

Bernstein Litowitz Rebuilds Corporate Governance Practice with New Hires, Redefined Roles

The firm hired a new partner in January and welcomed practice founder Mark Lebovitch back from retirement after a 12-lawyer group exited in December.

January 08, 2026 at 10:11 AM By  **Dan Roe**

What You Need to Know

- Bernstein Litowitz has fortified its corporate governance practice with new hires and help from existing attorneys after a group exit in December.
- The firm brought in a new partner from Ross Aronstam & Moritz this week and welcomed back the practice's founder last month.
- Six lawyers at the firm with corporate governance experience have also joined the practice.



Bernstein Litowitz Berger & Grossmann offices in New York.

With three new hires and six existing attorneys with corporate governance experience joining its corporate governance and shareholder rights practice group, Bernstein Litowitz Berger & Grossmann has worked to shore up the practice since the departure of 12 lawyers over the past month.

On Wednesday, the firm announced the hiring of partner Anthony Calvano, who formerly practiced as an associate at Ross Aronstam & Moritz in Wilmington and previously clerked for Vice Chancellor J. Travis Laster of the Delaware Court of Chancery. The firm also welcomed Wilmington-based associate Tayler Bolton from Robbins Geller Rudman & Dowd.

“We’re thrilled and excited with the addition of Tony and with our entire team,” partner Hannah Ross said in an interview. “Everybody has jumped right in, it’s as if Mark never left.”

Wednesday’s hires followed the firm’s December re-hiring of Mark Lebovitch, who founded the firm’s corporate governance practice in 2006 (and launched its Delaware office in 2019) before retiring from the firm in September 2024 to teach at Columbia Law School and Penn Carey Law. He rejoined the firm as special governance counsel in early December.

Lebovitch once again leads the corporate governance group alongside partner and Wilmington office head Greg Varallo. The changes bring the group’s total headcount to 17 lawyers.

Earlier in December, former Department of Governance head Jeroen van Kwawegen departed Bernstein Litowitz to launch JVK Law. Three partners and eight associates ultimately left Bernstein Litowitz to join Van Kwawegen at his new firm.

Van Kwawegen and his former firm have disagreed on the reason for his departure: In early December, Bernstein Litowitz [told Law.com](#) that Van Kwawegen was fired for cause due to misconduct, although a firm spokesperson wouldn’t comment further on the details of the alleged misconduct. Reached for comment in December, Van Kwawegen said that “any claim of misconduct is pretextual and disappointing.”

Calvano said he was drawn to Bernstein Litowitz in part because he wanted to practice again with his former mentor Greg Varallo—the two practiced together at Richards, Layton & Finger, where Varallo was president until his departure for Bernstein Litowitz in 2019.

“When he left, that was a sad day for me,” Calvano said, adding that he was also excited to practice alongside Lebovitch, who Calvano worked with as co-counsel on a plaintiff’s side stockholder rights action while still at Richards, Layton & Finger.

“I also had a fascination with the plaintiff side of the world for pretty much my entire career,” Calvano said. “After getting to know Mark as a second year (associate), I flirted with the idea of



Bernstein Litowitz Berger & Grossmann partner Anthony Calvano. Courtesy photo

becoming a plaintiffs attorney, but I never built up the courage to make that decision. This time, it felt like the right time.”

Lebovitch recalled working opposite Calvano, a defense lawyer at the time. “I always tried to have a good eye for talent—not just legal talent. A lot of good litigators don’t necessarily have

that spark of someone who’s going to make a good stockholder-side plaintiffs lawyer, that way of thinking about things differently and not necessarily being in the box,” Lebovitch said. “I remember a young Tony really catching my eye when we worked on that case together. He just had a way of thinking about the big picture.”

Regarding Bernstein Litowitz’s rapid reorganization of its corporate governance group following the 12-lawyer departure, Lebovitch said the firm began speaking to clients “right away” to ensure that clients understood the firm had the staffing, experience and perspective to continue operating at a high level.

“With the benefit of hindsight, I feel like there are a lot of people who have very much welcomed our reorganization and the restructuring,” Lebovitch said, adding that he felt the move also brought stability to a Delaware corporate bar that has experienced uncommon infighting between plaintiff- and defense-side lawyers following multiple controversial amendments to Delaware corporate law.

Among those changes was Senate Bill 21, a bill that made it more difficult for small-time investors to oppose deals between companies and their founders or larger shareholders.

“A lot of it did get personal. There was a lot of heated rhetoric, people writing articles and editorials. It’s not the traditional Delaware way,” Lebovitch said. “I got the sense that people were tired of personal fights. Tony coming over is a good example: He was a defense lawyer his whole career, but there’s no reason plaintiffs lawyers and defense lawyers can’t be professional to each other. That’s what people are looking for and are welcoming.”

Securities

Zillow Investor Class Rehearing Denial Spurs High Court Question

Jan. 7, 2026, 12:44 PM PST

Zillow Group Inc. failed to convince the Ninth Circuit to revisit the shareholders' class status in a securities case, raising questions on whether a defense strategy for class certification involving a mismatch between misrepresentations and later corrections is ready for US Supreme Court review.

The circuit court denied Zillow's bid for a panel rehearing and rehearing en banc in a suit alleging the real estate marketer had misrepresented its home-flipping business' pricing model, letting stand a three-judge ruling issued in September. Attorneys across the securities litigation bar have been monitoring such rulings as courts nationwide grapple with class certification challenges.

The mismatch test, articulated by the high court in a 2021 ruling involving Goldman Sachs Group Inc. enables defendants to rebut a presumption that the shareholders' class relied on a company's share price allegedly propped up by misrepresentations only to be injured when corrective disclosures knock down that value. The Second Circuit, on remand, undid the Goldman class, finding a wide-enough gap between alleged generic misstatements and the disclosures that purportedly addressed them.

A group of former Securities and Exchange Commission officials and law professors had urged the Ninth Circuit to rehear the arguments, saying it and the Third Circuit flouted the Supreme Court's direction in *Goldman*.

"I think there would be a lot of value in the Court providing additional clarity on its *Goldman* decision, though the Court also has a lot of other things on its plate these days," said Davis Polk & Wardwell LLP partner Brian Burnovski. But if taken up, "it would certainly be an opportunity to better explain the contours around when courts should find a mismatch between the alleged misstatement or omission and the alleged corrective disclosure."

In its September ruling, the Ninth Circuit had said alleged corrective disclosures revealed new information about how much Zillow's pricing struggle threatened its now-shuttered home-buying business, suggesting earlier statements may have obscured how the company's model wasn't working. The three-judge panel agreed with the lower court in an unpublished memorandum, finding Zillow failed to rebut a presumption of classwide reliance established in the 1988 Supreme Court decision *Basic Inc. v. Levinson*.

"The original decision was unpublished and pretty sparse. I'd be surprised if the Supreme Court has an appetite for revisiting this question so soon, with this vehicle," said University of Colorado Law School professor Ann Lipton.

Bid Expected

Two months earlier, the Third Circuit affirmed a class of Johnson & Johnson investors. Two of three appellate judges who heard J&J's appeal decided that unlike in *Goldman's* case, "there is no mismatch between the subject of the alleged misrepresentation and the content of the disclosures. Therefore, market reaction to the disclosures is capable of shedding light on the price impact of the alleged misrepresentations." J&J, after being denied a rehearing, said it was evaluating a Supreme Court petition.

Zillow's investor class counsel, Steve Berman, expects a high court bid. "The defense bar is anxious for the big house to weigh in, but we don't see this case as a vehicle as there is an absolute match here between the front-end representation and the back-end disclosure. Just as the Ninth Circuit found," said Berman, a partner at Hagens Berman Sobol Shapiro LLP.

Given the unpublished opinion, the odds of it being picked up are lowered, he said. This year, they "will focus on getting this case ready for trial."

Skadden, Arps, Slate, Meagher & Flom LLP and Perkins Coie LLP represent Zillow. Neither of these firms nor Zillow immediately responded to emails seeking comment.

The case is *Jaeger v. Zillow Grp., Inc.*, 9th Cir., No. 24-6605, 1/6/26.

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Securities

Block Shareholders Advance Cash App Crime 'Red Flags' Suits (2)

Jan. 7, 2026, 6:07 AM PST; Updated: Jan. 8, 2026, 5:20 AM PST

Block Inc. and certain leaders must defend investor allegations they misrepresented its due diligence and financial reporting while ignoring "red flags" about criminals' use of its payment platform.

The shareholders adequately alleged Block and current and former board members and executives misrepresented Cash App's compliance programs while concealing associated risks, Judge Noël Wise said while denying the tech company and leadership's requests to dismiss proposed class and derivative lawsuits Tuesday.

The New York City retirement pension funds leading the proposed class action sufficiently pleaded that assurances about Block's compliance programming were misleading when it wasn't capable of meeting regulatory requirements, the US District Court for the Northern District of California judge said. The investors satisfactorily alleged statements about user growth were misleading and that it reported metrics incorporating "substantial numbers of fraudulent accounts."

The shareholders adequately pleaded an inference of co-founder and CEO Jack Dorsey and Chief Financial Officer Amrita Ahuja's intent to defraud, Wise said. The executives, whose roles designated by the company are respectively "Block Head" and "Foundational Lead," held "key roles that regularly engaged with and oversaw reporting and compliance obligations," among other points that boosted that inference.

The funds properly alleged loss causation from misstatements, a required pleading element for securities fraud, "specifically, that Block's compliance program permitted bad actors to create multiple accounts, which in turn inflated the user account metrics," Wise said.

"I am very pleased with the court's ruling, and look forward to litigating these claims against Block and others who we allege misled investors about the strength of Block's compliance protocols and the reliability of its user metrics for the Cash App platform," New York City Comptroller Mark Levine said in an emailed statement.

Derivative Suit

After a short-seller report, state and federal probes resulted in penalties for insufficient protocols against money laundering and other illicit activity—and an 84% decline in Block's stock price from a class period high, investors alleged. A 2023 Hindenburg Research report accused Block of having a substantial ratio of fake or fraudulent Cash App accounts.

Shareholders, seeking remedies for Block, said leaders were regularly shown "red flags" of compliance deficiencies but failed to crack down on fraudulent users or grow its internal controls. Given the stockholders sufficiently pleaded a majority of Block's board at the time faces a substantial likelihood of liability for breaching oversight obligations, Wise said a pre-suit demand on the board would've been futile—a requirement under Delaware law for such actions.

And the investors sufficiently alleged that Dorsey and co-founder Jim McKelvey "possessed material non-public information regarding Block's compliance program risks, and they used that information to make trades motivated by that information," for an insider trading claim, she said.

Gibson, Dunn & Crutcher LLP represents Block and leadership in both suits. Neither the law firm nor Block responded to emails seeking comment.

Cohen Milstein Sellers & Toll PLLC and Lieff Cabraser Heimann & Bernstein LLP are co-lead counsel for the proposed class, which targets those who acquired Block's Class A common stock from Feb. 26, 2020, through May 1, 2025.

Block & Leviton LLP and Hach Rose Schirripa & Cheverie LLP are co-lead counsel for the shareholders in the derivative action; an attorney declined to comment.

The cases are *Gonsalves v. Block, Inc.*, N.D. Cal., No. 5:25-cv-00642, 1/6/26 and *In re Block S'holder Derivative Litig.*, N.D. Cal., No. 5:25-cv-01262, 1/6/26.

(Updates Jan. 7 story with a comment from the proposed class action's plaintiff in the sixth paragraph.)

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Securities

ON24 Investors Get Suit Over Pre-IPO Demand, Revenue Revived

Jan. 7, 2026, 2:57 PM PST

ON24 Inc. investors adequately alleged the webinar company made misleading statements about customer churn and revenue in the run-up to its 2021 initial public offering, the Ninth Circuit ruled Wednesday.

The lead investor, a European equity fund, “sufficiently alleges that ON24 knew that the risk of material churn and downselling had started to come to fruition before the IPO yet disclosed only that those risks *may occur*,” the US Court of Appeals for the Ninth Circuit said in an unsigned, unpublished opinion. The suit names underwriters, including Goldman Sachs & Co. and J.P. Morgan Securities LLC, as defendants in addition to ON24 and members of its leadership.

Of six targeted statements, five were reinstated as the basis of securities claims.

The investors alleged short-term subscribers abounded during the Covid-19 pandemic. Many allegedly told ON24 they would discontinue their subscriptions or “downsell”—that is, choose cheaper options—before the IPO. ON24 then failed to meet revenue goals within months of the offering, according to the suit.

The appeals court cited circuit precedent that disclosures referring to risks as unrealized, without alerting investors “that some of these risks may already have come to fruition,” can be misleading. The issue has been the subject of litigation and reached the US Supreme Court in a case involving Meta Platforms Inc. before the justices dropped the review.

The ON24 investors’ claims for misleading statements in a registration statement, and for failure to disclose known trends and uncertainties in an Item 303 submission to the Securities and Exchange Commission, will return to the US District Court for the Northern District of California.

Chief Judge Mary H. Murguia and Judges Gabriel P. Sanchez and Holly A. Thomas served on the panel.

Labaton Keller Sucharow LLP and Hagens Berman Sobol Shapiro LLP represented the lead investor, Leadersel Innotech ESG. Morrison & Foerster, LLP represented ON24 and the individual defendants. Morgan Lewis & Bockius LLP represented the underwriters.

The case is Leadersel Innotech ESG v. ON24, Inc. , 2026 BL 3353, 9th Cir., No. 24-2204, 1/7/26 .

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Class Action

Manage Newsletters

Lockheed Deal Sparks Investor Lawsuits Against Terran Co-Founder

Jan. 7, 2026, 12:34 PM PST

Summary by Bloomberg AI

AI Generated



- Terran Orbital Corp.'s chief executive is being sued by former investors who claim he shortchanged shareholders when he engineered the company's fire sale to Lockheed Martin Corp.
- The lawsuits allege that the CEO, Marc Bell, "about-faced at the eleventh hour" and accepted a "bargain basement" bid from Lockheed after being offered a \$6 million bonus.
- The shareholder suits claim that Bell's "abrupt change of heart was to ensure his own payday" and that he concealed lucrative new contracts and adjusted the company's forecasts downward to justify the deal.

Terran Orbital Corp.'s chief executive shortchanged shareholders when he engineered the space startup's \$450 million fire sale to Lockheed Martin Corp. after being offered a golden parachute, according to a group of lawsuits.

Former Terran investors are suing co-founder Marc Bell, the company's chairman and CEO at the time of the \$0.25-per-share deal, which included a \$6 million bonus for him. The shareholder suits, including one unsealed Wednesday, say Bell "about-faced at the eleventh hour" after months of vocally opposing the "bargain basement" bid from the defense giant. Lockheed allegedly already controlled the satellite venture as its largest investor and customer.

An attorney for Bell didn't immediately respond to a request for comment Wednesday. Lockheed, which isn't named as a defendant, didn't immediately respond to a separate request for comment. Terran, also not named as a defendant, became a division of Lockheed when the transaction closed in October 2024.

The allegations reflect several recurring themes for Delaware's Chancery Court, which sets the nationwide tone on merger litigation and executive misconduct. The elite tribunal's docket of high-stakes business disputes includes a steady diet of buyout battles raising self-dealing claims against founders, controlling stockholders, or other influential company insiders.

Bell initially cried foul over Lockheed's bullying tactics, publicly calling the company out for trying to back Terran into a corner by choking off its financing, according to Wednesday's 91-page court filing. His "abrupt change of heart was to ensure his own payday," the court complaint says.

The proposed class action echoes several shareholder cases consolidated in December before Vice Chancellor Nathan A. Cook, one of seven judges serving on the world's leading corporate court. Terran in August sidestepped a related securities lawsuit alleging Bell kept a lid on the cash crunch that led to the Lockheed deal.

According to the new shareholder complaint, Bell came out publicly against an earlier \$1 offer from Lockheed before switching sides to push its "patently unfair" bid at only one-quarter the price. The timing of Bell's "quick and stark reversal"—just hours after a private meeting with a Lockheed executive—strongly suggests the lucrative bonus drove him to sell out public investors, the lawsuit says.

Terran's shares were already trading above the sale price at the time of the transaction, according to the filing. But Bell sought to retroactively justify the deal by concealing lucrative new contracts and retaining a second financial adviser to adjust the company's forecasts downward, the suit says.

It was originally filed under seal Dec. 31.

The investors are represented variously by Block & Leviton LLP, Cooch & Taylor PA, Kahn Swick & Foti LLC, and Monteverde & Associates PC. Bell is represented by DLA Piper LLP (US).

The case is Taylor v. Bell , Del. Ch., No. 2025-1505, complaint unsealed 1/7/26 .

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Securities

Nextdoor Investor Drops Suit Against Khosla, Other SPAC Backers

Jan. 7, 2026, 10:55 AM PST

A Nextdoor Holdings Inc. investor who sued the leadership behind the social network's blank-check merger, including billionaire Vinod Khosla, is dropping the case after a related class action was dismissed.

The derivative suit's voluntary dismissal is appropriate following Judge Edward J. Davila's decision to toss the proposed class action, shareholder Chenyu Wang and the defendants said in a court filing Tuesday. Davila, of the US District Court for the Northern District of California, has overseen Wang's suit on behalf of the company as well.

Wang alleged the sponsors of the 2021 merger with a special purpose acquisition company downplayed the boost that the neighborhood-based social media startup got from pandemic lockdowns before the deal brought it public

The case, which also includes post-merger Nextdoor directors as defendants, is one of many challenging SPAC mergers after the wave of blank-check deals peaked in 2020 and 2021

Davila shut down the separate proposed class action in November for insufficiently alleging securities fraud, after ruling against the investors over standing issues that have cropped up in some SPAC suits

The Brown Law Firm PC represented Wang. Cooley LLP represented nominal defendant Nextdoor and the individual associated defendants. Latham & Watkins LLP represented Khosla and other sponsors.

The case is Wang v. Friar , N.D. Cal., No. 5:24-cv-04544, stipulation of dismissal 1/6/26 .

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Securities

Manage Newsletters

Opendoor's \$39 Million Investor Settlement Gets Final Court Nod

Jan. 8, 2026, 9:58 AM PST

Opendoor Technologies Inc.'s \$39 million settlement earned a federal judge's final approval to resolve allegations the residential real estate company misled investors about its pricing algorithm.

Judge Michael T. Liburdi approved the deal Wednesday and awarded the investors' lead counsel \$9.75 million, or 25% of the sum, in attorneys' fees and almost \$503,000 for litigation expenses. The US District Court for the District of Arizona judge certified a settlement class of those who acquired Opendoor stock traceable to 2020 paperwork issued for its blank-check company merger to go public or documents for a 2021 public offering, as well as those who purchased Opendoor stock from Dec. 21, 2020, through Nov. 3, 2022.

The lawsuit accused Opendoor of overhyping its algorithm in offering documents and other public statements, allegedly spurring stock price declines following adverse news about its home-flipping business.

The investors pointed to a 2022 Bloomberg report saying Opendoor lost money on 42% of its August resales.

Labaton Keller Sucharow LLP, lead counsel for the investors, declined to comment. A&O Shearman and Womble Bond Dickinson (US) LLP represent Opendoor. O'Melveny & Myers LLP and Beyers Farrell PLLC represent underwriters who were named as defendants, among them Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, and Barclays Capital Inc. None of these four law firms nor Opendoor immediately responded to emails or messages seeking comment.

The case is *In re Opendoor Techs. Inc. Sec. Litig.*, D. Ariz., No. 2:22-cv-01717, 1/7/26.

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Securities

Manage Newsletters

Compass Minerals' \$4.9 Million Investor Deal Gets Court Sendoff

Jan. 8, 2026, 7:56 AM PST

Compass Minerals International Inc. garnered a federal judge's approval of \$4.9 million agreement to resolve allegations it misled shareholders over its now-shuttered wildfire retardant unit's quality.

The final blessing Wednesday comes months after Judge Eric F. Melgren approved Compass' \$48 million class accord to end a lawsuit concerning its representations about the costs and abilities of its updated salt mining system. The US District Court for the District of Kansas judge has also given his preliminary approval to a shareholder derivative settlement and final approval to another in lawsuits carrying similar accusations about the company's products that combat fire and ice.

This smaller class settlement ends claims Compass overhyped its ability to get a government contract for the 2024 wildfire season following its acquisition of Fortress North America LLC, which it failed to secure

Melgren awarded settlement class counsel over \$1.63 million in attorneys' fees, a third of the settlement sum, and almost \$43,600 reimbursed for litigation expenses

The settlement class covers those who got Compass securities from Feb. 8, 2023, through March 26, 2024

The Rosen Law Firm PA is lead counsel for the settlement class. Skadden, Arps, Slate, Meagher & Flom LLP and Husch Blackwell LLP represent Compass. None of these law firms nor Compass immediately responded to emails seeking comment.

The case is Valentine v. Compass Minerals Int'l, Inc. , D. Kan., No. 2:24-cv-02165, final judgment 1/7/26 .

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Securities

Manage Newsletters

Pension Board, Retirees Agree to Class Status Over Allianz Wreck

Jan. 8, 2026, 6:49 AM PST

Summary by Bloomberg AI

AI Generated



- A pension fund board agreed to have a lawsuit by plan participants certified as a class action, which would include thousands of people covered by two retirement plans.
- The lawsuit is fallout from the collapse of the Structured Alpha funds, which lost billions of dollars during tumultuous market conditions early in the Covid-19 pandemic.
- The plan participants are suing the plans' trustees, saying they've been harmed by the "loss of opportunity" to invest in better funds that could have provided greater returns.

A pension fund board that previously sued Allianz Global Investors US LLC over the collapse of its Structured Alpha funds agreed to have a lawsuit by plan participants certified as a class action.

The two proposed classes would include thousands of people covered by two retirement plans affiliated with the Carpenters Trusts of Western Washington between August 2016 and May 2020. The parties announced their agreement on class certification in a stipulation filed Wednesday with Judge John H. Chun in the US District Court for the Western District of Washington.

The plan participants' lawsuit is fallout from the collapse of the Structured Alpha funds, which were designed to provide protection against a market crash but instead lost billions of dollars during tumultuous market conditions early in the Covid-19 pandemic. The collapse spurred multiple lawsuits from pension plan investors, including the Carpenters plans, which allegedly invested more than \$250 million in the challenged funds.

Allianz ultimately agreed to a global settlement worth billions, and one of its units pleaded guilty to fraud and agreed to pay fines and restitution in connection with the collapse.

Participants in the Carpenters plans filed their own lawsuit against the plans' trustees, saying they've been harmed by the "loss of opportunity" to invest in better funds that could have provided greater returns.

A Seattle federal judge ruled against them in 2023, but the US Court of Appeals for the Ninth Circuit revived the lawsuit in 2024. The appeals court concluded that the participants had both suffered an injury giving them standing to sue and stated a viable claim under the Employee Retirement Income Security Act by pointing to appropriate comparator investments suggesting that they lost money because of the defendants' misconduct.

The participants are represented by Engstrom Lee LLC, Skiermont Derby LLP, and DeBofsky Law Ltd. The defendants are variously represented by DLA Piper, Gordon Rees Scully Mansukhani LLP, and Groom Law Group.

The case is Johnson v. Carpenters of W. Wash. Bd. of Trs. , W.D. Wash., No. 2:22-cv-01079, 1/7/26 .

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A Review of 2025 and a Look Forward at 2026

 mail.issgovernance.com/a-review-of-2025-and-a-look-forward-at-2026



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Join me on Wednesday, January 21st, for our first webinar of 2026:

On this webinar, my guest will be Eric Belfi, Chairman of Labaton Keller Sucharow LLP. We will take a look back at the key events in securities litigation for 2025. During our conversation, we will cover trends and statistics, and take a look at what might be coming in 2026. This annual event is always well-attended and should be an engaging and vigorous conversation.

Webinar starts at 11 am EST / 4 pm BST.

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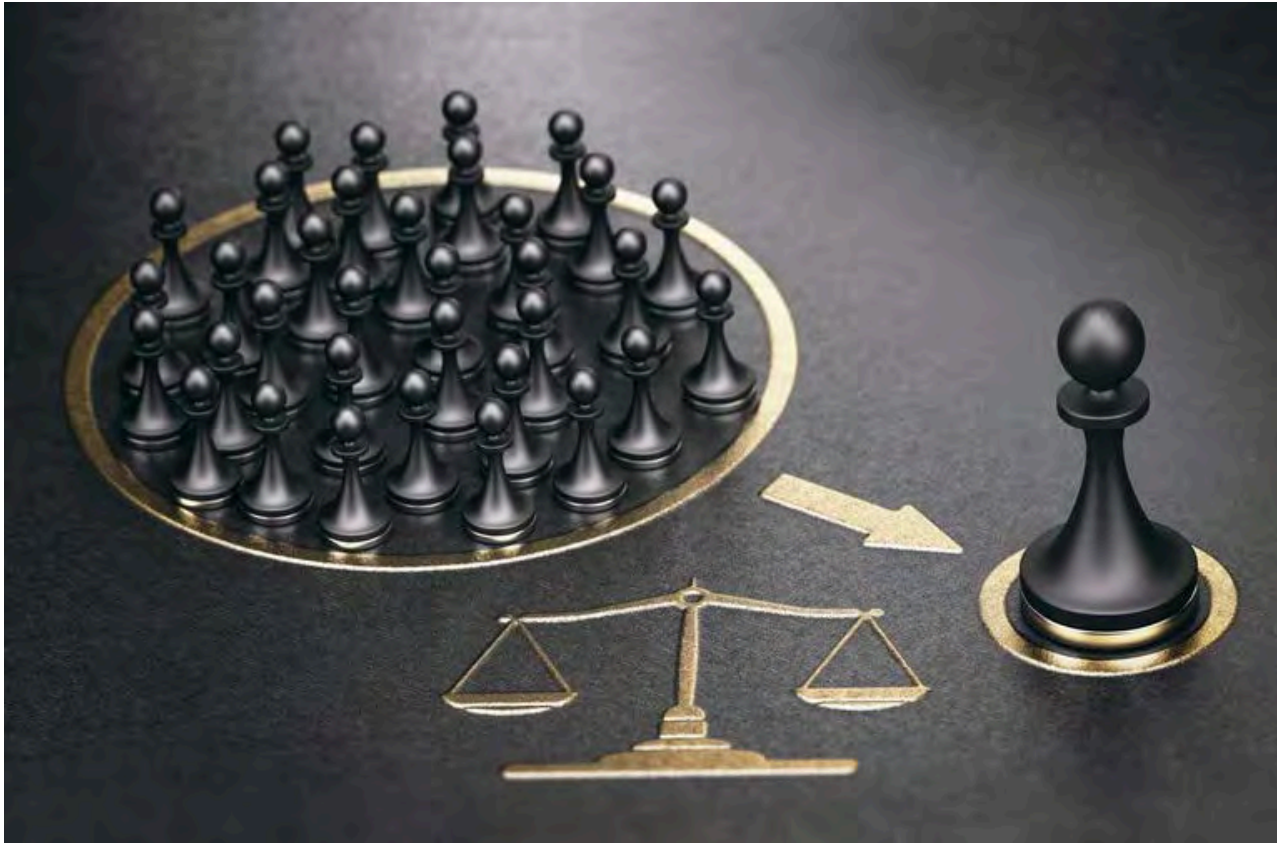
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Corporate Class-Action Settlements in 2025 Blew Past Prior Record

"Class actions are no longer just a litigation threat—they're threats for which corporate boards, investors and insurers must proactively plan," Duane Morris partner Gerald Maatman said.

January 07, 2026 at 03:55 PM By  **Chris O'Malley**



Credit: Olivier Le Moal/Adobe Stock

Corporations paid a record \$79 billion to settle class action litigation in 2025—nearly double the \$42 billion they forked a year earlier and blowing past the record-high of \$66 billion in 2022.

That's according to Duane Morris' annual [Class Action Review](#), released this week.

And the "gravitational pull" from these big-dollar payouts is attracting "elite talent" to the plaintiffs' bar to pursue new filings with creative strategies, warns Gerald Maatman, co-author of Duane Morris' annual class action review and chair of the firm's Class Action Defense Group.

"For corporate defendants, the implications are profound: class actions are no longer just a litigation threat—they're threats for which corporate boards, investors and insurers must

proactively plan," Maatman said.

The report found that data breach class-action settlements were one of the fastest-growing areas in the class-action space, with the dollar value of settlements up 18% last year.

Also of concern were settlements involving artificial intelligence, as the technology rapidly proliferates throughout the corporate landscape. AI class actions ranked No. 6 on the list in 2025, at \$1.59 billion.

Many of these AI suits involve allegations that defendants violated copyright and employment law.

And although settlements involving privacy ranked No. 7, at \$801 billion, this space continues to inspire members of the plaintiffs bar to make such litigation the "centerpiece" of their business models, the report stated.

"Although the landscape has shifted over the past five years, the recipe has remained similar," said Maatman.

"Combine archaic statutory schemes, which provide for lucrative statutory penalties, with a ubiquitous technology, to yield the threat of a potential business-crushing class action that can be made via widespread use of form letters and cookie-cutter complaints, to generate payments on a massive scale."

The top three fields for class action settlements last year were antitrust, at \$45.9 billion; product liability and mass torts, at \$18 billion, and securities fraud, totaling \$3.45 billion.

The largest single case in 2025 was a proposed \$38 billion settlement to resolve payment card interchange fee and merchant discount antitrust litigation that merchants brought against Visa, Mastercard and several banks.

That was followed by a \$7.4 billion settlement with Purdue Pharma and the Sackler family to resolve opioid litigation stemming from addiction and overdose deaths over several decades.

Over the past four years, total class action settlements topped \$238 billion, the report stated, "representing use of the class action mechanism to redistribute wealth at an unprecedented level," said the law firm, which defends corporate clients against such suits.

Maatman and co-author Jennifer Riley, vice chair of Duane Morris' Class Action Defense Group, noted a number of shifts in strategy by attorneys representing plaintiffs. In 2023, for example, plaintiffs focused on "session replay" technology that captures a user's interaction with a website.

But in the last couple of years, their focus shifted to website pixels—code hiding on websites that can pass on user information to third-party social media and analytics providers.

More recently, attorneys for plaintiffs have seized on tracking technology prohibitions under a growing "patchwork" of state laws, including the California Invasion of Privacy Act, the report noted.

Maatman and Riley said a defendant's ability to enforce arbitration agreements continues to "reign as one of the most impactful defenses."

"More companies of all types and sizes updated their onboarding systems, terms of use and other types of agreements to require that employees and consumers resolve any disputes in arbitration on an individual basis."

Of 189 motions to compel arbitration reviewed in the study, defendants prevailed 65% of the time.

However, plaintiffs have continued efforts to chip away at their enforceability.

"With the traditional arbitration defense being tested and eroded, widening circuit splits driving forum shopping and the continued rise of Private Attorneys General Act claims, there are many threats looming to class action defense," Riley said in a statement.

PAGA is California law allowing employees to file suits against employers for labor code violations on behalf of other employees. Duane Morris said the act has "inspired more representative lawsuits than any other statute in America" over the past three years, with 9,900 notices filed in 2025 alone.

In addition to implementing arbitration clauses in employee and consumer agreements, Maatman told Law.com that companies should consider monitoring social media sites to watch for plaintiffs attorneys trawling for dirt from a company's employees or consumers.

Such investigations often precede a class action filing later.

Establishing hotlines where employees or consumers can report grievances, for the purposes of taking remedial action, may also be useful and potentially even seen as a good-faith gesture and a defense in future litigation.

"I'd rather know about the problem before it leaks out and becomes a class action," Maatman said.

He also recommends companies—particularly those operating in multiple states—have someone in charge of monitoring the ever-expanding "patchwork quilt" of state laws and regulations on issues such as privacy.

Companies may also want to ramp up efforts to train employees on complying with these emerging laws. "It usually pays very good dividends in the courthouse when you try to defend the company."

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'Sexual Assault Is Very Complicated': Jury Selection Begins in Rape Case Against Uber

U.S. District Judge Charles Breyer said between 50 to 100 prospective jurors would be brought into a Phoenix courtroom on Thursday for the Jan. 13 bellwether trial against Uber.

January 07, 2026 at 06:34 PM By  **Amanda Bronstad**

What You Need to Know

- At a pretrial hearing on Tuesday, U.S. District Judge Charles Breyer outlined the process in which 50 to 100 jurors will show up at a Phoenix courtroom to answer questions ahead of the Jan. 13 trial, which is expected to last through the end of this month.
- The trial, which will take place in U.S. District Court for the District of Arizona, is the first bellwether in the multidistrict litigation against Uber over sexual assault.
- The trial involves plaintiff Jaylynn Dean, who alleged that, in 2023, her Uber driver, Hassan Turay, raped her in Tempe, Arizona.



U.S. District Judge Charles Breyer, Northern District of California. Photo: Jason Doiy/ALM

Jury selection begins Thursday in the first federal trial alleging Uber Technologies Inc. was liable for the rape of a passenger by one of its drivers.

At a pretrial hearing on Tuesday, U.S. District Judge Charles Breyer outlined the process in which 50 to 100 jurors will show up at a Phoenix courtroom to answer questions ahead of the Jan. 13 trial, which is expected to last through the end of this month. The trial, which will take place in U.S. District Court for the District of Arizona, is the [first bellwether](#) in the multidistrict litigation against Uber, which is fighting allegations of sexual assault both in court and in the political sphere, having [proposed a ballot initiative](#) that would cap contingency fees for plaintiffs lawyers.

The trial involves plaintiff Jaylynn Dean, who alleged that, in 2023, her Uber driver, Hassan Turay, raped her in Tempe, Arizona. On Monday, Breyer, in a [one-sentence order](#), denied Uber's [motion to postpone the trial](#), citing a "misleading" ad campaign, sponsored by the Consumer Attorneys of California, that could taint the jury pool.

The campaign, called "Every 8 Minutes," states that Uber receives a complaint of sexual assault or misconduct every 8 minutes—a claim largely based on an article last year in The New York Times. In addition to the ad campaign, the Consumer Attorneys of California introduced [three proposed ballot initiatives](#) targeting Uber and, on Wednesday, announced it had raised more than \$50 million to oppose Uber's initiative.

In court, Kirkland & Ellis is taking the lead in representing Uber, while lawyers from San Francisco firms Girard Sharp and Peiffer Wolf Carr Kane Conway & Wise, and New York-based Chaffin Luhana, along with Alexandra Walsh of Philadelphia's Anapol Weiss, are leading Dean's case.

Lawyers filed more than 30 motions in limine, including Uber's requests not to mention Harvey Weinstein, a movie producer convicted of rape, when discussing the #MeToo movement, or former New York Mayor Rudy Giuliani, who praised Uber's safety record in a 2014 audit of its background checks but, in 2023, was accused of sexual assault.

"The report may come in, but my problem is Giuliani," Breyer said. "He would be evocative of political feelings amongst jurors, pro and con."

Breyer said he would not explain his rulings but, from the bench, told lawyers how he planned to rule on most of the motions. He allowed evidence of Uber's conduct in other countries, such as Saudi Arabia, where women could request female drivers many years before Uber instituted such policies in the United States. And he granted plaintiffs' requests not to mention attorney advertising, whether certain witnesses personally use Uber, or that Turay, the driver, was not criminally charged for the alleged rape.

Kim Bueno, a Kirkland & Ellis partner in Austin, said Uber's case for allowing such evidence is stronger than in the first trial, where a criminal investigation was excluded.

"We're asking the jury to hear from Detective Lopez that the conclusion of that criminal investigation specifically found evidence of a consensual encounter," she said.

But Breyer disagreed.

"Sexual assault is very complicated, a very complicated area," he said. "And what may appear as consent has been well documented, especially in the case of domestic abuse, that they are not consensual."

Breyer also pushed back at Uber's insistence on telling the jury about Dean's sexual history, which included a 2022 rape by an abusive boyfriend that led to a pregnancy and abortion, then another rape in 2023 by the boyfriend's roommate.

On Tuesday, Uber's lawyers also raised objections to some questions in the juror questionnaires that concern whether a plaintiff who was drinking is credible.

Co-lead counsel Sarah London, of Girard Sharp, called such views "rape myths."

"We absolutely intend to explore that," she said.

'It May Be Relevant'

Breyer's rulings differed at times from those of San Francisco Superior Court Judge Ethan Schulman, who oversaw the first sexual assault trial against Uber last year. On Sept. 30, jurors concluded that Uber was negligent in failing to provide safe rides to women but not liable for plaintiff Jessica C.'s sexual assault by one of its drivers.

On Tuesday, Breyer denied Uber's request to prohibit the jury from hearing about evidence as to its media strategy.

"That's contrary to what the JCCP did, as I understand it," he said, referring to the first trial. "It appears to me that testimony regarding Uber's media strategy and purportedly 'Catch and Kill' efforts is directly relevant to key issues in this case—an issue such as whether Uber's marketing caused Dean to reasonably rely on Turay as an agent of Uber."

Uber also moved to exclude media reports, such as the article in The New York Times. Opposing that motion, plaintiffs' counsel wrote that media reports show "Uber's response to public scrutiny and its pattern of minimizing, delaying, or reframing sexual violence disclosures to protect its brand."



Kim Bueno of Kirkland & Ellis. Courtesy photo

“I don’t know how to rule on this,” Breyer said. “That is to say, I have to hear it. I have to hear why it’s connected to something that would make it irrelevant. It has a number of hearsay problems with it. I need a context, and I don’t think I’ve got the context yet in order to make that decision.”

Kirkland & Ellis partner Tara Blake, in Houston, argued that an article in USA Today, and evidence that came out during discovery about an internal Slack chat conversation in which one employee says, “I trash rape victims to USA Today,” dated back to 2019, four years before Dean took the Uber ride.

“I’m not suggesting there aren’t issues of causation,” Breyer responded. “I’m just suggesting to the extent it reflects a mindset or an attitude or an approach by the

defendant to these types of allegations, or to the subject matter, it may be relevant.”

But Breyer also cautioned plaintiffs lawyers.

“I’m not going to sit in some trial where somebody throws a thousand allegations up, and let’s see what sticks,” he said. “Plaintiffs have to be careful. They have to have thought this through.”

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A year after the Eaton Fire devastated Altadena, Calif., residents are worn out and considering whether to accept a settlement offer from Southern California Edison that plaintiffs' attorneys call a lowball. Photographer: Allison Dinner/Bloomberg Law

DEEP DIVE

Sue or Settle: Choice Before Eaton Fire Victims Rubs Wounds Raw

January 8, 2026, 2:01 AM

By **Maia Spoto**

Days after her Altadena, Calif., home burned in the Eaton Fire, Ellen Soll moved into a hotel in nearby Arcadia. Representatives for a law group were waiting for her in the lobby.

At first, they took pictures with her dog, a Pomeranian-Yorkie mix named Joie. Then, they brought Joie a stuffed animal. Then, over more meets and greets, came the business card. Soll started attending what the lawyer groups call “town halls,” mass meetings to discuss lawsuits against Edison International’s

Southern California utility, whose equipment was suspected of causing the wildfire that killed 19 people and destroyed more than 9,000 buildings.

Soll felt emotionally worn out. She'd lived in Altadena for decades, and just wanted to find her way back home. But after weeks of appeals from the lawyers, Soll signed on to have the legal group represent her in February. She would later reconsider.

Squeezed by a fire insurance crisis, fueled by California's vulnerability to natural disasters, many displaced residents have exhausted their payments to cover the cost of temporary relocation. A year after the fire, only 19% of Altadena residents are living in their undamaged or repaired pre-fire homes, according to a [study](#) by the Department of Angels.



People impacted by the Eaton Fire receive donations in December 2025, in Altadena, California.

Photographer: Allison Dinner/Bloomberg Law

At a point when many are desperate, they're faced with either taking their chances in court against Edison, which is widely blamed for the blaze but hasn't accepted fault, or applying for the utility's settlement offer now. Hundreds of victims have filed lawsuits in Los Angeles state court.

Some say their choice—without a way to directly compare the alternatives—comes down to who they trust and whether their desire to seek justice exceeds their fatigue from what some call “fire brain.”

“It’s a big decision. It’s basically going to dictate what I’m doing with myself for the next, well, forever,” said Adam Teraoka, a semi-retired community-college professor and son of Japanese-American artist Masami Teraoka, who lost his home and artwork created by his father worth up to \$1 million.

‘Not a Mystery’

Dozens of plaintiffs’ firms have descended on the community, joined by Erin Brockovich, the victims’ advocate famous for her portrayal in the eponymous Oscar-winning film. Billboards hovered over the area’s business corridors; larger-than-life attorneys leaning against bright red and orange text: “Fire Lawsuit Demanding Billions.” “Real Attorney No Call Center.”

More than 150 lawyers have taken on Eaton Fire cases, plaintiffs’ attorneys in the area estimate. They’re emboldened by [videos that appear to show](#) the fire sparking at the base of an old transmission line, and the knowledge that Edison’s ability to pay damages—even tens of billions of dollars, if necessary—would be supported by the state’s new wildfire fund.

“The thing about this case is, it’s not a mystery. It’s not a whodunnit,” said Gerald Singleton, a plaintiffs’ lawyer who helps lead the state court case against the utility. “I mean, it’s on video. You know exactly where it started, when it started.”

Between the Thomas and Woolsey fires that erupted in 2017 and 2018, Edison paid out close to \$7.5 billion in settlements, the company told investors in 2021. Still, there are no guarantees in litigation. The first trial isn’t scheduled until 2027 and settlements could take even longer. Lawyers will claim a slice of the payout, likely at least 25%, although Singleton said prevailing plaintiffs would be able to recover fees from Edison under California’s inverse condemnation law.

Edison’s settlement offers have a number of variables. But Edison [estimates](#) total damages on a 1,500-square-foot house worth \$1.2 million before the fire

would be more than \$2 million, and that its offer to the household would be about half of that, at \$1.058 million. Plaintiffs' lawyers call those offers lowballs.

"They want you to call them, so they can get their hooks into you," Doug Boxer, an attorney with the plaintiffs' advocacy group LA Fire Justice, said at a December meeting of dozens of fire victims, imploring people not to talk to Edison. The compensation program is "just bad," Boxer said.

The lawyer billboards are interspersed with signs that say "We Are Altadena Strong" and "Altadena Is Not For Sale," representing community efforts to prevent developers and land speculators from buying burned lots.

To longtime resident Charles Thomas, the lawyers' arrival "felt like buzzards circling over the carnage."

What most of the community wants is "what they had before," Thomas said. "And I think what most of these attorneys want is to get them a bunch of money, and make a bunch of money, and get the hell out of here and move back to where they came from."



Charles Thomas walks down the steps from what is left of his property. Photographer: Allison Dinner/Bloomberg Law

Purple Mountains

Altadena is part of Los Angeles County, but far from the glamour of Beverly Hills. At the edge of town and nature, coyotes and the occasional bear lumber through the yards. At sunset, the San Gabriel Mountains glow purple.

Artists and activists have long been drawn to the area. Altadena is one of the county's [most racially diverse](#) communities: 18% of residents are Black, 27% are Hispanic or Latino, 46% are White, and 17% are multiracial.

Nearly three-quarters of Black Altadena households own their homes, an outgrowth of discriminatory housing laws in the 1960s and 70s that pushed people into the area. Most of these homeowners are older than 65. The fire hit them particularly hard, flattening or significantly damaging nearly half of Black residents' homes, a significantly higher rate than non-Black households, according to a [UCLA analysis](#).

"People move up here to get away from the big city traffic and the noise and craziness," said Camille Dudley, a former town council member and an Altadena resident of almost 50 years. "It's a slower pace of life."

An unburned stretch of the Angeles National Forest became a refuge after the fire for kids who lost their homes, guided there by the outdoor education nonprofit where Thomas is executive director. Thomas lost not just his home, but four houses where he was raised.

With his home nestled in an area where regular insurers don't provide fire coverage, Thomas uses the FAIR Plan, California's insurer of last resort. The \$20,000 he received in loss-of-use payments ran out after he'd moved six or seven times.

A doctor told Thomas that he'd developed a form of alopecia because of fire-related stress, after a perfectly round chunk of his hair fell out. He finds himself looking for things he lost in the fire, like shirts and tools.

"You're looking for something that you remember, but it doesn't exist anymore," he said.



Charles Thomas stands on the property of his home that burned during the Eaton Fire.

Photographer: Allison Dinner/Bloomberg Law

Who Can You Trust

"Are you going to trust the company that burned down your town to do right by you now?"

Boxer, the son of former US Sen. Barbara Boxer, and other members of LA Fire Justice have given this speech all over the area impacted by the Eaton Fire. LAFJ is led by former state Assemblymember Chris Holden and a handful of prominent wildfire lawyers, including Boxer.

Brockovich, who didn't respond to an interview request, is part of the team. So is Rico Reyes, a Texas-licensed lawyer who said fire litigation is dear to him because his in-laws lost their home in a fire.

On this night in December, Boxer was leaning against the podium at a YMCA community room in Sierra Madre, which neighbors Altadena, voicing over videos of the start of the fire.

After nearly an hour, an audience member prodded Boxer to compare Edison's offerings to what they might get in a court settlement.

Boxer described how emotional distress damages are typically calculated, graded along levels of severity, in contrast to the flat rates Edison's offering. He offered hypothetical reasons to take Edison's offer: "were you a renter without insurance and you're living in your car or you're couch-surfing? Or, the only way you can find a roof over your head is to move to Ohio, and I don't want to move to Ohio?"

But, he said, "my general view, our general view, is that you are just giving up too much."

Residents' individual recoveries vary widely, depending on losses, living arrangements, and insurance coverage. That makes identifying the "average settlement" a challenge. Some residents are meeting individually with their attorneys to get a more tailored view of whether the Edison offer makes sense.

Fire victims' concerns about not having hard numbers to compare stem from confidentiality provisions in most settlements. University of Georgia law professor Elizabeth Burch, who studies mass torts, said in an email, "You can occasionally get access to settlement docs, but it's rare. It's a super frustrating part of the job—not having real data on outcomes."

'Cost of Doing Business'

An October dinner at the Pasadena Convention Center was set for hundreds of people, with dessert and floral centerpieces at each table.

Altadena resident Crystal Nerone remembers it for LAFJ's announcement it was lowering its contingency fee from over 33% to 25% of recoveries, given the competition for clients, but also for the floral arrangement she took home. It had to have cost \$100, she said.

She said she appreciated LAFJ's offerings of mental health services along with community gatherings. They remind her and other residents what they're fighting for, she said. But that night, she said, "all I could see was dollar signs." She wondered who was paying for it.

Reyes, who is based in the group's Pasadena office, said the group won't pass event expenses on to clients. It's a cost of doing business, he said.

"We always are happy to invite you to our town halls," Reyes said. "That's perhaps one of our biggest avenues of client outreach."

Reyes said he'd be "very surprised" if a representative solicited anyone, like Soll, who said a law group representative was waiting for her when she moved into a hotel. He said he was unaware of LAFJ staff members sitting in hotel lobbies, "but I would not be surprised if one of them showed kindness, and, you know, gave a dog toy. That seems like a nice thing to do for somebody who's suffering."

\$34 Million So Far

Pedro Pizzaro, the CEO of Edison International, made his pitch for Edison's wildfire compensation program to an audience of more than 100 community members in John Muir High School's auditorium the day after Halloween. Edison had just opened applications for its settlement offer on Oct. 29.

"It's designed for eligible and impacted community members to recover and rebuild faster," he said. "And it allows those impacted to refocus on recovery, rather than drawing out litigation."

People can apply to the program and see within 90 days what their payout would be, according to Edison. If they decline the offer, they can still sue. Edison's program allows lawyers to recover an additional 10% of their clients' net damages in the settlement.

Just under 1,800 applications were filed as of Jan. 5, Edison spokesperson Scott Johnson said Jan. 6. Eighty-two offers totaling about \$34 million have been extended, and applicants have accepted all of them. Twenty-eight claims have

already been paid, reflecting Edison's "commitment to swift and meaningful relief," he said.

"There was a sense of urgency for those people who really wanted to get this done through this calendar year," he said in December.

Edison created its program with Kenneth Feinberg and Camille Biros, the duo known for their work on the September 11th Victim Compensation Fund.

Unlike with the 9/11 program, Feinberg and Biros aren't overseeing the payments. Biros said she and Feinberg decided in the past couple of years that "at this stage in our careers, we really enjoy the design aspect, but we're not really interested anymore in the actual administration."

Edison's offer is part of an emerging trend of corporations and government entities offering speedy out-of-court settlements, with feedback from victims, in the wake of a disaster, said Adam Zimmerman, a law professor at the University of Southern California. Plaintiffs' attorneys have to believe a settlement offer is fair enough for them to steer clients toward it, he said.

"The only way that a corporate settlement system like that can work is if it comes as close as possible to the ultimate awards that would be reached in a normal settlement process," said Zimmerman, who also worked on the September 11th fund.



A billboard invites Eaton Fire survivors to apply for Edison's compensation offer. Photographer: Allison Dinner/Bloomberg Law

If attorneys “believe they need more leverage, then they’ll hold out and that might increase the chance that we might see the case not being resolved through this fund, but through some other type of settlement process,” he said.

More than 20% of applications to Edison’s program submitted by the end of 2025 were by a plaintiffs’ attorney.

Edison’s Johnson said the settlement efforts reflect lessons learned from previous wildfires, when settlements occurred through litigation and took far longer.

“SCE established the Wildfire Recovery Compensation Program so eligible community members have a way to receive fast payments and fair resolutions, while reducing the time, costs, and uncertainty associated with litigation,” he said.



Empty lots of homes that burned during the Eaton Fire in January 2025. Photographer: Allison Dinner/Bloomberg Law

'Fix What You Broke'

Rose Robinson, the niece of baseball legend Jackie Robinson, said she still has nightmares of people engulfed in flame. Her home burned and she spent several days in a hospital. The Olympic silver medal won by her father, Mack Robinson, was lost in the fire.

"Edison has proposed \$25,000 in total for tenants like you, who've lost everything. Is that enough to help you completely recover and move forward?" asked Joy Chen, executive director of the Eaton Fire Survivors Network, at a Jan. 7 press conference. Grim laughter rippled over the group of about 100 wildfire survivors standing behind Robinson.

"\$25,000 is literally like 25 cents," Robinson responded. "It's barely—that's not even one good appliance, probably."

Before Edison finalized its offer, EFSN condensed community members' recommendations for the program into a 52-page [document](#) titled "Fix What You Broke."

They pointed to inadequacies covering renters, small business owners, and residents with smoke damage, and said Edison's reliance on a firefighter's map to determine eligibility left out a mass of survivors whose homes were filled with toxic smoke.

The plan would pay for children's emotional distress and trauma at one-quarter or one-half the rate of adults, they said.

Edison changed its final offer to cover almost twice as many residents with smoke-damaged homes, departing from the firefighter's map. It continues to value non-economic damages for adults higher than children. And it's "still woefully inadequate," the group said.

EFSN is pushing Edison to [provide emergency housing relief](#) that isn't tied to waiving litigation, something that's "not an element of the program that's currently being considered," Johnson said.

It's happened before: Pacific Gas & Electric offered victims of the San Bruno pipeline explosion in 2010 up to \$50,000 in emergency relief with no strings attached.

"There's incentives not to do it, because it means that the company's financing litigation against itself a little bit, but it can be really important for victims of any type of mass tort to get it so that they don't get pressured to take a lowball offer," Zimmerman said.



Fire survivors meet at a press conference hosted by the Eaton Fire Survivors Network on Jan. 7, 2026. Photographer: Maia Spoto/Bloomberg Law

Restless and Displaced

One renter sorting through her options is Dudley, the former town councilwoman who works with Thomas at Outward Bound Adventures. Her friend Crystal Nerone, who calls Dudley "the town crier," said Dudley alerted her when the fire erupted. "If it wasn't for you, I wouldn't be alive," Nerone told her.

Dudley's home, which she had rented for 20 years, survived the fire. But about three weeks later, on Jan. 24, 2025, an email arrived from her property management company.

"Hello Camille Dudley," the Jan. 24, 2025 email said. "You or one of the residents from your unit has requested a Move Out."

It wasn't Dudley. The front duplex burned, Dudley wrote back hours later, but the rest of the units—including hers—were "basically untouched."

During the fire, her apartment filled with smoke. A gas line by the property broke, and her unit was cut off from utilities. A Department of Angels [report](#) that came out nine months after the fires found that survivors with smoke damage faced more claim denials from insurance companies and ran out of coverage for temporary housing faster than people whose homes were destroyed.

By October, Dudley had exhausted her insurance payments living in hotels. She's still in temporary housing, paying \$2,150 a month plus a little over \$800 a month to store her belongings. She paid \$1,460 at her old place.

She misses the birds, the squirrels, even the raccoons and possums. In her new apartment, Dudley's two cats are restless. They jump and whine at night.

"I haven't had a good night of sleep since the fire," Dudley said.

How to Get Home

Adam Teraoka remembers driving through a tunnel of flame to check on his property shortly after he evacuated.

None of the houses on his block, including his, were still standing. His father's artwork burned with the house. Somehow, his old Ford truck survived, "just sitting out by itself, like a ghost."

As a builder, Teraoka has run the numbers on how much it will cost to rebuild. He'll install the floors, walls, cabinets, and other interior parts himself. In November he applied for a settlement, thinking if Edison got close enough to the replacement cost in his head, he might accept. But he said the utility was on "super, super thin ice" with him, remembering that his neighbor's house burned down years ago after calls to remove a tree that was leaning on a power line went unheeded.

Two months later, he was still struggling to complete the application, saying that every couple of weeks, the utility asked for a new document. So he's choosing an attorney and plans to sue.

"The application has been so infuriating that there's nearly no chance we're going to take the compensation," Teraoka said in a text message.

Nerone decided to sue, but also implored her friend Dudley to at least walk through Edison's offer with a lawyer. Dudley's not interested.

"You don't pal up with the people that have put you in this situation just because they're going to throw a little money at you," Dudley said.

Despite his reservations about the legal approaches, Thomas decided to sue.

Thomas worries that second- or third-generation Black homeowners will accept the program and—without enough insurance coverage, compensation money, or time to rebuild locally—will leave. Their exits could prompt others to follow and hollow out the community that was already dealing with gentrification before the fire, he said.

"I don't know if SCE knows that they could potentially be doing that, but I'm seeing a lot of older Black people get out of here, and it's really starting to bother me," he said.

Johnson, the Edison spokesperson, said, "the intent is to help the community and everyone involved recover and return Altadena to the wonderful place it is and was."

Soll, who was approached by the law group in her hotel lobby shortly after evacuating, said she changed her mind after initially deciding to sue, because Edison's offer seemed appealing.

Lawyers are "constantly giving you information that Edison's wrong. You need to fight for your rights," Soll said. "You know the spiel. And you sit there going, 'Yeah, you're right,' with tears in your eyes. But when you have the culprit saying, 'Hey, we know we're wrong, let us help you...' Well, why not?"

Soll is looking at floor plans and intends to build her home as fireproof as possible. She owns her lot and would rather rebuild on it than look for something new.

"I want to go on with my life," Soll said. "I don't want to wait for the lawsuit. I'm not trying to get rich. I just want to get back into my house."



An "Altadena Not For Sale" sign represents the push to prevent developers and land speculators from buying burned lots. Photographer: Allison Dinner/Bloomberg Law

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Health Care Law

1000% Increase: Thomas Jefferson University Hospital Joins Insulin Pricing MDL

The Philadelphia hospital joins one other hospital nationwide in the MDL.

January 07, 2026 at 03:12 PM By  **Tristin Hoffman**



Thomas Jefferson University Hospital in Philadelphia. Photo: Tom Crane via Wikimedia Commons

Thomas Jefferson University Hospital filed a lawsuit against insulin manufacturers and major pharmacy benefit managers in the U.S. District Court for the District of New Jersey, joining a larger multidistrict litigation alleging inflated insulin prices.

The hospital is one of two hospitals in the MDL, court filings show, and falls on the heels of the [City of Philadelphia's insulin pricing lawsuit](#) filed in December. Other cities that have joined the MDL include Norfolk, Virginia; Memphis, Tennessee; and St. Petersburg, Florida, among several others across the country.

There are about 450 pending cases in New Jersey's insulin pricing multidistrict litigation docket, with no slowdown expected. Nationally, the MDL docket has surged from 85 cases to over 500 in

the past year.

The MDL concerns allegations that major pharmacy benefit managers, including CVS Caremark, Express Scripts and OptumRx, have colluded with insulin manufacturers Eli Lilly, Novo Nordisk and Sanofi to inflate the price of insulin.

“The alleged scheme has driven insulin prices up by as much as 1,000% over the past two decades,” Jefferson Health’s press release read, “while production costs remained stable, extracting billions from self-funded health plans.”

[Yale Medicine research](#) has found that insulin production costs between \$2 and \$4. The price for one vial, however, has increased from around \$21 in 1996 to more than \$250 today.

Jefferson Health’s complaint largely mirrors the MDL’s core allegations. It does, however, highlight how the alleged pricing scheme had affected its employees’ health plans, hospital pharmacies and patient care.

“Any increase in spending has a detrimental effect on Plaintiffs’ overall budget and, in turn, negatively impacts its ability to provide necessary services to the Beneficiaries and the larger Philadelphia community,” the complaint reads. “The Insulin Pricing Scheme has had such an effect.”

According to its press release, the health system provides health benefits to over 58,000 members and spends millions annually on insulin medications.

Jerry R. DeSiderato of Dilworth Paxson LLP, representing Jefferson Health, did not respond to questions for comment before publication.

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D.C. Judge Orders Meta to Produce Documents on Blocking Research Into Teen User Safety

The documents at issue, Williams ruled in October, contained communications from Meta's counsel advising it to conceal its internal research on the mental health threats its platforms pose to minors in order to "limit Meta's liability" in ongoing multidistrict litigation.

January 07, 2026 at 08:04 PM By  **Kat Black**

What You Need to Know

- A D.C. Superior Court judge has ordered Meta to produce four documents it clawed back from discovery in a case filed by the D.C. Attorney General.
- The four documents at issue, the judge held, contain advice from Meta's counsel advising it to block internal research on teen user safety to avoid liability in separate multidistrict litigation targeting social media companies.
- The decision upheld a previous ruling issued last October by the D.C. Superior Court.



Credit: Ink Drop / AdobeStock

Washington, D.C., Superior Court Judge Yvonne Williams has issued an [order](#) prohibiting Meta Platforms Inc. from clawing back four documents produced during discovery in a case filed by D.C. Attorney General Brian Schwalb, which accused Meta and its subsidiary, Instagram, of fueling social media addiction in children through deliberate design choices.

Schwalb [sued](#) Meta on Oct. 24, 2023, for allegedly violating the Consumer Protection Procedures Act by capitalizing on children's "developing brains" to promote addictive behaviors and drive maximum engagement on its social media sites, Facebook and Instagram.

The judge's latest order, filed Monday, affirmed an Oct. 23, 2025, [ruling](#) from the D.C. Superior Court, which Williams handed down after conducting an *in camera* review of the documents at issue. Williams had invoked the crime fraud exception—which exempts communications that allegedly further criminal or fraudulent conduct from attorney-client privilege protections—to deny Meta's request to claw back the documents.

Meta subsequently challenged the judge's decision in a motion for reconsideration submitted on Oct. 27, 2025, which contended that the court had erred by "applying the crime-fraud exception to conventional legal advice provided by Meta's counsel," according to the order.

The documents, Williams [ruled in October](#), contained communications from Meta's counsel advising it to conceal its internal research on teen user safety in order to "limit Meta's liability" in ongoing multidistrict litigation aimed at a roster of social media titans, including Meta, Snap Inc., Google parent Alphabet and TikTok parent ByteDance.

Specifically, the order said, Meta's counsel recommended that Meta "remove," "block," "button ... up," "limit" and "update" portions of its research outlining the mental health risks posed to minors by exposure to content on its social media platforms.

A bellwether trial in the multidistrict litigation is scheduled to begin on Jan. 27 after Los Angeles Superior Court Judge Carolyn Kuhl [rejected](#) the defendants' motions for summary judgment predicated on Section 230 of the Communications Decency Act, which affords federal immunity to internet platforms.

A separate multidistrict litigation proceeding, which is slated to see its first bellwether trials in mid-2026, is pending before U.S. District Judge Yvonne Gonzalez Rogers in the U.S. District Court for the Northern District of California. Plaintiffs' counsel in the MDL [submitted](#) Williams' order to the California federal court to bolster their own arguments last October.

In her Jan. 5 ruling, Judge Williams upheld the court's use of the crime-fraud exception and rejected both reconsideration of the October order and certification of the October order for

interlocutory review, holding that the court drew its previous conclusions about the content of the communications from Meta's counsel explicitly from the four documents in question.

"Neither Meta, nor the District, challenge the veracity of the communications contained in the Documents," wrote Williams.

"Accordingly, the Court reiterates that the communications in the Documents would on their face 'warrant a reasonable and prudent person in the belief that the attorney-client communications in question were in furtherance of an ongoing crime, fraud, or misconduct,' thus establishing the requisite factual foundation for the Court's application of the crime-fraud exception."

The District of Columbia's counsel at Edelson referred a request for comment to the D.C. Office of the Attorney General, which declined to comment on the matter.

Meta's counsel at Covington & Burling referred requests for comment to a spokesperson for Meta, who said in an email that the company was reviewing its options for appealing the decision.

"These communications were legitimate attorney-client discussions, protected by law," the spokesperson said. "It is standard and necessary for legal counsel to advise on research to ensure compliance and accuracy."

"The court's decision undermines essential privilege protections and sets a troubling precedent for organizations conducting rigorous research. Meta remains committed to transparent, industry-leading research, as demonstrated by the hundreds of youth-related studies we have approved since 2022."

Williams' latest motion ordered Meta to produce the documents by January 12.

Page printed from: <https://www.law.com/nationallawjournal/2026/01/07/dc-judge-orders-meta-to-produce-documents-on-blocking-research-into-teen-user-safety-/print/>

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California Brief

Insight

AI Needs Whistleblowers to Expose Problems as Technology Grows

Jan. 8, 2026, 1:30 AM PST

Artificial intelligence has become nearly ubiquitous. Sixty-two percent of American adults report using AI weekly, and 78% of organizations say they have adopted the technology's tools as part of their operations.

Reports of AI dangers, however, continue to proliferate, including concerns of ignored safety risks, intellectual property theft, and discrimination.

In an effort to address such risks, a number of states have started enacting legislation regulating AI. Those efforts have been thrown into question, when President Donald Trump, following lobbying by AI companies such as OpenAI and Microsoft, signed a new executive order in December that aims to block states from regulating AI.

With states such as California set to challenge the legality of the order, we're in for a pitched battle over the fate of these nascent state-level AI regulations. As a result, AI companies may continue to operate unchecked for the time being.

In the absence of meaningful oversight, we will have to continue to rely on whistleblowers to expose serious concerns about safety, privacy, ethics, or legal risks. For example, former OpenAI employee Suchir Balaji blew the whistle in 2024 on the company's use of copyrighted material to build ChatGPT. Other former OpenAI employees have spoken publicly about the company's reckless disregard for safety. There also are real concerns that shown convincing evidence that AI magnifies stereotypes and bias.

These whistleblowers come forward at great personal and professional risk, as there are few legal safeguards to prevent retaliation specific to this sector.

While efforts have increased at the state and federal levels to codify protections for AI whistleblowers, there's a long road ahead to protect those who raise concerns about this technology.

Current Protections

Leading on watchdog protections is California, the home of many of the largest AI companies. Gov. Gavin Newsom (D) signed the Transparency in Frontier Artificial Intelligence Act in September 2025. It went into effect at the beginning of 2026.

This law moves the ball forward by expressly protecting certain AI whistleblowers and by creating a requirement for certain AI companies to establish anonymous whistleblowing channels. It also prohibits covered companies from imposing restrictive confidentiality agreements that would bar employees from speaking publicly, an important provision given the history in the AI industry of using confidentiality agreements to prevent employees from speaking out.

It comes up short, however, by failing to protect the majority of workers working at AI companies. The law only applies to “frontier” AI companies—defined as biggest companies with the highest level of computing power.

The law also only provides protections to those who report “catastrophic risk.” That is defined as a foreseeable and material risk of death or serious injury to more than 50 people or more than one billion dollars in damage arising from a single incident.

The 2024 whistleblower disclosures have shown that the risks to society from AI—from algorithmic bias in hiring, to skyrocketing energy costs from data centers, to devastating harm to children’s mental health and educational outcomes—are far broader than critical safety incidents. With such a prohibitively high standard, many whistleblowers with important information will remain unprotected.

The law also falls short by failing to offer true protection for whistleblowers. Unlike other California whistleblower protection laws, it fails to explicitly authorize whistleblowers to recover compensation for economic harm or emotional distress.

Ultimately, this law’s problems mean people will continue to stay silent. Few workers can afford to risk losing their livelihoods to come forward, even if it is for the public good. If we want whistleblowers to speak up, we must provide them with a path to recover the losses they incur for doing so.

Unfortunately, California’s imperfect law represents the high-water mark of protection in our states. A patchwork of other laws in other states provide imperfect protections for AI whistleblowers that are often unsuited to the needs of a sector that carries these unique risks.

General anti-retaliation laws in various states may protect whistleblowers, provided the whistleblower are reporting conduct that violates other state laws, such as fraud, deceptive practices, theft, or criminal activity. Many of these state anti-retaliation laws also provide for the recovery of economic damages and attorney’s fees and costs, with some providing for recovery of emotional distress and punitive damages.

Employees of publicly traded companies with AI products also may be protected under the federal Sarbanes-Oxley Act if their whistleblower disclosure implicates securities fraud, shareholder fraud, or violations of any US Securities and Exchange Commission rule or regulation.

Existing Protections

The inadequacy of these laws requires deliberate federal intervention to protect whistleblowers in this sector. In May 2025, Sen. Chuck Grassley (R-Iowa) introduced the Artificial Intelligence Whistleblower Protection Act. The law would prohibit employers from retaliating against AI insiders who report specific categories of misconduct, including violations of federal rules or regulations.

That includes failure to respond to “substantial and specific danger that...artificial intelligence may pose to public safety, public health, or national security;” or a failure or lapse in security that could allow AI technology to be acquired by theft or other means.

The proposed law would cover both employees and independent contractors, as well as both internal and external reports.

Unlike the California law, the proposed federal measure would adopt a framework similar to other well-regarded whistleblower retaliation laws. A whistleblower who brings a successful claim for retaliation would be entitled to reinstatement, backpay, damages, and fees. Importantly, the law would override nondisclosure, nondisparagement, and arbitration agreements.

Despite what AI companies themselves describe as the “existential” risk of their technology, most AI whistleblowers remain vulnerable to career retaliation and financial ruin should they sound the alarm. Unless lawmakers, in Congress or in our state houses, move quickly to enact comprehensive, enforceable protections, the public may only learn about future AI failures after the damage is done.

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Securities

Manage Newsletters

Insight

SEC's 700% Increase in AI Disclosures Sets Stage for Litigation

Jan. 7, 2026, 1:30 AM PST

Summary by Bloomberg AI

AI Generated



- A review of Form 10-K filings from S&P 500 firms during fiscal years 2019-2024 shows a sharp rise in companies that referenced AI and shifts in where AI disclosures appear in annual reports.
- By 2024, all industries in the S&P 500 index included AI-related disclosures, with mentions increasingly appearing in the 10-Ks' "Risk Factors" section, signaling that companies view AI as a potential material source of risk.
- Regulators have taken notice, with the Securities and Exchange Commission launching an AI task force and bringing enforcement actions against issuers and advisers whose AI claims overstated system capabilities.

Artificial intelligence-related disclosures have expanded rapidly across industries. A review of Form 10-K filings from S&P 500 firms during fiscal years 2019-2024 shows a sharp rise in companies that referenced AI and shifts in where AI disclosures appear in annual reports.

By 2024, all industries in the S&P 500 index included AI-related disclosures. Mentions increasingly appeared in the 10-Ks' "Risk Factors" section—signaling that companies view AI as a potential material source of risk, meaning they're seen as a key uncertainty impacting the organization's financial performance, operations, reputation, or interests.

As AI disclosures become more frequent, they're more likely to be treated as significant, or "material." Monitoring these developments over time enables attorneys and experts to identify emerging benchmarks and trends, which in turn helps determine aspects of AI reporting that are most relevant to regulatory actions and private litigation.

Frequency of Disclosures

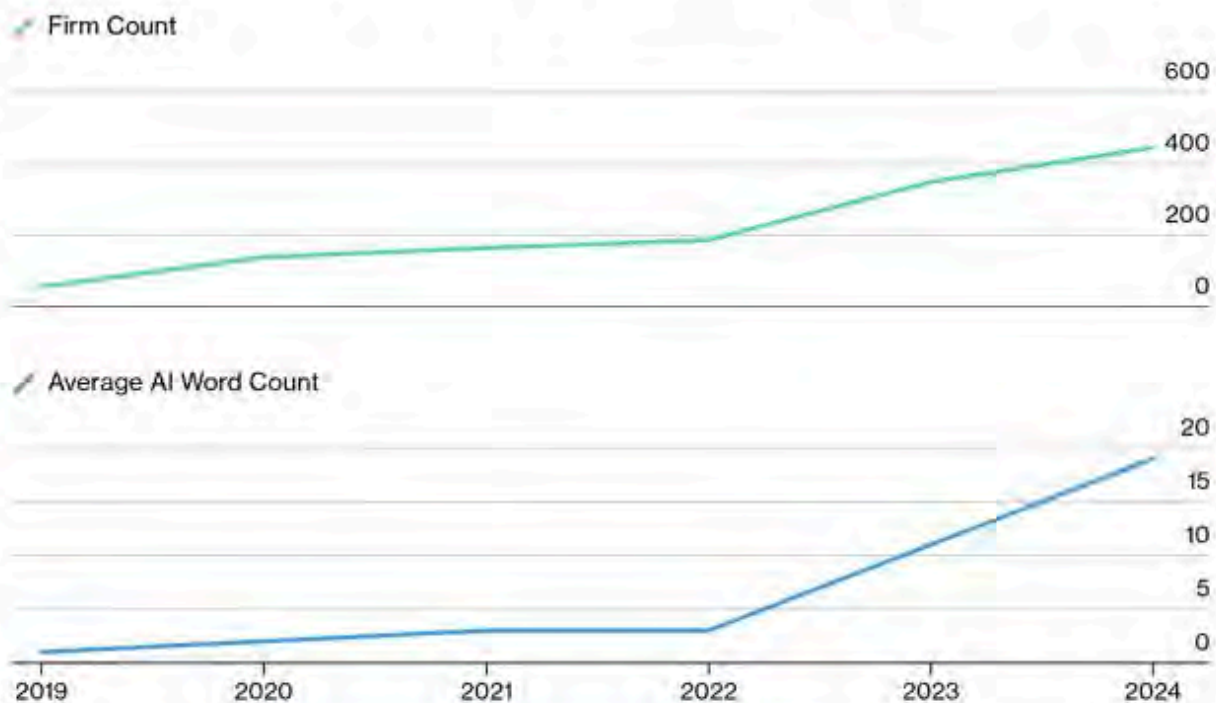
Form 10-K filings from 2019 to 2024 reveal how companies respond to a rapidly evolving AI environment—including their awareness and preparedness for legal, ethical, and operational risks. They also shed light on potential exposure to regulatory scrutiny or shareholder litigation and illustrate how a firm's AI-related risk profile compares with its industry peers.

In our analysis, we first counted the frequency at which AI-related terms appear in each firm's Form 10-K for each fiscal year between 2019 and 2024; any non-zero count of an AI-related term is treated as disclosure.

The AI terms included in this analysis are artificial intelligence, machine learning, deep learning, neural network, algorithmic decision-making, natural language processing, generative AI, LLM, ChatGPT, and autonomous systems.

In 2019, 55 firms referenced AI, using about one AI-related term on average. By 2024, that number rose to 444 firms—a 700% increase—with an average of 19 AI-related terms per filing.

Figure 1: AI Disclosure and Average Word Count in S&P 500 Firms' Annual Reports



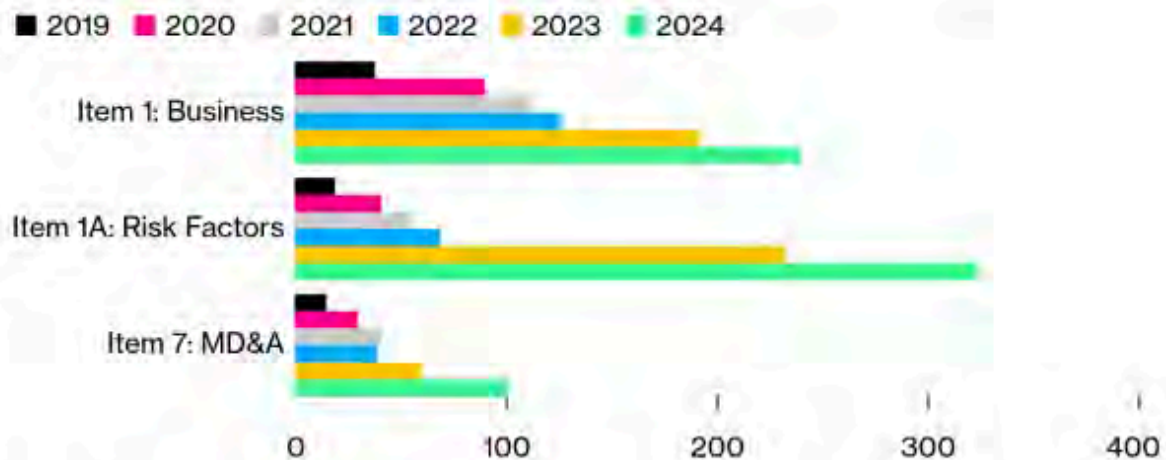
Source: SEC's EDGAR API

Note: Years correspond to the fiscal year of the respective firm's Form 10-K.

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We next investigated where S&P 500 firms reference AI in their annual reports. We focused on three sections of the Form 10-K with the most prevalent discussion of AI-related terms: Business (Item 1), Risk Factors (Item 1A), and MD&A (Item 7).

Figure 2: Location of AI Disclosure in S&P 500 Firms' Annual Reports



Source: SEC's EDGAR API

Note: Years correspond to the fiscal year of the respective firm's Form 10-K.

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We observed a shift in where S&P 500 firms discuss AI in their 10-Ks. From 2019 to 2022, AI appeared mainly in section "Item 1: Business," which usually describes a company's operations and environment. By 2024, most AI-related discussions had moved under "Item 1A: Risk Factors," which usually highlights key uncertainties.

This shift suggests that firms are viewing AI not only as part of their business operations, but also as a potential material source of risk.

We next analyzed whether firms in specific industries exhibit different patterns in AI-related disclosures. We classified firms in the S&P 500 Index into industry groups using Global Industry Classification Standard definitions.

In 2019, eight out of 11 industries had some disclosure, with the most firms classified in the information technology sector. Financials took the lead in AI-related disclosure in 2024, followed by information technology, industrials, and health care.

The nature of AI-related disclosure for the financial sector is broad, ranging from product innovation to integration into companies' risk modeling, which may have contributed to Financials taking the lead in this measure. By 2024, every GICS industry in the S&P 500 included firms discussing AI in their annual reports.

Figure 3: Count of S&P 500 Firms With AI Disclosure by GICS Industry and Fiscal Year

GICS Industry	2019	2020	2021	2022	2023	2024
Financials	9	26	32	37	63	72
Information Technology	24	38	49	51	64	68
Industrials	9	25	27	32	49	68
Health Care	2	17	21	22	44	56
Consumer Discretionary	5	14	14	17	31	42
Consumer Staples	0	1	5	6	23	33
Utilities	0	2	2	3	18	27
Real Estate	1	2	4	5	18	26
Communication Services	3	3	4	6	18	19
Materials	0	5	2	3	10	17
Energy	2	5	4	4	10	16
Total Firms	55	138	164	186	348	444

Source: SEC's EDGAR API, including GICS industry

Note: Years correspond to the firm's fiscal year of the respective Form 10-K.

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Future Litigation, Enforcement

Regulators have taken notice. In 2025, the Securities and Exchange Commission launched an AI task force and brought several enforcement actions against issuers and advisers whose AI claims overstated system capabilities.

The Federal Trade Commission likewise has pursued cases involving deceptive or unsubstantiated AI claims and, in September, it demanded detailed transparency from seven major chatbot developers on testing, monitoring, and safeguards.

These actions indicate a growing expectation that companies must substantiate AI representations across both investor-facing and consumer-facing disclosures.

Litigation involving AI-related disclosures remains limited, reflecting that AI disclosures have only recently surged in public filings. To date, SEC activity has focused primarily on cases involving alleged fraudulent schemes or exaggerated claims of AI capability, rather than disputes arising from mainstream corporate disclosures.

A further review of federal filings since 2000 shows that the SEC brought 23 AI-related actions in federal court, with the vast majority involving misconduct tied to purported initial public offerings that never materialized or promotional schemes. Just three of those complaints involved public companies—all of them micro- or small-cap firms.

Looking Ahead

As AI technologies proliferate and regulatory scrutiny intensifies, the materiality of these disclosures will continue to grow. The SEC and FTC have taken steps to address overstated or misleading AI claims, laying the groundwork for more robust enforcement activity in the years ahead.

Although litigation involving AI disclosures remains limited today, the accelerating volume and prominence of such disclosures, combined with emerging regulatory expectations, indicate that AI-related statements may become a meaningful area of future legal and expert analysis.

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

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News from Bloomberg Terminal

Jan. 8, 2026, 10:02 AM PST

By Lin Cheng

(Bloomberg) --

FirstEnergy says Public Utilities Commission of Ohio approved a settlement agreement that will deliver \$275 million in restitution and refunds to Ohio Edison, The Illuminating Company and Toledo Edison customers.

- Settlement resolves four regulatory proceedings and returns \$250 million directly to customers
- FirstEnergy plans \$14 billion investment in Ohio transmission and distribution infrastructure, workforce and facilities through 2029
- NOTE: Dec. 19, FirstEnergy Reports \$275m Settlements of PUCO Proceedings

To view the source of this information, click [here](#)

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FirstEnergy to pay \$275 million to Ohio customers over HB 6 corruption scandal

 [cleveland.com/open/2026/01/firstenergy-to-pay-275-million-to-ohio-customers-over-hb-6-corruption-scandal.html](https://www.cleveland.com/open/2026/01/firstenergy-to-pay-275-million-to-ohio-customers-over-hb-6-corruption-scandal.html)

By Laura Hancock, cleveland.com

January 7, 2026



Public Utilities Commission of Ohio, the state's utility regulator, has approved a settlement with FirstEnergy that includes \$249 million in direct restitution to customers over three billing cycles after the company violated state laws in the House Bill 6 scandal. Laura Hancock - cleveland.com

By

- [Laura Hancock, cleveland.com](https://www.cleveland.com/open/2026/01/firstenergy-to-pay-275-million-to-ohio-customers-over-hb-6-corruption-scandal.html)

COLUMBUS, Ohio - The Public Utilities Commission of Ohio approved a [settlement agreement](#) Wednesday to provide FirstEnergy utility customers \$275 million in restitution after the company violated state laws in the passage of the House Bill 6, a controversial energy bill that was [the largest corruption scheme in state history](#).

The settlement builds upon PUCO orders on Nov. 19 finding the FirstEnergy companies in violation of Ohio law, PUCO regulation and PUCO orders. The larger settlement increases customer compensation instead of PUCO assessing fines against the company, according to a Wednesday statement by PUCO.

The Cleveland Electric Illuminating Co., Ohio Edison Co. and The Toledo Edison Co. will provide under the settlement the following:

- \$249 million in restitution to customers over three billing periods
- \$20 million to fund low-income customer programs
- A \$6.6 million refund (plus an approximate \$6.2 million in interest) for improper charges
- \$5 million in restitution to the Retail Energy Supply Association for violations of corporate separation regulations

The settling parties agree to withdraw all pending rehearing requests and conclude the PUCO's investigations.

"This order brings finality to these four cases and most importantly returns these dollars to the FirstEnergy customers," PUCO Chair Jenifer French stated in the statement.

The FirstEnergy utilities and PUCO staff had [tentatively agreed on the settlement in December](#), and the full commission vote on it Wednesday.

The Ohio General Assembly passed HB 6 in 2019, which was to provide about a \$1 billion bailout through customer payments to FirstEnergy for its nuclear power plants along Lake Erie. The bill also has provided some support to Ohio and Indiana coal-fired power plants, and [weakened Ohio's renewed energy standards](#).

In [2023 criminal trials](#) that resulted in the imprisonment of two people, [including former Ohio House Speaker Larry Householder](#), federal prosecutors claimed FirstEnergy provided over \$60 million in payments to the Republican, which he mostly used on political operations, but also for some personal expenses, to usher the bill through the legislature.

Maureen Willis, agency director of the Office of the Ohio Consumers' Counsel, which represents utilities customers before the PUCO, said in a statement that the settlement provides accountability.

"Five years ago, OCC asked the PUCO to investigate FirstEnergy's role in the House Bill 6 scandal," she said. "Today those investigations are complete. FirstEnergy broke the law. This settlement delivers consequences – and consumers get the relief. Accountability matters. The Law matters. Consumers come first."

- [Federal appeals court asked to pause \\$600 million transfer to Browns for stadium](#)
- [DeWine defends publicly funded child care, amid federal freeze and claims of fraud: Capitol Letter](#)
- [East Cleveland superintendent wins Browns' Jim Brown award for academic improvement](#)
- [DEI offices shuttered, degrees cut, discussions tiptoed: What Senate Bill 1 changed in higher ed](#)



[Laura Hancock](#)

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Litigation

Manage Newsletters

Ex-Ohio House Speaker Loses Bid to Dismiss State Theft Charges

Jan. 8, 2026, 7:43 AM PST

A judge rejected a request by former Ohio House Speaker Larry Householder (R) to dismiss an indictment against him brought after a separate corruption case led to his being sent to federal prison for 20 years.

Cuyahoga County Common Pleas Judge Kevin J. Kelley on Wednesday rejected arguments to dismiss the aggravated theft, theft in office, and other charges brought against Householder in 2024. Kelley said Householder didn't prove that those prosecuting the case lacked authority to do so, that the venue was improper, or that the case was time-barred.

Householder is imprisoned after a federal jury in Cincinnati found him guilty of engaging in a racketeering conspiracy for taking \$60 million in bribes from the utility FirstEnergy

An anti-corruption task force led by the office of Ohio Attorney General Dave Yost (R) said Householder illegally used more than \$750,000 from his campaign to pay for his criminal defense lawyers in the federal case and that he didn't properly detail financial relationships, creditors, and gifts on his legislative ethics disclosure forms

A trial is set to begin in June in Cleveland

The state is also represented by the Cuyahoga County Prosecutor's Office. Householder is represented by Thomas E. Shaughnessy and Kevin M. Spellacy, both of Cleveland.

The case is Ohio v. Householder , Ohio Ct. Com. Pl., No. CR-24-690479-A, 1/7/26 .

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Securities

Manage Newsletters

Matt Levine's Money Stuff: MoviePass Is Back With Betting

Jan. 8, 2026, 10:07 AM PST

MoviePass Economy II

Back in the 2010s, we [used to talk about](#) "the MoviePass economy." There was a company called MoviePass. Its core business model was that you paid it \$9.95 per month, and in exchange you got to see as many movies as you wanted in theaters. Movie tickets, back then, usually cost \$12 or so, so if you saw even one movie a month this was a good deal for you. How was MoviePass able to offer you that deal? Uh. It went and paid full price for the movie tickets and [lost money on every customer](#). How was that sustainable? Uh! Some of the answers to that question are:

1. Lol it obviously wasn't.
2. "Big data," MoviePass would occasionally say, with [the opposite of a straight face](#) : When you signed up for its service, MoviePass obtained some data about you, which it could ... something ... something ... something. MoviePass itself never bothered to complete that sentence, but in the 2010s "data is the new oil" was a thing that people (including MoviePass) sometimes said, so maybe this pitch was compelling.
3. For a while, MoviePass would improve its unit economics by secretly changing people's passwords to lock them out of their accounts. That way, (1) they couldn't buy any movie tickets, (2) they were still paying \$9.95 per month and (3) they couldn't cancel. [This really happened](#) !
4. At a higher level of generality, MoviePass's business model was sustainable, for a while, because its investors were willing to sustain it. MoviePass could lose money on every customer every month, because investors thought there was a plausible business model in there somewhere. "Eventually," they thought, "something something something." Eventually MoviePass would strike deals with theaters to lower its costs. Eventually it would find some ancillary revenues. Eventually the data would pay off. Something! The point, in the 2010s, was rapid user growth. If you got a lot of enthusiastic users, you could turn them into money. [Network effects](#) , winner-take-all markets, [blitzscaling](#) , something something something.

The last point, in particular, [was everywhere in the 2010s](#) ; thus "the MoviePass economy," a term I took from Kevin Roose. Venture-backed startups like Uber and [WeWork](#) really were racing to achieve scale even as they lost money; venture capitalists would give them piles of money to do that, on the theory that *eventually* they would be able to flip the switch to profitability. ("You always find product market fit when your product is giving away money.") MoviePass was the eponym for this because its business model was so clearly absurd, but it was not itself a venture-backed startup; weirdly, it was a division of a public company. In hindsight, this theory was *often correct*; Uber is profitable now. Sometimes it was not. MoviePass shut down and liquidated in bankruptcy in January 2020.

Anyway, I have enjoyed this trip down memory lane, but now it is 2026 and the economy is different. If the 2010s were all about rapid user growth and negative gross margins, the 2020s are all about ... gambling! Gambling gambling gambling! The economy, now, is [memes](#) and [sports gambling](#). Everything is being financialized in the form of prediction markets.

This strikes me as strictly *worse* than the MoviePass economy of the 2010s: In the olden days, venture capitalists would compete to give you cash to subsidize your lifestyle; now, they try to get you to bet your house on [the value of your house](#). But that's life, man; you gotta adapt.

You know who has adapted? *MoviePass*. At the Ankler, Matthew Frank writes:

There are no second acts in American lives. Just don't tell MoviePass co-founder and CEO Stacy Spikes. ...

In 2021, Spikes—in a redemption arc he likens to Steve Jobs at Apple and Michael Dell at Dell—bought back the assets of his company out of bankruptcy, once valued at around \$500 million, for \$140,000. ...

Users can now subscribe to multiple plans, including a \$33-a-month tier that allows up to four movies. ...

A former Miramax VP of marketing, Spikes tells me he realized MoviePass's future couldn't be built on just movie tickets. ...

If MoviePass couldn't match the big chains, then what? The answer, as I've seen before, came from the predictions market, or as Spikes says, "through gamification."

The speculation market is projected to become a trillion-dollar ecosystem by the end of the decade. If MoviePass could claim even a sliver of that attention, Spikes reasoned, it could offset long-term decline in its core subscription business—a crucial hedge as the theatrical industry continues to struggle.

He's got a movie prediction market thingy called Mogul:

Mogul is not intended to be a competitor to the Kalshis and Polymarkets of the world, which Spikes likens to the NASDAQ and New York Stock Exchange. He wants to be the specific category or volume play that feeds into those larger exchanges, rather than carrying the massive capital and licensing burden required to be a complete marketplace. The goal is also for Mogul to funnel into MoviePass and boost the subscription service. Over 630,000 users were on the waitlist to join the Mogul platform, while roughly 5,000 users played the initial private beta version that launched last May. The plan for Mogul to make money is initially through contest fees for fantasy sports-style competitions, subscription tiers that unlock reduced contest fees and access to limited-entry contests and tokenized trading transactions. Eventually, Spikes hopes studios will sponsor or partner on contests tied to film releases.

Sounds great. A [strange fact](#) is that, in the US these days, bets on virtually anything you can think of qualify as "commodity futures contracts," with three important exceptions:

1. Securities – stocks, bonds, etc. – are subject to stricter rules, so US regulated prediction markets largely [don't offer bets](#) like "Nvidia's stock will go up."
2. Onion futures are specifically forbidden.
3. Futures on "motion picture box office receipts" are also specifically forbidden, in the same sentence as the onions.

It's probably fine, though; you can bet on Netflix streaming numbers or Rotten Tomatoes scores. It is fun to think that everything is gambling except onions and movies, but it's probably not true.

DAT SPAC

For a while, you could sell [\\$1 of crypto](#) on the [stock market for \\$2](#). This is called a "digital asset treasury company," or DAT: You raise \$100 million from investors in a stock offering, you use the \$100 million to buy Bitcoin or Ether or whatever, and then your stock trades up to \$200 million. Why did this work? There [were reasons](#), but everyone has forgotten them by now, and it has [stopped working](#). Strategy Inc., which pioneered the trade, now trades at 107% of its net asset value, down from more than 200% in the good old days. Many other digital asset treasury companies trade below 100%. Now you can sell \$1 of crypto on the stock market for, like, \$0.95. Never mind.

You know all this, and we have talked about it a lot, but last summer people were more confused, and you really could raise a lot of money to do a digital asset treasury company trade. On July 8, this one was announced:

ReserveOne Inc. ("ReserveOne"), a newly formed, first-of-its-kind digital asset management firm inspired by the proposed U.S. Strategic Bitcoin Reserve and Digital Asset Stockpile, today announced it has entered into a definitive business combination agreement with M3-Brigade Acquisition V Corp. (NASDAQ: M3AVU, M3AV, M3AVW) ("M3-Brigade"), a special purpose acquisition company.

ReserveOne will hold and manage a diverse basket of cryptocurrencies anchored with Bitcoin, and including Ethereum, Solana, and others with the potential for yield generation through institutional staking and lending.

The transaction is expected to provide more than \$1.0 billion in gross proceeds, including (i) up to approximately \$297.7 million of capital held in M3-Brigade's trust account (assuming no redemptions) and (ii) an aggregate of \$750 million in committed capital from leading institutional investors pursuant to subscription agreements, consisting of \$500 million of common equity and warrants, and an aggregate principal amount of \$250 million in convertible notes (the "PIPE Offerings").

Sure. Here is the investor presentation, a standard example of the type. I actually [wrote about DATs](#) the next day, but *not* the ReserveOne deal: The DAT deals were coming so fast and furious that I couldn't be bothered to mention every billion-dollar DAT.

ReserveOne is not just a DAT, though; it is also a SPAC, a special-purpose acquisition company. In July 2024, M3-Brigade raised \$287.5 million from public investors as a “blank check” company, with the goal of finding some company to merge with and take public. “We believe that our team’s experience with companies based in North America and in the energy sector (or related products or services) may be a source of potential business combination candidates,” M3-Brigade said at the time, but by the next year the cool move was digital asset treasuries. So it teamed up with some crypto people to launch a \$1 billion pot of crypto, on the theory that a \$1 billion pot of crypto should be worth \$2 billion in the stock market. M3-Brigade would merge with ReserveOne, with M3-Brigade providing the public stock market listing and the billion dollars, and ReserveOne the crypto know-how.

Specifically, the \$1 billion came from:

The \$287.5 million that M3-Brigade had raised in 2024 from blank-check public investors, plus interest it had earned on that money (so about \$300 million), and

About \$750 million from new investors who signed on for this deal specifically: When M3-Brigade came to them to be like “hey want to do a DAT?” they were like “duh of course here’s our money.” These investors agreed to invest \$750 million in common stock, warrants and convertible bonds when the ReserveOne merger closed. This is called a “private investment in public equity,” or PIPE, and the PIPE investors included “prominent strategic investors” like Blockchain.com, Galaxy Digital and Kraken, as well as some hedge funds and stuff.

There is an important difference between these two sources of capital, the public SPAC investors and the PIPE investors. The SPAC investors gave M3-Brigade their money in July 2024, and *they can get it back*: They bought shares at \$10 per share, the \$10 is sitting in a trust and earning interest, and, when the ReserveOne merger closes, the SPAC investors can choose *either* to keep their shares (which become shares of ReserveOne) *or* to get back their \$10, with interest. (The merger has not closed yet, but the redemption would have been worth \$10.61 as of the end of October, and it keeps earning interest so it’s worth more now.) The SPAC investors were giving M3-Brigade a “blank check,” but not quite: They handed M3-Brigade \$287.5 million to buy whatever company it wanted, but they – like all SPAC investors – reserved the right to take their money back if they didn’t like the deal.

Also, the SPAC investors get to vote on the deal: M3-Brigade’s management signed a merger agreement with ReserveOne’s management, but M3-Brigade’s public shareholders get to vote on the deal before it closes. The vote is in a sense independent of the redemption right: SPAC shareholders can vote for the deal *and* redeem their shares. This creates somewhat weird incentives. If all of the SPAC shareholders hate the deal, they might vote against it, and then it won’t close. But it might be more rational for them all to vote *for* the deal, so that it *does* close, and then redeem their shares for \$10.61. (Historically, SPAC mergers often contained “minimum cash” provisions, saying that if more than X% of the SPAC shareholders redeemed, the deal was off, but as SPAC investors have gotten flightier those have gone away.)

The PIPE investors, on the other hand, haven't given M3-Brigade any money yet: They have signed agreements to put up their money once the merger closes. And they did not give M3-Brigade a blank check: They invested specifically in this deal, they had the chance to do due diligence, and they knew exactly what they were signing up for. And so they *don't* have redemption rights, or a vote: They already signed on for the ReserveOne deal, so there's no need for them to vote on it, and no reason to let them out of the deal. They are fully committed. If the merger closes, they have to close on their funding.

Anyway, like I said, everyone signed up for this in July 2025, when "let's put some crypto in a pot and sell shares" was a normal and lucrative thing to think. But the deal hasn't closed yet, and that is no longer an especially lucrative thing to think. If you put \$1 billion of crypto into a pot, the shares of that pot will be worth, like, \$950 million. If you put \$10 in this deal, you might have an immediate loss. (Not investing advice!)

And it's worse than that. The actual math is more like this:

1. There won't be \$1 billion in the pot. All of the SPAC shareholders can redeem their shares. That means that there might be about \$750 million in the pot, just the proceeds of the PIPE.
2. The managers of M3-Brigade get a cut. The sponsor of M3-Brigade is a company controlled by Chinh Chu, a former Blackstone executive. Chu's company owns about 7.2 million shares of M3-Brigade, plus some warrants, for which it paid very little : Those 7.2 million shares (about 20% of the total SPAC) are the sponsor's fee for finding a deal. If the merger doesn't close, those shares are worthless, but if the merger *does* close, they are worth tens of millions of dollars. (If the SPAC shares are worth \$10, their redemption value, then the sponsor shares are worth \$72 million, though that is probably an upper bound.)
3. Cantor Fitzgerald, the investment bank that underwrote the SPAC and advised on the merger, also gets a cut: It gets about \$32 million of additional fees if the merger closes.
4. Those cuts – more than \$100 million for Chu and Cantor – dilute the value that the other shareholders get. "The other shareholders" probably means the PIPE investors, since the SPAC shareholders can just redeem and get their cash back. The PIPE investors will put in \$750 million to get, you know, 85% of a pot of \$750 million worth of crypto (which might be worth \$700 million on the stock market). Not a great trade, or not anymore.

In July, the PIPE investors agreed to pay \$10 per share of a DAT that they figured would trade at \$15 or \$20. But the DAT market collapsed, and that looks less attainable now.

But the merger hasn't closed yet! They haven't bought the crypto! Everyone could just walk away. "Never mind, putting \$750 million into a pot to buy crypto is not the great trade we thought it was, forget it." Presumably the PIPE investors would like that. The problem is that M3-Brigade's sponsor wants the deal to close (it gets like \$70 million worth of stock if it does), and Cantor Fitzgerald wants the deal to close (it gets like \$30 million of fees if it does), even if the deal is not actually good for the regular investors. Meanwhile the SPAC shareholders don't care one way or the other: Whether or not the deal closes, they can get their \$10 back with interest.

But the SPAC shareholders, who don't care, get a vote on whether the deal closes. The PIPE shareholders don't. (The sponsor does: Its 7.2 million founder shares get to vote on the deal, and in fact it has signed a support agreement promising to vote for it, meaning that 20% of the vote is effectively locked up in favor of the deal.) And the SPAC shares *trade*, publicly.

Which means that, if you are a PIPE investor who no longer likes the deal, there might be a way out:

Buy shares of M3-Brigade in the open market. They have traded between \$10.63 and \$10.89, give or take, over the last month.

Vote against the deal.

The deal fails and you never have to put up the PIPE money.

The SPAC winds up, and you get back \$10.65 per share or so on your SPAC shares, leaving you more or less flat.

In early December, Anson Funds Management LP disclosed that it had acquired 9.9% of the SPAC shares. I do not know if Anson is a PIPE investor in ReserveOne, but it has done other DAT PIPEs, and one can make some guesses. And on Dec. 14, an advisory firm called United First Partners published a research note on this situation at M3-Brigade and a few other DAT SPACs. The analysts wrote:

Taken together, the various areas of concern speak to a broader need for transaction restructuring, better alignment of economics, as well as questions as to why these SPACs have chosen to pursue a DAT strategy, given the shift in sentiment around the structure, and a broader lack of clear rationale for the structure in the first place. ...

A core issue at hand is that in at least some instances, there is an asymmetric skew in favor of not only the SPAC sponsor, but contributors of cryptocurrencies to the public vehicle. ... On top of this, the foundational premise of DATs, in that they can trade at premiums to NAV, has largely disappeared. ...

Investors can also consider voting against the various deals considered, while engaging with sponsors to address concerns on structures.

That might have alerted other PIPE investors to the possibility of buying up SPAC shares to vote down the deal.

The problem is that two can play at that game. M3-Brigade's sponsor already owns 20% of the vote. And on Dec. 19, M3-Brigade's bank, Cantor Fitzgerald, announced that it now owns 27.1% of the SPAC's voting stock, and that it bought that stock specifically to influence the vote:

CF&Co. acquired the Class A Ordinary Shares in order to participate in any general meeting of the Issuer. CF&Co. currently intends to vote in favor of each of the proposals described in the Issuer's preliminary proxy statement dated December 5, 2025 (the "Preliminary Proxy"). The Issuer has granted CF&Co. a waiver of Article 49.5 of the Amended and Restated Memorandum and Articles of Association of the Issuer thereby permitting CF&Co. to redeem any and/or all Class A Ordinary Shares owned by CF&Co.

The Reporting Persons or their affiliates may purchase additional Class A Ordinary Shares or other securities of the Issuer and/or dispose of Class A Ordinary Shares or other securities of the Issuer in varying amounts and at varying times depending upon Reporting Persons' continuing assessment of pertinent factors, including, without limitation, the availability of Class A Ordinary Shares at particular price levels, the availability and nature of opportunities to dispose of Class A Ordinary Shares at particular price levels, resale restrictions applicable to the Reporting Persons, and the status of the Issuer's proposed Business Combination (including the likelihood of its approval).

Article 49.5 says that anyone who holds more than 15% of the SPAC stock *can't* redeem it for cash without M3-Brigade's permission: If you buy 27% of the stock, vote for the deal, and try to redeem your stock for cash, the company can say no. But here the company has agreed to say yes. Cantor has no *economic* interest in these SPAC shares – it can vote them and then redeem them for cash – but it has bought enough votes to, probably, seal the deal. I am not sure that was what the PIPE investors were signing up for, but then again, what *were* they signing up for?

Elsewhere in gambling: war

Sure, great:

Prediction-market gamblers are looking for President Trump's next target.

After a mystery trader won more than \$400,000 with a timely wager that Nicolás Maduro would soon be out as Venezuela's leader, Polymarket, a popular crypto-based betting market, added fresh contracts that let users bet on whether the U.S. will soon strike Colombia or Cuba, too.

A couple of points here. First, these markets are specifically on *Polymarket*, not Kalshi. The Wall Street Journal story goes on:

Regulated U.S. prediction markets face more constraints. They are overseen by the Commodity Futures Trading Commission, which can ban contracts that involve terrorism, assassination, war, gaming or illegal activities, as well as similar activities that the CFTC deems to be against the public interest.

Kalshi, a CFTC-regulated prediction market open to U.S. users, avoids listing contracts on wars.

Above, I listed three categories of things that are not allowed on US prediction markets: stocks, onions and movie box-office receipts. *Arguably* the list is longer. The relevant statute allows the CFTC to block contracts involving terrorism, assassination, war or gaming, and the CFTC's rules *do* categorically ban any contract that "involves, relates to, or references terrorism, assassination, war, gaming, or an activity that is unlawful under any State or Federal law." But of course, as we [discuss a lot](#) around [here](#), (1) most of the business of regulated prediction markets these days seems to be [sports gambling](#), (2) that is obviously "gaming" and (3) the CFTC seems to be cool with it. Could Kalshi start listing war contracts? Who would stop them?

Second: These markets trade at fairly long odds. (This morning, I saw strikes on Colombia and Cuba by Dec. 31 at 10% and 14% probabilities, respectively; strikes by Jan. 31 were at 1% and 2%.) One interpretation of those prices might be "phew, the market thinks that Donald Trump is probably not going to bomb every country in our hemisphere." But of course another interpretation might be "if you were advising Donald Trump, you could make a lot of money on Polymarket by persuading him to bomb Colombia in the next three weeks." I [wrote on Monday](#) – about the mystery trader who made \$400,000 on Maduro – that "it does seem bad for government officials to have incentives to do unexpected things to make themselves a quick profit." Right?

Elsewhere in gambling: DraftKings corr desk fat finger

The way that modern sportsbooks make money is with same-game parlays. Instead of betting "the Bills will beat the Jaguars," you bet "the Bills will beat the Jaguars *and* Josh Allen will throw for at least two touchdowns *and* the total score will be at least 68 points *and* ..." etc. The sportsbook will give you a menu of things that might happen in the game, and you'll pick like 10 of them and bet \$20, and if they all happen you'll win like \$10,000, but if even *one* of them doesn't happen you lose your \$20. People seem to love these bets, and mostly lose, so they are very lucrative for the sportsbooks.

These are fundamentally correlation trades: The price of a bet like "the Bills will beat the Jaguars" depends on the probability of that happening, but the price of a bet like "the Bills will beat the Jaguars *and* Josh Allen will throw two touchdowns" depends on the probability of each of those things happening *and* their correlation. And so I have [half-joked](#) that the hot job in modern finance is being a trader on the correlation desk of a sportsbook, figuring out how to price all of these correlations. There are some intuitions here – "if a team's star player scores a lot of points, then it will probably win and cover the spread, so there is a positive correlation between those events" – but there are some subtleties too. If the team goes up by 30 points, it might rest its star player, and he might not score many points. There are occasional stories about gamblers extracting large profits from sports books' relatively crude correlation models.

Here is a particularly funny one, though, from Bookies.com last month:

Boston-based DraftKings will have to pay \$934,137 in winnings it sought to have voided, the Massachusetts Gaming Commission ruled by a 5-0 vote [on Dec. 18].

DraftKings told regulators that a patron had strung together a series of "Total Hit" wagers on Toronto Blue Jays player Nathan Lukes during the 2025 American League Championship Series. The patron used them to form several multi-leg parlays. His bets hit when the player finished with nine hits in the 7-game series against Seattle.

A review of the wagering data showed 27 parlays tied to the error. Of those, 24 would have resulted in full payouts totaling roughly \$828,104.77 if all correlated legs were honored. Only three parlays included losing, non-correlated legs – tied to college football outcomes involving Clemson, Florida State, and Miami.

The book told regulators that a trader mistakenly allowed those "total hit" wagers to be strung together in multi-leg parlays. The "total hit" parlays of 5, 6, 7 and 8 hits in the series were combined with high-probability NFL money line wagers to boost their payout.

What was the probability that Nathan Lukes would get at least six hits in the ALCS? I don't know, some number, let's say 50%. What was the probability that he would get at least seven hits? Some lower number; that's harder to do. What was the probability that, *if* he got at least seven hits, he would get at least six hits? Obviously 100%. DraftKings seems to have priced the "he gets five hits *and* six hits *and* seven hits *and* eight hits" bet at much longer odds than the simple "he gets eight hits" bet, which is a rookie mistake.

To be fair, this seems to have been an error not in its correlation models but in, uh, something else:

The issue stemmed from a misclassification that labeled Lukes as a "non-participant" rather than an active player in the sportsbook's "Player to Record X+ Hits in Series" markets. That designation allowed a single trader to bypass built-in safeguards designed to prevent bettors from parlaying correlated outcomes from the same market.

As a result, bettors were able to combine multiple Lukes hit-threshold props into one wager – including 5+ hits (-303), 6+ hits (-105), 7+ hits (+235), and 8+ hits (+550). Functionally, the parlays created a single, inflated wager on Lukes recording eight or more hits in the series, but at dramatically enhanced odds.

If the sportsbook messes that up, can it take back the bet? DraftKings tried to void these bets, and some state gaming regulators let it, but others did not.

Things happen

Trump Bid to [Ban Corporate Homebuying](#) Blindsides Wall Street. More Than 1,000 Companies Are [Suing Trump Over His Tariffs](#) . Trump Team Works Up Sweeping Plan to Control Venezuelan Oil for Years to Come. "No one wants to go in there when a random ... tweet can change the entire foreign policy of the country." Anthropic Raising \$10 Billion at \$350 Billion Value. Paramount Says Warner Bros. Cable Channels Are Worth Nothing . MSCI Shelves [Crypto-Exclusion Plan](#) But Signals Wider Review. U.S. Venture-Capital Fundraising Falls 35% as Firms Stay Private Longer. Harvey Capital Raises \$1.8 Billion in Standout [Hedge Fund Debut](#) . Brevan Howard profits slump as hedge fund misses out on macro trading boom. JPMorgan Chase Reaches Deal to Take Over Apple Credit Card. Wells Fargo wants to be taken seriously as an investment bank. Blue Owl BDC Allows 17% Redemptions as [Investors Storm Exit](#) . HSBC settles French dividend trade probe for €300mn. Slack time. Isaac Chotiner/Shirley Jackson fan fiction. "'Vapes are not it,' a 16-year-old informed me." "I'm driving a green Alfa Romeo right now. That's how good my midlife crises are."

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1. That is, a \$250 million offering plus a 15% (\$37.5 million) greenshoe. The amount in trust at the time of announcement was \$297.7 million, because it had been earning interest for a year.
2. More rational because ordinarily you can redeem out of a SPAC when its merger closes, but if the merger doesn't close the SPAC will often get more time to try to find another deal, and you're stuck for the duration of that.
3. See page 47 of the S-4: "The Original Sponsor originally purchased 7,187,500 Founder Shares from M3-Brigade for an aggregate price of \$25,000, the Original Sponsor and Cantor originally purchased 8,337,500 Private Placement Warrants from M3-Brigade for an aggregate purchase price of \$8,337,500, all Founder Shares and 5,043,750 Private Placement Warrants were subsequently sold by the Original Sponsor to the Sponsor for \$6,467,500 and 3,293,750 Private Placement Warrants were subsequently sold by Cantor to the Sponsor for \$10."
4. See pages 153-154: "Upon consummation of the Business Combination, Cantor will receive a deferred underwriting fee of \$13.4 million. Accordingly, Cantor has an interest in M3-Brigade completing the Business Combination because, if the Business Combination or another initial business combination is not consummated, Cantor will not receive the deferred underwriting fee. ... Cantor has been engaged to serve as M3-Brigade's capital markets advisor and placement agent with regard to the Equity PIPE and the Convertible Notes PIPE in connection with the Business Combination and will receive certain placement agent advisory fees in the aggregate amount of up to \$19,875,000 and be entitled to reimbursement of certain customary expenses and indemnification."

Opinion **Lex**

Investors ditch proxy advisers at their own risk

The firms are fallible, but they at least come with accountability



Proxy advisers' absence would not relieve shareholders and companies of the fraught choices that characterise business decision-making © AP

Published YESTERDAY



Few phrases in finance are less pulse-quickenning than “proxy adviser”. The drudge work of monitoring thousands of company filings and opining on mostly inconsequential shareholder votes sounds boring, and should be. Yet Institutional Shareholder Services and Glass Lewis are in the middle of a firestorm. Their opponents ought to proceed with caution.

One foe is Donald Trump. The US president issued an executive order calling for onerous regulation of the two firms last month. The state of Texas has implemented laws that complicate their labours, although that faces a legal challenge. And in the corporate world, JPMorgan boss Jamie Dimon and Tesla chief Elon Musk are vocal proxy-bashers.

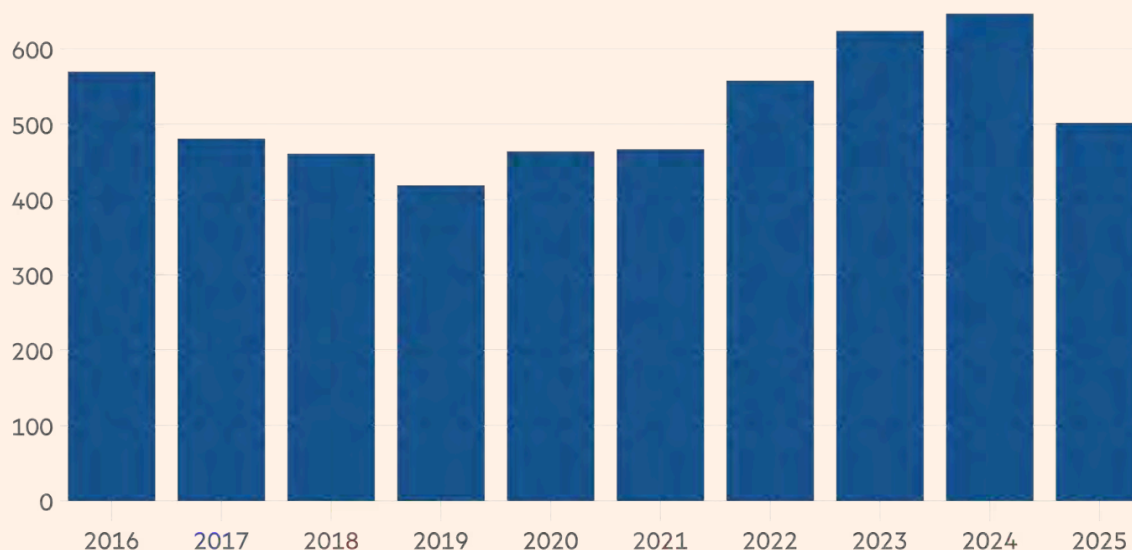
On Tuesday, Dimon did more than just complain. JPMorgan's asset management division, which manages about \$4tn, said it would fully opt out of any reliance on external voting advisers. It has built its own recommendation engine, Proxy IQ, using artificial intelligence trained on thousands of prior shareholder meetings.

Look past the fact that Dimon has clashed with the proxy advisers in the past over his generous pay, and there is a solid case for using large language models to do what ISS and Glass Lewis did until now. The two enjoy a duopoly, partly because keeping tabs on so many companies requires economies of scale. Only the biggest asset managers, with their own engagement and "stewardship" teams, can in-source such tasks.

Admittedly, the proxy firms are fallible. But they at least come with accountability. As well as the humdrum stuff on which shareholders vote, there are also difficult decisions on mergers, board elections and executive pay packages. In doing research, developing standards and taking a position, ISS and Glass Lewis offer a service, but also a shield. Those who go without them had better be ready to answer for their voting decisions.

A change of climate

Total number of US shareholder resolutions on ESG topics



Proxy years end June 30; data as of September 2025

Source: Morningstar

Stand back, and the presidential premise for proxy bashing is itself a little shaky. The Trump order describes the proxy advisers as “politically motivated”, demanding that they be scrutinised under securities, competition and labour law. The implication is that they have gone beyond simple report-writing and are trying to meddle with policy.

Rather, it is companies and shareholders themselves that have become politicised. Fringe shareholders — of all political stripes — bring niche proposals to vote at company meetings. Heavyweights such as Larry Fink of BlackRock have turned the volume up, and then down, on topics like climate change and gun safety. Dimon’s annual letter to shareholders has grown into [a weighty tome on how to run America](#).

The threats that ISS and Glass Lewis face are potentially existential, both from regulators and from AI alternatives, as JPMorgan shows. But their absence would not relieve shareholders and companies of the fraught choices that characterise business decision-making. Challenging proxy firms to justify their views is healthy; bluntly tossing them aside would not be.

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Deep Dive

SEC War on 'Frivolous' Litigation Upends Wall Street Cop's Role

Jan. 8, 2026, 2:00 AM PST

SEC Chairman Paul Atkins' bid to curb "frivolous" shareholder complaints signals a new level of hostility toward investors and lawyers typically viewed as the Wall Street cop's allies, and the effort has struggled to get off the ground as companies are slow to adopt mandatory arbitration clauses for shareholders.

Championed as a way to boost IPO activity, Atkins' push to funnel claims away from courts and into private arbitration marks a departure from how the 90-year-old Securities and Exchange Commission views its role as a regulator, shareholder lawyers and an investor advocate said.

"Atkins really stepped out of bounds here with regard to what you would expect from an SEC with investor protection and the preservation of fair, orderly, and efficient markets as their priority," said Corey Frayer, director of investor protection at the Consumer Federation of America. "'Frivolous litigation' is a decades-old euphemism for denying working Americans their day in court."

Atkins has said he wants to "make IPOs great again" by reducing disclosure requirements, "de-politicizing" shareholder meetings, and permitting companies going public to include mandatory arbitration provisions in registration filings.

But just one company has taken advantage of the new policy allowing for mandatory arbitration provisions since Atkins unveiled it in September: energy firm Zion Oil & Gas Inc., which says it uses scripture to guide its search for oil deposits as part of a "biblical treasure hunt."

The sole early adopter's unconventional business model suggests that established issuers are hesitant to adopt the clauses for their own shareholders.

The SEC didn't respond to a request for comment.

'Solutions in Search of a Problem'

The SEC, now run solely by a GOP chairman and commissioners, unveiled its new stance on mandatory arbitration as a "clarifying" policy statement without noting any consideration of public input.

The agency under the second Trump administration has frequently telegraphed its priorities through roundtable discussions instead of going through formal rulemaking.

With the arbitration policy, Atkins is taking aim at shareholder litigation despite another safeguard in place to raise the bar for pleading securities fraud class action suits, the 1995 Private Securities Litigation Reform Act.

"Most things that have come out of this SEC, they are solutions in search of a problem," said Laura Posner, a partner in the securities litigation and investor protection practice at Cohen Milstein Sellers & Toll PLLC. "One of the things that the PSLRA, when it was passed 30 years ago, was actually quite effective at doing was ensuring that frivolous litigation does not move forward past the motion to dismiss stage."

Encouraging IPO activity with a permissive stance on arbitration is likely to be an uphill battle for the SEC, given that federal courts have historically provided defendant companies frequent opportunities to resolve litigation rather than face a jury.

Over the past decade, more than \$41 billion has been paid out in securities class action settlements, reaching a historic single-year high of \$4 billion in 2023, according to Cornerstone Research. The first half of 2025 saw settlements totaling \$1.8 billion, according to National Economic Research Associates data.

"Those cases that get beyond the motion to dismiss, get into discovery, and most often resolve in settlement rather than trial, they're not frivolous," said Lauren Ormsbee, a partner at Labaton Keller Sucharow LLP who prosecutes securities fraud on behalf of institutional investors. "Arbitration is not a panacea to litigation costs."

Enforcement Partnership

The SEC's embrace of mandatory arbitration, though unlikely to sway many blue-chip issuers in the near term, signals a broadly adversarial posture towards the investors and lawyers responsible for bringing securities cases against companies post-IPO.

"Historically, the SEC and private enforcement bar are aligned in curbing corporate wrongdoing and keeping companies honest," Ormsbee said.

Former SEC leaders across the political spectrum routinely praised the partnership.

"Private cases, so long as they are well grounded, are an important enforcement mechanism supplementing the SEC in the policing of our markets," former commissioners—including ex-Chairman William H. Donaldson, a George W. Bush appointee—wrote in a 2007 amicus brief submitted to the US Supreme Court. "Most often, the larger the frauds, the greater investors must rely on private cases to recover their losses."

The SEC under Atkins, however, has taken a decidedly narrower view of the role both the agency and the public play in enforcement.

Company Caution

Some industry watchers say arbitration can save companies money by offering a predictable and streamlined process.

"It comes down to the ability to save cost and have more privacy with the matter," said Emily Chapman, a legal AI architect at DragonGC—a platform for in-house counsel at publicly traded companies—and a former SEC senior attorney. "It can be viewed that all you're doing with a class action lawsuit is taking focus away from the reason why the investors originally invested in the company."

Others argue that defending cases as individual arbitration actions would place a considerable burden on companies that choose to go that route, presenting logistical concerns that would otherwise be minimized in a consolidated class action, as well as a potentially larger price tag.

"I don't think it's going to save you any money," Posner said. "Institutional investors will still bring their claim in arbitration, and they're not going to settle for 10, 15, 20 cents on the dollar. When they bring individual actions, they will be demanding higher percentages of their damages."

For now, it seems that public companies or those seeking to go public are exercising caution around mandatory arbitration and instead opting to tackle shareholder class actions in court.

"We've been talking not only to corporate counsel, but also to issuers directly, to D&O insurers, to underwriters and accountants," Posner said. "Pretty uniformly, at least from those who are sophisticated, they are advising and being very careful in their recommendations to clients about not proceeding down this road."

— With assistance from Mike Leonard.

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News from Bloomberg Terminal

Jan. 8, 2026, 11:02AM PST

Summary by Bloomberg AI

AI Generated



- The Trump administration will create a new assistant attorney general position to lead fraud investigations with nationwide jurisdiction over the issue of fraud.
- The position will be supervised by President Donald Trump and Vice President JD Vance, rather than the Justice Department, and the appointee is expected to remain in their role for at least the remainder of the administration.
- The new position is part of the White House's effort to highlight instances of social services fraud in Democrat-run states, which Trump and his allies have sought to use to argue that Democrats have mismanaged immigration policy and federal funds.

By Hadriana Lowenkron

(Bloomberg) --

The Trump administration will create a new assistant attorney general position to lead fraud investigations, Vice President JD Vance said, as the White House looks to highlight instances of social services fraud in Democrat-run states.

The Senate-confirmed role will "have nationwide jurisdiction over the issue of fraud," Vance told reporters Thursday. But in a substantial break from tradition, President Donald Trump and Vance – rather than the Justice Department – will supervise the official, the vice president said. The White House is expected to announce the nominee in the coming days, Vance said.

"This is the person who is going to make sure that we stop defrauding the American people," Vance said at the White House.

The appointee is expected to remain in their role "for at least the remainder of the administration," according to Vance.

Traditionally, presidents have sought to keep their distance from the Justice Department to avoid the perception of political interference in law enforcement investigations. Trump has done away with that practice, exercising tight control over the department and directing it to prosecute his enemies.

The vice president spoke amid a brewing controversy over a deadly confrontation in Minneapolis, where an Immigration and Customs Enforcement officer shot and killed a female driver in an incident captured on video and widely circulated on social media.

The ICE officer was in Minnesota as part of a large-scale operation ordered by the Trump administration after a series of cases in which Somali immigrants are accused of cheating federal social service programs. Trump and his allies have sought to highlight the fraud cases to argue that Democrats have mismanaged immigration policy and federal funds.

While Vance and Trump have cast the shooting as self-defense, video of the incident does not clearly back up that account. Footage showed a Honda Pilot blocking part of the road as two federal agents approached. As one of them tried to open the door, the SUV backed up slightly. A third agent then appeared in front of the automobile, and he fired at the driver as it began to turn and move forward. The vehicle briefly continued to move ahead before crashing.

Local officials – including Minnesota Governor Tim Walz – have accused ICE agents of acting dangerously and criticized the federal government for roiling tensions with the operation.

Vance dismissed those concerns on Thursday, calling Walz “a joke.”

“He’s a guy who has enabled fraud, and maybe, in fact, has participated in fraud. That’s what this new assistant attorney general position is going to find out,” he said.

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Securities

Florida, Ohio Consider Dropping ABA After Texas Cuts Ties (2)

Jan. 7, 2026, 11:39 AM PST; Updated: Jan. 8, 2026, 7:17 AM PST

Texas's decision to end the American Bar Association's authority to decide who can practice law there is casting doubts on the viability of the organization's accreditation wing in Republican-led states, with Florida and Ohio considering similar action.

Texas on Tuesday formally ended its decades-long relationship with the ABA, finalizing a new rule that shifts law school accreditation authority to the state's Supreme Court. Only the justices can decide which law schools are approved for the bar exam, though their list for now includes all of the schools accredited by the ABA and no others.

The ABA will continue to work with the Texas Supreme Court "to help preserve the portability of law school degrees throughout the country," Jenn Rosato Perea, managing director of the ABA Section of Legal Education and Admission to the Bar, said in a statement Wednesday.

The change in Texas and those contemplated by other GOP-led states follows conservative criticism of ABA's diversity and inclusion requirements that the Trump administration cited in threatening to pull the group's accrediting power nationwide last year. The ABA in February 2025 suspended enforcement of its diversity, equity, and inclusion mandate in the wake of pressure from conservatives, and later extended the moratorium until August of this year.

In Texas, justices initiated the split in April by requesting input on a potential breakup, with the feedback split between ending ties and maintaining them. Deans at eight of the state's 10 law schools said the relationship should continue.

Opening the test to graduates of non-ABA accredited schools is "likely to reverse decades of progress in measuring the excellence of legal education," the deans said in a June 28 letter.

If Texas implements new standards—and if other states follow suit—accreditation could become "an absolute mess," said Austen Parrish, Dean of UC Irvine School of Law and president of the Association of American Law Schools.

"If other states begin to do what Texas is doing the pressure at some point will be for them to create their own state standards," he said. "You'd have to comply with 50 state standards—and those might be conflicting."

Growing Movement

While Texas struck first in cutting off the ABA, Florida isn't far behind.

The justices in Tallahassee are weighing options developed by a committee formed to explore methods for ditching ABA accreditation as a requirement for taking the Florida bar exam.

One possibility is the California route—creating a state license issued to schools allowing those students to sit for the bar alongside students from ABA-accredited schools. Other possibilities include adopting apprenticeship models allowing work experience to replace law school, or joining an alternative-accreditation framework.

Republican leaders in the state, including Chief Justice Carlos G. Muñoz, have openly criticized the ABA. Some candidates vying for Ron DeSantis' (R) appointment to the state Supreme Court have said breaking with the national group should be a priority.

"We need to get Florida legal education out from under the yoke of the ABA," First District Court of Appeal Judge Adam Scott Tanenbaum said in December during his interview for the job.

Texas' move potentially paves the way for other states, raising questions about whether headaches are around the corner for schools who must meet multiple accreditation standards to give their graduates access to bar exams in every state, said D. Benjamin Barros, dean of Stetson University College of Law, Florida's oldest law school.

"I care that my students can take the bar in any jurisdiction, so if there are additional requirements in Texas" or another state, "we'll have to figure out how to jump through those hoops," he said.

In its new rule, the Texas Supreme Court says it "intends to preserve the portability of Texas law-school degrees into other states and to preserve the portability of out-of-state law-school degrees into Texas."

No additional action is required of schools currently accredited by the ABA to remain approved in Texas.

"If the worry is that increased regulation is bad for schools, then multiple overlapping regulations are also bad," Parrish said. "It's completely contradictory to a traditional conservative viewpoint."

New Competition

Texas' new rule opens the door to schools not currently accredited by the ABA that wish to be recognized by the state.

That state's Supreme Court declined comment Wednesday when asked for next steps in developing that process. Nahdiah Hoang, executive director of the Texas Board of Law Examiners, which will assist the court in the plan, also declined comment.

It's unclear if outside parties will get a say, "but if so, Purdue Global Law School would be delighted and honored to be involved," Martin Pritikin, the school's dean, said.

Purdue Global, an online school without ABA accreditation, urged Texas to end its reliance on the ABA in comments submitted to the court. A quality legal education can be delivered virtually at a fraction of the cost of traditional schools, Pritikin argued.

Ohio's look at law school accreditation authority began after Texas's and Florida's. State Supreme Court Justice Sharon L. Kennedy (R) last July formed a committee made up of law school deans, Republican lawmakers and staffers, and court personnel.

The news release announcing the committee didn't mention the ABA, and the court's administrative director said that its "responsibility to uphold the integrity and efficacy of the profession means constant reflection, research, and openness to innovation."

Paul Rose, dean of Case Western Reserve University Law School in Cleveland, said diversity and inclusion hasn't come up in the conversations he's had with state court leaders as something driving a potential change in Ohio.

"I expected that to come up more and it really hasn't," said Rose, who's not on the committee examining accreditation but meets quarterly with Kennedy and the deans of the state's eight other law schools.

Instead, conversations have surrounded the ABA's requirements. Meeting them can be burdensome, he said.

It's clear the state chief justice is serious about the potential for change, Rose said.

"We recognize the value of having an accreditation process," Rose said, "but at the same time I welcome the ABA reexamining some of its standards and whether those standards continue to apply."

(Updates story published Jan. 7 in fourth paragraph to note the ABA's suspension of its diversity rule.)

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Return of IPOs Could Be Bad for Private Equity: Allison Schrager

Jan. 8, 2026, 2:00AM PST

Summary by Bloomberg AI AI Generated



- IPOs seem poised for a comeback in 2026, with companies such as SpaceX, OpenAI and Anthropic going public, as well as many lesser-known technology firms.
- After years of low activity, as much as \$2.9 trillion worth of private companies are expected to go public this year, which would mark a departure from the 21st century's trend of fewer companies going public.
- The coming IPO boom could pose an existential risk to the private equity sector, as PE funds will get a market price for the companies they invested in and find out if the returns they've been promised will materialize.

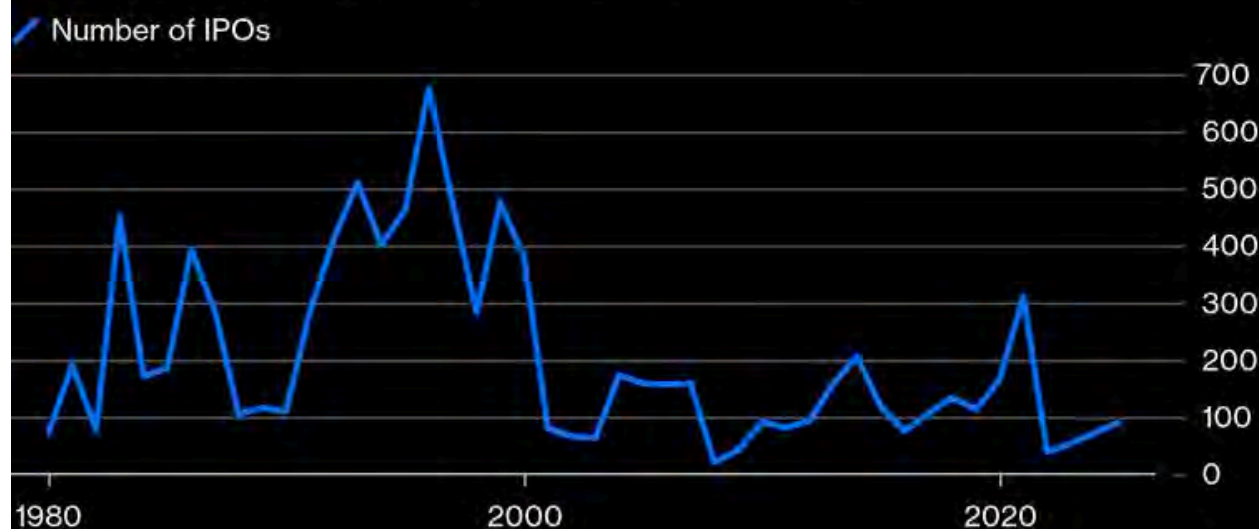
Going public used to be a sign that a company had made it. In the last decade or so, however, IPOs started to become a little ... cringe. That could change this year, as initial public offerings seem [poised for a comeback](#) – which in turn could provoke a long-overdue reckoning not only for tech optimism but also for private markets.

IPOs in 2026 could be big and splashy, such as SpaceX, OpenAI and Anthropic, as well as [smaller and quieter](#), with many lesser-known technology firms also filing. In some ways this is an encouraging sign. More IPOs suggest confidence in the market and the tech sector, and it's good for the economy when the best, fastest-growing companies are available to investors in the public markets. But there is also a less optimistic take.

After years of low activity, as much as [\\$2.9 trillion worth](#) of private companies are expected to go public this year. This would mark a departure from the 21st century's trend of fewer companies going public.

Could This Be a Banner Year for IPOs?

Wall Street is expecting more initial public offerings in 2026, although it is unlikely to see as many as it did in the dot-com era



Source: The IPO Institute, University of Florida

Note: Includes only IPOs with an offer price of at least \$5 and excludes ADRs, unit offers, SPACs, closed-end funds, REITs, natural resource limited partnerships, small best-efforts offers, banks and S&Ls, and stocks not listed on CRSP.

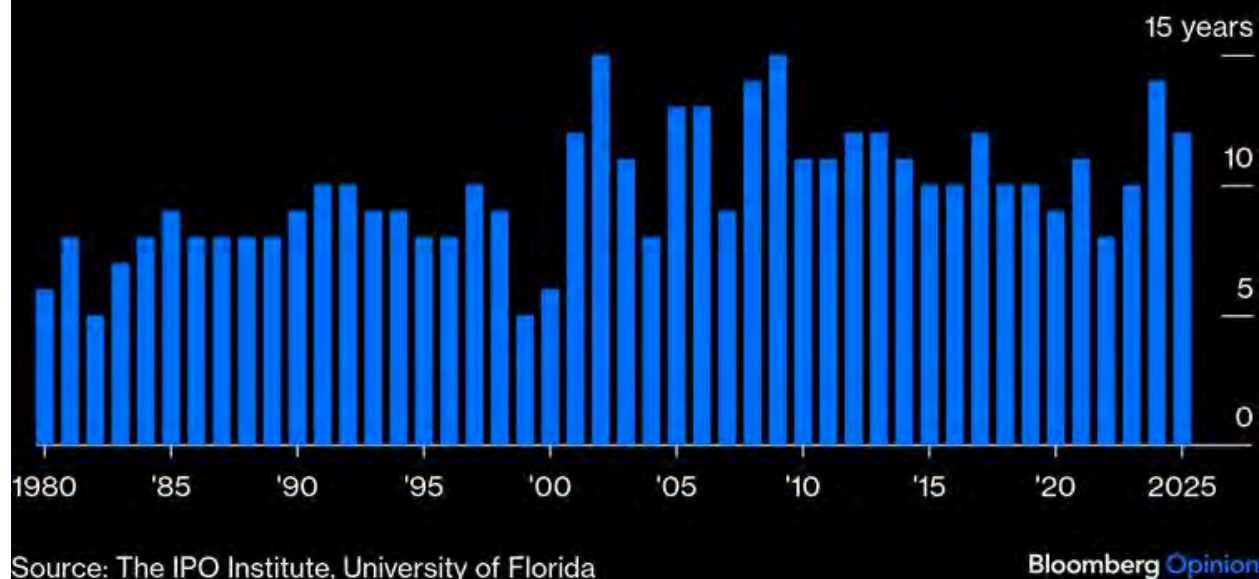
Bloomberg Opinion

There are several reasons for the decline of IPOs. Regulations such as 2002's Sarbanes-Oxley Act increased the costs of being a public company. Another possible explanation is that, in a technology-driven and more globally competitive environment, companies need to scale up faster. In that case, it makes more financial and strategic sense to be acquired rather than grow yourself. Another factor is the phenomenal growth of private markets, which are now worth more than \$16 trillion. Private equity assets alone have increased more than six-fold since 2004. These funds offer a ready form of capital without the regulatory burdens of being public.

Even considering these long-term trends, the last few years were an [exceptionally bad time for IPOs](#), as companies stayed private for longer or never bothered going public at all. But the reasons may be more cyclical than structural. Higher interest rates meant lower valuations and lower payouts, which may have further discouraged going public. 2025 was supposed to be a big year for IPOs, but uncertainty around rates and tariffs further discouraged new activity.

Waiting Longer to Go Public

The median age of a company filing for an initial public offering has increased since the dot-com era



Now 2026 promises lower short-term rates, even if higher long-term rates are here to stay. In either case, there is some pent-up demand for IPOs and an acceptance of a new rate environment.

There are also reasons to think this could be bigger than a cyclical resurgence in IPO activity. Private funds are under more pressure to start providing actual returns to their investors, such as pension funds that need to pay their benefits and endowments that now [face higher taxes](#). Private funds have been avoiding exits from some of their investments because of the uncertain economic and market environment. But the funds can hold out for only so long, especially as more investors demand cash. If faster exits start to become more common, the US could see more IPOs than there were in the 2010s, though a return to 1980s numbers is still unlikely.

The hope is that this year's 2026 IPO boom will signal a growing economy with great investment opportunities. Many of the expected IPOs are in fintech, health tech, digital assets and defense contracting.

But while many of these may be successful, most of the IPO filings are smaller companies. Marginal offerings with higher debt loads could falter in this investment environment. In addition, there is [increasing wariness](#) that many AI-driven tech companies have a viable business model. This raises questions about how excited (or not) investors will (or should) be about the chance to bet on AI.

But for the private equity sector, the coming IPO boom could pose an existential risk: For years, PE funds have been promising good returns on paper that they have never had to deliver. When some of the companies they invested in go public, they will get a market price, and PE investors will find out if the returns they've been promised will materialize. If they don't, the PE industry could face [a historic retrenchment](#).

Elsewhere in Bloomberg Opinion:

[Will OpenAI IPO? And Other Questions for 2026](#) : Dave Lee

[IPOs Are About the Future](#) : Matt Levine



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BlackSky Satellite SPAC Suit Settles In Del. For \$7.5M

By **Lauren Berg**

Law360 (January 7, 2026, 9:03 PM EST) -- Special purpose acquisition company Osprey and several of its top brass on Wednesday reached a \$7.5 million deal to resolve litigation in Delaware Chancery Court alleging they protected their buy-ins while leaving public investors to suffer losses following a merger with satellite imaging company BlackSky.

Osprey, a blank check company now called BlackSky Technology, denies any wrongdoing or liability, but agreed to pay \$7.5 million to resolve the **investor litigation** led by Patrick Plumley and Sravan Cheriya, according to the **settlement agreement**. Under the deal, insurers will pay the bulk of the bill, while BlackSky will pay \$100,000.

In November 2019, Osprey completed its initial public offering, which raised some \$316 million that was placed in a trust for its public stockholders, who had the right to redeem their shares at \$10 per share plus interest, according to the settlement.

Then, in February 2021, Osprey entered a \$1.5 million merger agreement with BlackSky, which uses satellite imagery for mapping and monitoring shipping, agricultural and military activity, among other things. In August of that year, redeeming shareholders received nearly \$215 million for their Osprey shares, the settlement states.

About a month later, Osprey shareholders voted to approve the merger, which closed on Sept. 9, 2021.

Special purpose acquisition companies, also known as SPACs or blank check companies, are shell entities that raise money in an initial public offering in order to purchase a private company and take it public.

Nearly a year after the merger, Dean Drulias filed a demand to inspect the new BlackSky entity's books and records, and received more than 300 pages in response. That led Drulias and Cheriya to initiate the litigation, alleging Osprey and BlackSky entered the deal to avoid the SPAC's liquidation in November 2021, which would have been required if Osprey had failed to close the business combination within 24 months of its 2019 IPO.

The suit alleges the merger was a "financial windfall" for the defendants. The day the merger closed, the founder shares were worth \$90 million, a 360,000% return on the Osprey defendant's initial investment, the suit claims.

However, since Sept. 6, 2021, Osprey's public stock lost about 85% of its value, according to the plaintiffs.

"Even valued at April 26, 2024's rock-bottom closing share price of \$1.26, the founder shares are worth over \$9.9 million, a return of over 39,000%," the suit states.

Osprey's shares were valued at \$10 in the merger agreement, but the plaintiffs allege there was less than \$7 in net cash underlying each share, making its August 2021 proxy statement filed in connection with the merger false or at least materially misleading.

The proxy statement also failed to disclose that a significant portion of BlackSky's projected revenue was not from "existing contracts and expected contract extensions and expansions," the suit states.

Following the merger, BlackSky's stock price rapidly plummeted, according to the suit. By Dec. 17, 2021, BlackSky's stock price had dropped below \$6 and continued to fall. On Feb. 22, 2022, BlackSky announced that it had failed to meet a \$40 million revenue projection for 2021 and that its actual yearly revenues were \$34.1 million — more than 35% lower than the projected revenue relied upon by the board in approving and recommending the merger, according to the suit.

Drulias was initially appointed lead plaintiff in the case, but while preparing for mediation, he determined he was not an adequate class representative and withdrew, according to the settlement. At that point, Cheriya and Plumley were appointed lead plaintiffs, the settlement states.

The parties reached an agreement in principle in September before filing the instant stipulation.

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

Plumley is represented by Kelly L. Tucker, Rebecca A. Musarra and Edward M. Lilly of Grant & Eisenhofer PA and Michael Klausner.

Cheriya is represented by Blake A. Bennett of Cooch & Taylor PA and Juan E. Monteverde, Miles D. Schreiner and Jonathan Lerner of Monteverde & Associates PC.

Osprey and some of its directors are represented by Kevin M. Coen and Jacob M. Perrone of Morris Nichols Arsht & Tunnell LLP and Douglas J. Pepe, Gila Singer and Jessica Scheriff of Zeiger Linden Roberti & Pepe LLC.

Other directors are represented by Brad Sorrels, Andrew D. Cordo and Lauren G. DeBona of Wilson Sonsini Goodrich & Rosati PC, Thomas Brad Davey of Potter Anderson & Corroon LLP, and Mark P. Gimbel and Robert C. Gianchetti of Covington & Burling LLP.

The case is In Re: BlackSky Technology Inc. Stockholders Litigation, case number 2024-0478, in the Court of Chancery of the State of Delaware.

--Additional reporting by Sydney Price. Editing by Alanna Weissman.



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Detroit Pension Fund Wins 'Close' Call To Lead Investor Suit

By **Emilie Ruscoe**

Law360 (January 7, 2026, 1:54 PM EST) -- A Detroit pension fund should lead a proposed shareholder class action against MoonLake Immunotherapeutics, though a competing bid by a France-based lab worker and screenwriter alleges a "marginally larger" investment loss, a Manhattan federal judge has determined.

In a Tuesday order, U.S. District Judge Lewis A. Kaplan granted the lead plaintiff bid of the City of Detroit General Retirement System, finding that the institutional investors' qualifications to lead the suit outweighed the slightly larger claimed loss of individual investor Yoann Kimfoko.

"As a general matter, the balance is close," Judge Kaplan said Tuesday, noting that in such circumstances, the Private Securities Litigation Reform Act's presumptive nod in favor of the contestant with the largest financial interest — here, Kimfoko — has significant weight.

Loss charts filed with the parties' lead plaintiff bids show that Kimfoko's alleged losses of over \$383,000 came in about \$21,000 above the pension fund's claimed losses of nearly \$363,000, which the Detroit pension fund pointed out in a Monday filing is a difference of less than 6%.

Despite the pension fund's lower alleged losses, Judge Kaplan said, it has prior experience as a lead plaintiff in securities class actions and is supervised by a board of trustees and an investment committee.

By contrast, the court said, "there is no reason to suppose that [Kimfoko] has had any relevant previous experience interacting with, let alone supervising, American counsel in American litigation," noting the investor lives in France, works for a laboratory that analyzes milk samples and founded a film production company.

Kimfoko's business experience doesn't "give comfort that he would be remotely as well equipped as Detroit GRS to fulfill the role of lead plaintiff," Judge Kaplan said Tuesday.

The newly appointed lead plaintiff, which is represented by Abraham Fruchter & Twersky LLP, will represent a proposed class of investors in claims launched in October.

The suit alleges that Swiss clinical-stage biotechnology company MoonLake mischaracterized its sole drug candidate's prospects for demonstrating competitive efficacy in a study comparing its therapy to an existing treatment for the same condition.

In September, the suit states, MoonLake disclosed that its drug candidate, sonelokimab, didn't prove superior to Union Chimique Belge's Bimzelx for the treatment of certain inflammatory diseases such as the skin disorder hidradenitis suppurativa.

Following that disclosure, the suit alleges, trading prices for MoonLake shares fell nearly 90%, from nearly \$62 to just over \$6, hurting investors.

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

The City of Detroit General Retirement System is represented by Lawrence D. Levit, Mitchell M.Z. Twersky, Atara Twersky, and Dylan A. Berger of Abraham Fruchter & Twersky LLP.

Kinfoko is represented by Javier Bleichmar, Ross Shikowitz, Evan A. Kubota and Adam C. McCall of Bleichmar Fonti & Auld LLP.

The case is Peters v. MoonLake Immunotherapeutics et al, case number 1:25-cv-08612, in the U.S. District Court for the Southern District of New York.

--Editing by Alex Hubbard.

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Kaplan Fox Remains Lead In Securities Suit After Ex-Client DQ

By **Sydney Price**

Law360 (January 7, 2026, 4:28 PM EST) -- Kaplan Fox & Kilsheimer LLP will continue leading a putative securities class action against Spectrum Pharmaceuticals after a previously appointed lead plaintiff was removed from the case for allegedly going behind his lawyers' backs to push his own settlement plan and unrelated conspiracy theories.

According to the order signed by U.S. District Judge Valerie Caproni on Tuesday, Kaplan Fox client Nizar Sami Ayoub has been approved as the suit's new lead plaintiff following the **judge's order terminating** Steven B. Christiansen from the role in August.

Ayoub, who alleged approximately \$61,000 in losses during the proposed class period, beat a competing bid from Steven Dunkleberger, a Block & Leviton LLP client who alleged approximately \$18,000 in losses.

The order also notes that Dunkleberger alleged Ayoub should be disqualified from representing the suit, because he "aligned himself with the now-disqualified Mr. Christiansen," but Judge Caproni disagreed with Dunkleberger's reasoning.

"The Court has made no secret of its view that Mr. Christiansen's conduct over the course of this case has been problematic," the order states. "The Court declines, however, to impute its concerns about Mr. Christiansen to Mr. Ayoub."

Christiansen, who was also represented by Kaplan Fox in the suit, filed a notice with the court in October that he is proceeding pro se in the lawsuit.

The consolidated proposed class action accuses Spectrum of unlawfully representing that its cancer treatment drug was successful while knowing it was not, allegedly causing share prices to drop by more than 37% when news broke that the U.S. Food and Drug Administration had concerns over the results of clinical trials.

But in an unusual moment, Christiansen was accused by Spectrum of sending "multiple emails to a third-party investor relations consulting firm that provides consulting services to Spectrum's parent company, Assertio Holdings, discussing this action."

Spectrum alleged that Christiansen had "characterized confidential settlement communications between the parties during mediation" and pushed for a private "phone conference" so he could strike his own settlement deal on behalf of himself and a group he runs called the Columbine Commission.

Purportedly modeled after the Warren Commission set up to investigate the assassination of President John F. Kennedy, the Columbine Commission allegedly focuses on uncovering what members believe is a conspiracy to "hide the truth" behind the 1999 mass shooting at Columbine High School in Littleton, Colorado, according to Spectrum's motion to disqualify Christiansen.

Spectrum notified Christiansen's Kaplan Fox lawyers about his communications with the consultant, and the plaintiffs' counsel responded that Christiansen told them he had not "communicated settlement negotiation details with any other third parties" and "promise[d] that he would not communicate about the case to anyone other than his attorneys," the judge noted in the August

opinion dismissing Christiansen from leading the suit.

In February, Christiansen filed a pro se letter to the court — without input from counsel — "detailing various conspiracy theories about the Columbine High School shooting, defending his right to engage in settlement discussions directly with Assertio, and accusing defendants' counsel of abridging his First Amendment rights," Judge Caprioni said.

The judge also noted in her August opinion that Christiansen's focus on the Columbine Commission indicates a conflict.

"The fact that Christiansen has repeatedly invoked his belief in conspiracy theories — first in his communications with [the consulting firm] and then in his letter to the court — suggests that his interest in this case is driven, at least in part, by a desire to further his personal convictions," Judge Caprioni said, finding his "insistence of discussing them" to be in conflict with the larger class' interests.

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

The proposed class is represented by Jeffrey P. Campisi and Jennifer Ligansky of Kaplan Fox & Kilsheimer LLP.

Spectrum Pharmaceuticals and the individual defendants are represented by James J. Beha II, John B. Lawrence, Kevin M. Sadler, Eric R. DuPont and Scott Powers of Baker Botts LLP.

The case is Christiansen et al. v. Spectrum Pharmaceuticals Inc. et al., case number 1:22-cv-10292, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Emily Sawicki. Editing by Nicole Bleier.

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ISS Asks Judge Not To Stall Ruling On Texas ESG Law

By **Jessica Corso**

Law360 (January 7, 2026, 8:04 PM EST) -- Institutional Shareholder Services Inc. is pushing back on Texas' request to delay a ruling on the constitutionality of a law requiring proxy advisory firms to disclose when voting recommendations are based on environmental, social or governance factors, arguing that the state hasn't shown how additional discovery "will make any difference" to the case.

ISS filed a motion in Texas federal court Tuesday opposing the Lone Star State's request to conduct further discovery into the company's practices for issuing voting recommendations to institutional investors.

The state, alongside intervenors the Texas Stock Exchange and the Texas Association of Business, asks that a ruling on summary judgment be delayed until the documents are produced.

However, ISS responded that the defendants "have not shown that anything they seek through further discovery will make any difference" to their case.

"Defendants have pinned their case on claiming that ISS is engaged in 'fraud,' and even that theory has dramatically shifted," the advisory firm told U.S. District Judge Alan D. Albright. "And the 18 documents intervenors grasp at as 'evidence' of 'fraud' show nothing of the sort; they reflect at most that ISS expressed views defendants dislike."

The Texas attorney general's office didn't immediately respond to a request for comment Wednesday.

The ISS case is scheduled for a trial next month, as is a separate case filed by fellow proxy advisory firm Glass Lewis. Texas has asked that a decision in the Glass Lewis case also be postponed.

Like ISS, Glass Lewis also is seeking summary judgment in the matter, but Texas has asked that a decision on that request be postponed for additional discovery. Glass Lewis pushed back on that request last month, telling Judge Albright that the state's "requested discovery is immaterial, and the court can decide Glass Lewis' motion now."

The two firms, which own the vast majority of the market for proxy voting advice, sued Texas after Gov. Greg Abbott signed Senate Bill 2337 into law last year.

The law mandates that proxy advisory firms report when they've considered non-financial factors when advising their clients how to vote on corporate ballots, according to a summary of the bill posted to the Texas Legislature's website. That includes ESG factors such as diversity and inclusion in hiring.

Texas told the court in a motion to dismiss filed last August that the law is aimed at protecting shareholders who pay for proxy advice by ensuring that "the advice given will be in their financial interest."

ISS and Glass Lewis have both called the law unconstitutional, with ISS telling the court Tuesday that the law is an attempt to compel it "to parrot what the Texas Legislature would like ISS to say" in violation of the First Amendment.

The company says it has already produced over 16,000 documents in discovery and that defendants have failed to demonstrate how additional discovery "would create a dispute of material fact for summary judgment."

"The court should reject defendants' thinly-supported attempt to further prolong resolution of this case," ISS said.

Institutional Shareholder Services Inc. is represented by Jessica Ellsworth, David Foster, James Yates, Bruce Oakley, Lacy Brown, Michael West, Dana Raphael and J. Andrew Mackenzie of Hogan Lovells US LLP.

Glass Lewis & Co. LLC is represented by Bryce Callahan, Grant Martinez, Lily Hann and Jared LeBrun of Yetter Coleman LLP.

The Texas Office of the Attorney General is represented by Brent Webster, Ralph Molina, Austin Kinghorn, Kimberly Gdula and C. Lee Winkelman of the Texas Office of the Attorney General.

The Texas Stock Exchange and the Texas Association of Business are represented by Mark Rasmussen, Sidney Smith McClung, Timothy Villari, Noel Francisco and Brinton Lucas of Jones Day.

The cases are Institutional Shareholder Services Inc. v. Paxton and Glass, Lewis & Co., LLC v. Paxton, case numbers 1:25-cv-01160 and 1:25-cv-01153, in the U.S. District Court for the Western District of Texas.

--Additional reporting by Spencer Brewer. Editing by Drashti Mehta.

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Objector To PACER Overcharge Settlement Faces Uphill Battle

By **Emily Sawicki**

Law360 (January 7, 2026, 4:07 PM EST) -- An objector to a \$125 million settlement to end class claims alleging the federal government overcharged nonprofits and other lawyers to access court documents faced a skeptical Federal Circuit panel Wednesday, with judges indicating they had not found legal errors in the district court's approval of the deal.

At the Wednesday arguments, judges told objector Eric Alan Isaacson that his problems with the terms of the settlement seemed more like discontent with the outcome than a solid legal argument against the court's decision-making in the matter.

Isaacson is fighting to undo a settlement U.S. District Judge Paul L. Friedman **approved** in March 2024, under which each class member would receive up to \$350 for PACER fees paid between April 21, 2010, and May 31, 2018, with those who paid more receiving an additional pro rata share of the remaining settlement pot.

The settlement terms also set aside \$1 million to cover notice and settlement administration costs, nearly \$30,000 for litigation expenses and \$10,000 for each class representative, plus an overall 20% of the settlement fund for attorney fees and costs, with the majority going toward appellate boutique Gupta Wessler LLP and plaintiffs litigation firm Motley Rice LLC.

The way that attorney fees and costs were carved out and the funds set aside for named plaintiffs form the basis for **Isaacson's objection**.

Federal Circuit precedent established in 2023's **Health Republic Ins. Co. v. United States**  "indicates that the district court should act as a fiduciary for the class and should not start with the request the class representatives are making," Isaacson said at the Wednesday hearing.

Circuit Judge Todd M. Hughes called the idea of judges reviewing all records to come up with their own fee amounts "impractical." Rather, Judge Hughes said, Health Republic requires district courts independently review attorney fee requests, which was done in this case.

Isaacson argued that there must be "very good reasons" for attorneys to request fees in excess of the lodestar amount, which is a method for calculating attorney fees based on hours worked at reasonable fees, while taking risk into account.

"The law doesn't require that it start with the lodestar," U.S. District Judge Beth Freeman said, noting that under Rule 23 of the Federal Rules of Civil Procedure it is permissible to start with a percentage and then perform a lodestar cross-check.

That is allowable, Isaacson agreed. However, the lawyer argued, class counsel was "settling for a fraction of the damages" and avoiding the risk of trial, and therefore should not collect additional fees.

"I don't recall a case that said that fees should be reduced because it came in the context of a settlement versus a verdict," Judge Freeman told Isaacson.

Class counsel Deepak Gupta told the panel he believed Isaacson misunderstood the precedent set in Health Republic.

"I think it's hard to read Judge Friedman's opinion and not come away from the conclusion that this is a district judge who took the responsibility to act as a fiduciary very seriously, and, you know, didn't even rely on our expert reports to come to the conclusion about the comparators," Gupta said. "He did his own analysis and found relevant comparators."

Alexis Daniel, representing the Justice Department, also defended the settlement and plaintiffs' attorney fee allocation, stating the method used by the court was widely accepted. Daniel also agreed with Gupta that Rule 23 permits incentive awards to named class members.

Judge Hughes pushed Daniel on that matter, asking whether it was her personal view that so-called service awards are permissible in class settlements, or whether that was the stance of the solicitor general.

"I believe it is our view that the service awards are permissible in this case, and particularly reasonable in this case," Daniel said.

"That's a very careful answer," Judge Hughes replied.

Daniel answered that she had "no reason to believe" the solicitor general would think differently.

Twice during oral argument, Judge Hughes said Isaacson's objection to class representatives' incentives was being "teed up" to go before the Supreme Court. Gupta agreed, calling it the "elephant in the room."

Judges Alan D. Lourie and Todd M. Hughes sat on the panel for the Federal Circuit, with U.S. District Judge Beth Labson Freeman of the Northern District of California sitting by designation.

Eric A. Isaacson represented himself.

The class is represented by Deepak Gupta of Gupta Wessler LLP.

The government is represented by Alexis M. Daniel of the U.S. Department of Justice's Civil Division.

The trial court case is National Veterans Legal Services Program et al. v. U.S., case number 1:16-cv-00745, in the U.S. District Court for the District of Columbia.

--Additional reporting by Ali Sullivan. Editing by Kelly Duncan.



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BNP Can't Undo \$21M Verdict In Sudan Refugee Case

By **Pete Brush**

Law360, New York (January 7, 2026, 3:28 PM EST) -- A Manhattan federal judge granted final judgment Wednesday against BNP Paribas for its alleged role bankrolling atrocities against plaintiffs who fled Sudan amid human rights abuses, declining to trim a \$21 million bellwether verdict.

Denying a **raft of** post-trial motions lodged by the bank, U.S. District Judge Alvin K. Hellerstein held that the October **verdict in favor** of three plaintiffs who went to trial as part of a 23,000-member class was not excessive, that the bank properly faced liability under governing Swiss law and that evidence at the two-month trial amply supported their claims.

"I will grant final judgment in line with the jury's verdict, and you all can be on your way," Judge Hellerstein said after a three-hour argument session. "This appeal should be done as expeditiously as possible."

BNP Paribas does not dispute that the plaintiffs and untold thousands of others in Sudan's Darfur region experienced "horrific abuse" between roughly 1997 and 2011, **but it argued** it isn't responsible.

The case will now head to the Second Circuit for an appeal, after which more plaintiffs in the large class may proceed to trial.

Americans of Sudanese heritage filed suit in 2016, after the bank **pled guilty** to knowingly allowing Sudan to access the global banking system despite U.S. economic sanctions on Sudan's then-Islamist regime.

Plaintiffs — three of whom, Abulgasim Abdalla, Entesar Osman Kashef and Turjuman Adam, prevailed at trial — asserted the bank is complicit and can be held liable for abuses including murder, rape and destruction of property.

"Plaintiffs are happy with today's results and eager and confident to move to the appeal stage of the case," co-lead plaintiffs' counsel Kathryn "Lee" Boyd told Law360 after Wednesday's hearing.

Counsel for the bank indicated in court they will challenge the verdict and Judge Hellerstein's legal conclusions on appeal. BNP in an evening statement said that it is "fully confident in a favorable outcome" on appeal.

Judge Hellerstein said trial evidence showed not only that BNP Paribas knew money it pumped into Sudan was funding abuses, but also that the bank's actions made "unspeakable" atrocities worse.

"It enabled the government of Sudan to carry on the war in Darfur," the judge said. "There is no question that the bank knew what was going on."

The judge cited experts, internal documents, the victims' harrowing testimony and evidence that the bank sought to keep its name from appearing on certain Sudan-related dollar transactions via a practice he referred to as "wire-stripping."

Judge Hellerstein said there was ample evidence for the jury to find that the bank's actions allowed the brutal former regime of Islamist dictator Omar al-Bashir to purchase military trucks and weaponry.

In a legal victory for the bank, the judge declined to tack interest onto the verdict as the clock ticks on legal proceedings to come.

The plaintiffs are represented by attorneys including co-lead class counsel Kathryn "Lee" Boyd of Hecht Partners LLP and Michael D. Hausfeld of Hausfeld LLP.

The bank is represented by Barry H. Berke, Dani R. James, Michael Martinez, Matt Benjamin and David P. Salant of Gibson Dunn & Crutcher LLP, and Carmine D. Boccuzzi Jr. and Abena Mainoo of Cleary Gottlieb Steen & Hamilton LLP.

The case is Kashef et al. v. BNP Paribas et al., case number 1:16-cv-03228, in the U.S. District Court for the Southern District of New York.

--Editing by Lakshna Mehta.

Update: This story has been updated with comment from BNP Paribas

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