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Starbucks Must Face Investor Fraud Claims Over Fallen Sales (1)

Nov. 20, 2025, 5:38 AM PST; Updated: Nov. 20, 2025, 7:27 AM PST

Summary by Bloomberg AI AI Generated

- Starbucks Corp. and its former CEO Laxman Narasimhan must defend against allegations they misled investors over the coffee company's reinvention plan as store traffic and sales were declining.
- The US District Court for the Western District of Washington judge partially dismissed the suit, but found that the investors sufficiently alleged Starbucks' stock price plunged after an earnings miss announcement in 2024 for loss causation.
- The funds can replead dismissed claims on or by Dec. 10, and the proposed class targets those who got Starbucks stock from Nov. 2, 2023, through April 30, 2024.

Starbucks Corp. and its former CEO Laxman Narasimhan must defend against allegations they misled investors over the coffee company's reinvention plan as store traffic and sales were declining.

Narasimhan's abrupt termination in 2024 and repeated touting of his knowledge of the plans helped allege a sufficient inference of intent for securities fraud claims, Judge John H. Chun said while partially dismissing the suit Wednesday.

But the US District Court for the Western District of Washington judge dismissed former Chief Financial Officer Rachel Ruggeri, finding the pension and benefit funds leading the proposed class action didn't adequately plead a cogent inference of her intent or recklessness.

The investors sufficiently alleged Starbucks' stock price plunged almost 16% the day after an earnings miss announcement in 2024 for loss causation, a necessary pleading for securities fraud lawsuits.

The funds can rely on some allegations drawn from a 2024 Bloomberg article which the complaint heavily uses to corroborate claims of increased wait times and staffing declines. However Chun didn't find a sufficient indication of reliability for the claim Starbucks' then-new staffing algorithm was partially to blame for these problems, given the article didn't identify names or titles of interviewed employees to support how they knew about that issue.

The funds plausibly alleged Starbucks wasn't succeeding with its reinvention as of Jan. 30, 2024, meaning a 2024 risk disclosure and some of the alleged earnings call statements about the plan and Starbucks Rewards members were misleading.

Reinvention plan statements made on a November 2023 earnings call weren't adequately alleged as misleading when made, since the funds didn't sufficiently assert that Starbucks had already started facing staffing and other in-store problems, Chun said. And Starbucks didn't fail to disclose the company was facing competition in China, plus alleged misstatements concerning its competitiveness there were non-actionable forms of optimism and puffery.

The funds can replead dismissed claims on or by Dec. 10. The proposed class targets those who got Starbucks stock from Nov. 2, 2023, through April 30, 2024.

Starbucks said Thursday it was evaluating the court's decision and is continuing to defend against the allegations.

Turnaround Plan Continues

Sales at established Starbucks stores grew 1% last quarter after six periods of decline as customer losses and staffing issues continue to plague the company.

Starbucks is working to rehab stores and speed up orders through a revival plan under CEO Brian Niccol. The coffee maker this month agreed to sell a majority stake in its China business to a private equity firm. Meanwhile workers have protested allegedly lackluster progress by the company to finalize a union contract and resolve legal disputes.

Starbucks in September announced layoffs and store closures in a $1 billion restructuring.

Robbins Geller Rudman & Dowd LLP, which didn't immediately respond to an email seeking comment, is lead counsel for the funds. Keller Rohrback LLP is its liaison counsel. Latham & Watkins LLP and K&L Gates LLP represent Starbucks and the executives.

The case is Garbaccio v. Starbucks Corp. , W.D. Wash., No. 2:24-cv-01362, 11/19/25 .

(Updates with additional reporting starting in the third paragraph.)

To contact the reporter on this story: Gillian R. Brassil in Washington at gbrassil@bloombergindustry.com

Starbucks must face shareholder lawsuit over surprise sales decline

reuters.com/legal/government/starbucks-must-face-shareholder-lawsuit-over-surprise-sales-decline-2025-11-20

Jonathan Stempel November 20, 2025

Customers wait to enter one of the first Starbucks stores at Pike Place Market in Seattle, Washington, U.S., November 12, 2025. REUTERS/Matt Mills McKnight
Purchase Licensing Rights, opens new tab

- Shareholders say Starbucks concealed deterioration
- Starbucks stock fell 16% in May 2024 on unexpected weakness
- Starbucks intends to continue defending itself

Nov 20 (Reuters) - Starbucks (SBUX.O), opens new tab must face a lawsuit claiming it defrauded shareholders by concealing declining sales in the United States and China, its largest markets, leading to a 16% drop in its stock price after the coffee chain revealed the unexpected weakness.
In a decision late on Wednesday, U.S. District Judge John Chun in Seattle said shareholders can try to prove Starbucks intentionally misled them in a January 2024 analyst call by touting successes in its "reinvention plan."

These included statements that upgrades in equipment, staffing and scheduling would create a "better experience" for employees, and lead to increased customer spending and loyalty.

Chun said Starbucks could also be sued for saying in a January 2024 regulatory filing there were "no material changes" to risks affecting its business, including as to whether the reinvention plan would succeed.

Shareholders can also pursue some claims against former Starbucks CEO Laxman Narasimhan. Chun dismissed several other claims.

A Starbucks spokesperson said on Thursday the Seattle-based company intends to continue defending against the allegations. Lawyers for the shareholders, who are led by three pension plans in New York, did not immediately respond to requests for comment.

Starbucks disappointed investors on April 30, 2024, when it lowered its annual sales forecast and said same-store sales fell 4.4% in its latest quarter, including declines of 3% in the United States and 11% in China.
Analysts expected same-store sales to rise. Starbucks said results were hurt by economic pressure on consumers, bad U.S. weather, competition in China, and many customers cancelling app orders because wait times were too long and menu items were unavailable.

The 16% decline in Starbucks' share price on May 1, 2024, wiped out about $16 billion of market value.

Brian Niccol, who became CEO in August 2024, has pursued a "Back to Starbucks" turnaround plan that has focused on filling orders faster, simplifying menus, upgrading stores, and closing poorly performing stores. Same-store sales rose 1% in the latest quarter.
Reporting by Jonathan Stempel in New York Editing by Rod Nickel

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DocGo’s $12.5 Million Investor Settlement Gets First Court Nod

Nov. 20, 2025, 9:03 AM PST

Summary by Bloomberg AI

AI Generated

- DocGo Inc. and its former CEO earned a court’s initial blessing for a $12.5 million agreement to resolve allegations they knowingly misled investors about the executive’s educational background and the company’s growth.
- The lawsuit commenced in 2023 as DocGo faced backlash over its handling of migrant relocation, and alleges Anthony Capone knowingly lied about his educational background.
- DocGo denies any wrongdoing or liability but is pleased to have reached a settlement agreement with plaintiffs, which eliminates the burden, expense, and distraction of litigation.

DocGo Inc. and its former CEO earned a court’s initial blessing for a $12.5 million agreement to resolve allegations they knowingly misled investors about the executive’s educational background and the company’s growth.

In an order docketed Wednesday Judge Katherine Polk Failla of the US District Court for the Southern District of New York preliminarily approved the defendants’ settlement with a class of investors who bought DocGo stock from Nov. 5, 2021, through Sept. 15, 2023. Failla earlier this year partially denied these defendants’ bid to dismiss the suit, which alleges Anthony Capone knowingly lied about his educational background and that DocGo had signed 3,000 asylum-seekers onto New York State Medicaid through UnitedHealthcare.

Capone resigned from leading the mobile health-care servicer in 2023 after acknowledging he lied about having a master’s degree

This lawsuit commenced in 2023 as DocGo, which went public after its precursor merged with a blank-check company in 2021, faced backlash over its handling of migrant relocation

“DocGo denies any wrongdoing or liability but is pleased to have reached a settlement agreement with plaintiffs, which eliminates the burden, expense, and distraction of litigation,” the company said in an emailed statement, noting it has insurance for such matters

Robbins Geller Rudman & Dowd LLP, lead counsel for lead plaintiff Genesee County Employees’ Retirement System, didn’t immediately respond to an email seeking comment. Gibson, Dunn & Crutcher LLP represents DocGo. One of Capone’s attorneys at Finn Dixon & Herling LLP declined to comment.

The case is Genesee Cnty. Emps’ Ret. Sys. v. DocGo Inc. , S.D.N.Y., No. 1:23-cv-09476, order entered 11/19/25 .

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Securities

Deloitte's $34 Million Nuclear Investor Deal Gets Court Nod (1)

Nov. 19, 2025, 8:37 AM PST; Updated: Nov. 19, 2025, 11:19 AM PST

Deloitte & Touche LLP's $34 million settlement received a court's initial approval to end allegations it misled Scana Corp. investors over a failed nuclear reactor project.

Judge Jacquelyn D. Austin preliminarily approved the agreement in the US District Court for the District of South Carolina on Tuesday. The nod paves the way to resolve six years of litigation alleging Deloitte released misleadingly clean audits before the former public utility abandoned the project amid delays and ballooned costs in 2017. Various people and groups involved with the project have faced federal charges and civil litigation, including Scana's acquirer Dominion Energy Inc.

The class includes those who acquired Scana stock from Feb. 26, 2016, through Dec. 20, 2017. The deal came while Deloitte's appeal of Austin's class certification order was pending.

"Deloitte stands behind the quality of its audit work and is participating in this settlement to avoid the ongoing cost and distraction of extended litigation," the company said in an emailed statement.

Laura Posner, a partner at Cohen Milstein Sellers & Toll PLLC which is lead counsel for investors, said in an email the case "sets an important precedent" due to the rarity of auditor lawsuits achieving class status and the summary judgment briefing stage: "I'm very pleased with the trail we have blazed to hold auditors liable and the recovery we have obtained for investors, and look forward to presenting to the Court why the settlement should receive final approval."

Tinkler Law Firm LLC is investors' liaison counsel. Milbank LLP and Moore & Van Allen PLLC represent Deloitte LLP and Deloitte & Touche.

The case is Int'l Brotherhood of Elec. Workers Loc. 98 Pension Fund v. Deloitte & Touche LLP , D.S.C., No. 3:19-cv-03304, 11/18/25 .

(Updates with Deloitte's comment in the fourth paragraph.)

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Securities

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Skechers Investors Pursue 3G Buyout Suit After Settlement Fails

Nov. 20, 2025, 7:26 AM PST

Summary by Bloomberg AI

AI Generated

- Hedge funds and other investors are challenging 3G Capital's purchase of Skechers USA Inc. in court, seeking a higher price than the $63 per share that 3G Capital paid.
- The company made an offer slightly above the purchase price, but it was lower than what petitioners had sought, and most investors are now pressing ahead with the case.
- The dispute is one of the biggest appraisal cases in Delaware, with investors challenging what they contend is an underpriced deal made by Skechers founder Robert Greenberg and his son during trade upheaval.

Hedge funds and other big investors challenging 3G Capital 's $9.4 billion purchase of Skechers USA Inc. in court failed to reach an early settlement with the footwear maker as the fight over the deal price forges ahead, according to people familiar with the matter.

Investment firms are seeking a higher price than the $63 per share that 3G Capital paid in its buyout that closed in September. The company made an offer slightly above the purchase price, which was lower than what petitioners had sought in an effort to reach a settlement, said the people, who asked not to be identified discussing private conversations.

Most investors are now pressing ahead with the case, the people said. The law in Delaware — where many public firms are incorporated — allows shareholders of a company being sold for cash to object to the price of the deal in court. A judge determines the fair price of their shares.

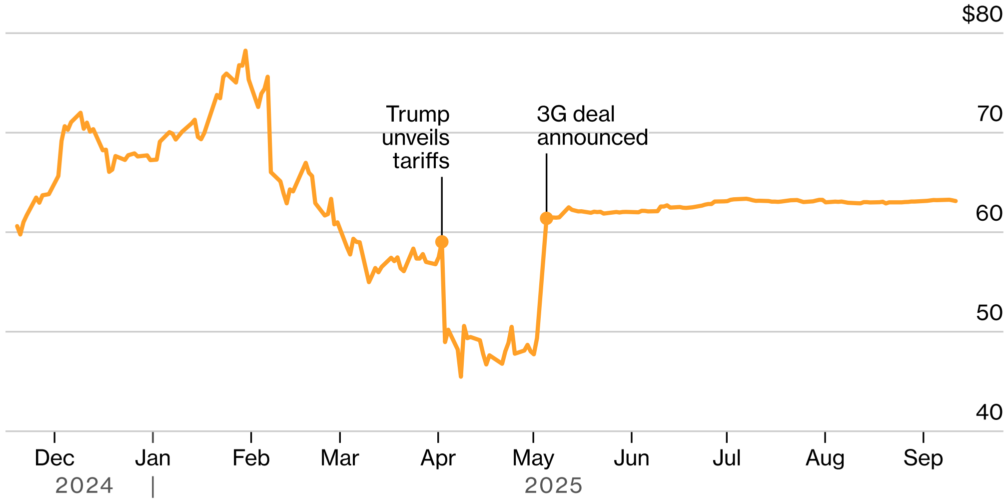
Spokespeople for Skechers and 3G declined to comment.

The Skechers dispute stands as one of the biggest so-called appraisal cases in Delaware. A number of sophisticated investors are challenging what they contend is an underpriced deal made by Skechers founder **Robert Greenberg** and his son during the upheaval caused by President Donald Trump’s tariff announcements on April 2.

The Greenberg family, which held 60% of the voting power, approved the deal in May by written consent, bypassing a vote by minority shareholders, according to regulatory filings and court records by plaintiffs challenging the fairness of the deal.

The firm — which makes a significant number of shoes in China and Vietnam — was one of dozens of footwear makers that warned the levies created an “existential threat.” Skechers shares fell as much as 23% after the tariffs were announced in early April.

Skechers Sank After Trump's April 2 Tariff Announcement
Share price from a year ago until 3G Capital buyout closed



Source: Bloomberg

Bloomberg

When the 3G Capital deal was announced in May, Skechers stock soared some 30%. The US has since eased its global trade war, improving the prospects of manufacturers like Skechers, and hedge funds fighting the deal in court are betting a judge in Delaware Chancery Court will put a higher value on the transaction.

Appraisal Arbitrage

In the early 2000s, more hedge funds started buying up shares of companies before the completion of announced buyouts and then challenged the prices in court in hopes of winning a higher payout. The so-called appraisal arbitrage trade petered out after unfavorable court decisions that awarded deal price or less, but the practice has been making a comeback via a couple of sizable buyouts.

Also in Delaware, dozens of investment firms are challenging Silver Lake 's $25 billion buyout of Endeavor Group Holdings Inc ., which is on track to become the biggest case in the state's history with dissenters holding $4.1 billion worth of shares.

In the Skechers case, about 60 investment pools managed by multiple firms challenged the price of $1.3 billion worth of shares when the deal closed in September, according to a regulatory filing.

A Skechers S-1992 sneaker in a store in New York, US, on Monday, May 5, 2025.
Photographer: Bing Guan/Bloomberg

3G Capital and Skechers said when the deal was announced May 5 that the purchase price represented a 30% premium to the company's 15-day volume-weighted average stock price.

The settlement discussions came ahead of a deadline this month for the investment firms to back out of the appraisal case and accept the $63-per-share or risk getting less down the road if the judge decides the valuation was too high.

In cases with lots of litigants, an early settlement can help cut down a company's risk. Some shareholders who can't hold an illiquid asset for prolonged periods may opt to cash out early.

The judge, who will make the decision on whether the buyout was fairly priced, hasn't yet set a trial date.

--With assistance from **Phil Kuntz** and Jeremy Hill.

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Erin Fuchs

Forget Musk's latest pay package, his last one could wipe out years of Tesla profits

reuters.com/sustainability/sustainable-finance-reporting/forget-musks-latest-pay-package-his-last-one-could-wipe-out-years-tesla-profits-2025-11-20

Chris Kirkham November 20, 2025

Elon Musk, Chief Executive Officer of SpaceX and Tesla, gestures as he attends the Viva Technology conference dedicated to innovation and startups at the Porte de Versailles exhibition centre in Paris, France, June 16, 2023. REUTERS/Gonzalo Fuentes/File Photo Purchase Licensing Rights, opens new tab

- Attention turns to Delaware Supreme Court's decision on Musk pay
- Potential $26 billion profit hit if Tesla loses appeal
- Musk's pay package could pressure Tesla's profits over next decade

Nov 20 (Reuters) - Tesla's (TSLA.O), opens new tab gaudy $1 trillion executive-compensation package for CEO Elon Musk has obscured a more pressing concern: Musk's 2018 pay package -- still tied up in court -- could eat up years' worth of the electric vehicle maker's future profits.
The Delaware Supreme Court will soon decide whether to reverse a lower-court ruling invalidating Musk's previous record-breaking compensation package. If Tesla's appeal fails, it could trigger a $26 billion hit to profits over two years to account for the replacement stock-compensation package it has promised Musk – at today's much higher stock price.

For comparison, $26 billion would equal more than half of Tesla's total net income since becoming profitable in 2019.

Even if Tesla prevails in court, its profits could be squeezed over the next decade if Musk hits performance goals in his trillion-dollar pay package, with each goal triggering billions in payouts and accounting expenses.

The outsized profit impact highlights the inherent risks of Musk's super-sized compensation. Even the largest public companies typically have little concern about bottom-line impacts from CEO pay. The richest packages are typically measured in hundreds of millions – not billions.

Musk's exponentially bigger compensation creates unique profit uncertainties for Tesla at a time when earnings are already declining because of falling car sales, disappearing electric-car subsidies and spiking costs of moonshot bets like humanoid robots.

Stock-compensation expenses will not hurt cash flow, and shareholders may brush it off as “just accounting," said Brian Dunn, director of the Institute for Compensation Studies at Cornell University’s School of Industrial and Labor Relations.

But huge net-income declines caused by CEO-compensation, he said, signal that Tesla’s board is not following “reasonable fiduciary practices.”

“They’re backdooring a massive transfer of wealth from the shareholders to the single largest shareholder,” he said.

Tesla’s board has argued that Musk’s newest pay package gives him nothing unless the automaker achieves “Mars-shot milestones” that include lofty profit goals. If Tesla were to hit those higher profit milestones, then Musk’s compensation expenses would consume less of its earnings.

But the easiest goals in Musk’s package could still trigger payouts of tens of billions of dollars without transforming Tesla’s business or its profits, Reuters has reported. The maximum payout to Musk is $878 billion because $1 trillion in stock would be reduced by the value of the shares at the time Tesla’s board approved the pay package in September.
Tesla’s board and Musk did not respond to Reuters’ requests for comment.

LOOMING COURT RULING

The largest near-term risk lies in the next legal turn over Musk’s 2018 compensation. A Delaware judge last year tossed the package, ruling in a shareholder lawsuit that Musk's pay negotiations were compromised by Tesla board members’ own excessive pay and close personal ties to the CEO.
If the Delaware Supreme Court sides with Tesla, Musk would be able to keep the stock options in the 2018 package and the company would incur no further accounting expenses. By the time he achieved that plan’s performance goals in 2022, the stock options granted to Musk were worth $56 billion. Today, they’re worth $116 billion.

If the judge's original ruling stands, Musk’s replacement package gives him far fewer shares. But they would cost Tesla’s balance sheet far more than the $2.3 billion value of the 2018 pay package when it was originally approved, because Tesla's share price is much higher now.

Musk’s replacement package would have to be valued at the stock price in August when the board granted it, or $26 billion. Tesla would have to book the charge by August 2027, when Musk would be eligible to collect the shares.

Dividing the $26 billion over eight quarters would reduce profit by $3.25 billion each quarter – more than Tesla’s net income for every quarter except four of the last 25 dating back to 2019.

The company disclosed in a filing that a failed appeal could cause “a material adverse impact on our business and reported earnings.” The board has argued that failing to replace the 2018 package could cause Musk to leave Tesla.

Tesla does not have to pay cash for the stock – it can just issue new shares. But accounting rules require booking stock-compensation as an expense because the company could have sold those shares on the open market, corporate accounting experts said.

'HURTING THE SHAREHOLDERS'

Such stock transactions dilute the voting power of other shareholders, who have less of a stake in the company because the total pool of shares has increased, with more of those shares going to the CEO.

“Without question, you are hurting the shareholders,” said Schuyler Moore, an attorney specializing in corporate financing and tax law at Los Angeles firm Greenberg Glusker.

Typically, he said, such a huge hit to profits would cause investors to devalue a company because it was “running at a loss.” But financial fundamentals have traditionally mattered little to Tesla’s stock-market value, which is based almost entirely on Musk’s promises of products and services the company does not yet sell, including self-driving robotaxis and humanoid robots.

In the case of Tesla, Moore said, “nobody seems to care, because this company is in fantasy-land.”

Reporting by Chris Kirkham; Editing by Mike Colias and David Gregorio

Chris Kirkham is a business reporter in Los Angeles who writes about Tesla, electric vehicles and the wider automotive industry. He previously worked at The Wall Street Journal and the Los Angeles Times, and has covered topics including tobacco, worker safety, gambling, and the economy over a two-decade career. Contact him at chris.kirkham@thomsonreuters.com or on Signal at chris_kirkham.51

Securities

Insight

Argentina's $16 Billion Payment Would Disrupt Global Legal Order

Nov. 20, 2025, 1:30 AM PST

President Donald Trump threw Argentina a $20 billion lifeline last month to avert an economic crisis. In a stark counterpoint, weeks later, the US Court of Appeals for the Second Circuit heard arguments in a crucial judge's appeal of a judge's order requiring Argentina to pay almost as much to a litigation funder—a staggering $16.1 billion plus interest.

The judgment is alarming not only for its impact on Argentina and on US efforts to stabilize that economy, but also for its threat to erode the foundations of international legal relations and global commerce. The Second Circuit should reverse the decision and demonstrate respect for the law, courts, and decisions of a foreign sovereign.

The dispute stems from Argentina's expropriation of an Argentine company under Argentine law. It never belonged in a US court. The litigation is a cautionary tale of opportunism.

In 2012, Argentina legally re-nationalized its national energy company, YPF SA, paying the Spanish company Repsol SA $5 billion for its majority stake. Minority shareholders who pursued claims in Argentina benefited from the settlement.

But two others, Petersen Energia Inversora SAU and Eton Park Capital Management, didn't seek local redress and later sold most of their interests for pennies to Burford Capital, a litigation funder.

Burford paid 15 million euros ($17.3 million) to resurrect these zombie claims, reframing a domestic dispute under Argentine law as a US contract claim. From that flimsy foothold, the US District Court for the Southern District of New York in2023 transformed a domestic policy decision in Buenos Aires into the largest money judgment against a sovereign nation in US history and a windfall for Burford.

This year, the court went further, ordering Argentina to transfer its entire YPF stake—book-entry shares in Buenos Aires—to Burford to partially satisfy the judgment.

The order violates Argentine law and disregards the principle of sovereign equality: Courts of one nation don't seize or sit in judgment on another state's property, especially assets within that state's territory. It would be akin to a Chinese court ordering the US to ship the gold from Fort Knox to Shanghai to pay private creditors—Washington's response would be swift and furious.

By allowing the case to proceed in New York, the district court ignored fundamental guardrails that prevent judicial overreach.

The act-of-state doctrine bars US judges from second-guessing a foreign sovereign's regulatory choices. International comity counsels deference to foreign courts to resolve local disputes. *Forum non conveniens* ensures cases are heard where facts and evidence lie. Properly applied, these doctrines would have kept this dispute in Buenos Aires, where it belongs.

The legal principles at stake here are the operating rules of a system built on the equality of sovereign states. When respected, diplomacy and commerce function without fear that judges in one country will upend the legal order of another.

If ignored, private disputes become diplomatic clashes, cross-border economic flows face new risks, and property abroad becomes a target for retaliation. Countries including Brazil, Chile, France, Israel, Italy, and Ukraine—as well as the US itself—have intervened in the litigation to voice their concerns.

The political context surrounding this case is relevant. The bilateral relationship between the US and Argentina is one factor, but larger geopolitical forces add reasons for judicial prudence. The US has been down this road before, and it hasn't ended well.

In the 20th century, US courts expanded their extraterritorial reach, most prominently in antitrust cases with treble damages. In *United States v. Aluminum Co. of America*, Judge Learned Hand articulated the "effects doctrine," under which a sovereign may impose liability for foreign conduct when its harmful effects are felt within its territory.

Foreign objections were muted when the US was dominant. Today, the EU, China, Brazil, and others use similar doctrines against US firms. In a world of more evenly distributed power and weakening international institutions, national courts should avoid rulings that resemble judicial imperialism.

Argentina argued that the Second Circuit should overturn the district court's muddled judgment just days after President Javier Milei, a close ally of Trump, won a surprise midterm victory that boosted investor confidence. Upholding the New York judgment could again put Argentina's economy at risk.

During oral arguments held on Oct. 29, two of three appellate judges asked whether the case belonged in a US court at all. How would Americans feel, one asked, if matters of US law involving a US company and the US government were decided by an Argentine court?

A reversal by the Second Circuit would be the correct legal outcome—and an act of judicial restraint that would strengthen the international rule of law and protect US interests in a world where reciprocity is the norm.

The case is Argentine Republic v. Petersen Energia Inversora, S.A.U. , 2d Cir., No. 23-7370, oral arguments 10/29/25 .

This article does not necessarily reflect the opinion of Bloomberg Industry Group, Inc., the publisher of Bloomberg Law, Bloomberg Tax, and Bloomberg Government, or its owners.

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Lawyers take more from OxyContin bankruptcy than people will get | Attorneys & Judges

legalnewsline.com/attorneys-and-judges/lawyers-take-more-from-oxycontin-bankruptcy-than-people-will-get/article_09febcaf-a904-451e-9cae-02f741a1da0d.html

Daniel Fisher, John O'Brien November 20, 2025

Adobe Stock Photo

NEW YORK - A federal judge's approval of the $7 billion bankruptcy plan for Purdue Pharma also spells the beginning of the end of a process that has enriched lawyers and consultants to the tune of more than $1.1 billion so far, more than the amount set aside for individual claimants under the plan.

All bankruptcies are expensive, but the Purdue restructuring was especially so, given the mass of litigation against the opioid maker. All 50 states and thousands of municipalities, hospitals and individual plaintiffs sued the company over its aggressive marketing practices of OxyContin, which they blamed for trillions of dollars in losses from addiction and overdose deaths.

The basis of the litigation was the claim Purdue's products constituted a "public nuisance." Now under the oversight of a court-appointed monitor, the company continues to sell those same drugs, earning a gross profit of $390 million on sales of $470 million so far this year.

Post-restructuring, Purdue will become a public benefit corporation called Knoa that will use its profits to fund opioid-abatement programs and overdose-reversal drugs.

The big winners in the Purdue bankruptcy so far have been lawyers, who represented the company and its creditors since it filed for bankruptcy in 2019. The biggest payout went to Davis Polk & Wardwell, which earned $285 million. Akin Gump Strauss Hauer & Feld earned $257 million working for the creditor committee, while Skadden Arps was paid $47 million for its role as special counsel. Mediator Ken Feinberg made $5.5 million.

The total exceeds the $850 million the plan sets aside for individual claimants, who must provide evidence they had an OxyContin prescription and were injured by the drug. Most of the rest of the money will go to the states, who have agreed to the plan, with Indian tribes, cities and hospital districts receiving less.

The plan ends litigation against Purdue but not its former owners, the Sackler family. They lost a landmark case last year when the at the U.S. Supreme Court rejected a plan that would have immunized them against lawsuits without declaring bankruptcy themselves. They agreed to hand over as much as $7 billion to fund the latest plan, while remaining vulnerable to lawsuits by anyone who opts out of the payment system set up by the bankruptcy.

They are still somewhat protected, however. Under a separate agreement, Purdue will set aside $200 million of the money intended to settle government claims to pay the Sackler's litigation expenses, with potential "replenishment" up to $800 million. The City of Baltimore, which opted out of prior opioid settlements, told the New York Times it plans to sue the Sacklers after Purdue exits bankruptcy.

Recovering more than the $800 million might be tough. Like many wealthy families, the Sacklers stored much of their Purdue earnings over the years in Delaware trusts with a strict four-year time limit on fraudulent-conveyance claims. The $7 billion the Sacklers have agreed to contribute to the Purdue bankruptcy may represent dividends they pulled from the company inside that four-year window before the company filed Chapter 11 in 2019.

News | **Wrongful Death**

'18 People Needlessly Died': New Lawsuit Targets Alert System Maker Genasys for Alleged Role in Eaton Fire Deaths

A family member of a California wildfire victim has sued Genasys Inc., a developer of communications software that provides emergency warnings and mass notifications, in California state court, contending the alleged failure of its alert systems contributed to the deaths of 18 of the 19 people killed by the Eaton fire in January.

November 19, 2025 at 10:45 AM By **Kat Black**

What You Need to Know

- The sister of a wildfire victim sued Southern California Edison and alert system maker Genasys for their alleged roles in 18 of the 19 deaths of people killed by the Eaton fire in January.
- The complaint alleged that Genasys used a "predetermined" algorithm rather than real-world conditions to designate evacuation areas, leaving certain residences arbitrarily excluded from city warnings.
- Mikal Watts, who is representing the plaintiff, called the algorithm "a case of digital redlining."

Eaton Canyon Fire Spread to Arcadia in Los Angeles 2025. Credit: Kyle/Adobe Stock

A family member of a California wildfire victim has sued Genasys Inc., a developer of communications software that provides emergency warnings and mass notifications, in California state court, contending the alleged failure of its alert systems contributed to the deaths of 18 of the 19 people killed by the Eaton fire in January.

The Law Office of Douglas Boxer in Pasadena and The Watts Law Firm in Austin, Texas, filed the complaint alleging wrongful death and product liability on Monday in Los Angeles Superior Court. The plaintiff, Gerry Darden, is the sister of the deceased Stacey Darden, who was killed in the Eaton wildfire that destroyed more than 9,000 structures throughout the San Gabriel Valley region of Los Angeles County, including the city of Pasadena and the unincorporated community of Altadena.

Utility giant Southern California Edison, which is facing a barrage of litigation—including two complaints filed by the U.S. Department of Justice—alleging that its failure to maintain its electrical infrastructure directly caused or exacerbated the Eaton wildfire, is named as a co-defendant. In July, Southern California Edison announced its plan for a wildfire recovery compensation fund, which was launched this fall and is overseen by the administrators of the September 11th Victims Compensation Fund, Kenneth Feinberg and Camille Biros.

"I think it's an important litigation," said Mikal Watts in an interview. "We're going to a digital emergency warning system, and they need to be designed correctly. This one, self-evidently, was not, for which there's liability under California strict product liability law. Eighteen people needlessly died because they never got an evacuation warning they should have gotten."

According to the complaint, Stacey Darden lived alone in Altadena, "approximately five (5) blocks west of N. Lake Avenue." From Jan. 7, when the Eaton fire started, until the morning of Jan. 8, she continued to monitor evacuation zones for the Eaton fire shared online and in television news reports—and confirmed that her home was not under evacuation orders. The evacuation zones, it said, were communicated by a digital alerts system recently acquired from Genasys by Los Angeles County.

The suit accused Genasys of using an "algorithm" to "create the Evacuation Zones ... long before the Eaton Fire ignited, rather than real world conditions which related to the ignition and spread of the Eaton Fire, and/or or the weather conditions which were dictating the spread of the fire."

These "predetermined" evacuation zones, it said, "all used N. Lake Ave. as the boundary for a stopping point for the Evacuation Zone to the East and the starting point for the Evacuation Zone immediately to the west of that." Stacey Darden's home was located on the west side of N. Lake Avenue—a "mere 5-6 blocks" from the end of the evacuation zone, it said.

Consequently, it said, Altadena residents living on the east side of N. Lake Avenue received evacuation advisories, warnings and orders on Jan. 7 via the alert system, while Stacey Darden—and 18 other Altadena residents on the west side who perished in the Eaton fire—did not. On Jan. 14, human remains—which were later identified as Stacey's by her family—were discovered in her home.

In a press conference hosted on Monday by the organization LA Fire Justice, Douglas Boxer showed the audience an evacuation map displaying zero advisories for Altadena residences on the west side of N. Lake Avenue, which was broadcast by the local CBS channel that Gerry Darden was watching on television as she communicated with her sister throughout the night of Jan. 7. On Jan. 8, he said, Gerry could not reach Stacey due to interrupted cell service—and, upon driving to Stacey's house to check on her, found it burned to the ground.

"The ordeal that Jerry and her father had to go through for this period of time from Jan. 8 until they identified the remains in April is unthinkable and should have never happened," Boxer said.

"What was the justification for grouping people west of Lake differently than the rest of Altadena? Just because they were on the arbitrary side of some street? So by filing Gerry's lawsuit today to include Genasys, which is the company responsible for issuing these warnings and defining the evacuation zones, and they provided those services to LA County, we intend to get to the answers that Gerry is so desperately seeking. She came to us seeking answers. There's got to be some logical explanation of why."

Watts called the algorithmic designation of evacuation zones "a case of digital redlining" during the press conference.

"Somebody built an algorithm that had no basis, in fact, in risk assessment, in science," he said. "It just said, if you're on the west side of Lake Avenue, you don't get a warning. And if you're on the east side, maybe you're entitled to one."

Genasys did not immediately respond to an emailed request for comment.

"We understand the tremendous impacts on the community and our hearts are with everyone who was affected by the Southern California wildfires," said Gabriela Ornelas, a spokesperson for Southern California Edison. "We are reviewing the lawsuit that has been filed and will respond through the legal process."

Pfizer in $41.5 million settlement with Texas over ADHD drug for children

reuters.com/business/healthcare-pharmaceuticals/pfizer-415-million-settlement-with-texas-over-adhd-drug-2025-11-19

Jonathan Stempel November 19, 2025

A Pfizer logo is displayed at a research facility in the La Jolla neighborhood of San Diego, California, U.S., September 30, 2025. REUTERS/Mike Blake/File Photo

- Texas said Pfizer manipulated ADHD drug quality tests
- Pfizer denied wrongdoing, says patient safety unaffected
- Whistleblower prompted lawsuit

Nov 19 (Reuters) - Pfizer (PFE.N) , opens new tab and supplier Tris Pharma reached a $41.5 million settlement with Texas to resolve a lawsuit claiming they defrauded the state's Medicaid program over alleged quality control lapses in a medicine to treat attention deficit hyperactivity disorder in children.
Texas Attorney General Ken Paxton said on Wednesday the settlement resolves a November 2023 lawsuit accusing the companies of manipulating testing for Quillivant XR between 2012 and 2018, to ensure it would comply with federal law and remain eligible for sale.
Paxton said properly done tests often showed the liquid medicine failed to dissolve in the body and was therefore ineffective. He said the defendants' actions violated the Texas Health Care Program Fraud Prevention Act.

"Under my watch, Big Pharma will not escape justice for lying about the effectiveness of its drugs," Paxton said in a statement.

Pfizer denied wrongdoing in agreeing to settle. In a statement, the New York-based drugmaker added that its review of Paxton's claims did not find any impact on the safety of the product for patients.

Tris did not immediately respond to a request for comment. Paxton's office did not immediately respond to a similar request.

The lawsuit stemmed from a whistleblower complaint by Tarik Ahmed, who was Tris' technology chief from 2013 to 2017.

Quillivant was developed by NextWave Pharmaceuticals, which Pfizer bought in 2012. Tris manufactured Quillivant for Pfizer until 2018, when it bought , opens new tabthe medicine.

Paxton is running for the U.S. Senate in 2026 and is expected to face incumbent Senator John Cornyn in the Republican primary.

Reporting by Jonathan Stempel in New York; Editing by Richard Chang

LAW.COM

News | Antitrust

California Among States Reaching $7M Settlement Over Greystar Algorithmic Rent-Fixing

"Whether it's through smoke-filled backroom deals or through an algorithm on your computer screen, colluding to drive up prices is illegal," California Attorney General Rob Bonta said.

November 19, 2025 at 03:47 PM By **Emily Cousins**

Credit: Who is Danny/Adobe Stock

California Attorney General Rob Bonta and attorneys general from eight other states have reached a $7 million settlement with the nation's largest landlord, Greystar Management Services LLC.

The settlement announced Tuesday is part of an effort by many attorneys general to stop what they say is algorithmic price coordination and other allegedly anticompetitive practices in rental markets nationally.

The settlement agreement resolves allegations Greystar—a manager of 950,000 rental units nationwide—and other landlords shared "competitively sensitive data" with RealPage Inc., which provides property management software.

The nonpublic data was used to generate pricing recommendations using RealPage's algorithm, which the states claimed raised the cost of rent across the board.

"Whether it's through smoke-filled backroom deals or through an algorithm on your computer screen, colluding to drive up prices is illegal," California Attorney General Rob Bonta said in a statement. "Families across the country are staring down an affordability crisis. Companies that intentionally fuel this unaffordability by raising prices to line their own pockets can be sure I will use the full force of my office to hold them accountable. California is stronger when we protect tenants and a competitive economy."

The attorneys general in California, Connecticut, North Carolina, Colorado, Illinois, Massachusetts, Minnesota, Oregon, Tennessee and the U.S. Department of Justice brought the suit in 2024 in the North Carolina Middle District Court against Greystar, RealPage, Camden Property Trust, Cortland Management LLC, Cushman & Wakefield Inc., Blackstone's Livcor LLC, Pinnacle Property Management and Willow Bridge Property Company LLC.

The litigation against RealPage and the other landlords is ongoing.

In California, Greystar manages approximately 333 multifamily rental properties that use RealPage's pricing software, according to a statement from Bonta's office. Approximately 17 million people in California are renters. High rental costs, it said, have put an estimated 700,000 Californians at risk of eviction.

If the court approves the $7 million settlement, Greystar cannot use an allegedly anticompetitive algorithm or share competitively sensitive information with competitors, and the company must cooperate with the multistate coaltion's claims against RealPage.

The settlement notes the agreement resolves all claims against Greystar with prejudice without an admission of liability.

Greystar was represented by Karen Hoffman Let, Boris Bershteyn, Evan Kreiner and Sam Auld of Skadden, Arps, Slate, Meagher & Flom and James P. McLoughlin of Moore & Van Allen. Counsel for the defendants did not respond to a request for comment.

Greystar also reached a nonmonetary settlement with the DOJ's Antitrust Division in August with similar provisions.

Editor's Note: A version of this article was first published by the Connecticut Law Tribune. The Recorder contributed to this report.

News from Bloomberg Terminal

FirstEnergy Falls on $251M Penalty From Ohio Commission

Nov. 19, 2025, 12:15 PM PST

By Monique Mulima

(Bloomberg) --

FirstEnergy Corp. shares fall as much as 2.1% on Wednesday after the Public Utilities Commission of Ohio ordered the electricity utility to pay $250.7 million in restitution to customers and civil forfeitures.

ANALYST COMMENTARY

Citi (buy, PT $53)

- Analyst Ryan Levine sees the overhang on FirstEnergy's stock as reduced with the penalty decided and the focus now turning to the new rate case filing with forward test year and multi-year plan in early 2026
- "Although the penalty was more than we expected, we think the decisions reflect the political will in Ohio to resolve FE legacy issues and keep customer bills affordable"
- Notes that the company has new management, culture and execution strategy since Ohio's House Bill 6 was passed

ADDITIONAL DETAILS

- "The Commission found the utilities failed to demonstrate they adhered to a 2016 Commission order authorizing it to collect a 'distribution modernization rider' for the sole purposes of supporting the utilities' efforts to modernize their distribution grids," the commission wrote in a release
- "The Commission further found the utilities used money, collected from customers from 2017-2019, to subsidize its unregulated generation affiliate in violation of Ohio law"

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NewsRoom

11/20/25 Akron Beacon J. (Ohio) A1
2025 WLNR 30641326

Akron Beacon Journal (Ohio)

November 20, 2025

Section: News

PUCO orders $250 million penalty for FirstEnergy

Jessie Balmert and Laura A. Bischoff

November 20, 2025

More than five years after FBI agents arrested one of Ohio's top politicians for a sweeping bribery scheme, state utility regulators imposed $250.7 million in fines and forfeitures on Akron-based FirstEnergy.

On Nov. 19, the Public Utilities Commission of Ohio found that FirstEnergy violated multiple rules and misused ratepayer money, some of which was related to House Bill 6.

The bill, adopted in July 2019, would've required 4.5 million Ohio consumers to pay extra on their monthly electric bills to give FirstEnergy $1.3 billion bailout.

The findings came after weeks of testimony over the summer from top FirstEnergy officials, lobbyists and utility experts.

The commission made rulings on three separate but intertwined cases: whether FirstEnergy followed corporate separation regulations, whether the company improperly used ratepayer money on lobbying and political activities, and whether it used ratepayer money improperly to pay certain vendors.

FirstEnergy must return $180 million to customers over three billing cycles, starting as soon as December, and another $6.6 million at an unspecified time. It must forfeit $64.1 million to the state's general revenue fund.

"I am hopeful the remedies we approve today will serve as a strong deterrent against similar misconduct in the future," said Commissioner John Williams.

What is the House Bill 6 case?

The pay-to-play scheme began in 2017 when former Ohio House Speaker Larry Householder flew to President Donald Trump's inauguration on FirstEnergy's private jet. From there, federal investigators say Householder and FirstEnergy agreed to help each other: The utility would bankroll Householder's return to power, and Householder would pass legislation to bail out two nuclear plants then owned by a FirstEnergy subsidiary.

Householder championed the passage of House Bill 6, which included the nuclear plant bailout and other legislation that helped make FirstEnergy's profits recession-proof. FirstEnergy and its allies spent millions to protect that bailout from a ballot campaign to block it.

It all fell apart in 2020 when FBI agents arrested Householder and four other Ohio politicos. In the years since, two former FirstEnergy executives have been accused of bribing Householder and a top utility regulator; they have pleaded not guilty to state and federal charges.

FirstEnergy admitted to its role in the bribery scheme and paid a $230 million penalty rather than face federal charges. The company paid $100 million in a settlement agreement with the U.S. Securities and Exchange Commission and $3.9 million to federal utility regulators.

FirstEnergy disclosed that it paid a $4.3 million bribe to Columbus attorney Sam Randazzo just before Gov. Mike DeWine nominated him to lead the PUCO in early 2019. DeWine wanted Randazzo as PUCO chairman despite being warned that Randazzo was too close to FirstEnergy.

Randazzo helped write House Bill 6 and voted to allow FirstEnergy to sidestep a rate case that could've costed the utility millions of dollars. After being charged in state and federal courts, Randazzo died by suicide in April 2024.

What is PUCO?

The PUCO is a five-member, powerful board that regulates utilities, such as natural gas and electricity providers. Members are appointed by the governor and serve staggered five year terms.

Three of the PUCO commissioners who served with Randazzo remain on the commission: Dan Conway, Dennis Deters and Lawrence Friedeman.

The commission could have imposed a wide range of sanctions on FirstEnergy — from no penalty to revoking its ability to do business in Ohio.

State government reporter Jessie Balmert can be reached at jbalmert@gannett.com or @jbalmert on X.

---- Index References ----

Company: FIRSTENERGY CORP; FEDERAL BUREAU OF INVESTIGATION

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Fraud (1FR30); Social Issues (1SO05))

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))

Language: EN

Other Indexing: (Public Utilities Commission of Ohio; U.S. Securities and Exchange Commission; FirstEnergy; FBI)

Edition: 1

Word Count: 569

End of Document

NewsRoom

11/20/25 Plain Dealer (Clev.) 1
2025 WLNR 30694517

Cleveland Plain Dealer

November 20, 2025

Section: A

State orders FirstEnergy to pay $250M in bribery scandal The penalties include nearly $187 million to be returned to customers.

Jeremy Pelzer - jpelzer@cleveland.com

COLUMBUS - The Public Utilities Commission of Ohio on Wednesday ordered FirstEnergy to pay more than $250 million in total for misconduct related to the House Bill 6 bribery scandal.

The penalties, which include nearly $187 million that will be returned to FirstEnergy customers, come on top of $390 million in penalties and settlements the Akron-based utility has already paid in response to issues connected to the sweeping scandal, which has dragged in ex-PUCO Chair Sam

Randazzo and ex-Ohio House Speaker Larry Householder, among others.

However, the penalty is less than the $544 million in total - including more than $467 million in customer refunds - that the state's utility watchdog group called for FirstEnergy to pay.

The largest penalty imposed by the PUCO on Wednesday was nearly

$180 million for improperly using customer fees collected in the name of modernizing the company's electricity grid. A 2022 audit found no evidence that FirstEnergy actually used the money on grid modernization.

The $180 million figure is three times the amount FirstEnergy admitted to spending to bribe Householder to pass and preserve HB6, a 2019 energy law that provided multiple windfalls for FirstEnergy.

FirstEnergy customers will also be refunded more than $6.6 million in fee money. A 2021 PUCO-ordered audit previously recommended the refunds after identifying questionable payments FirstEnergy made to three companies connected to Cleveland businessman Tony George, as well as nearly $83,000 to a company controlled by Randazzo.

The PUCO also ordered FirstEnergy to pay a total of $45.14 million to the state's general revenue fund for violating the state rules on corporate separation, as well as undergo a corporate separation audit within the next three years.

FirstEnergy will also have to pay nearly $19 million for failing to disclose a "side deal," negotiated by Randazzo, in which FirstEnergy paid large sums to large electricity users in exchange for dropping opposition to the utility's attempt to set electricity prices at a rate the users thought was too high. That's equal to $10,000 for each of the 1,893 days that FirstEnergy didn't disclose the side deal between December 2015 and February 2021.

Wednesday's PUCO order marks a conclusion to three commission investigations related to the HB6 scandal ordered after Householder's arrest in July 2020.

A decision on a fourth investigation, into FirstEnergy's political and charitable spending, is expected next February.

In 2022, the investigations were delayed for 18 months at the request of then-U.S. Attorney Kenneth Parker, who warned they might interfere with a criminal investigation into HB6.

Unusually for the PUCO, which tends to vote on agenda items with little public discussion, each of the five commissioners offered a short statement following Wednesday's vote, criticizing FirstEnergy's actions and emphasizing the significance of the penalties.

"I'm deeply disappointed by the conduct and decisions of FirstEnergy, which ultimately led to these proceedings. They violated one of their most fundamental responsibilities, and that's maintaining the public's trust in their role as a public utility," said Commissioner John Williams, a political independent.

"I'm hopeful the remedies we approve today will serve as a strong deterrent against similar misconduct in the future," Williams continued. "Our actions today should also stand as a clear reminder to FirstEnergy of the importance of continuing to reform its corporate culture and work diligently to rebuild the trust of the public."

FirstEnergy spokeswoman Lauren Siburkis, in a statement, said the PUCO's decision "closes a chapter tied to activities that do not represent the company we are today." FirstEnergy's new leadership, she said, has "transformed our culture, strengthened compliance programs and implemented rigorous oversight of our political and lobbying practices."

"We know trust isn't restored through words alone," Siburkis added. "It's earned through consistent action – by prioritizing reliability and transparency every day and keeping customers, communities, investors and our employees at the center of our mission."

Ohio Consumers' Counsel Maureen Willis, one of the most dogged critics of FirstEnergy regarding the HB6 scandal, called Wednesday's PUCO order "an important milestone in fixing the harms FirstEnergy caused."

"Today's PUCO ruling," Willis said in a statement, "reflects that Ohioans should never be made to pay for corporate misconduct.

---- Index References ----

Company: FIRSTENERGY CORP

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Fraud (1FR30); Social Issues (1SO05))

Industry: (Electric Utilities (1EL82); Electric Utilities Distribution (1EL02); Electric Utilities Generation (1EL37); Electric Utilities Generators (1EL15); 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: (FirstEnergy)

Edition: PDMN News

Word Count: 683

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Ohio regulators order FirstEnergy to pay more than $250 million in penalties and refunds

reuters.com/legal/government/ohio-regulators-order-firstenergy-pay-more-than-250-million-penalties-refunds-2025-11-19

Reuters November 19, 2025

Nov 19 (Reuters) - The Public Utilities Commission of Ohio on Wednesday ordered FirstEnergy's (FE.N), opens new tab Ohio utilities to pay $250.7 million in penalties and refunds after an investigation linked to a bribery scandal found the energy distributor broke state laws and rules.
Ohio-based FirstEnergy previously admitted paying millions of dollars to state officials to pursue legislation on nuclear subsidies and other policies that would benefit it. In 2021, the company agreed to pay $230 million to settle U.S. government charges in the case.

In two separate orders, the Commission found FirstEnergy's Ohio utilities - Cleveland Electric Illuminating Company, Ohio Edison and Toledo Edison - violated Ohio law, PUCO regulations and PUCO orders.

The Commission found the utilities failed to follow a 2016 Commission order that allowed them to collect funds solely for grid modernization. Instead, the utilities misused money collected from customers between 2017 and 2019 to subsidize an unregulated generation affiliate, in violation of Ohio law.

"Our hope is the events underlying these proceedings will remain a cautionary lesson of accountability and honesty in utility regulatory matters," PUCO Chair Jenifer French said.

"Today's PUCO decision regarding the legacy audits closes a chapter tied to activities that do not represent the company we are today," FirstEnergy said in an email to Reuters.

"Between 2025 and 2029, we plan to invest $7.3 billion in our Ohio transmission and distribution infrastructure, people, processes and facilities," the company added.

Reporting by Sarah Qureshi and Ashitha Shivaprasad; Editing by Nia Williams and Stephen Coates

Securities
Opinion

Matt Levine’s Money Stuff: Fine, Trade Labubu Futures

Nov. 19, 2025, 11:15 AM PST

Sneaker derivatives

Farmers grow wheat and sell it to millers who use it to make flour. Sometimes a farmer wants to lock in a price for her wheat before the harvest, so she will sell wheat futures on a commodity futures exchange. Wheat futures are derivative contracts on wheat, and you don’t have to be a farmer to trade them. Anyone who wants to bet on the future price of wheat can trade wheat futures. If the futures trade at $5.50 per bushel, you can buy wheat at $5.50 today, and later you can sell it back at whatever the price turns out to be. If the price of wheat goes up to $5.75, you will make $0.25 per bushel; if it falls to $5, you’ll lose $0.50 per bushel.

This technology is so useful that it has been widely generalized, and now commodities exchanges offer futures contracts on all sorts of things. Commodities, sure — agricultural products, oil and gas, metals, etc. — but also bonds and interest rates and stock indexes and volatility. If you want to bet on those things, or hedge your risks, you can trade futures on a commodities exchange.

And we have talked a lot recently about *prediction markets* , which in the US are regulated as commodities futures exchanges. (Kalshi is the big prediction market that is regulated by the US Commodity Futures Trading Commission as a futures exchange; Polymarket will be in the same boat imminently.) A prediction market is generally a way to make yes/no binary bets on all sorts of propositions — who will win an election, what policymakers will do, etc. — though in modern US usage prediction markets are increasingly ways to make bets on *sports* . I have written a few times about how odd it is that, you know, “Josh Allen will throw for three touchdowns this weekend,” or “Eric Adams will win the New York City mayoral election,” is a *commodity* regulated by the CFTC, but somehow that’s where we’ve ended up. Through an odd regulatory path dependency, now yes/no bets on sports and elections are treated as commodity futures contracts.

Now here’s this:

Prediction market Kalshi Inc. and sneaker marketplace StockX are offering a new way to bet on the resale prices of in-demand sneakers and collectibles such as Labubus and Pokémon cards.

In a partnership set to be announced Wednesday, Kalshi will use StockX data to create so-called event contracts tied to sneakers, trading cards and figurines. Users will be able to trade on outcomes such as whether an item will surpass a price threshold after release day, or predict the best-selling brands during a major shopping event like Black Friday.

Products that will be listed include highly-anticipated drops of Jordan sneakers, Supreme hoodies and blind boxes that contain random Labubus.

“This is really a natural evolution of a platform made from stock market mechanics,” Greg Schwartz, chief executive officer of StockX, said in an interview.

Stop it. Why … why is this an *event contract*? Surely this should just be a regular futures contract? Like the natural way to bet on the price of a sneaker is to buy a futures contract on the sneaker. You buy a contract for future delivery of the sneaker today, and at maturity you get the sneaker or you settle up in cash. You pay $200 for the sneaker futures today, and if the sneaker ultimately trades at $175 or $250 you lose $25 or make $50.

I think there are probably good reasons of regulatory path dependency not to do it that way, and to instead offer Kalshi’s binary yes/no contracts on whether the sneaker “will surpass a price threshold after release day.” (Or its market on “Average Sales Price of the Pop Mart Labubu The Monsters Big Into Energy Series (6 Blind Box) on StockX this month,” which is actually a collection of yes/no bets on whether it will exceed various price thresholds.) It’s just unsatisfying.

There are also good reasons of *credit* to structure these as event contracts, though. The nice thing about event contracts is that they are easy to collateralize: Prediction market contracts generally pay out $1 per contract, so if you sell a contract like “the Bills will win the football game” or “this Labubu box will be worth more than $120,” you’ll never have to pay more than $1 if you lose. Kalshi and Polymarket bets are essentially fully collateralized. A contract like “I will deliver you wheat, or Labubus, in a month” could create a much more unconstrained liability; what if the Labubus go to $1 million? And so actual commodities markets have serious margining systems, to make sure that people who sell futures are good for their obligations, which are less necessary in events markets.

Commodities markets also tend to have *warehousing* systems, to make the commodities futures contracts interchangeable with the underlying commodities: If you sell wheat futures, you can actually deliver wheat to settle them. (“ Abstract commodity space,” I sometimes call this system of warehouses holding commodities to support derivatives trades.) We talked just yesterday about an investment fund that trades Hermès bags, and a reader who wrote in: “Can I just say how giddy it makes me that we’re one step closer to trading designer goods via warehouse receipts? And inevitably finding out one day that a bin supposedly full of luxury handbags is in fact full of handbag-painted rocks.”

That was before this stuff about trading sneaker futures on Kalshi! Again, they are not *quite* sneaker futures, and there is no reason for Kalshi to set up bonded warehouses to hold sneakers and Labubus for derivatives trading. You don’t settle the “Average Sales Price of the Pop Mart Labubu The Monsters Big Into Energy Series (6 Blind Box) on StockX this month” contract by delivering a box of Labubus, or a warehouse receipt referencing a box of Labubus on a shelf. Yet! But perhaps that is the future.

OBDC

People sometimes worry about liquidity: They have put their money into an investment, and they worry that they might not be able to get it out. These worries can take two different forms:

1. Sometimes, you have $100 of stuff, and you can’t sell it at all. Nobody answers the phone when you call to sell, and you are stuck just owning it. This creates two problems. A big obvious one is that if you want cash, you can’t get it: Your money is tied up in the illiquid stuff. But there is also an accounting problem: If you think the stuff is worth $100, but you can’t sell it, is it really worth $100? It’s hard to know. If, last time you checked, it was worth $100, and now you can’t sell it at all, I guess you can still say that it’s worth $100.
2. Sometimes, you have $100 of stuff, but you can only sell it for $80. The market is panicking, it does not recognize the real value of your stuff, etc. This creates two problems. A big obvious one is that you can only get $80 of cash for your stuff, which is less than you want. But there is also an accounting problem: You thought the stuff was worth $100, but now it’s trading at $80, so even if you *don’t* sell it you have a mark-to-market loss.

Many assets fall into one or another of these regimes. Publicly traded stocks, for instance, trade continuously, and you can usually sell your stocks whenever you want. But they can go down, which is a bummer for you. Private company stocks, on the other hand, traditionally don’t trade much, so if you need to sell your private stocks it can be hard or even impossible. But because they never trade, they never go down, which is pleasing for your accounting and your ability to sleep at night.

“Private credit,” as a general category, seems to fall mostly in the first bucket. You invest in a private credit fund, the private credit fund makes long-term loans, your money is locked up in the fund, the fund’s money is locked up in the loans, it’s all quite intentionally illiquid. Does this mean that, when the credit cycle turns, private credit loans will still be marked at 100 cents on the dollar even as quite similar publicly traded bonds trade down to 90? Who can say.

But in fact there is a lot of *publicly traded* private credit: Many big private credit firms manage publicly traded “ business development companies,” or BDCs, a strange regulatory phrase meaning “private credit funds.” You invest in a publicly traded BDC by buying shares on the stock market, the BDC makes long-term loans (often alongside other funds managed by the same private credit manager), you can’t withdraw money from the BDC but you can sell your shares in the market any time you want. The shares are entirely liquid. But they trade at the market price: If the BDC says that it has $100 per share of loans, the market price of its stock might be $100 per share, but it might be $90 or $110 or any other number set by supply and demand. Why might the market price be $90? One important answer might be that the market does not believe that the loans are worth $100, though there are other possibilities.

Anyway Blue Owl Capital runs a bunch of private credit funds, including:

- a publicly traded BDC, Blue Owl Capital Corp. (OBDC), with a net asset value of about $14.89 per share and a stock that closed at $11.75 per share yesterday, about a 21% discount to NAV; and
- a *private* BDC, Blue Owl Capital Corp. II (OBDC II), which does not trade, but which periodically offers to buy back some of its shares at net asset value.

OBDC II offers the first kind of illiquidity: Sometimes, you can’t sell your shares at all. OBDC offers the second kind of illiquidity: You can always sell all the shares you want, but you might not like the price.

Two weeks ago, Blue Owl announced that it would merge OBDC and OBDC II into a single publicly traded BDC, with everyone getting shares at net asset value. The advantage of this is that it would let OBDC II holders get their money back: “Redemption requests in the non-traded fund surged last month, exceeding Blue Owl’s pre-set limit,” and “the firm chose to honor about $60 million in redemptions, or 6% of the vehicle,” so there are OBDC II holders who couldn’t take out all the money they wanted to. As OBDC holders, they will be able to sell all of their shares freely. The downside is that they won’t sell at NAV; they’ll sell at the market price, which is about a 20% discount to NAV.

Nobody liked this and today Blue Owl called off the merger:

Blue Owl Capital Inc. is calling off a merger of two of its private-credit funds, after scrutiny over potential investor losses from the move sent its shares tumbling.

The firm terminated the deal between Blue Owl Capital Corp., publicly traded under ticker OBDC, and Blue Owl Capital Corp. II, a non-traded fund, according to a statement Wednesday. The initial terms of the agreement barred investors in the private vehicle from redeeming their capital until the merger closed.

“While we continue to believe that combining OBDC and OBDC II could create meaningful long-term value for shareholders, we are no longer pursuing the merger at this point given current market conditions,” Craig Packer, chief executive officer of OBDC and OBDC II, said in the statement. The company said it would re-evaluate its alternatives.

Right, the ideal time to redeem out of your private fund into a public fund is not when the public market is down 20%.

NAV loans

At a high level, alternative asset managers like KKR and Apollo and Blackstone are in the business of buying, pooling and tranching companies for investors. There are some companies — big public companies, small private pest control companies, whatever — with fairly stable cash flows. The alts manager comes along and says: "These companies would be worth more if we bought a bunch of them, put them in a pot, and split the cash flows from the pot into two tranches. We'll make a senior tranche, which gets paid back first; investors who want to invest their money somewhere reasonably safe but with a nice return will want to buy that tranche. And we'll make a junior, equity tranche, which gets whatever is left over after paying back the senior tranche; investors willing to take more risk for higher returns will want to buy that tranche. By combining a bunch of companies and tranching their cash flows, we will create additional demand for them, so they will be worth more, and we'll be able to take a cut of that additional value."

The tranching is called a "leveraged buyout" or LBO, the senior tranche is called a "private credit fund," and the junior tranche is called a "private equity fund." I am a little bit kidding about all of this, and no alternative asset manager would describe things quite this way. But it is broadly the case that, in 2025, the biggest alts managers tend to invest across the capital structures of LBO companies: They run private equity funds that own the equity and private credit funds that own the debt. If you want a diversified pool of senior claims on a big mishmash of private companies, you invest in a private credit fund; if you want a diversified pool of equity claims on a similar mismash, you invest in a private credit fund.

This is oversimplified in a few important respects. One is that it's not generally the same manager whose funds own both the debt and the equity of the same companies. If KKR is "doing" a leveraged buyout (that is, if its private equity fund is buying the equity), then perhaps Blackstone will "lend to" that buyout (that is, its private credit fund will buy the debt); if the same manager does both the debt and equity then that can create awkward conflicts of interest. So one manager's funds might own the equity of Companies A, B and C and the debt of Companies X, Y and Z, and another manager's funds will own the equity of W, X and Q and the debt of A, B and P, etc.

Also, if you sum across all of the big alts managers, you will sort of get the entire capital structure of all of the LBOs, but not quite: Many LBOs get their debt funding from the "public" debt markets (high-yield bonds and broadly syndicated loans), so their senior tranches are held by other investors), not by alts managers. Similarly, private credit funds these days do a lot of lending that is *not* to LBO companies; they finance consumer loans and data centers and other stuff. "The big alts managers buy and tranche the LBO companies" is a useful intuition but not entirely correct in practice.

But at a high level the purpose of the alts managers is to slice the economy — or at least the large chunk of the economy owned by alternative asset managers — into safer (private credit) and riskier (private equity) cash flows, and sell each of those cash flows to the people who want them. Who wants them? Well, there is actually some overlap: Lots of institutional investors want to own some equity (including private equity) and some debt (including private credit), so they re-combine these cash flows. But historically private equity is for somewhat risk-loving long-term investors, endowments and rich individuals and stuff, and private credit is for life insurance companies. Life insurance companies are heavily regulated and like to own safe rated debt, but they have very long-term liabilities (life insurance and annuities) so they don't mind locking their money up in illiquid investments. Private credit is perfect for them.

This is the broad theme, but you can look at it from many angles. Today Bloomberg's Laura Benitez and Scott Carpenter write about life insurance companies making NAV loans:

The insurance and annuity arms of Wall Street powerhouses including Apollo Global Management Inc., Ares Management Corp. and the Carlyle Group Inc. rank among the most active providers of an esoteric type of financing once dominated by banks and specialist lenders, according to market veterans handling the private deals.

Apollo's Athene insurance unit alone has pumped roughly $18 billion this year into funding the debts known as NAV loans, in which fund managers post their investments — or net asset value — as collateral.

Buyout funds can use the money to shore up portfolio companies, redeploy it into new deals or seed new funds. Some loans enable payouts to investors who've been waiting for years to recoup stakes in hard-to-sell assets. …

Proponents of NAV lending emphasize that borrowers typically post collateral worth several times the value of the loans, and that the assets are diverse, lowering the risk their value might drop en masse. Even the worst-performing private equity funds barely ever lose more than 10%. Those features help NAV loans win investment-grade credit ratings. …

But if NAV loans do falter, they may expose buyers to some of the stickiest wagers collected by buyout funds over the past decade.

Across the country, many firms are struggling to get attractive prices for the investments they acquired when financing was cheap and easy in the era of near-zero interest rates.

Yes: Private equity funds take the junior claims on a bunch of companies, and when the market turns they lose money. Private credit loans— including direct buyout loans (backed by individual LBO companies) but also NAV loans (backed by whole portfolios of LBO companies) — take the senior claims on those companies and are safer.

Crypto treasury

Strategy Inc. (formerly MicroStrategy) is the original crypto treasury company: It sells stock and debt to raise money to buy Bitcoin. This trade worked very well for a while, for two reasons:

1. Strategy's stock traded at a large premium to net asset value, so it could sell stock to buy more Bitcoin in a way that was accretive: Strategy's Bitcoins per share kept increasing, because it was selling stock at a premium to buy more Bitcoins.
2. Strategy could borrow money (mostly in the form of perpetual preferred stock) at rates that were not *low* in an absolute sense, but that were kind of low for crypto. If you could issue preferred stock at a 10% coupon and buy Bitcoin with the proceeds, that was also accretive to shareholders as long as Bitcoin was going up 20% per year.

Now, though, uh. "Strategy's mNAV — a key valuation metric comparing the firm's market capitalization to the value of its Bitcoin holdings — has collapsed from above 2.5 to just 1.2." Selling stock at 1.2x net asset value to buy Bitcoin is still accretive, but it's no longer the magic trade that it was at 2.5x, and it is fragile: If you keep selling more stock to buy more Bitcoin, you will tend to drive down the price of the stock and make the premium — and the whole thesis of the company! — disappear.

Meanwhile borrowing at 10% to buy Bitcoin is a fine trade when Bitcoin goes up, but not so much when it goes down. "Strategy Inc. sold €775 million ($898 million) preferred shares at 80 cents on the euro earlier this month," reports Bloomberg, with a coupon of 10% (and thus a yield of 12.5%). Bitcoin "has tumbled 12% since Strategy's euro preferred sale," though. Paying 12.5% to buy an asset that then falls by 12% is very much not accretive. Ah well.

Elsewhere in crypto markets selling off, this is an extremely pleasing series of paragraphs in the Financial Times:

"What we are seeing now is not a collapse in crypto markets. It is the extended aftershock of October's liquidation event," said David Namdar, chief executive of CEA Industries, a vaping company that earlier this year began buying vast quantities of a token issued by Binance, the world's largest crypto exchange.

"The scale [of the sell-off] is different this time because positions are larger, leverage ran deeper and the unwind takes longer," Namdar added. "The fundamentals have not changed."

Beyond bitcoin, six of the 20 biggest cryptocurrencies by market value have tumbled more than 40 per cent this year, with Shiba Inu, Sui and Avalanche each down about 60 per cent.

"The fundamentals have not changed," says the CEO of a vaping company turned crypto treasury company about a market crash in tokens like Shiba Inu. Is that good?

Meme numbers

I wrote yesterday about a public company chief executive officer who announced a plan to buy 690,420 shares of his company's stock. "Those are the meme finance numbers," I wrote, "and they have magic powers. If you do stuff in units of 69 and 420 then your stock will go up." I got several emails from readers saying that I am old and out of touch and now the meme numbers are 6 7. Is that true? As a father of elementary school aged children, I personally encounter the 6 7 meme far more often than 69 or 420, thank God, but presumably the schoolchildren aren't buying the meme stocks? Elon Musk is 54 years old; his memes are 69 and 420. Still I suppose if you're a forward-looking meme stock CEO maybe you do have to start doing stuff in units of 6 and 7.

Things happen

Trump's Warships Trigger Rally in Venezuela's Defaulted Bonds. Meta Dodges Breakup as Judge Highlights Market Share Declines. UK seeks to revive dwindling stock market with single source of data. Elon Musk's xAI Is in Advanced Talks to Raise $15 Billion, Lifting Valuation. Nokia splits AI business into separate unit after $1bn Nvidia investment. Brookfield Targets $10 Billion for AI Fund in Nvidia Pact. The New Requirement for MBAs Seeking Consulting Jobs: AI Proficiency. "More than half of white-collar employees currently don't have assigned desks, up from one-third before the pandemic." "High-quality branded merchandise is 'a point of differentiation' in a hot labour market." "A generation of 'Dazed and Confused' fans is mourning the potential loss of a landmark." Billionaire Tom Steyer to Run for California Governor Decrying Rich.

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1. Because you can't redeem shares at net asset value, there is no arbitrage mechanism to force the price to be in line with NAV.
2. Another important traditional reason is fees: The market price of the shares essentially capitalizes the future fees that the manager will charge.
3. Actually there's a more complicated mechanism if OBDC trades above NAV, but it doesn't.
4. My understanding is that some managers will write both debt and equity checks in the same deal, but some will not, and everyone is sensitive to possible conflicts. (The conflict is, of course, that private equity sponsors stereotypically try to extract as much money as possible from LBOs for themselves, often at the expense of creditors.) Benitez and Carpenter write: "Insurers tend to be more amenable to complex investments if their corporate parents also own alternative investment managers, according to a study published last month by the Bank for International Settlements. … Even if the NAV loans they buy aren't going to their parent companies' private equity funds, dealings between divisions aren't taboo. Disclosures by insurers controlled by Wall Street

firms show they typically plow about 14% of their portfolios into affiliated private equity funds or products, the BIS report found.”
5. This is a little loose, since a lot of direct LBO lending is junk-rated and so not *perfect* for insurers. But there are various ways to get better ratings, including the NAV loans we’ll discuss here.

Securities

Blue Owl Money Machine Sputters in Face of Private Credit Cracks

Nov. 20, 2025, 3:30 AM PST

Blue Owl Capital Inc.'s **Craig Packer** has been something of a mainstay on the New York Stock Exchange in recent years, ringing the opening bell multiple times to toast the private credit giant's public funds.

On Wednesday, minutes after the market opened, his mood was anything but celebratory.

Blue Owl had just announced it was scrapping a planned merger of two of its private credit funds, backtracking on a plan revealed Nov. 5 after scrutiny arose over the potential losses some investors would have to swallow as part of the deal. The parent company's shares had fallen this week to the lowest level since 2023.

Packer bemoaned "negative articles" about private credit that caused its stock to sink. When it comes to Blue Owl's business development companies, the firm's co-founder said on CNBC, "there's no emergency here."

Craig Packer
Photographer: Bloomberg

The abrupt reversal is a rare egg-on-face moment for Blue Owl, which for years has been held up as the poster child of the boom times in the $1.7 trillion private credit market. Created as a merger between Owl Rock Capital and Dyal Capital Partners in 2021, it has pitched itself as a one-stop financing shop that can compete with banks and the biggest alternative asset managers.

The attempted merger is also placing new scrutiny on Blue Owl, as it looks to transition away from the last vestiges of older fund models for investors.

The private vehicle that was set to be folded into its larger public fund is the only remaining Blue Owl vehicles structured in such a way. It was designed to provide investors with some liquidity in the form of a listing, merger or a sale.

After the spectacular collapses of First Brands Group and Tricolor Holdings, JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon has warned of weaker underwriting standards among non-bank lenders, while DoubleLine Capital CEO **Jeffrey Gundlach** blasted private credit as allowing for "garbage lending" that could precipitate a financial crisis.

In an interview with Bloomberg on Wednesday, Packer said that the fund has performed well and that Blue Owl will work with the fund's board to figure out a liquidity solution for investors.

"All options are on the table," he said, including listing the fund or selling assets. "There may be other options that we may come up with in the next few months."

BDC Play

In its early days, Blue Owl launched several private BDCs, which cater to wealthy individuals and are designed to provide them with an eventual exit.

That model has been gradually replaced by so-called perpetual BDCs, which can raise money indefinitely. Over the years, Blue Owl has listed these older vehicles or merged them with public peers, a strategy that has proven to be profitable.

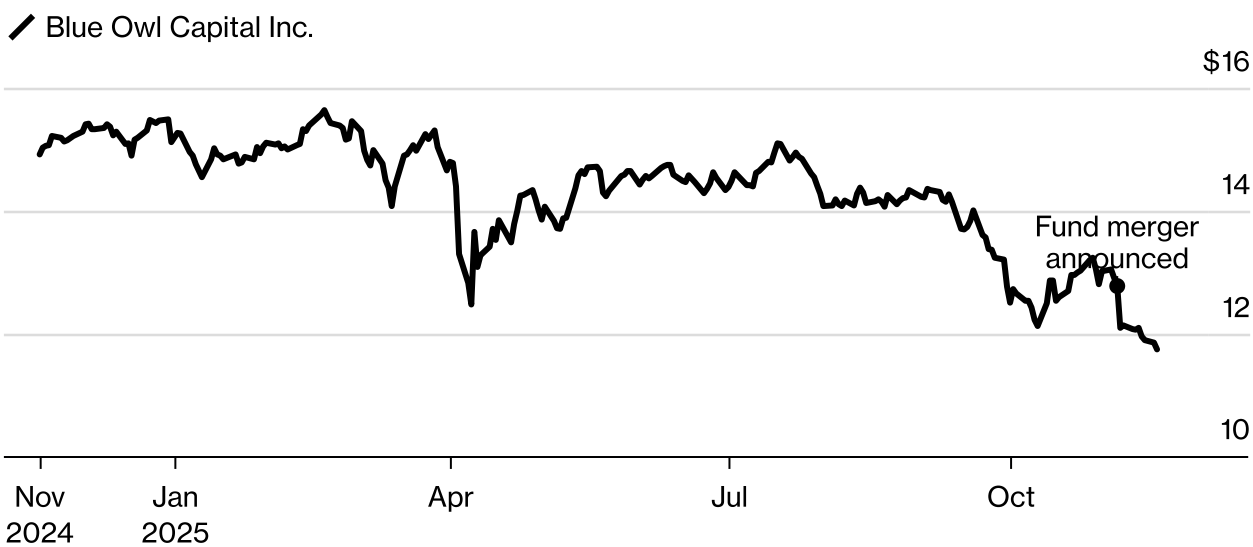
When Blue Owl took its largest BDC public more than six years ago, gross proceeds from the listing totaled around $153 million, debuting at $15.30 per share. At the time, Packer dismissed questions on an earnings call about the firm's rapid growth as envy or ignorance.

Private credit then swelled on the heels of low rates, a pullback from banks and a widespread need for financing. In parallel, Blue Owl's top brass have seen their own wealth grow dramatically. Co-founders **Doug Ostrover**, Marc Lipschultz and **Michael Rees** are each billionaires in their own right, according to the Bloomberg Billionaires Index.

But stress has started to rise in private credit as borrowers have struggled with their liabilities. Rate cuts have also trimmed how much lenders can earn on loans, and firms have tightened spreads in an effort to win deals from banks. That outlook has led investors to shed their BDC holdings, leading to a significant drop in share prices.

Blue Owl Shares Have Dropped Almost 41% in a Year

Shares are at lowest point since 2023



Source: Bloomberg

Bloomberg

Blue Owl tried to merge its smaller, private fund — Blue Owl Capital Corp. II — into its larger, publicly traded OBDC at a time when it was trading at a roughly 20% discount to the net asset value of its portfolio.

“We are very frustrated by the discount,” Packer said. “We’ve used buybacks when the stock has been at this level before, and so it’s logical to think that we would be using it now.” OBDC announced a $200 million share repurchase program around the time of the merger announcement.

The private fund, which offers investors the option to withdraw their cash quarterly, has seen a surge in the number of investor requests to cash out. In the third quarter, the vehicle approved about $60 million of redemptions, exceeding its preset limit, filings show.

If redemptions start to pick up — which some market participants are expecting to occur — managers may have to gate the fund to block further exits. Blue Owl stopped accepting redemptions for the private fund when it announced the merger, but has since said it plans to reinstate that program in the first quarter of next year.

“We’ve never had a period where we didn’t meet every penny,” Packer said in an interview, “but if it comes to pass for a period of time that they’re elevated, we’ll talk with our board and we’ll figure out what’s the right thing to do.”

The fund’s management now has until April to find a solution or will consider liquidating and dissolving the vehicle, filings show, though managers typically have some leeway to deviate from the deadline.

Deals

Fortress Investment Group has provided a $220 million loan as part of a $240 million credit facility to Overseas Adventure Travel
Park Square Capital entered into a strategic partnership with Nomura Holdings Inc. to boost investments in the US senior direct lending market
KKR & Co. provided a $750 million financing to support Chandra Asri’s growth strategy and its acquisition of Esso-branded retail fuel station network from ExxonMobil in Singapore
French accounting and auditing firm Cogep is considering refinancing its debt via either private credit or bank financing

Fundraising

Goldman Sachs Group Inc. sold $500 million of investment-grade bonds for one of its business development companies
Zurich Insurance Group AG has selected Australia as the first market for its private credit strategy in Asia-Pacific, awarding a $170 million mandate as it seeks opportunities to invest in local assets
Blackstone Inc. has begun reaching out to investors to raise money for the second series of its senior direct-lending fund strategy
Credit investment firm Diameter Capital Partners has raised $4.5 billion for its latest fund aiming to seize on market dislocations

KKR is aiming to close its second Asia-focused credit fund in December and is targeting around $2 billion
Anchorage Capital Advisors LP has raised a rare type of fund whose returns hinge on the outcome of a protracted and controversial lawsuit tied to the nationalization of Argentina's biggest oil company

Job Moves

Jefferies Financial Group Inc. hired a banker from Mizuho Financial Group Inc. to lead its private credit advisory business in India

Did You Miss?

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CLOs On Track to Consume 25% of Direct Loans: Structured Weekly
Gundlach Slams 'Garbage Lending' to Private Debt, Touts 20% Cash
Australia Watchdog Warns Private Credit With Tougher Action

--With assistance from **Rene Ismail**.

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Isabella Farr

Securities

JPMorgan, Deutsche Bank Subpoenaed to Release Epstein Records

Nov. 19, 2025, 8:46 AM PST

JPMorgan Chase & Co and Deutsche Bank AG have been asked to share the financial records of Jeffrey Epstein amid a Congressional committee's investigation into the late financier and convicted sex trafficker.

The House Committee on Oversight and Government Reform Chairman James Comer issued subpoenas to both banks, according to a statement Tuesday.

Deutsche Bank "takes its legal obligations seriously, including appropriately responding to authorized investigations and proceedings," said a spokesperson for the lender. JPMorgan declined to comment.

The request comes as a Congressional push for the Justice Department to release its files on Epstein is about to become law. Epstein spent decades cultivating ties to elite figures around the world and a raft of prominent financiers, entrepreneurs, politicians and even royals have now been tainted by their association with the convicted pedophile.

Legislation to compel the DoJ to release its files overwhelmingly passed the House on Tuesday, and the Senate agreed unanimously that the bill would be passed without further action once it arrives there. President Donald Trump has said he'll sign it.

Epstein was a client at JPMorgan until 2013 and a customer of Deutsche Bank until 2018, Bloomberg previously reported. He pleaded guilty in 2008 to Florida charges, including procurement of minors to engage in prostitution. He was facing federal charges of trafficking underage girls when he was found dead in his New York jail cell in 2019. He had pleaded not guilty. Authorities said that Epstein committed suicide.

Both banks were accused by Epstein's victims of ignoring red flags in order to profit from his business. In 2023, Deutsche Bank AG agreed to pay $75 million to settle a lawsuit in which victims accused the bank of facilitating Epstein's sex-trafficking operation. JPMorgan settled a similar case for $290 million that year.

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Wyden Presses for Investigation Into JPMorgan Chase and Epstein

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Matthew Goldstein November 20, 2025

The top Democrat on the Senate Finance Committee issued a report on Thursday calling for an investigation into whether JPMorgan Chase deliberately underreported more than $1 billion in suspicious transactions by Jeffrey Epstein, the disgraced financier and convicted sex offender.

The report from the senator, Ron Wyden of Oregon, said the compliance failures by the nation's largest bank during its nearly 15-year relationship with Mr. Epstein were "alarming" and impeded law enforcement's ability to examine the "financial infrastructure that enabled Epstein's cross-border sex trafficking organization."

The report, based on recently unsealed court records that shed more light on JPMorgan's financial dealings with Mr. Epstein, focuses on suspicious activity reports, or SARs, which banks are required to file with the Treasury Department when they suspect a financial transaction may be involved in an illicit activity such as money laundering, terrorism or sex trafficking.

The report said JPMorgan filed suspicious activity reports covering $4.3 million in transactions by Mr. Epstein from 2002 to 2016. But it waited until after Mr. Epstein's arrest on sex trafficking charges in 2019 and subsequent death to file reports that described some $1.3 billion in transactions as suspicious.

Internal bank emails suggest JPMorgan may have waited to file those reports because it wanted "to continue working with Epstein" as a source of referrals for business even after firing him as a client in 2013, the report found.

Mr. Wyden, in a statement, said it was “clear that JPMorgan Chase ought to face criminal investigation for the way it enabled Epstein’s horrific crimes.” The report said both Congress and the Justice Department should investigate the bank.

The bank has repeatedly said it regrets its dealings with Mr. Epstein and did all it could with the information it had at the time. “The second the government finally made public the sex trafficking details in 2019 — information they clearly had for years — we identified for law enforcement a range of Epstein’s past transactions intended to assist with the investigation,” Patricia Wexler, a spokeswoman for the bank, said in a statement on Thursday.

Mr. Epstein has been a matter of intense focus in recent weeks, as well as those close to him — including JPMorgan Chase, which paid $230 million in 2023 to settle a class-action lawsuit by his victims that accused it of enabling his crimes.

President Trump, a one-time friend of Mr. Epstein’s who did an about-face this week and signed a law that directing the Justice Department to release information on Mr. Epstein’s crimes, has called for the department to investigate JPMorgan along with several prominent Democrats who had associated with Mr. Epstein.
Also this week, the House Committee on Oversight and Government Reform issued a subpoena to the bank seeking documents and records about its dealings with Mr. Epstein.
Shared with you by a Times subscriber

Securities

Solomon Backs Goldman's Top Lawyer After Epstein Emails Released

Nov. 19, 2025, 8:56 AM PST

Goldman Sachs Group Inc. Chief Executive Officer **David Solomon** lent his support to the bank's general counsel after the release of emails showing her close relationship with convicted sex offender **Jeffrey Epstein**.

"She's an excellent lawyer, and the organization relies on her guidance every single day," Solomon said in an interview with CNBC Wednesday, when asked if he expected further fallout from the details of Kathy Ruemmler's relationship with Epstein.

David Solomon

Photographer: Al Drago/Bloomberg

Solomon's comments follow days of speculation about the relationship, which appeared to be closer than previously reported. Similar disclosures have damaged the reputations of other figures, including **Larry Summers**, who has since stepped down from public roles including as a Bloomberg Television contributor.

Emails from 2017 showed Ruemmler corresponding with Epstein about President Donald Trump, with Ruemmler calling Trump "gross" and "truly stupid."

Read More: Larry Summers, Goldman Lawyer Slammed Trump in Epstein Emails

When she was hired by Goldman in 2020, Ruemmler told the firm Epstein offered the use of his network to help drum up business while she was in private practice at law firm Latham & Watkins. She was also listed as a back-up executor on a will of Epstein's from 2019, the Wall Street Journal reported.

After disclosures in 2023 of her meetings with Epstein, she said she regretted ever knowing him.

--With assistance from **Sridhar Natarajan**.

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Deep Dive

FTC Wields Unique Tools for Antitrust Probe of Glass Lewis, ISS

Nov. 20, 2025, 2:00 AM PST

Summary by Bloomberg AI

AI Generated

- The Federal Trade Commission is probing two dominant firms, Glass, Lewis & Co. and Institutional Shareholder Services Inc., to investigate whether they breached US antitrust laws by guiding shareholders on how to vote on politically charged topics.
- The investigation is consistent with FTC Chairman Andrew Ferguson's responsiveness to the White House, and is empowered by Section 5 of the FTC Act, which gives the agency broad authority to challenge unfair conduct.
- The aim of the FTC probe may be to draw attention to these firms and pressure them to adjust their own practices, with Glass Lewis already announcing changes to its voting guidance and ISS potentially following suit.

The Federal Trade Commission's broad authority to probe unfair competition uniquely positions the agency to investigate two dominant firms that guide shareholder voting at companies' annual meetings, an ongoing target of conservatives.

Glass, Lewis & Co. and Institutional Shareholder Services Inc. are by far the biggest providers of advice to pension funds and other large investors on how to vote their shares. Republicans and business leaders have long said the proxy advisory firms' recommendations have too much influence on shareholder voting and raised concerns about conflicts of interest.

The Trump administration is now throwing institutional power behind those complaints through the FTC, which is probing whether the firms breached US antitrust laws by guiding shareholders on how to vote on politically charged topics such as environmental and social issues.

The agency is empowered by Section 5 of FTC Act, which reaches beyond the antitrust-focused Sherman and Clayton acts, giving it broad authority to challenge various types of unfair conduct, subtle or emerging, that negatively impacts competition.

"The FTC's enforcement mandate is more flexible and adaptable to deal with new commercial situations," said William Kovacic, who was FTC chairman under President George W. Bush and is now a law professor at George Washington University. "The DOJ does not have a mandate like this."

The FTC and Glass Lewis didn't respond to requests for comment. ISS declined to comment on the investigation. Both firms have said they provide objective guidance that their customers can use—or ignore.

The investigation is consistent with FTC Chairman Andrew Ferguson's responsiveness to the White House, said Stephen Calkins, professor at Wayne State University Law School and a former general counsel of the FTC under President Bill Clinton.

"Maybe he just raised his hand and said 'I'm happy to do that,'" Calkins said. "It may simply be pleasing your masters up on Capitol Hill and checking the box that you've done an investigation."

Long Backlash

Glass Lewis and ISS have faced criticism for years from executives and Republican lawmakers, with Elon Musk and Senate Banking Committee Chairman Tim Scott (S.C.) launching new attacks in recent months. Musk called the proxy advisory firms "corporate terrorists" in October, while Scott and other Republican senators started scrutinizing them over potential political bias and conflicts of interest in May. The White House also is reportedly considering an executive order to restrict proxy firms.

ISS and Glass Lewis have drawn "broad concern among conservatives," said David Burton, a senior fellow at Heritage Foundation, who has urged the Trump administration to probe whether the firms violated antitrust law to dominate the proxy advice industry.

Burton made the pitch earlier in "ESG, DEI, and What to Do About Them," a 2024 Heritage blueprint for government action against environmental, social, and governance issues and diversity, equity, and inclusion matters.

The report followed the group's Project 2025, the widely adopted policy guide created for the Trump administration.

The Republican-led House Judiciary Committee also has been looking into potential antitrust law violations by ISS and Glass Lewis, launching its own investigation in March.

"Is there a violation? If not, there's not," Burton said. "That doesn't necessarily mean everything they're doing is great."

Section 5 Power

Section 5 has been challenged by the business community over its broad scope—in the context of the Biden administration's noncompete ban—but remains intact as one of the FTC's broadest tools.

Under Section 5, the FTC can challenge unfair practices by filing a complaint in an administrative forum. The FTC can enforce consent decrees with businesses and other entities that engage in unfair practices that harm consumers—if defendant companies violate orders coming out of the administrative forum, the FTC can go to court to seek civil penalties.

"This is more likely being investigated under the Section 5 theory," Robin Crauthers, an antitrust partner with McCarter & English LLP, said of the proxy services probe. "There's enough smoke here. What we haven't seen is the fire yet."

Should the FTC's probe proceed, the goal will be to find clear evidence of misconduct, Calkins said.

For instance, the agency might find clear evidence that one firm got on the phone with the other and said we are thinking of recommending that people vote in a specific way over a climate initiative and "it really would be great if you could make the same recommendation," Calkins said.

That kind of thing would be a "smoking gun," Calkins said, even if it's not a classic antitrust violation. "A classic antitrust violation would be you're raising prices or you're lowering output. This would be a slightly novel claim."

Besides using its expansive power, the FTC may have taken the reins because the DOJ has become "so politicized that judges are no longer giving it the kind of respect that it once had," he said.

Calkins noted that the Justice Department is also under a lot of scrutiny with its indictment of former FBI Director James Comey and its case against New York Attorney General Letitia James.

Changing Business Practices

The aim of the FTC probe may be to simply draw attention to these firms and pressure them to adjust their own practices, Crauthers said.

Glass Lewis has already announced that it would no longer provide a single view on how investors can vote in 2027.

ISS could follow suit, although a spokesperson for the firm told Bloomberg Law it has no plans to do so.

Calkins added that the two firms could also defend themselves by saying "look, we are doing something that is entirely legal, and we're not going to go off and agree to any kind of consent decree."

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Securities

Crypto Transfers Under Accounting Microscope in US Project (1)

Nov. 19, 2025, 8:10 AM PST; Updated: Nov. 19, 2025, 1:02 PM PST

Companies are poised to gain further clarity on how to report certain crypto asset transfers in their financial reports.

The Financial Accounting Standards Board voted Wednesday to add a cryptocurrency project to its technical agenda focused on expanding the scope of its landmark digital asset standard and clarifying derecognition guidance, or rules regarding the removal of assets from the balance sheet. The move follows public input noting varied financial reporting that isn't always intuitive in the absence of clearer standards.

Investors "would benefit from financial reporting that is more consistent with the economic substance of these transactions," FASB member Joyce Joseph said.

FASB added a project in late October to address another opaque area of guidance: whether certain digital assets like stablecoins can be classified as cash equivalents.

The US board released its first crypto rules in 2023, requiring businesses to record certain coins at fair value. The measurement technique captures both the highs and lows of cryptocurrency holdings.

A Trump administration working group—which includes officials like Securities and Exchange Commission Chairman Paul Atkins—recommended in a July report that FASB consider digital assets' recognition and derecognition.

Emerging Tokens

The board's members expressed support for a project that considers expanding the scope of the 2023 rules to address wrapped and receipt tokens.

Wrapped tokens mirror another cryptocurrency's value from a separate blockchain, while receipt tokens generally allow businesses to redeem certain crypto assets they have transferred.

There are circumstances where these types of tokens can effectively be thought of "as almost derivatives of the crypto asset themselves," FASB Vice Chair Hillary Salo said.

These tokens have recently proliferated but are left out of the 2023 guidance, which excludes assets that provide holders with enforceable rights to or claims on underlying goods or other assets, some groups have told FASB.

FASB staff told the board there's agreement among some accounting practitioners on how to revise the guidance to include wrapped and receipt tokens. Under this potential alternative, the tokens would be measured in a similar way at fair value to their underlying crypto assets.

Broadening the guidance to address these tokens would provide investors greater transparency given existing disclosure requirements, Joseph said.

Joseph and FASB member Susan Cosper suggested FASB discuss with investors whether certain incremental disclosures regarding wrapped tokens may be beneficial.

"Does the nature of it being a wrapped token instead of a 'plain vanilla' crypto asset make any difference to them?" Cosper said.

Clarifying Rules

Deloitte & Touche LLP was among groups that told FASB in comment letters it's currently unclear which derecognition guidance should be applied to various crypto assets.

Board members expressed interest in an alternative recommended by the staff that would apply certain guidance within the section of the accounting rulebook focused on revenue from contracts with customers. The alternative would also clarify how businesses should consider repurchase rules in addressing the transfer of control for crypto assets.

This path could provide an efficient way to narrowly clarify current practice, according to FASB staff.

(Updates with additional background throughout.)

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Crypto's connections to the rest of the financial system

reuters.com/business/finance/cryptos-connections-rest-financial-system-2025-11-20

Elizabeth Howcroft November 20, 2025

Representation of cryptocurrencies are seen in this illustration created on September 10, 2025. REUTERS/Dado Ruvic/Illustration/File Photo Purchase Licensing Rights, opens new tab

- Soaring crypto markets highlight mainstream finance links
- Regulators worry run on stablecoins could hit stability
- Stock market, bank exposure to crypto small but growing

PARIS, Nov 20 (Reuters) - Cryptocurrency markets have surged in recent years, in part fuelled by the Trump administration's pro-crypto stance which has encouraged wider acceptance among financial institutions.

With a total value of $3.2 trillion and around $197 billion of trading volume per day, cryptocurrencies represent a small part of global markets, crypto tracker CoinGecko estimates.

But regulators and investors are still worried about whether any problems in the lightly regulated crypto world could spill over into the wider financial system.

The biggest cryptocurrency, bitcoin, fell below $90,000 for the first time since April this week, and some $1.2 trillion has been wiped off the value of all cryptocurrencies in six weeks.
Bitcoin , generally moves in line with broader risk appetite. Its correlation with the S&P 500 on a one-month rolling basis this week was 0.84, its strongest in six weeks, LSEG data shows. Correlation is measured from -1 to 1.

Here's where crypto and mainstream markets intersect.

STABLECOIN RESERVES

Stablecoins are cryptocurrencies pegged to a real-world currency, usually the U.S. dollar. Stablecoin issuers hold reserves to match the number of tokens they have created, and say that token-holders can swap their stablecoins back into dollars on demand.

Financial stability experts warn that a rush of redemption requests would cause a run on these reserves, affecting banks where cash is deposited, or even the assets that the reserves are invested in.
The stablecoin market is dominated by El Salvador-based Tether, which has around $181 billion in reserves, of which $112 billion is held in U.S. Treasuries. Rival Circle holds $24 billion in U.S. Treasuries.

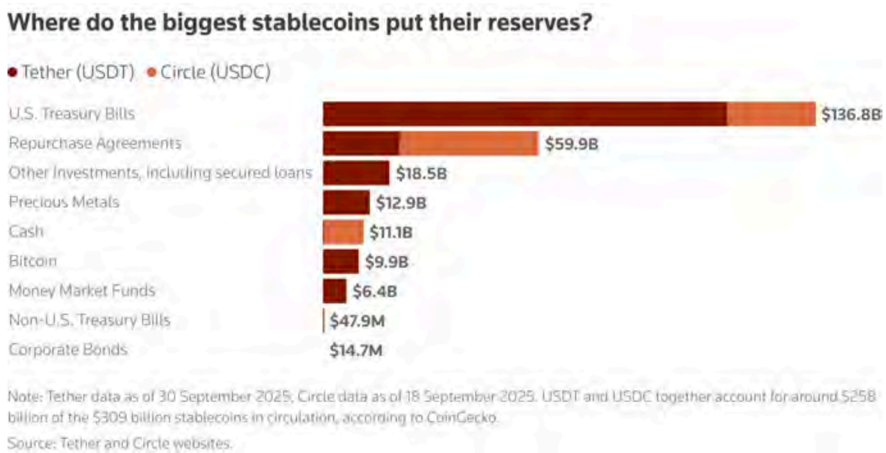

Chart of the reserves held by the two biggest stablecoins.

CRYPTO-RELATED STOCKS

Crypto stocks have soared in 2025, and more crypto companies have gone public. But pure players remain a tiny part of the overall market.

The market cap of stocks in the "blockchain and cryptocurrency" and "cryptocurrency mining" category is $225 billion, just 1.8% of the global equities market, LSEG data shows.

This excludes so-called crypto treasury companies, whose business model is to buy and hold crypto. While the bitcoin buyers include major players like Strategy (MSTR.O), opens new tab, dozens of penny stocks have this year been taken over by crypto enthusiasts to bet on rising prices.
Standard Chartered estimates that a bitcoin price below $90,000 leaves half of these companies' corporate treasuries holding bitcoin worth less than they paid for it.

Four of the 173 new U.S. public listings in 2025 have been crypto companies, raising a combined $1.2 billion, around 3.3% of the total funds raised from U.S. IPOs, LSEG said.

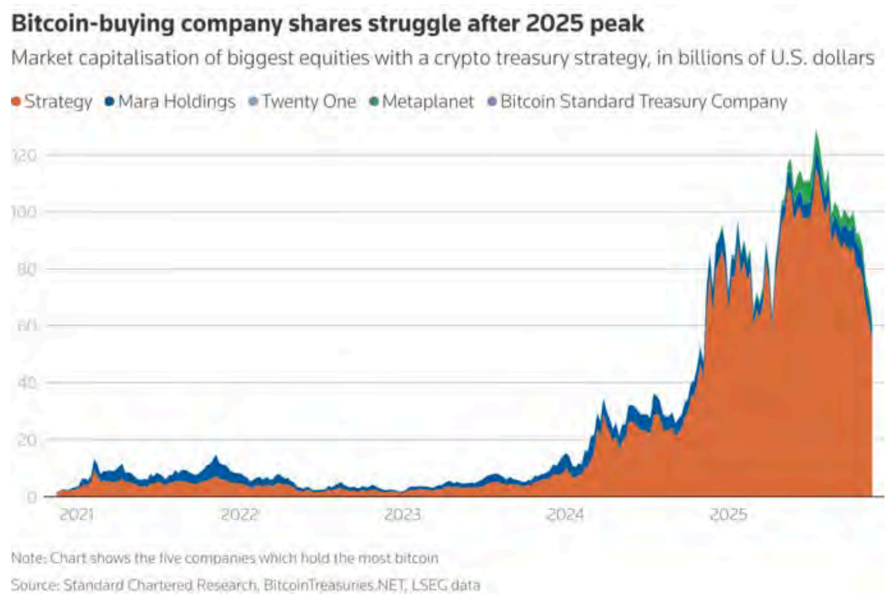

Chart of the market cap of five crypto treasury companies.

BANK EXPOSURE TO CRYPTO

Banks gain exposure to the crypto world by taking on crypto-linked clients, holding stablecoin reserves, or offering crypto-related services such as asset custody.

Some small banks specialise in crypto, concentrating the risk, as seen in 2023 when crypto-focused U.S. bank Silvergate Capital collapsed after customers pulled deposits.

U.S. regulators this year made it easier for banks to engage with crypto-related activities, pressuring regulators elsewhere to rethink their approach.
Data on banks' exposure is hard to find, but what is available suggests it is small but growing.

The European Central Bank said in a May review that significant institutions in the euro zone provided 4.7 billion euros worth of crypto asset custody services in 2024, up from 400 million euros in 2023.

Basel Committee on Banking Supervision data shows 5.9 billion euros worth of prudential exposure to crypto in the second half of 2024, among banks from countries which volunteered data.

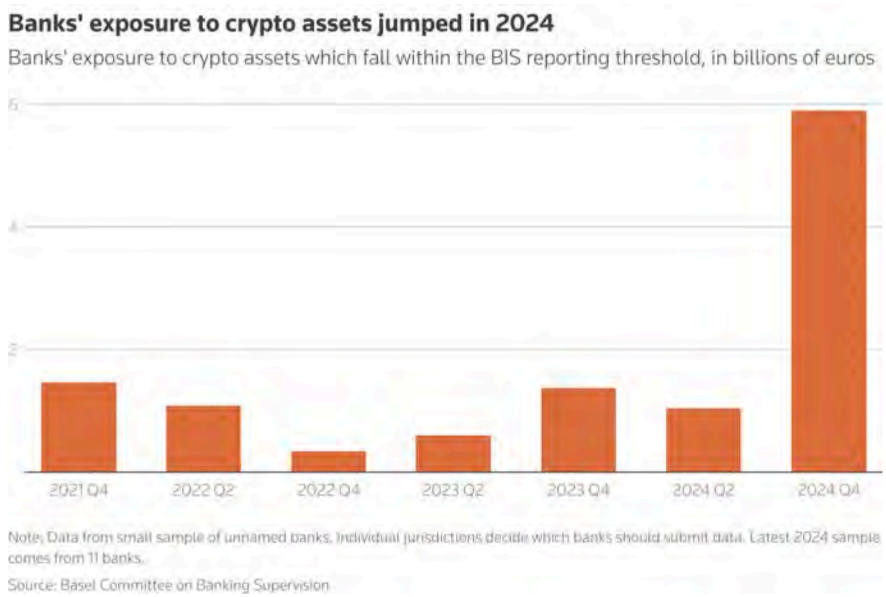

Chart of banks' prudential exposure to crypto.

CRYPTO INVESTMENT FUNDS

The January 2024 decision by U.S. regulators to allow bitcoin exchange-traded funds unleashed a new wave of buyers, including institutional investors such as sovereign wealth funds and pension funds pouring money into crypto.
The number of digital asset exchange-traded products worldwide has surged to 367 in 2025, up from 104 in 2021, according to Morningstar Direct data.

Still, with $222.3 billion in assets under management, crypto ETPs are tiny compared to the $17.4 trillion managed by the world's non-crypto ETPs, Morningstar estimates.

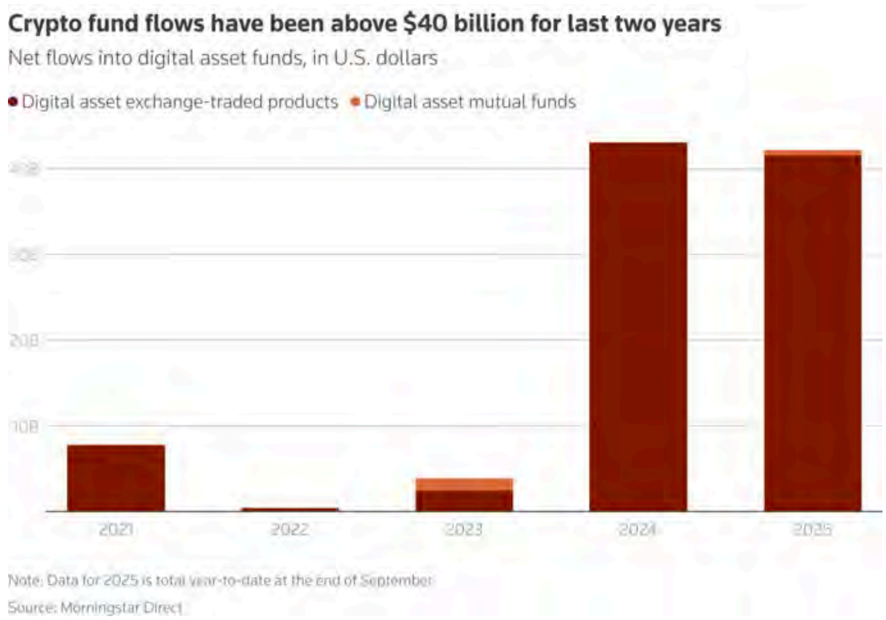

Chart of flows into crypto funds

Reporting by Elizabeth Howcroft; Additional reporting by Amanda Cooper; Editing by Tommy Reggiori Wilkes, Alden Bentley and Alexander Smith

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

Elizabeth Howcroft reports on finance and technology, including Europe's "fintech" industry and cryptocurrencies. She was part of the team which won a Loeb award and SABEW award for covering the collapse of crypto exchange FTX in 2022.

Crypto Market Extends Slide With Bitcoin Dropping Below $87,000

B bloomberglaw.com/bloombergterminalnews/bloomberg-terminal-news/T61AFYT96OSH

David Pan November 20, 2025

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Summary by Bloomberg AI

AI Generated

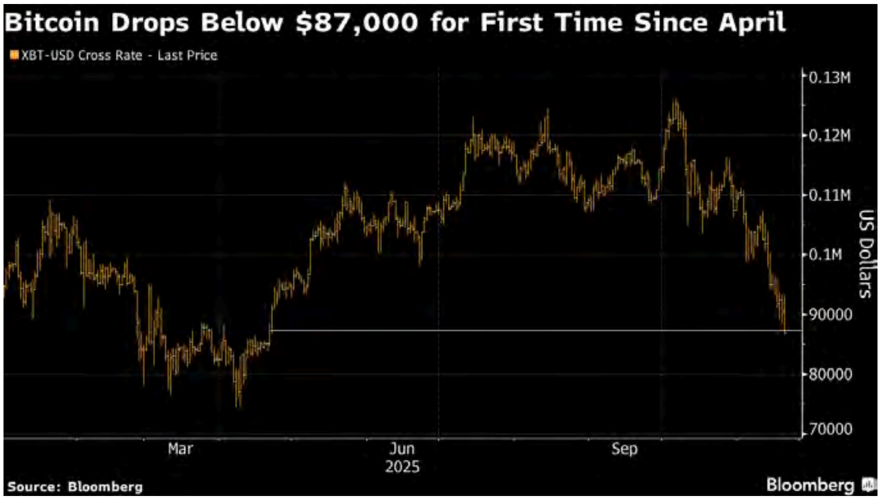
- The cryptocurrency market extended a more than a month-long retreat in Thursday trading, with Bitcoin dropping more than 4% to below $87,000.
- The pullback comes after weeks of unwinding among fast-moving traders and lingering positioning from October’s record run-up, which have left the market more vulnerable to selling pressure and sharp swings.
- Bitcoin’s latest slide can’t be separated from October’s violent liquidation cascade, when more than $19 billion in leveraged positions were forced out in a single session.

By Bloomberg News

(Bloomberg) --
The cryptocurrency market extended a more than a month-long retreat in Thursday trading, just as stocks surrendered the gains they had logged earlier in the day.

Market bellwether dropped more than 4% to below $87,000 for the first time since April, as the market struggled to find new buyers and the momentum that had supported prices earlier in the year evaporated. The pullback comes after weeks of unwinding among fast-moving traders and lingering positioning from October’s record run-up, which have left the market more vulnerable to selling pressure and sharp swings.

“Crypto is suffering from heavy selling by whales who follow the four-year cycle narrative, and this is typically the point in that cycle where prices fall,” said , head of research at CoinShares. “While we don’t subscribe to this view from a fundamentals perspective, it has become somewhat self-fulfilling, with large holders selling more than US$20 billion since September.”



Stocks had surged on a fresh wave of AI exuberance following positive results from Nvidia, only to see those gains evaporate. Concerns about lofty artificial-intelligence valuations and doubts over the Federal Reserve's ability to cut rates in December has led to volatility on Wall Street. Crypto remains trapped in a self-contained purge of leverage and fading retail demand — a cross-asset split that has deepened since early October.

Bitcoin's latest slide can't be separated from October's violent liquidation cascade, when more than $19 billion in leveraged positions were forced out in a single session. That shock broke momentum, and hollowed out liquidity across major venues. Order books never fully rebuilt, leaving prices hypersensitive to modest flows — a fragility that continues to define every downdraft.
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Dave Liedtka

Securities

Manage Newsletters

Crypto World Wipes Out $1 Trillion After Latest Bitcoin Drop (1)

Nov. 20, 2025, 12:38 AM PST

Summary by Bloomberg AI

AI Generated

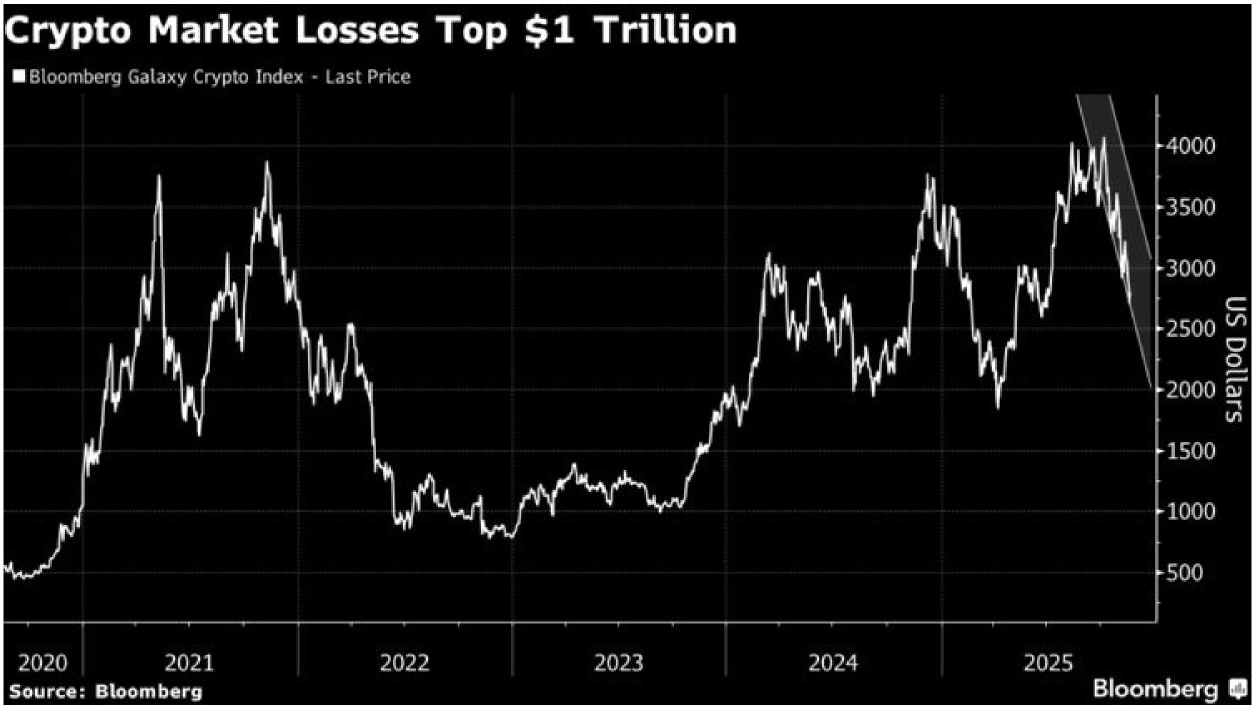
- The great crypto crash of 2025 entered a new phase as Bitcoin plunged to its lowest level in seven months, extending the more than $1 trillion wipeout across the digital-asset world.
- Bitcoin fell to as low as $88,522 before recovering some ground, with the latest rout hitting investors big and small, and the next psychological thresholds lie around $85,000 and $80,000.
- The total market capitalization of cryptocurrencies peaked at about $4.3 trillion on Oct. 6 and now hovers near $3.2 trillion, with much of that change reflecting paper losses, not real-world cash leaving hands.

The great crypto crash of 2025 entered a new phase on Wednesday, as Bitcoin plunged to its lowest level in seven months, extending the more than $1 trillion wipeout across the digital-asset world.

The largest cryptocurrency fell to as low as $88,522 before recovering some ground early Thursday, with the latest rout hitting investors big and small — from retail dip-buyers to digital-asset treasury firms whose stock premiums are vanishing.

Token prices regained some ground after Nvidia gave a strong revenue forecast, helping counter concern that a global surge in AI spending is poised to fizzle. Bitcoin was up 1.9% as of 8:30 a.m. in London.

The next psychological thresholds lie around $85,000 and $80,000, with the 2025 trough of $74,425 — set during April's tariff-related turbulence — in focus. The total market capitalization of cryptocurrencies peaked at about $4.3 trillion on Oct. 6 and now hovers near $3.2 trillion. Still, much of that change reflects paper losses, not real-world cash leaving hands.



Following a cascade of forced liquidations on Oct. 10, when more than $19 billion of leveraged crypto positions were offloaded, the market's fragility was exposed. That event triggered a chain reaction of margin calls, exchange-traded outflows and halted fresh buyer interest.

"Investors are stabbing in the dark a bit — they haven't got any direction on macro, so all they can see is what on-chain whales are doing and they're getting quite worried about it," said **James Butterfill,** head of research at CoinShares.

Bitcoin's surge to just north of $126,000 earlier in the year was based on twin pillars: expectations of multiple Federal Reserve interest-rate cuts and growing institutional adoption. Both narratives have stalled while momentum buyers have beaten a retreat. The fall is dealing a heavy blow to digital-asset treasury firms, whose valuations were built on the earlier rally.

Meanwhile, Ether dropped back below $3,000. After lagging Bitcoin during the first half of this year's rally, Ether — the second-largest token — eventually rose to almost $5,000 in August to briefly clear its 2021 high. It has since relinquished those gains.

"I think we are closer to the end of the selling than the beginning, but markets are uncomfortable and crypto could have more downside here before it finds a base to recover from," said **Matthew Hougan**, the San Francisco-based chief investment officer at Bitwise Asset Management.

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Guest Post: Another Emerging Cryptocurrency Risk for D&O Underwriters?

dandodiary.com/2025/11/articles/cryptocurrencies/guest-post-another-emerging-cryptocurrency-risk-for-do-underwriters

Kevin LaCroix November 19, 2025

Sarah Abrams

A recent series of U.S. Department of Justice actions highlights the agency's focus on combatting so-called "pig-butchering" — a type of online financial scam where fraudsters build a long-term relationship with a victim to gain trust and then convince the victim to invest in fake cryptocurrency or trading schemes. In the following guest post, Sarah Abrams, Head of Claims Baleen Specialty, a division of Bowhead Specialty, takes a look at how developments in the crypto world coinciding with the DOJ's crackdown may be creating increased D&O risk arising from pig-butchering schemes. I would like to thank Sarah for allowing me to publish her article on this site. Here is Sarah's article.

****

A planned reverse merger between a cryptocurrency (crypto) company and a gaming platform, coinciding with an increase in "pig-butchering" scams, may raise additional concerns for D&O underwriters in the wake of increasing corporate acceptance and use of crypto tokens.

To be clear, nothing in this article suggests that Dogecoin, Brag House, or inKind are in any way involved in the below-discussed pig-butchering schemes. The connection discussed is not about wrongdoing by the merger participants, but rather how the rising corporate adoption of crypto tokens, such as Dogecoin, may create new oversight obligations while crypto-related fraud continues to make headlines.

"Pig butchering" schemes typically involve grooming victims over time (via romance, fake investment returns, or social engineering) and eventually coaxing them to transfer large sums into crypto wallets. In mid-October, the U.S. Department of Justice moved to seize $15 billion in Bitcoin tied to massive "pig-butchering" fraud operations. In July, two banks were sued for allegedly ignoring red flags related to a $20 million loss resulting from a "pig butchering" NFT-related scam. This convergence of token integration and increase in pig-butchering may create an emerging D&O exposure for companies adopting or facilitating token transactions if their platforms inadvertently process tainted assets or lack adequate monitoring controls.

D&O Diary readers may recall that I recently discussed a potential near-future where merchants substitute stablecoin rewards for credit card points. Following its announcement that the House of Doge (Doge), the corporate arm of the Dogecoin (cryptocurrency) Foundation, would be going public through a reverse merger with gaming platform Brag House Holdings, Inc. (Brag House, NASDAQ: TBH), Doge stated that it had signed a letter of intent to form a strategic partnership with hospitality and award payments platform inKind.

The Doge IPO and its initiative with inKind may lead to increased acceptance and use of Dogecoin by users of the new Doge-Brag House platform and inKind's network of restaurants. While this planned integration illustrates the broader trend that crypto tokens are becoming embedded in mainstream consumer, gaming, and payments ecosystems, at the same time, federal regulators are reporting unprecedented surges in crypto-enabled fraud, most notably pig-butchering schemes.

To appreciate the potential D&O underwriter impact, the following will discuss how pig-butchering may create D&O risk for companies embracing the use of crypto tokens, using the Doge-Brag House push to have inKind network partnership accept Dogecoin.

Pig-Butchering

In many pig-butchering operations, scammers rapidly launder crypto through anonymized wallets, then through centralized exchanges, OTC desks, or gaming and rewards-based platforms. A company using tokens for rewards, loyalty programs, or payment processing may therefore unknowingly process crypto whose history includes illicit activity. Thus, once tokens are transferable, tainted assets can intermingle with legitimate flows unless strong anti-money-laundering (AML) and know-your-transaction (KYT) systems are in place.

Pig-butchering schemes have been rising in recent years to the point where, in January 2024, the FBI created Operation Level Up, an approach to identify victims of cryptocurrency investment fraud and notify them of the scam. In early October, federal law enforcement and the U.S. Department of the Treasury announced the filing of an indictment and seizure of $15 billion in Bitcoin that had been earned from and laundered through a criminal pig-butchering network. The alleged criminal enterprise, Prince Group, forced laborers to spend hours online and cold calling to induce victims into crypto investment scams.

While the Prince Group may not have been involved, a recent lawsuit filed by a Texas investor and victim of an alleged pig-butchering scheme claimed that East West Bank and Cathay Bank "ignored red flags" in facilitating the victim's nearly $20 million in payments to NFT enterprise OpenRarityPro. According to the complaint, the victim sent at least 30 wire transfers to companies that were allegedly linked to OpenRarity Pro. The victim alleged that the funds, which were transferred in large, round numbers, should have triggered his banks to investigate the "suspicious activity."

Using the Doge-Brag House transaction and agreement with inKind for future Dogecoin utility and integration as an example, certain emerging D&O risks flowing from pig-butchering may begin to surface.

Dogecoin and inKind Partnership

On October 13, 2025, House of Doge and Brag House announced a reverse-takeover merger under which Brag House will acquire House of Doge via a public shell consolidation, providing Dogecoin with a pathway to a Nasdaq listing. House of Doge is the corporate arm of the Dogecoin Foundation, and Brag House is a platform for gamers as well as the host of various esports tournaments. Brag House purportedly already leverages crypto, allowing its users to bet on upcoming gaming events using earned Brag House Tokens, which can then be redeemed for prizes such as gift cards and merchandise.

The newly merged companies announced a strategic partnership with inKind, a hospitality payments and loyalty network with over 4,750 U.S. venues, to make Dogecoin the first cryptocurrency accepted across inKind's network. Doge's integration with inKind is intended, if finalized, to generate transaction volume of Dogecoin and recurring revenue via merchant payment processing fees, like how Visa or Mastercard earn interchange revenue.

Embedding Dogecoin into inKind's hospitality platform would create thousands of new transaction touchpoints where Dogecoin may be used for payments, rewards, or redemption. As tokens move into real-world commerce, companies integrating them, whether gaming platforms or restaurant networks, may inherit operational and compliance responsibilities that previously sat only with exchanges and financial institutions.

Discussion

Thus, D&O underwriters may want to note how the intersection of corporate crypto use and proliferating crypto fraud (like *pig-butchering*) can create direct oversight risk and secondary liability risk for directors and officers. For directors and officers, the risk may lie in the adequacy of corporate oversight once tokens are integrated into business operations. Evolving regulation may require implementation of controls traditionally associated with banks and fintechs, including blockchain analytics, transaction monitoring, geolocation screening, and wallet-risk scoring. If a company's token ecosystem inadvertently processes funds tied to a scam that is later exposed by law enforcement, regulators may question whether leadership exercised reasonable oversight.

Thus, Company boards and leadership, particularly of organizations that may be integrating the utility of crypto tokens, may be held liable for failing to have robust AML and KYT systems in place. If a company's token operations, wallets, or payment rails inadvertently process tainted crypto linked to such scams, regulators could allege failure of oversight, resulting in a *Caremark*-type claim.

In addition, consumer plaintiffs could argue that companies accepted fraudulent tokens, ignored obvious "red flags" of suspicious transaction activity, similar to the theory asserted against East West Bank and Cathay Bank. A company integrating crypto tokens as part of payments, rewards, or treasury could face claims that it enabled or negligently ignored fraudulent flows if bad actors begin to transact through its network. Side A may still provide coverage for directors and officers liable for claims that they "should have known" that its crypto services or tokens were being misused.

Finally, public companies holding or transacting in crypto, which may include the creation of a crypto treasury and reward tokens, may want to anticipate investor and regulatory scrutiny over source-of-funds, counterparty vetting, and disclosure of exposure to illicit finance. If regulators reveal that a company's token ecosystem processed flows traceable to pig-butchering schemes, and that revelation is made public, directors could face securities-disclosure suits for failing to warn investors of the risk.

As crypto continues to move into mainstream business operations, directors may face new liability if their company's token activity, even indirectly, enables fraud, mishandles tainted assets, or fails to disclose that risk.

Ann M. Lipton
@annmlipton.bsky.social

HOW DO I TEACH M&A LIKE THIS

formidable portfolio of studios, networks and intellectual property. But they also acknowledge that there could be political hurdles — starting, perhaps, with the group's leadership.

Comcast is led by Brian Roberts, whom Trump has criticised on social media. The president also has repeatedly attacked MSNBC, the left-leaning cable news network recently rebranded as MS NOW, as well as the NBC network, once home to the president's reality show *The Apprentice*. In April Trump accused the company of being a "disgrace to the integrity of broadcasting".

People close to Comcast say the idea the president would block a transaction on personal grounds is overstated. The company also appears to have taken steps to repair the relationship, including by contributing money to help fund construction of a new ballroom at the White House.

Nov 20, 2025, 1:35 AM

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Mike Nitabach @mnitabach.blackskycomra.de · 8h
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Well i think they need to have taken Bribery 101 before you can take M&A classes now.

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2.8K
8.9K

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6th Circ. Won't Explain Docs Ruling To FirstEnergy Investors

By **Katryna Perera**

Law360 (November 19, 2025, 6:17 PM EST) -- The Sixth Circuit on Wednesday denied a request from FirstEnergy investors to clarify a ruling blocking them from accessing documents prepared by BigLaw firms investigating the company's $1 billion bribery scandal.

A three-judge panel of the appeals court issued a one-page **order** denying the request and provided no reasoning for its decision.

The investors **asked for clarification**, for a second time, last week, saying the Sixth Circuit panel erred when it stated in early November that its decision to vacate the district court's document production order also applies to depositions taken in the proposed class action.

The Sixth Circuit's decision left intact a ruling that investors cannot access documents prepared by Jones Day and Squire Patton Boggs LLP after they were hired by FirstEnergy and its board of directors to perform internal investigations once the scandal became public.

The Sixth Circuit said the materials were "clearly" protected by the attorney-client privilege and work-product doctrine.

Last week, however, the investors argued the record reflects that "both the district court and plaintiffs went to great lengths to distinguish the district court's deposition-testimony ruling … versus the district court's document-production ruling," and that the panel failed to distinguish between the rulings because FirstEnergy only challenged the district court's decision on document production.

U.S. Circuit Judges Jeffrey Sutton, Alice M. Batchelder and John Nalbandian sat on the panel for the Sixth Circuit.

FirstEnergy is represented by Robert Giuffra Jr., Sharon Nelles, David Rein, Nicholas Menillo, Morgan Ratner and Maxwell Gottschall of Sullivan & Cromwell LLP.

The investors are represented by Jason Forge, Darren Robbins and Mark Solomon of Robbins Geller Rudman & Dowd LLP, and Joseph Murray and Brian Murphy of Murray Murphy Moul & Basil LLP.

The case is In re: FirstEnergy Corp., case number 24-3654, in the U.S. Court of Appeals for the Sixth Circuit.

--Editing by Melissa Treolo.

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Cannabis REIT Innovative Industrial Hit With New Investor Suit

By **Isaac Monterose**

Law360 (November 19, 2025, 6:40 PM EST) -- A shareholder for cannabis-focused real estate investment trust Innovative Industrial Properties Inc. accused the REIT's current and former executives Wednesday of not telling shareholders about how poorly several of the its largest tenants were doing.

In his **shareholder derivatives suit** filed in Maryland federal court, Innovative Industrial Properties shareholder James Loen said the defendants told shareholders that the REIT had taken steps to protect itself from the risks of running a business that depends on recreational cannabis, which is still illegal at the federal level.

The REIT also said it was keeping an eye on the state of its tenants, which are involved in the cannabis industry, Loen said.

However, starting in February 2024, the defendants were actually misleading shareholders about how several of its major tenants were going through hard times financially, Loen alleged.

According to the lawsuit, tenants PharmaCann and 4Front lacked the money to pay taxes and run their businesses day to day. Additionally, 4Front and two other tenants, Tilt and Gold Flora, were doing so badly that they told their investors in 2023 that they were in danger of going out of business.

The shareholder further claimed that the struggling tenants failed to raise money to support their businesses.

From November 2024 to March, the defendants gradually revealed that PharmaCann, 4Front, Tilt and Gold Flora failed to keep paying rent and defaulted on their leases, according to Loen. As a result, Innovative Industrial Properties' stock value declined several times, the lawsuit said.

The REIT's stock value gradually declined from $132.34 per share in November 2024 to $54.09 per share in March, according to Loen.

"As the truth about the misleading statements was revealed over time, the value of IIPR's securities declined precipitously as the prior artificial inflation no longer propped up the stock's price," Loen said. "The declines in the price of IIPR securities were the direct result of the nature and extent of defendants' misstatements finally being revealed to investors and the market."

"As a result of defendants' materially false and misleading statements or omissions, the company and plaintiff suffered significant damages," he added.

Loen's suit isn't the only shareholder suit that Innovative Industrial Properties is facing in Maryland federal court. In January, a proposed class of shareholders **lodged** similar claims against the REIT. In April, Scott + Scott was **picked** to be lead class counsel and the City of Birmingham Retirement and Relief System was picked to be the lead plaintiff.

Innovative Industrial Properties **pushed** for dismissal in August, arguing the suit is baseless.

According to the court docket, the presiding Chief U.S. District Judge George L. Russell III tossed the suit on Oct. 16 without prejudice because the proposed class failed to oppose the dismissal motion by Sept. 5.

However, later that same day, the judge reopened the suit because class counsel told him that the scheduling order for the suit said its opposition filing was due on Oct. 21, not Sept. 5.

Loen's counsel and Innovative Industrial Properties didn't respond to requests for comment Wednesday.

Counsel information for the defendants wasn't immediately available.

Loen is represented by Cynthia L. Leppert of Law Office of Cynthia Leppert LLC and Joshua M. Lifshitz of Lifshitz Law PLLC.

The case is Loen v. Gold et al., case number 1:25-cv-03786, in the U.S. District Court for the District of Maryland.

--Editing by Haylee Pearl.

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Pool Co. Directors Hit With Derivative Suit In Del.

By **Jeff Montgomery**

Law360 (November 19, 2025, 6:54 PM EST) -- Three stockholders of pool equipment company Hayward Holdings Inc. sued the company's directors and officers in Delaware's Court of Chancery late Tuesday, seeking derivative damages based on claims that — after thriving during the pandemic — the company failed to report ballooning customer inventories as insiders traded on bogus, upbeat news.

The Delaware derivative complaint, which also names two top investor entities, seeks damages for the company, relying in part on a ruling in the U.S. District Court of New Jersey that in June kept alive some allegations of violations of federal securities laws by Hayward and its board.

The federal case is now under mediation before Miles N. Ruthberg of Phillips ADR Enterprises.

Stockholders in the newly filed Chancery case seek "to recoup losses that Hayward has sustained, and will continue sustaining, in connection with an alleged post-IPO channel stuffing scheme by Hayward insiders to inflate the stock price and profit from stock transactions before the truth came out and the stock price dropped," the complaint said.

Channel stuffing is a practice of pushing out wares or service commitments at levels in excess of demand. This distorts a company's actual business as unsold products pile up on customer shelves, which pushes down demand, while insiders benefit from stock prices propped up by inaccurate reports.

"According to certain allegations based on information obtained by the lead plaintiff in the securities class action from former employees of the company, Hayward's insiders knew all along that the channel was being stuffed in 2021 and 2022" after the company went public "and that there was too much channel inventory," the complaint said.

North Carolina-based Hayward is a pool equipment manufacturer and distributor. It has manufacturing sites in North Carolina, Georgia, Tennessee and Rhode Island and five other countries, including China.

The Delaware suit, filed by stockholders Roberta Tackett, Aqua Palace LLC and Jennifer Roberts, alleged that the New Jersey securities action "has exposed the company to massive liability for securities fraud," arising from adverse conditions "known by Hayward insiders since at least mid-2021."

The complaint includes separate claims against individuals named in the suit of breach of fiduciary duty and unjust enrichment, along with insider trading allegations against five individuals or entities, including nonindependent directors Timothy Walsh, Greg Brenneman and Mark McFadden, named to the board as designees for controlling stockholder CCMP Capital and its affiliates.

Also individually named were the company's CEO and president, Kevin Holleran, and Eifion Jones, its chief financial officer.

The complaint noted that Hayward's business surged before the COVID-19 pandemic — before it went public — with revenues jumping from $730 million in 2019 to more than $875 million in 2020. A year later, the business went public at $17 per share, raising $377.4 million for the company and $307.4 million for Hayward sponsors who sold their shares in the initial public offering.

While sales began falling off in 2022, and inventories held by distributors began rising, the complaint said, Hayward discounted concerns until mid-2022, when it said growth had slowed "significantly," with a forecast 9% to 12% growth turning to a 2% to 6% decrease.

The complaint said Hayward subsequently acknowledged that the change in guidance was expected and "due to the strategic positions that many of our channel partners took at the end of 2021," an explanation that the complaint said showed that Hayward knew about excess inventory by late 2021.

"These revelations caused severe stock losses. By the end of 2022, the stock traded at less than $10 per share, down from over $27 per share in late 2021," the complaint said.

In the direct damage suit in New Jersey, U.S. District Judge William J. Martini in June dismissed some claims against Hayward and its principals, finding that the complaint only partially supported claims of knowing violations of Securities Exchange Act requirements to disclose flagging sales and rising inventories held by customers.

CCMP and MSD Partners LP, as well as Hayward and some of the company officers, could be liable in the New Jersey action.

The parties did not immediately respond to requests for comment.

Stockholders Roberta Tackett, Aqua Palace LLC and Jennifer Roberts are represented by P. Bradford deLeeuw of deLeeuw Law LLC and Robert C. Schubert and Willem F. Jonckheer of Schubert Jonckheer & Kolbe LLP.

Counsel information for those named in the complaint was not immediately available.

The case is Tackett et al. v. Holleran et al., case number 2025-1344, in the Court of Chancery of the State of Delaware.

--Additional reporting by Sydney Price. Editing by Nick Siwek.

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SCANA Investors Get 1st OK For $34M Deal With Deloitte

By **Emilie Ruscoe**

Law360 (November 19, 2025, 9:13 PM EST) -- Consulting giant Deloitte and investors in utility company SCANA Corp. have gotten an initial nod for their $34 million agreement to settle proposed class action claims that Deloitte gave cover to SCANA as it failed to report delays and cost overruns for a $9 billion nuclear energy expansion project it ultimately abandoned.

U.S. District Judge Jacquelyn D. Austin on Tuesday **granted preliminary approval**, finding that based on its terms, she'd likely be able to grant final approval to the deal as "being fair, reasonable, and adequate to the settlement class" following further consideration at a settlement hearing.

In its October motion for preliminary approval, the institutional investor leading the consolidated securities class action against Deloitte referenced a $192 million settlement deal, which included $160 million in cash, that SCANA struck with its own investors in 2020.

Considered alongside those settlement benefits, the International Brotherhood of Electrical Workers Local 98 Pension Fund had said, SCANA investors will have recovered $226.5 million in connection with alleged fraud involving SCANA's construction of the V.C. Summer nuclear project.

"This is an excellent result for the class," the pension fund had said, asserting that its deal with Deloitte was "one of the largest securities class action settlements against an auditing firm in the last decade."

Final approval of the deal would end claims that Deloitte gave cover to SCANA with "unqualified, 'clean' audit reports" on the utility company's financial reports and internal controls, even as SCANA misrepresented to investors that its expansion of the South Carolina nuclear station was on track for completion before its deadline to earn $1.4 billion in nuclear tax credits.

In reality, according to the complaint, SCANA and Deloitte knew it was "unrealistic" to say they would actually meet their deadline to earn those tax credits, and SCANA eventually announced it would abandon the project.

The disclosure that the **nuclear project was off** precipitated probes by state and federal authorities, including the U.S. Securities and Exchange Commission.

In 2020, SCANA settled the SEC's resulting claims, agreeing to pay a $25 million penalty and $112.5 million in disgorgement and prejudgment interest.

Representatives for the parties did not respond to requests for comment Wednesday.

The class is represented by William Tinkler of Tinkler Law Firm LLC, and Laura H. Posner, Steven J. Toll, Jan E. Messerschmidt and Margaret Wydman of Cohen Milstein Sellers & Toll PLLC.

Deloitte is represented by Christopher A. Ogiba, Lesley A. Firestone, Tiffany Payne, Mark A. Nebrig, John A. Fagg Jr. and Nader S. Raja of Moore & Van Allen PLLC, and Scott A. Edelman, Jed M. Schwartz and Andrew B. Lichtenberg of Milbank LLP.

The case is International Brotherhood of Electrical Workers Local 98 Pension Fund v. Deloitte et al., case number 3:19-cv-03304, in the U.S. District Court for the District of South Carolina.

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29 AGs Want Social Media Addiction Fight Decided In 1 Trial

By **Dorothy Atkins**

Law360 (November 19, 2025, 11:17 PM EST) -- A coalition of 29 state attorneys general Wednesday urged a California federal judge presiding over social-media addiction multidistrict litigation to consolidate state law claims into a single jury trial, while Meta's counsel argued that there's no case law precedent for such a single trial and it would be prejudicial.

The debate over the trial schedule came during the latest hearing in Oakland, California, before U.S. District Judge Yvonne Gonzalez Rogers in litigation **consolidated** in 2022 over claims by personal injury plaintiffs, schools and attorneys general against social media giants.

The plaintiffs generally claim Facebook and Instagram owner Meta Platforms Inc., SnapChat owner Snap Inc., YouTube owner Google LLC and TikTok owner ByteDance designed their multibillion-dollar revenue-generating platforms with addictive features, such as infinite scroll, autoplay, notifications and reward systems, to the detriment of minors' health and livelihoods.

Krista Batchelder of the Colorado Department of Law argued on behalf of 29 state attorneys general that the state cases should be tried before a single jury, albeit not in a class action. She noted 18 states are asserting consumer protection claims, and none are seeking damages, only other forms of relief like civil penalties.

But Meta's counsel, James P. Rouhandeh of Davis Polk & Wardwell LLP, argued the state laws are too distinct with various different elements like intent and reliance for the court to hold a single trial, and the court should instead start the process by holding a trial over a single state attorney general's claim.

"There doesn't seem to be precedent for what they want to do — to try all cases together," Rouhandeh added.

Judge Gonzalez Rogers acknowledged that she is unaware of any case law precedent suggesting that so many states' claims could be held in a single trial, but she also told Rouhandeh outright that she won't hold 29 separate trials for each individual state.

She also doubted that the elements for many of the state claims were so different that it would require different juries to decide them. The judge pointed out that courts regularly instruct juries on different legal elements to establish a viable claim, and she doubted whether the jurors would be considering substantially different evidence if she held separate trials on various state claims. She added that all the state laws at issue require the same preponderance of evidence legal standard to prove a claim.

Batchelder agreed with the judge's suggestion that the evidence would likely be substantially the same for all claims, and therefore they could be tried together. But Judge Gonzalez Rogers interjected, "If it were that easy, then why has it never been done before?"

To which Batchelder replied, "Because these cases tend to settle."

Judge Gonzalez Rogers didn't rule on the trial issue, but she ordered the parties to submit trial proposals for her to consider.

Aside from discussing the trial schedule, on Wednesday, Judge Gonzalez Rogers denied Meta's motion to strike certain exhibits attached to briefings on motions for summary judgment after plaintiffs accused Meta of trying to hide key evidence from the public.

However, the judge also ordered the parties to meet and confer about redacting the exhibits, and she warned plaintiffs they should only file excerpts of the relevant evidence as exhibits, and not "dump" full deposition transcripts or irrelevant lengthy business documents on the court.

"I'll give you some time to figure out how you want to clean this up, but I am not going to strike the entirety of it so that request by Meta is denied," Judge Gonzalez Rogers told counsel. "But I do intend to strike the dump, because the dump is not just on Meta, the dump is on the court, and Meta may have 200 attorneys, but I only have three clerks. We are a small but mighty team, but we are not going to do that for you."

Judge Gonzalez Rogers also directed the parties to file hard copies as opposed to only providing her staff with digital copies and hyperlinks.

"I get tired of looking at screens — oh, what are we here for?" she said with a laugh. "Looking at screens too much."

Judge Gonzalez Rogers additionally heard arguments from three third-party witnesses — Facebook whistleblower Frances Haugen, Arturo Bejar and Vaishnavi Jayakumar — who are fighting Meta's ongoing discovery demands. Jayakumar served as Meta's Head of Youth Policy from January 2020 to May 2023, and Beja worked at Meta from 2009 to 2015 and again from 2019 to 2021, according to court documents.

Over the past year, they have consistently argued before a magistrate judge that the discovery requests are **retaliatory**, irrelevant and **overbroad**. The magistrate judge presiding over discovery refused some of Meta's discovery requests, which spurred Meta's appeal to the district judge.

On Wednesday, Judge Gonzalez Rogers doubted Meta's arguments that the additional discovery into the third parties' personal correspondence is necessary to its trial defense, particularly since the plaintiffs don't plan to call Haugen as a live witness. But she didn't rule from the bench on Meta's appeal and took the arguments under submission.

The hearing came as the parties have been briefing motions for summary judgment in preparation for the first federal **bellwether trials** in the sprawling federal MDL, which involves thousands of personal injury plaintiffs as well as **Native American tribes**. Those trials will likely begin in the summer.

The high-stakes litigation has spurred numerous discovery battles that have made headlines over the last year. In August, the Ninth Circuit **blocked** an order requiring California's attorney general and third-party state agencies to respond to Meta's discovery demands in the MDL after the states called Meta's requests irrelevant, overbroad and impractical given the hundreds of agencies implicated in Meta's demands.

Meanwhile, last month, plaintiffs counsel told the judge that Meta **should be sanctioned** after a D.C. court **found** the company likely engaged in "crime, fraud, and/or misconduct" when, on the advice of counsel, it modified its research into Facebook's effects on teens' mental health to limit its liability.

In parallel state litigation earlier this month, Los Angeles County Superior Court Judge Carolyn B. Kuhl **denied** multiple **motions** for summary judgment filed by the defendants. In that ruling, the judge again rejected the tech giants' arguments that Section 230 of the Communications Decency Act shields them from liability, and sent three state cases to bellwether trials, with the first to begin Jan. 27.

In a prior order, Judge Kuhl **ruled** that Meta CEO Mark Zuckerberg, Instagram head Adam Mosseri and Snap CEO Evan Spiegel must testify in the upcoming trials.

Third parties Vaishnavi Jayakumar and Arturo Bejar were represented during the hearing by Michael

Ward of Baker Botts LLP.

Third party Frances Haugen was represented during the hearing by Joshua A. Levy of Levy Firestone Muse LLP.

The state attorneys general were represented during the hearing by Megan O'Neill of the California Department of Justice, Office of the Attorney General and Krista Batchelder of the Colorado Department of Law.

The personal injury plaintiffs and school district plaintiffs were represented during the hearing by Lexi J. Hazam of Lieff Cabraser Heimann & Bernstein LLP and Previn Warren of Motley Rice LLC.

Meta was represented during the hearing by Ashley Margaret Simonsen and Paul William Schmidt of Covington & Burling LLP and James P. Rouhandeh of Davis Polk & Wardwell LLP.

The MDL is In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation, case number 4:22-md-03047, in the U.S. District Court for the Northern District of California. The JCCP case is Social Media Cases, case number JCCP5255, and lead case number 22STCV21355, all in the Superior Court of the State of California, County of Los Angeles.

--Editing by Emily Kokoll.

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Anthropic Judge Says Deal Notices Downplay Opt-Out Avenue

By **Elliot Weld**

Law360 (November 19, 2025, 9:43 PM EST) -- A California federal judge has ordered changes to the notice emails being sent to members of a class of writers who secured a $1.5 billion settlement of copyright infringement claims against artificial intelligence firm Anthropic, saying the current wording does not give "equal dignity" to the option of opting out of the settlement versus filing a claim.

U.S. District Judge William Alsup said in a Tuesday order that the current notices steer class members toward filing a claim before mentioning the opt-out option.

The case is one of many that have hit the courts accusing an AI company of using copyrighted material to train large language models. A group of authors said Anthropic had used their books to train the LLM that powers the chatbot Claude. Judge Alsup ruled that the books Anthropic legally purchased could fall under fair use, but said the class could proceed on claims that the startup had pirated large numbers of books. The parties **later settled** for $1.5 billion.

The judge said there were previously ordered changes that had still not been made to materials being mailed to class members. A prior order required counsel to add in the notices that the settlement documents had to be personally signed by the class member, and to strike a portion saying they could be inked by an authorized representative.

Requests for exclusion, reinclusion, objections and claims had to be personally signed by class members, if they are living individuals, Judge Alsup said.

The judge said there were several "obvious errors" that previous orders had addressed that had not been remedied. These included breaking out "the lengthy lists of requirements now embedded in paragraphs ... so they can be consumed easily as checklists like the others," and fixing a series of typos.

Judge Alsup denied a request from the authors to allow them to remove their real names from the settlement website in favor of pen names. The judge approved a passage to be added to the notices explaining that the information available on the site was taken from publicly available sources, and that "such records often already list an author's real name and the author's pen name." The revision informs class members that they must provide "compelling reasons" to remove their real names.

Judge Alsup said a "curative statement" should be added to the website for people who might have visited prior to his order to explain what the added clarifications were.

"This is final. Do not argue with it, please," the judge said. "Implement these requirements, then disseminate the long-form notice with buckslip."

On Nov. 13, Judge Alsup **criticized** Arizona law firm ClaimsHero Holdings LLC for encouraging authors to opt out of the settlement and suggesting the move could get class members better results.

Judge Alsup said all class members have the right to opt out, but added that he "urges any class members tempted by such an encouragement or advertisement to first study the class notice and the reasons for the settlement, and to study the track record of any such law firm when it comes to actual litigation in any state or federal court."

An attorney for the authors declined to comment Wednesday, and counsel for Anthropic did not immediately respond to requests for comment.

The authors and publishers are represented by Rachel Geman, Jacob S. Miller, Danna Z. Elmasry, Daniel M. Hutchinson, Jallé H. Dafa, Amelia Haselkorn and Betsy A. Sugar of Lieff Cabraser Heimann & Bernstein LLP, Justin A. Nelson, Alejandra C. Salinas, Rohit D. Nath, Michael Adamson, J. Craig Smyser and Samir H. Doshi of Susman Godfrey LLP, Scott J. Shoulder and CeCe M. Cole of Cowan DeBaets Abrahams & Sheppard LLP, Jay Edelson of Edelson PC, and Matthew J. Oppenheim of Oppenheim + Zebrak LLP.

Anthropic is represented by Douglas A. Winthrop, Joseph Farris, Jessica L. Gillotte, Estayvaine Bragg, Angel T. Nakamura, Oscar Ramallo and Allyson Myers of Arnold & Porter Kaye Scholer LLP, Mark Lemley of Lex Lumina LLP, and Joseph R. Wetzel and Andrew M. Gass of Latham & Watkins LLP.

The case is Bartz et al. v. Anthropic PBC, case number 3:24-cv-05417, in the U.S. District Court for the Northern District of California.

--Additional reporting by Ivan Moreno. Editing by Melissa Treolo.

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Bird Flu An Excuse For Egg Producers To Fix Prices, Suit Says

By **Celeste Bott**

Law360 (November 19, 2025, 5:50 PM EST) -- The nation's five largest egg producers have been using avian flu as a cover for their yearslong conspiracy to artificially inflate their prices without fear of being undercut in the market, a proposed class of consumers claimed Tuesday in Illinois federal court.

Four named plaintiffs, Tariq Habash, Delia Govea, Andrew Phillips and Catalina Torres, are taking aim at the producers' use of a shared benchmark analysis platform called Urner Barry, now called Expana, to allegedly fix the price of eggs starting in February 2022.

Since then, the price of eggs has soared from under $2 per dozen to as high as $6.22 per dozen in March 2025, their complaint says, citing U.S. Bureau of Labor Statistics figures.

The egg market has become particularly susceptible to collusion as it's grown more concentrated, with defendants Cal-Maine, Daybreak, Hillandale, Opal Foods and Rose Acre producing 40% of all eggs, according to the complaint.

And because they all use Urner Berry, a platform that alleged co-conspirator and trade association United Egg Producers Inc. promotes, "nearly the entirety of egg production in the United States follows the same pricing guidelines to determine how to sell eggs downstream," the consumers claimed.

"In 'follow the leader' fashion, each egg producer in the United States knows that, in order for the conspiracy to work, that their competitors must also participate," they said. "At the behest of consumers, this price-fixing conspiracy enabled egg producers in the relevant market to delegate pricing to a common decisionmaker, enabling producers to drastically inflate prices of eggs without fear that their competitors would undercut their prices and capture market share."

And while the egg industry did endure an outbreak of avian influenza, or bird flu, the eggs in the market remained relatively stable, even though it's become egg producers' "pretext for supracompetitive pricing," the consumers allege.

"UEP, which partners with and promotes the use of Urner Barry while acting as a unified voice of the egg industry, actively pushes this narrative," they added.

For example, Cal-Maine, the largest producer in the market, had zero avian flu outbreaks in its flocks in 2023 and sold more eggs that year than either of the two years before, but its gross profits increased more than seven-fold in 2023, the plaintiffs say. It also sold its conventional eggs for nearly three times as much as it did in 2021, a year before the bird flu outbreak came to light, according to the lawsuit.

"The notion that avian flu would increase egg prices as substantially [as] egg prices have increased is both contextually and historically inaccurate," the consumers said. "Contextually, defendants generally promote the belief that lost flocks due to avian flu created a supply constraint (leading to higher prices), this too is inaccurate."

Data from the Bureau of Labor Statistics shows that egg prices have "skyrocketed" despite the inventory and supply of eggs during the class period remaining relatively consistent, the consumers say.

Citing an agriculture economist as an expert, they said it's a "generally accepted economic principle" that a 1% decrease in supply would trigger a roughly 6.6% price increase, which held true during a 2015 bird flu outbreak in the United States. Between 2022 and 2024, however, egg prices increased 17% to 33% for each 1% decrease in supply.

"Egg production and supply has not deviated that significantly since the onset of the avian flu in February 2022 as to warrant the substantial price increases and fluctuations in the time period since February 2022," the consumer plaintiffs said. Cal-Maine increased egg prices by as much as 270% in 2023 despite little hardship from the avian flu, they added.

"This defies economics and it defies logic," they said.

The plaintiffs also pointed out that the U.S. Department of Justice is now investigating possible price-fixing in the egg industry and cited a letter from over a dozen members of Congress to President Donald Trump urging such a probe.

Habash, Govea, Phillips and Torres are seeking to represent a national class of all people and businesses who indirectly purchased defendants' or co-conspirators eggs or egg products from Feb. 1, 2022, through the present day, as well as subclasses for more than 30 states.

Representatives of the parties could not be immediately reached for comment.

The consumers are represented by Blake H. Yagman of Schonbrun Seplow Harris Hoffman & Zeldes LLP.

Counsel information for the egg producers could not be immediately determined on Wednesday.

The case is Habash et al. v. Urner Barry Publications Inc. et al., case number 1:25-cv-14112, in the U.S. District Court for the Northern District of Illinois.

--Editing by Linda Voorhis.

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Health Co. Execs Convicted In $100M Adderall Sales Scheme

By **Lauren Berg**

Law360 (November 18, 2025, 11:18 PM EST) -- A San Francisco federal jury weighing a first-of-its-kind case on Tuesday convicted two digital healthcare company executives of scheming to sell Adderall through deceptive advertising, allegedly bringing in $100 million in illicit profits.

Following nearly three days of deliberation, the jury unanimously found Ruthia He, founder and CEO of Done Global, and David Brody, clinical president of related entity Done Health, guilty of one count of conspiracy to distribute controlled substances, four counts of distribution of controlled substances and aiding and abetting, one count of conspiracy to commit health care fraud, and one count of conspiracy to obstruct justice, according to a **minute entry** on the docket.

The **indictment**, handed down in June 2024, combined two longtime U.S. Department of Justice priorities — healthcare fraud and illegal drug distribution — in **a novel way**, alleging He and Brody conspired to provide easy access to ADHD medication with few safeguards against abuse, even as the drug is in short supply across the nation.

Prosecutors alleged the pair helped operate a subscription-based service that charged a monthly fee to members, taking in over $100 million since the beginning of the pandemic and arranging for the prescriptions of 40 million pills of Adderall and other stimulants.

Much of the conduct was alleged to have occurred in a roughly three-year period ending in January 2023, according to the indictment.

U.S. District Judge Charles R. Breyer set a sentencing hearing for Feb. 25, according to Tuesday's minute entry.

Counsel for the defendants and a representative for the U.S. attorney's office did not immediately respond to requests for comment Tuesday evening.

Prosecutors accused He and Brody of exploiting emergency pandemic rules designed to promote telemedicine as a way to connect patients with healthcare providers and maintain access to prescription medicine.

The defendants caused Done to engage in deceptive online marketing that targeted people looking for access to drugs, the indictment stated. Company policies instructed providers to prescribe medicine to patients who didn't qualify and discouraged follow-up care, according to the government.

The scheme included an automated message requesting refills for patients and paying prescribers based on how many patients they wrote prescriptions for each month, prosecutors said.

Altogether, the indictment alleged, He, Brody and others caused about $14 million in fraudulent claims to be paid by Medicare, Medicaid and commercial insurers. Only He and Brody were charged as defendants.

At the time of the indictment, Done Global had said it had taken steps to curb potential abuse of medication and that it was committed to high-quality care.

The government is represented by Kristina Green of the U.S. Attorney's Office for the Northern

District of California and Jacob Foster, Emily Gurskis and Arun Bodapati of the U.S. Department of Justice.

He is represented by Koren Bell, Michael S. Schachter and Steven J. Ballew of Willkie Farr & Gallagher LLP.

Brody is represented by Valery Nechay.

The case is U.S. v. David Brody et al., case number 3:24-cr-00329, in the U.S. District Court for the Northern District of California.

--Additional reporting by Dan McKay and Elliot Weld. Editing by Michael Watanabe.

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Sinclair Sanctioned For Failing To Preserve Texts In Ads MDL

By **Lauraann Wood**

Law360 (November 19, 2025, 7:16 PM EST) -- An Illinois federal judge sanctioned Sinclair Broadcast Group Inc. on Tuesday over the company's failure to preserve text message data from more than 50 company-issued cellphones for discovery in multidistrict litigation targeting an allegedly illegal advertising price-fixing scheme.

Sinclair should make the MDL plaintiffs whole regarding costs they incurred as they investigated what happened to the company's text message data, whether any relevant portion was preserved and whether any could still be recovered between April 2024 and the day they filed their motion in December, U.S. District Judge Virginia Kendall ruled.

Sinclair "certainly" incurred its own costs in that process, but "reasonable steps from the outset could have vastly reduced the company's own internal bills," Judge Kendall said in her **order**.

Judge Kendall refused, however, to assume spoliated evidence was unfavorable to Sinclair, or allow a jury to infer as much. The company's e-discovery practices and conduct were "disorganized, careless and inadequate," but it also worked with the plaintiffs to address the issue, kept them informed throughout the investigation and had issued litigation holds since the case began, she said.

The MDL dates to 2018, with suits from several ad buyers, including advertising agencies, alleging that multiple media companies inflated advertising prices and shared sensitive information with one another. Discovery has been proceeding contentiously since the court denied the broadcasters' **bid to dismiss** the allegations in 2020.

The case followed a U.S. Department of Justice price-fixing investigation that led to settlements with Sinclair, Raycom Media Inc. and Tribune Media Co., among others, in 2018.

The DOJ probe also netted a deal in 2019 with companies including CBS, Cox and Fox, which cut their own agreement **totaling $48 million** to exit the MDL in 2023. Still remaining in the civil litigation are TEGNA Inc., Gray Local Media Inc., Meredith Corp., The E.W. Scripps Co., Dreamcatcher Broadcasting LLC, Nexstar Media Group Inc., Tribune Broadcasting Company LLC, Tribune Media Group Inc., Griffin Communications LLC and Sinclair.

Texts weren't part of the MDL's discovery plan, but the company had been operating under a litigation hold it first issued upon receiving the DOJ's February 2018 investigation letter, according to Judge Kendall's order.

Sinclair agreed in October 2023 to assess the availability of texts and other responsive electronic data from 160 custodians whose relevant email data the parties previously agreed the company would collect, search and produce in the case, the order says. The plaintiffs sought the information as a widening of an earlier data request they'd limited to three Sinclair employees they deposed between November 2022 and April 2023, it says.

Sinclair determined after a six-month investigation that 81 of the 160 custodians had company-issued cell phones during the case's relevant period and that it had fully preserved data for only 26 of the phones, according to the order. The company also learned that some custodians had left the company without telling corporate IT personnel about the litigation hold on their devices, which meant their data was not preserved, the order says.

The broadcasting giant collected more than 41,000 text messages after searching the 26 phones and produced 233 responsive texts to the plaintiffs, according to Judge Kendall's order. "While the proportion of informative text messages is decidedly low," the plaintiffs' sanctions motion cites three example text that could support their allegations, the judge said.

The examples do not indicate that texting was a primary means of communication supporting the plaintiffs' allegations, "but their general existence does suggest that the spoliated text message data of the 55 other custodians could have led to other circumstantial evidence of the price-fixing conspiracy claim … and direct evidence of the price information-sharing claim," Judge Kendall said.

Sinclair is one of the nation's largest broadcasting companies yet "appears to have had no standard system" to track employees' company-issued phones, even after issuing its 2018 litigation hold and despite requiring that IT be notified before disposing any device containing relevant electronic data, the judge said.

Lacking such a tracking system prevented the company from conducting a reasonable investigation for electronically stored information that could satisfy the plaintiffs' discovery request, Judge Kendall said.

"Most importantly," though, Sinclair's attorneys should have investigated custodians' litigation hold compliance more deeply and ensured the appropriate individuals "fully understood and fulfilled" their obligation to preserve data, the judge said. Counsel instead relied on the custodians' self-reporting to determine that they understood the litigation hold and that their devices lacked information responsive to the plaintiffs' request, she said.

"A party's preservation approach need not be perfect, but Sinclair's response cannot be fairly squared with the reasonableness standard," Judge Kendall said.

A representative for Sinclair declined to comment on Wednesday, and counsel for the plaintiffs didn't immediately respond to a request for comment.

Plaintiffs in the MDL are led by Hausfeld LLP.

Sinclair is represented by Ballard Spahr LLP and Porter Wright Morris & Arthur LLP.

The case is The case is In re: Local TV Advertising Antitrust Litigation, case number 1:18-cv-06785, in the U.S. District Court for the Northern District of Illinois.

--Additional reporting by Bryan Koenig, Celeste Bott and Bonnie Eslinger. Editing by Amy French.
