleging it misled investors about the expected success of the new internal business model. Intel announced in April 2024 that, under the new model, the foundry segment had $7 billion in operating losses in the prior year and that its revenue was down $8.6 billion from 2022.

As a result, Intel shares fell by $3.61, or 8.2%, to close at $40.33 on April 3, 2024, according to the complaint. Intel's stock fell again on April 26, 2024, after the company announced that the foundry segment declined 10% compared to the year before, sending shares down $3.23, or 9.2%, to close at $31.88 per share.

Judge Thompson **previously tossed** the investors' claims in March, but allowed the group a second chance to argue that Intel reported false statements about its chipmaking business. The investors **refiled their suit** weeks later, and **Intel responded** by claiming the new complaint only offers "unsupported spin on the same public material" as the previous complaints.

Representatives for the parties did not respond to requests for comment on Thursday.

The investors are represented by Robert V. Prongay, Kara M. Wolke and Garth A. Spencer of Glancy Prongay & Murray LLP, Laurence M. Rosen, Robin B. Howald and Michael Cohen of The Rosen Law Firm PA, Shawn A. Williams and Hadiya K. Deshmukh of Robbins Geller Rudman & Dowd LLP, and Frank R. Cruz of The Law Offices of Frank R. Cruz.

Intel and the other defendants are represented by Gregory P. Stone, John M. Gildersleeve, Brian Rivas Boessenecker and Lorraine L. Abdulahad of Munger Tolles & Olson LLP.

The case is In re Intel Corp. Securities Litigation, case number 3:24-cv-02683, in the U.S. District Court for the Northern District of California.

--Additional reporting by Bonnie Eslinger. Editing by Lakshna Mehta.

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JBS S.A. Sued In Del. Over Pilgrim's Pride Control Moves

By **Jeff Montgomery**

Law360 (July 24, 2025, 8:20 PM EDT) -- Pension fund stockholders of poultry industry giant Pilgrim's Pride Corp. have sued Brazil-based meat giant JBS S.A., its affiliates and its Pilgrim's board appointees in Delaware's Court of Chancery, alleging actions that unfairly increased JBS' clout and access to dividends and tax benefits at minority shareholder expense.

City of Miami Beach Fire and Police Pension Fund and Bruce Taylor, stockholders of Pilgrim's, said in the direct and derivative action made public Wednesday that — among other claims — JBS used its Pilgrim's Pride board control to secure an amendment providing "favorable tax treatment to JBS" via its Pilgrim's subsidiary.

According to the complaint, the amendment allows JBS to "manipulate the timing and amount of any dividend payments to minimize or eliminate its obligation to remit any payment to the company" for its use of Pilgrim's Pride's associated tax assets

JBS owns about 82% of Pilgrim's Pride's common stock, but was limited to electing only seven of the company's nine directors, or 77.8%, according to the complaint.

"This presented a problem for JBS," the suit said, because parent companies cannot consolidate a subsidiary's financials or avoid paying taxes on dividends issued by subsidiaries until a parent owns at least 80% of outstanding stock and voting power.

According to the suit, JBS responded by first blocking Pilgrim's from distributing dividends by its $2 billion cash and equivalent balance at the time and then amending Pilgrim's Pride's charter to give itself power to elect 80% of the poultry giant's board — a move that promptly produced tax savings for JBS when Pilgrim's Pride declared a $1.5 billion dividend after the charter amendment.

The controller also pushed through an amendment to the Pilgrim's Pride charter allowing JBS to directly elect 80% of Pilgrim's Pride's directors, the suit said.

JBS put a tax-sharing agreement in place, limiting the agreement to two years and capping the sharing at $750 million, the suit said, claiming that, in doing so, the company failed to fairly compensate Pilgrim's and its minority stockholders.

The complaint accused JBS and its directors on Pilgrim's Pride board of acting in bad faith when they approved the charter amendment and tax-sharing agreement without negotiating terms to protect the interests of the poultry giant's public minority investors.

"This amendment gave JBS a unique benefit in the form of significant tax savings, including, in particular, when Pilgrim's Pride issues dividends," the suit said, alleging that those named "forced the change through."

Ignored along the way, the complaint said, were requirements under the Delaware Supreme Court's Kahn v. M&F Worldwide Corp. decision established for conflicted controller transactions.

Kahn allows controllers to avoid the requirement to show both a fair process and price if an action is conditioned on approval through a "fully informed," uncoerced vote by a majority of minority stockholders and a special committee of independent directors.

"Although the charter amendment and tax-sharing agreement were nominally approved by an equity committee, the committee process failed to satisfy even the minimal requirements" of Delaware's General Corporation Law, the complaint said.

The five-count suit includes two individual class claims for beaches of fiduciary duty by Pilgrim's Pride controlling directors and officers, along with derivative claims against both groups.

The parties did not immediately respond to requests for comment Thursday.

The stockholders are represented by Ned Weinberger, Brendan W. Sullivan, Ryan C. Stieve, John Vielandi and Guillame Buel of Labaton Keller Sucharow LLP, and Jeremy S. Friedman, David F.E. Tejtel and Alexander M. Krischik of Friedman Oster & Tejtel PLLC.

Counsel information for the JBS parties was not immediately available Thursday.

The case is City of Miami Beach Fire and Police Pension Fund and Bruce Taylor v. JBS Wisconsin Properties LLC et al., case number 2025-0828, in the Court of Chancery of the State of Delaware.

--Editing by Melissa Treolo.

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Judge Says UiPath Investors Disappointed, Not Deceived

By **Benjamin Morse**

Law360 (July 24, 2025, 1:05 PM EDT) -- Automation software firm UiPath Inc. has, for now, defeated a consolidated investor suit accusing it of falsely touting the success of a new development strategy, after a federal judge said that security laws do not shield against bad outcomes and investors did not plausibly allege material misstatements or fraudulent intent.

In a 49-page **opinion** filed Wednesday, U.S. District Judge John P. Cronan granted with leave to amend UiPath Inc.'s motion to dismiss, finding many of the statements made by the company's former CEO Robert Enslin and Chief Financial Officer Ashim Gupta were too vague or generalized to support a claim under securities law.

"Federal securities laws … do not guarantee smooth sailing in turbulent markets," Judge Cronan wrote. "Nor do they permit disappointed investors to recast business setbacks as actionable fraud."

The suit **alleges** UiPath, which according to the lawsuit derives its revenue from selling software licenses, misled investors about the success of its "turnaround strategy" beginning in December 2023. That strategy prioritized investing in sales resources dedicated to the company's largest customers, among other things, according to the complaint.

Investors took issue with statements regarding UiPath's execution of contracts with customers and the quality of those deals, and statements regarding the company's investments in its sales team and customer success function, according to the order.

Judge Cronan found two of the four statements— including that the company "delivered a strong close to the fiscal year" which "underscor[ed] the meaningful outcomes…" and that the platform "enables us to close larger, more strategic deals" — were too vague to support a claim, calling one "a quintessential example of nonactionable puffery."

"Indeed, one would be hard pressed to find a company that does not promise value in what it sells; that a company touts its product as useful is a tale as old as commerce," Judge Cronan wrote.

Judge Cronan didn't weigh in on whether the other two statements, including one claiming the company was seeing "better execution" of its sales strategy, were misleading, because he found that investors hadn't shown the executives intended to deceive anyone.

The investors' suit also pointed to a one-day, 34% drop in the company's stock price in May 2024, following an announcement that the sales compensation changes and poor customer execution in 2023 resulted in reduced guidance and weak performance in the previous quarter. That same day, UiPath announced the resignation of its CEO.

Investors said the decline was a reaction to the revelation that the company's earlier statements about investing in sales and customer success had been misleading.

The court found that the lawsuit failed to connect the company's stock drop to any revelation of wrongdoing. The court said the drop could not be linked to the alleged misstatements, since the May disclosures did not reveal any false information about UiPath's investments in sales.

"In other words, Plaintiffs cannot sufficiently allege loss causation without allegations that the loss was caused by the market learning about, and reacting negatively to, the falsity of UiPath's prior statements," Judge Cronan wrote.

The UiPath defendants also argued, and the court agreed, that even if the investors were able to plead claims of falsity, they would fail to plead scienter — the knowledge of wrongdoing — since the complaint did not support a strong inference that the defendants acted with fraudulent intent.

"Even interpreting Plaintiffs' argument generously, Enslin's and Gupta's supposed motive amounts to nothing more than a desire to conceal past errors, to remain employed as executives, or to protect their professional reputations," Judge Cronan wrote.

Judge Cronan rejected investors' claims that Enslin and Gupta had access to information that contradicted some of their public statements. While investors cited internal sales forecasting tools and executive participation in meetings, the court said they failed to identify any specific report or communication that refuted the executives' statements.

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

The investors are represented by Joseph A. Fonti, George N. Bauer, Ross Shikowitz, William Freeland and Adam C. McCall of Bleichmar Fonti & Auld LLP

UiPath, Enslin and Gupta are represented by Edmund Polubinski, Patrick Blakemore and Marie Killmond of Davis Polk & Wardwell LLP.

The case is In re UiPath Inc. Securities Litigation, case number 1:24-cv-04702, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Sydney Price. Editing by Alex Hubbard.

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Chancery OKs $12.75M Settlement In MoneyLion SPAC Suit

By **Jeff Montgomery**

Law360 (July 24, 2025, 5:12 PM EDT) -- Saying parts of the deal "reflect a poster-child scenario for the problems and malincentives associated with the de-SPAC form," a Delaware vice chancellor on Thursday approved a $12.75 million settlement in a stockholder suit challenging a take-public deal for digital finance platform MoneyLion.

Vice Chancellor Nathan A. Cook's comment came during a hearing approving the $1.40-per-share agreement to end class claims against Fusion Acquisition Corp., the special purpose acquisition company that merged MoneyLion into publicly traded existence based on an allegedly inflated $2.2 billion valuation.

Attorneys for the class at firms including Grant & Eisenhofer PA and Wolf Popper LLP will share in a $2.3 million attorney fee paid out of the settlement, with two investors who served as lead plaintiffs in the suit receiving $2,500 each. The fee includes expenses and represents about 18% of the total.

According to the complaint and later filings, Fusion Acquisition submitted a letter of intent to acquire MoneyLion in December 2020 despite what attorneys for the stockholders said in a brief were "unresolved" accounting irregularities and problems at one point detailed only in "screen flashes" by MoneyLion co-founder and CEO Diwakar Choubey.

The SPAC, Fusion Acquisition, was described by attorneys for investors who sued as having a "perverse" incentive to close any deal within 18 months — otherwise, Choubey risked loss of a 7.4% stake in the new company and loss of his job as CEO. Both FAC and premerger MoneyLion, attorneys for the stockholders argued, worked together to pump up the value of the company.

"It just seems significant to me that I'm reading these things in plaintiffs' brief, and they seem to line up with the risk that folks have identified with, perhaps, some of the incentives associated with a particular type of transaction," the vice chancellor said.

"That's not to say, with the advice of good counsel, with folks who are knowledgeable, that there aren't all sorts of ways risk can be mitigated and folks do things the right way," the vice chancellor said.

The settlement emerged from mediation as the case moved through discovery. A full-day mediation session with David M. Murphy of Phillips ADR failed to produce an agreement but led to a deal in January on a "double-blind" settlement proposal.

Double-blind proposals involve neither party knowing if the other has agreed until both sides approve.

MoneyLion was founded in 2013 and was described as acting as "an all-in-one digital financial platform" providing low-cost access to banking, borrowing and investing solutions, backed by a proprietary financial technology.

Kelly L. Tucker of Grant & Eisenhofer PA, counsel to the stockholders, told Vice Chancellor Cook that the litigation was complicated by MoneyLion's performance after closing, initially meeting its revenue projections although missing in later periods.

In other SPAC suits, Tucker said, those sued missed revenue projections "immediately and substantially."

The $1.40-per-share consideration would rank as the third-largest per-share recovery in a de-SPAC merger settlement, attorneys for the class said, and the largest on a per-share basis for cases settled at $10 million or more. The settlement amount would equate to 47% of the estimated $27 million in total damages.

FAC, according to the suit, approved the merger without conducting adequate diligence and without obtaining a fairness opinion.

Also named in the suit, in addition to principals of FAC, was Broadhaven Capital Partners LLC. Broadhaven and Choubey were described in the suit as conflicted "aider and abetter" defendants.

Broadhaven argued in an earlier brief seeking dismissal of the suit that the complaint included "the first aiding and abetting claim against a counterparty's financial adviser that has ever been considered by the court of Chancery — and they therefore identify no support for the extension of such a claim."

In addition, counsel for Broadhaven said in the earlier court brief, stockholders "ask the court to ignore the fact that the projections were so well-founded that MoneyLion actually outperformed almost all of these figures."

Tucker said counsel for the stockholders were challenged by having to show an unfair price and having to show damages for a business that, after going public, met its projections for the first year.

Counsel for Choubey argued before the settlement that the single aiding and abetting claim against him should be dismissed based on a failure to show knowing participation in FAC's alleged breaches.

The class is represented by Kelly L. Tucker of Grant & Eisenhofer PA, Carl L. Stine, Adam J. Blander and Timothy D. Brennan of Wolf Popper LLP, and Michael Klausner.

Diwakar Choubey is represented by Bradley R. Aronstam, S. Michael Sirkin and Holly E. Newell of Ross Aronstam & Moritz LLP and Brian M. Burnovski, Kyra M. Kaufman and Adam M. Green of Davis Polk & Wardwell LLP.

Broadhaven Capital Partners LLC is represented by William M. Lafferty and Susan W. Waesco of Morris Nichols Arsht & Tunnell LLP and Andrew W. Stern, Nicholas P. Crowell, Charlotte K. Newell and Vincent J. Margiotta of Sidley Austin LLP.

The case is Martel et al. v. Fusion Sponsor LLC et al., case number 2024-0329, in the Court of Chancery of the State of Delaware.

--Additional reporting by Sydney Price and Jon Hill. Editing by Philip Shea.

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Fluor Investor Attys Awarded $2.4M For Derivative Suit Deal

By **Katryna Perera**

Law360 (July 24, 2025, 8:57 PM EDT) -- A Texas federal judge on Thursday awarded $2.4 million in attorney fees and expenses in a settlement that resolved a derivative suit against the top brass of Fluor Corp. over claims that executives covered up the engineering and construction giant's improper bidding practices for years and caused billions of dollars in losses to the company.

U.S. District Judge Brantley Starr issued an **order** granting the fee request from plaintiffs' counsel from Robbins LLP and Scott + Scott Attorneys at Law LLP, finding the amount to be fair and reasonable.

Judge Starr **granted final approval** to the settlement in 2023, but deferred judgment on the attorney fees until the court received time records from plaintiffs' counsel. When granting final approval, the judge also approved $2,500 service awards for the plaintiffs.

Under the approved deal, Fluor agreed to adopt and maintain a set of management- and board-level measures addressing project and risk oversight and performance-based compensation safeguards for at least four years.

The deal also required the company to allocate funding for the reforms, estimated to be approximately $10 million over a four-year period.

Shareholder Alyson Bottoni **sued in 2020**, claiming 23 Fluor officers and directors, including CEO Carlos M. Hernandez, violated federal securities laws, breached their fiduciary duties and wasted corporate assets.

Nearly half of Fluor's business is bidding for fixed-price contracts, under which the company's compensation for a given project is capped at a price based on estimated costs, according to the suit. But from 2012 to 2018, the top brass allowed the company to purposely submit lowball bids to win more projects and, therefore, earn more lucrative executive bonuses, which are contingent upon the number of new contracts secured, Bottoni said.

The directors then covered up Fluor's systematic underestimation of project costs with a series of misleading statements intended to reassure shareholders that the company's "conservative" bidding practices, internal controls and reported earnings were all compliant, according to the suit.

The shareholder alleged that the directors' mismanagement exposed the company to investigations by the U.S. Department of Justice and the U.S. Securities and Exchange Commission, and prompted at least two proposed securities class actions in Texas.

The suit said the company's bonus system gave the executives a strong incentive to conceal their approval of risky underbids because they were awarded performance-based bonuses regardless of whether a project generated a loss. The bonuses were part of a "long-term incentive" program that constituted up to 75% of directors' total compensation, Bottoni said.

Fluor's executives collectively pocketed tens of millions of dollars in performance-based bonuses between 2012 and 2018, Bottoni claimed.

Counsel for the shareholders declined to comment on Thursday, and counsel for the defendants did not immediately respond to requests for comment.

The shareholders are represented by Shane P. Sanders, Brian J. Robbins and Craig W. Smith of Robbins LLP, and Geoffrey M. Johnson of Scott + Scott Attorneys at Law LLP.

The Fluor defendants are represented by Michael L. Raiff of Gibson Dunn & Crutcher LLP.

The suit is Bottoni v. Hernandez et al., case number 3:20-cv-01442, in the U.S. District Court for the Northern District of Texas.

--Editing by Melissa Treolo.

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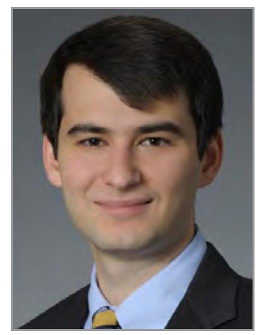
Rule 23 Class Certification Matters In Settlements, Too

By **Tom Paskowitz, Peter Mardian and Sarah Eaton** (July 24, 2025, 5:06 PM EDT)

Tom Paskowitz



Peter Mardian

Sarah Eaton

The U.S. Supreme Court's June 27 decision in Trump v. CASA Inc. has renewed attention on the requirements parties must satisfy to certify a class action in federal court. In his concurrence in the case, Justice Samuel Alito stated that the "decision will have very little value if district courts award relief to broadly defined classes without following 'Rule 23's procedural protections' for class certification."

But given the high number of class action disputes that end in settlement, it is also important to keep in mind the requirements parties must satisfy to settle class actions. Indeed, while getting to a deal at the settlement table often can be a complex and hard-fought process, the real challenge may begin when you try to convince the court that the class should come with you.

When considering whether to settle a class action brought under Rule 23 of the Federal Rules of Civil Procedure, counsel should understand that a court's decision on a motion to certify a class for litigation purposes may affect its ability — or willingness — to certify the same or a similar class for settlement purposes.

The Supreme Court's 1997 decision in Amchem Products Inc. v. Windsor established that, with a single exception, each of the requirements of Rule 23(a) and Rule 23(b) that must be met to certify a class for litigation purposes must also be met to certify a class for settlement purposes. Amchem remains the law, and counsel who have successfully defeated class certification — or who have opposed pending motions to certify a litigation class — should consider it when seeking class-wide settlement.

In Amchem, the court instructed that Rule 23(a)'s threshold requirements of numerosity, commonality, typicality and adequacy of representation must be met before any class can be certified — whether for litigation or settlement purposes. The same is true for Rule 23(b); in order to certify either a litigation class or settlement class, it must be possible to maintain the class action under one of its provisions.

The only exception the high court allowed for a settlement class was that "a district court need not inquire whether the case, if tried, would present intractable management problems ... for the proposal is that there be no trial."

The court cautioned that all requirements other than manageability "demand undiluted, even heightened, attention in the settlement context," because "a court asked to certify a settlement class will lack the opportunity, present when a case is litigated, to adjust the class, informed by the proceedings as they unfold."

Lower courts, unsurprisingly, have followed Amchem. In in 2012, for example, in In re: American International Group Inc. Securities Litigation, the U.S. Court of Appeals for the Second Circuit directed district courts asked to approve a class settlement agreement to first determine whether the requirements of Rule 23(a) and Rule 23(b) have been met.

The Second Circuit reiterated that although trial manageability is not a consideration for certification of a settlement class, the other requirements of Rule 23 — particularly those designed to protect absent class members or block overbroad class definitions — must still be met.

It's particularly important to keep in mind that deficiencies that prevent a litigation class from being certified are not transformed into irrelevant manageability concerns merely because the parties wish to settle. Amchem and AIG have teeth, and in applying these decisions, district courts have denied preliminary settlement approval after finding proposed settlement classes deficient for the same reasons they refused to certify identical litigation classes.

In 2014, for example, in George v. China Automotive Systems Inc., the U.S. District Court for the Southern District of New York denied certification of a Rule 23(b)(3) litigation class — the most common type of federal class action — based on the class' failure to satisfy Rule 23(b)'s predominance requirement, specifically because the plaintiffs could not establish the reliance element of their claim on a class-wide basis.

When the plaintiffs subsequently moved for certification of the same class for settlement purposes, the court denied their request, noting that although its earlier decision did not prevent plaintiffs from seeking certification of a settlement class, the plaintiffs needed to do something to fix the predominance deficiency — but hadn't.

It is true that a settlement can eliminate manageability problems, and change the way a district court analyzes predominance to allow a settlement class to be certified, even though it could not be certified as a litigation class. However, the requirements of Rule 23(a) and Rule 23(b) still must be met, regardless of whether a settlement or litigation class is involved.

In In re: Caustic Soda Antitrust Litigation, for example, the U.S. District Court for the Western District of New York denied certification of a Rule 23(b)(3) litigation class in June 2024, after finding that the requirements of typicality, ascertainability and predominance were not satisfied. The court then denied a pending motion to certify an identical settlement class, finding it suffered from the same deficiencies.

The Caustic Soda court rejected the plaintiffs' arguments that typicality and ascertainability operate as manageability concerns in the settlement context, and that these concerns can be easily managed by the court's role in overseeing settlement proceedings.

Instead, the court pointed out that the Supreme Court's decision in Amchem forecloses the possibility of curing Rule 23's nonpredominance requirements in the settlement context by simply considering whether a proposed settlement is fair, reasonable and adequate for the proposed settlement class members.

As for predominance, the court rejected the plaintiffs' attempt to characterize as a trial manageability issue the court's prior finding of insufficient common proof to demonstrate antitrust injury on a classwide basis, and again held that the predominance requirement was not satisfied and precluded certification of a settlement class.

Decisions like George and Caustic Soda demonstrate the importance of Amchem, and the decisions that have followed it, for counsel considering whether to settle a Rule 23 class action after deficiencies in a litigation class have been identified.

Not all class deficiencies will necessarily prevent settlement — and class deficiencies can certainly be cured — but counsel should not gloss over the requirements of Rule 23(a) and Rule 23(b) when considering settlement of a class action, nor expect a court to rubber-stamp any such settlement.

Tom Paskowitz is a partner, Peter Mardian is a senior managing associate and Sarah Eaton is an associate at Sidley Austin LLP.