Securities

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# Oracle Is Sued Over Disclosures Tied to 2025 Bond Offering (2)

Jan. 15, 2026, 9:32 AM PST


## Summary by Bloomberg AI

AI Generated

- Oracle Corp. was sued by bondholders who claim the company failed to disclose plans to raise more debt when it borrowed $18 billion in a corporate bond offering.
- The lawsuit claims that Oracle didn't tell investors it needed to raise a "significant amount of additional debt" to finance its artificial intelligence infrastructure, which made the bonds' creditworthiness questionable.
- The bondholders, including the Ohio Carpenters' Pension Plan, suffered significant financial losses and damages, with paper losses totaling more than $1.1 billion across six-tranches as of Thursday.


Oracle Corp. was sued by bondholders who claim that the database giant failed to disclose plans to raise more debt when it borrowed $18 billion in one of 2025's largest corporate bond offerings.

The Ohio Carpenters' Pension Plan, which was among bondholders that bought bonds issued in September, claims that Oracle didn't tell investors that it needed to raise a "significant amount of additional debt" to finance its artificial intelligence infrastructure, according to a lawsuit filed in a New York state court Wednesday.

Several weeks after issuing the notes, Bloomberg reported that banks were also providing a $38 billion debt offering to help fund data centers in Texas and Wisconsin tied to Oracle. As a result of the additional debt, Oracle's bonds began to trade with yields and spreads similar to lower-rated issuers as concerns about Oracle's credit risk grew.

"The offering documents were false and misleading and omitted to state that, at the time of the offering, Oracle was organizing to raise that additional debt, which would ultimately bring the creditworthiness of these bonds into question," according to the lawsuit.

The lawsuit underscores the disputes that can arise as big tech companies gear up to invest trillions of dollars in artificial intelligence infrastructure and borrow heavily to fund those investments. Paper losses for investors that bought the high-grade notes in September totals more than $1.1 billion across six-tranches as of Thursday, according to Bloomberg News analysis.

"This is a timely case, and we look forward to pursuing this lawsuit on behalf of investors who suffered significant financial losses and damages," David Scott, a lawyer at the firm representing the bondholders, said in an emailed statement.

Oracle Chairman and founder Larry Ellison and Wall street banks that managed the bond sale, including Bank of America Corp., Citigroup Inc., Deutsche Bank AG., Goldman Sachs Group Inc., HSBC Holdings Plc and JPMorgan Chase & Co., are also named in the lawsuit.

Oracle and the banks all declined to comment on the lawsuit.

Oracle is involved in a massive data center build-out to power AI work for OpenAI and has taken out significant sums of debt and committed to leasing multiple data center sites. The company said last month that it now expects capital expenditures will reach about $50 billion in the fiscal year ending in May 2026 – a $15 billion increase from its September forecast.

Oracle has about $95 billion of debt outstanding, making it the biggest corporate issuer outside the financial sector in the Bloomberg high-grade index. As Oracle debt swelled and Wall Street raised concerns of an artificial intelligence bubble, investors rushed to buy credit default swaps tied to Oracle, which by December pushed the prices on some of the derivatives to the highest since the Global Financial Crisis.

Read more: A Hedge Against AI Crash Emerges as Oracle CDS Market Explodes

(Adds lawyer comment in sixth paragraph. A previous version was corrected to remove extraneous language.)

--With assistance from **Michael Gambale**, **Ying Luthra** and Chris Dolmetsch.

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Anthony Aarons

# Oracle sued by bondholders over losses tied to AI buildout

reuters.com/sustainability/boards-policy-regulation/oracle-sued-by-bondholders-over-losses-tied-ai-buildout-2026-01-14

Reuters January 14, 2026

Larry Ellison speaks during his keynote address at Oracle OpenWorld in San Francisco, California September 30, 2014. REUTERS/Robert Galbraith/File Photo
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(ORCL.N) , opens new tab was sued on Wednesday by bondholders who say they suffered losses because the company chaired by billionaire Larry Ellison failed to disclose it needed to sell significant additional debt to build out its artificial intelligence infrastructure.

The proposed class action was filed in a New York state court in Manhattan on behalf of investors who bought $18 billion of notes and bonds that Oracle issued on Sept. 25, two weeks after Oracle announced a $300 billion, five-year contract to supply OpenAI with computing power.

These investors said they were blindsided when Oracle returned to the capital markets seven weeks later to obtain $38 billion of loans to fund two data centers to support the OpenAI agreement.

"The bond market's reaction to Oracle's additional debt was swift and bracing," the bondholders said, as their own debt fell in value and began trading at yields and spreads comparable to debt from lower-rated companies because of the perceived higher credit risk. Oracle's notes and bonds carried low investment grades.

Bondholders led by the Ohio Carpenters' Pension Plan said statements in offering documents for their bonds that Oracle "may" need to borrow more were false and misleading, because the company was already planning to do so.

The bondholders said Oracle, Ellison, former Chief Executive Safra Catz, Chief Accounting Officer Maria Smith and 16 underwriting banks are strictly liable under the federal Securities Act of 1933 for those statements, and should pay unspecified damages.

Oracle declined to comment. Lawyers for the bondholders did not immediately respond to requests for comment.

Oracle ended November with about $108 billion of outstanding notes and other borrowings.

The company's shares were down 5% in afternoon trading on the New York Stock Exchange.

Reporting by Jonathan Stempel in New York; Additional reporting by Stephen Nellis in San Francisco; Editing by Nick Zieminski

Securities

# Credit Suisse Investors May Stop US Case From Being Tossed (1)

Jan. 14, 2026, 10:07 AM PST; Updated: Jan. 14, 2026, 12:05 PM PST

Most questioning favored Credit Suisse Group AG investors at oral argument Wednesday in their appeal seeking to keep some Credit Suisse units, former leadership of the defunct bank, and auditor KPMG LLP in court in the US.

The district court's reasoning in the first step of its decision to send the proposed class action to Switzerland was "wrong," Judge Guido Calabresi said in the parties' argument before the US Court of Appeals for the Second Circuit.

Even though the claims are under Swiss law, the investors have a right to their choice of forum, which is federal court in New York, the investors' attorney said in response to prompting from Calabresi.

Only about 10% of potential class members are in the US, an attorney for the Credit Suisse defendants, Jason Hall, told the court. "This case could not be more Swiss."

But "that's not the plaintiffs' complaint," said Calabresi. They alleged "New York actions by a New York bank."

The investors are seeking to have the decision vacated and the case sent back to the lower court.

The consolidated proposed class suits, filed by Credit Suisse shareholders Gregory Stevenson and Nicole Lawtone-Bowles, sought $120 billion in potential damages and pointed to numerous "scandals" to allege the companies' actions contributed to Credit Suisse's collapse on March 17, 2023. The Swiss bank's stock plunged to $2.01 per share that day—down more than 94% from when it first traded on October 22, 2013. It was acquired by another Swiss bank, UBS Group AG.

The investors alleged Credit Suisse directors and officers and KPMG worked together to "recklessly" mismanage investments and "plunder" the bank for more than a decade in violation of the Racketeer Influenced and Corrupt Organizations Act. The shareholders also asserted claims under the Swiss Code of Obligations.

Judge Colleen McMahon of the US District Court for the Southern District of New York dismissed the RICO claims with finality in February 2024. She also dismissed the Swiss claims on grounds that the New York forum wasn't convenient, but allowed them to be re-filed in Switzerland.

The investors appealed McMahon's dismissal of the Swiss law claims. "New York was the epicenter of Credit Suisse's decades-long mismanagement that led to its collapse," they said in a brief to the Second Circuit. And the Swiss legal system requires plaintiffs to post bonds in proportion to the damages sought, making this high-stakes suit too expensive pursue, they said.

But the defendants argued in a brief that the investors "come nowhere close to establishing that the District Court abused its discretion in dismissing their Swiss law claim." Stevenson and Lawtone-Bowles merely "quibble" with aspects of the decision, they said.

Calabresi, the main questioner on a panel that also included Judges Reena Raggi and Eunice C. Lee, didn't treat the grounds for appeal as a "quibble."

McMahon said the investors were improperly "forum-shopping" because the allegations were similar to a case in New York state court that was previously dismissed, according to Calabresi. But the prior case was a derivative suit that the state court judge dismissed as essentially having a Swiss plaintiff, he said to Hall, of Cahill Gordon & Reindel LLP. "To use that as a basis in this case is incorrect," he said.

The investors' attorney also received some probing questions, particularly about the New York connections alleged in the complaint. Was the district court judge misled on the issue or was she correct? "It's a question of where we defer," and of "how much New York" was in the case, Calabresi said.

Calabresi also said he was concerned that the investors' argument that Switzerland wasn't a good forum "looks like forum-shopping."

Bottini & Bottini Inc. represents the investors. Latham & Watkins LLP represents KPMG. Cahill Gordon & Reindel represents the Credit Suisse entities and a number of individual defendants. Ballard Spahr LLP represents additional individual defendants. Brown Rudnick LLP represents individual defendant Jeffrey Wada.

The case is Stevenson v. Thornburgh, 2d Cir., No. 24-1788, argument 1/14/26 .

(Adds additional details from the arguments.)

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Securities

# CrowdStrike Beats Investor Suit Over Massive Software Outage (1)

Jan. 14, 2026, 6:10 AM PST; Updated: Jan. 14, 2026, 8:13 AM PST

CrowdStrike Holdings Inc. and its top leaders defeated allegations they misled investors before a glitch in its Falcon cybersecurity software platform caused shutdowns globally in the summer of 2024.

The proposed class action complaint failed to sufficiently allege the executives had a motive to mislead investors or were severely reckless in not knowing their statements were false or misleading to support securities fraud claims, Judge Robert Pitman said, dismissing the suit in an order entered Tuesday.

The allegation CEO George Kurtz and President Michael Sentonas created a culture at the cybersecurity company of prioritizing speed to maximize profits didn't support a proper inference of motive, the US District Court for the Western District of Texas judge said.

Claims the duo knew, or were reckless in not knowing, statements about CrowdStrike's testing of software updates like the one that spurred the global meltdown were misleading paled in comparison to a non-fraudulent inference, Pitman said. The suit, led by the New York State Comptroller's Office, said the executives repeatedly touting its testing processes and claimed to have "learned their lesson" from when they worked at McAfee Corp., among other points, to support the plaintiffs' pleading.

CrowdStrike, which provides software to protect businesses from ransomware attacks, pushed an update to its Falcon platform in July 2024 that led to system failures around the world, halting operations of clients from financial institutions to hospitals that led to canceled flights and delayed health-care procedures. The faulty update affected 8.5 million devices globally that relied on the Microsoft Windows operating system.

Crowdstrike's stock price plummeted multiple days as news tied to the outages rolled out, and investors subsequently sued.

New York State Comptroller Thomas P. DiNapoli didn't sufficiently plead most challenged statements about testing, a quality assurance team, and software updates were false or misleading, Pitman said. The judge chastised the complaint—employing bold type for emphasis—for removing certain statements from their context, calling one instance "**borderline sanctionable**" for alleging the company misrepresented keeping a quality assurance team that helped test software updates when "CrowdStrike **never** told investors that it had a quality assurance team that assisted with software updates."

**Federal Compliance**

DiNapoli did adequately plead two statements about the cybersecurity company's federal compliance were misleading, Pitman said. CrowdStrike didn't have a separate quality assurance team as required under the regulatory requirements which it had certified it was meeting, DiNapoli said.

"We appreciate the Court's thoughtful consideration and decision to dismiss this case," Cathleen Anderson, Chief Legal Officer at CrowdStrike, said in an emailed statement.

DiNapoli, suing in his capacity as the administrative head of the New York State and Local Retirement System, can ask to re-plead on or by Jan. 26. His office said the court's decision is under review.

The proposed class would include those who got CrowdStrike stock from Sept. 20, 2022, through July 30, 2024.

Bernstein Litowitz Berger & Grossmann LLP is DiNapoli's lead counsel. Kirkland & Ellis LLP and Texas-based Scott Douglass & McConnico LLP represent CrowdStrike and the executives.

The case is In re CrowdStrike Holdings, Inc. Sec. Litig. , W.D. Tex., No. 1:24-cv-00857, order docketed 1/13/26 .

(Updates with additional reporting throughout.)

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# CrowdStrike defeats shareholder lawsuit over huge software outage

**reuters.com**/legal/government/crowdstrike-defeats-shareholder-lawsuit-over-huge-software-outage-2026-01-14

Jonathan Stempel January 14, 2026

CrowdStrike logo is seen in this illustration taken July 29, 2024. REUTERS/Dado Ruvic/Illustration/File Photo Purchase Licensing Rights, opens new tab

- Outage crashed 8 million computers, hurt Delta
- Shareholders say CrowdStrike prioritized speed, profit
- Judge finds no intent to defraud
- New York pension fund reviewing decision

Jan 14 (Reuters) - A federal judge dismissed a lawsuit by CrowdStrike (CRWD.O) , opens new tab shareholders who said the cybersecurity company defrauded them by concealing its inadequate software testing and quality assurance procedures, before a July 2024 outage crashed more than 8 million Microsoft (MSFT.O) , opens new tab Windows-based computers worldwide.

In a decision made public on Tuesday, U.S. District Judge Robert Pitman in Austin, Texas said shareholders failed to plausibly allege that a large number of statements by CrowdStrike and top executives in regulatory filings, on earnings calls and on the company's website were materially false and misleading, or motivated by an intent to defraud.

Led by New York State Comptroller Thomas DiNapoli, the shareholders alleged that CrowdStrike had "no test plans and no quality assurance team," citing former employees, and that executives at the Austin-based company prioritized "speed over everything else" to maximize profit.

But despite finding two questionable statements that concerned adherence to security requirements set by federal authorities including the Department of Defense, Pitman said the shareholders "failed to plausibly plead a strong inference of [intent to defraud] for the individual defendants or for CrowdStrike itself."

DiNapoli oversees the $291.4 billion New York State Common Retirement Fund, one of the largest U.S. public pension funds. Pitman said the comptroller can try to amend his complaint.

A spokesman for DiNapoli said on Wednesday that the decision is "under review." Cathleen Anderson, CrowdStrike's chief legal officer, said "we appreciate the court's thoughtful consideration and decision to dismiss this case."

## DELTA, AIRLINE PASSENGERS ALSO SUED CROWDSTRIKE

A flawed update of CrowdStrike's Falcon software has been blamed for the July 19, 2024 outage, which disrupted airlines, banks, hospitals and 911 emergency lines.

CrowdStrike's share price fell 32% over the next 11 days, wiping out $25 billion of market value as the outage's effects became known.

Delta Air Lines (DAL.N) , opens new tab was particularly hard hit by the outage, saying it lost about $500 million and canceled more than 7,000 flights.

The carrier also sued CrowdStrike, and last May a Georgia state judge let Delta pursue most of its case.

Last June, Pitman dismissed a related lawsuit against CrowdStrike by airline passengers. They are appealing that decision to the federal appeals court in New Orleans.

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

Securities

# Wells Fargo $110 Million Investor Deal Gets First Court Nod (1)

Jan. 14, 2026, 9:02 AM PST; Updated: Jan. 14, 2026, 11:32 AM PST

Wells Fargo & Co. officers and directors' agreement to spend $100 million on mortgage assistance for low- and moderate-income borrowers earned a federal judge's initial blessing to settle a suit accusing them of corporate mismanagement through discriminatory hiring and lending practices.

The settlement's terms, which amounts to a $110 million value given a monetary influx from the directors' insurer, "confer substantial corporate benefits on Wells Fargo," Judge Trina L. Thompson said while preliminarily approving of deal.

The assistance fund "will improve Wells Fargo's reputation among prospective customers in the targeted communities," the US District Court for the Northern District of California judge said Tuesday. The $10 million consideration from the directors-and-officers insurer "will provide immediate recovery in the form of a cash payment to Wells Fargo."

The anticipated maximum of $27.5 million in shareholder attorneys' fees, litigation expenses, and investor service awards fell in line with a US Court of Appeals for the Ninth Circuit's 25% benchmark, Thomson said, but she'll decide the reasonableness of the award during final approval.

The shareholder derivative lawsuit plausibly alleged the San Francisco-based bank's board failed to have a committee or reporting protocol to monitor fairness in its home mortgage lending practice, Thompson had said while partially letting the suit proceed on this and some claims related to representations of its hiring practices. The shareholders suing on behalf of the company alleged the current and former directors and some executives breached their fiduciary duties by falsely touting the bank's diversity hiring initiatives. Those breaches allegedly opened Wells Fargo to the costs of litigation and other expenses, including addressing criminal investigations, conducting internal investigations, and implementing changes in hiring and financial oversight.

The suit parallels allegations in an investor class action before the same judge that the San Francisco-based lender spoke favorably about its policy of considering a diverse slate of job candidates while instead conducting sham interviews with minority applicants. Thompson preliminarily approved an $85 million settlement in that case in November.

A lawsuit brought by Black and Hispanic Americans alleged Wells Fargo intentionally and disproportionately denied them loans, wrongly delayed applications, or offered minority applicants less favorable terms than extended to White borrowers. A different judge in this court denied class certification in that lawsuit last year.

The derivative suit parties announced a settlement in principle in September, seeking preliminary approval in October.

“We are pleased the Court granted preliminary approval of the settlement,” attorney Marlon Kimpson of Motley Rice LLP, which represents the shareholders, said in an email.

Bleichmar Fonti & Auld LLP and Cotchett, Pitre & McCarthy LLP also represent the investors. Sullivan & Cromwell LLP represents Wells Fargo. Willkie Farr & Gallagher LLP represents most of the directors and officers, and Cleary Gottlieb Steen & Hamilton LLP represents CEO Charles Scharf, who is also a director. None of these law firms nor Wells Fargo immediately responded to emails seeking comment.

The case is In re Wells Fargo & Co. Hiring Pracs. Deriv. Litig. , N.D. Cal., No. 3:22-cv-05173, 1/13/26 .

(Updates with comment from a shareholder attorney in ninth paragraph.)

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Securities

# Tricolor’s Bondholders Sue Trustee for Missing Alleged Fraud (3)

Jan. 14, 2026, 11:09 AM PST

Investors in bonds from Tricolor Holdings, a used car dealer and subprime lender that collapsed last year amid allegations of fraud, sued Wilmington Trust NA, the trustee for the securities, alleging the firm failed in key bond supervision duties.

The bondholders filed the suit in New York state court Tuesday. The filing came the same day that Tricolor founder **Daniel Chu** and former Chief Operating Officer David Goodgame pleaded not guilty to charges that they conspired to defraud lenders and investors.

The discovery last year of the alleged widespread fraud inside Tricolor’s book of subprime auto loans instantly sparked questions about how it had gone undetected. In asset backed securities like the ones Tricolor sold, investors largely rely on outside parties to perform key oversight and accounting roles in connection with underlying collateral.


Daniel Chu, left, departs federal court in New York on Jan. 13.
Photographer: Bing Guan/Bloomberg

"Wilmington utterly failed to fulfill this most-fundamental of tasks," bondholders say in the lawsuit. "It instead allowed rampant double-pledging of loans and delivery of fictitious collateral that should have been uncovered if somebody at Wilmington bothered to verify delivery and custody of the original loan documents."

A spokesperson for Wilmington said the company "strongly" disagrees with the allegations in the lawsuit and looks forward to "setting the record straight in court."

Tricolor filed for bankruptcy in September after shutting down more than 60 locations across Texas and the US Southwest.

Read More: Tricolor's Excel Guy Failed to Fix Numbers in Alleged Fraud

Wilmington Trust should have caught the fraud by verifying that Tricolor had properly delivered loan documents needed to protect noteholders, according to the lawsuit. That failure led to more than $675 million in loans that either did not exist, or involved double-pledged collateral, the lawsuit claims.

"Had Wilmington diligently performed its custodial duties, it would have uncovered Tricolor's failure to deliver the original loan documentation," the lawsuit alleges. "Unfortunately for plaintiffs, Wilmington was asleep at the wheel."

**Investment Firms Sue**

The suits lists a number of investment firms as plaintiffs, including credit investors One William Street, Clear Haven and Ellington Management Group.

Tricolor's sudden downfall last year and the severity of the alleged fraud sparked soul-searching on Wall Street, leading to the creation of an anti-fraud task force and prompting bank CEOs like Jamie Dimon at JPMorgan Chase & Co. to speak out.

Tricolor's alleged fraud was first discovered last year after an analyst at investment firm Waterfall flagged irregularities in Tricolor's loans to JPMorgan, one of its largest bank lenders.

Scrutiny was particularly intense among investors in the market for asset-backed securities, which Tricolor tapped routinely to pay for a rapid expansion in its last several years of business. ABS have been trying to shed a perception of complexity and risk ever since the 2008 financial crisis, when widespread mortgage fraud led to many billions in losses on the securities.

Bondholders also sued Vervent, which following Tricolor's collapse took over the job of collecting borrowers' interest payments on car loans and distributing that money to bondholders. The suit accuses Vervent of failing to use reserve cash to make certain required interest payments to investors, which as a result meant that junior bondholders were largely cut off from remaining cashflow.

They also alleged that since Tricolor's collapse both Vervent and Wilmington failed to distribute tens of millions of dollars of cash collected from underlying loans or produce any payment reports.

A spokesperson at Vervent couldn't be immediately reached to comment.

(Adds Wilmington comment in fifth paragraph.)

--With assistance from **Steven Church** and Chris Dolmetsch.

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Anthony Aarons, Misyrlena Egkolfopoulou

Securities

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# Paramount Loses Bid to Get Warner Bros. Suit on Fast Track (2)

Jan. 15, 2026, 8:21 AM PST


## Summary by Bloomberg AI

AI Generated

- A judge refused to fast track Paramount Skydance Corp.'s lawsuit accusing directors of Warner Bros. Discovery Inc. of misleading investors about a buyout bid from Netflix Inc.
- Delaware Chancery Court Judge Morgan Zurn found Paramount's demands didn't meet legal tests for expediting a hearing into accusations Warner Bros.' board made erroneous disclosures about the deal.
- Paramount's suit aims to force out more details about the Netflix deal, with Paramount saying it wants Warner Bros. to correct misleading information about the deal before investors vote on it.


A judge refused to fast track Paramount Skydance Corp.'s lawsuit accusing directors of Warner Bros. Discovery Inc. of misleading investors about a more than $82.7 billion buyout bid from Netflix Inc.

Delaware Chancery Court Judge Morgan Zurn on Thursday found Paramount's demands didn't meet legal tests for expediting a hearing into accusations Warner Bros.' board made erroneous disclosures about the deal.

Zurn said the entertainment giant failed to show it would "suffer irreparable harm" by Warner Bros.' allegedly deficient disclosures. The judge explained that as a stockholder Paramount can't be harmed directly by a lack of disclosures since it won't be making any decision on its own tender offer.

Paramount's suit to force out more details about the Netflix deal – filed earlier this week – has ratcheted up a rancorous bidding war between the media conglomerate and the streaming giant that has jolted Hollywood and Wall Street. Paramount says it wants Warner Bros. to correct misleading information about the deal before investors vote on it.

Paramount has targeted Warner Bros. since October with multiple offers, including the current all-cash bid of $30 per share. Warner Bros. has rebuffed those overtures, backing Netflix's $27.75 stock-and-cash bid as superior.

“Today’s lawsuit by Paramount Skydance was yet another unserious attempt to distract and the judge saw right through it,” Warner Bros. said in a statement. “Despite its multiple opportunities, Paramount Skydance continues to propose a transaction that our board unanimously concluded is not superior to the merger agreement with Netflix.”

Warner Bros. has produced beloved film franchises from Batman to Harry Potter and is the home of HBO.

Read More: Netflix Weighs Amending Warner Bros. Bid to Make It All Cash

Paramount, which includes CBS among its properties, contends its offer has fewer risks and costs. Paramount Chairman **David Ellison** said in a letter to shareholders made public earlier this week that he would challenge the Netflix deal either at the regular Warner Bros. annual meeting or at a special meeting convened to approve the deal if one is set.

The case is Paramount v Zaslav, 2026-0044, Delaware Chancery Court (Wilmington).

(Updates with Warner Bros. comment.)

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Elizabeth Wasserman, Anthony Aarons

News | Litigation

# Vice Chancellor Zurn Denies Paramount's Motion to Expedite Delaware Litigation Against Warner Bros.

Because Paramount hasn't claimed the alleged disclosure violations have made it, as a Warner Bros. shareholder, lose the ability to make an informed decision or suffer any other cognizable injury, Vice Chancellor Morgan T. Zurn said, the motion to expedite can't be granted.

January 15, 2026 at 01:53 PM By Ellen Bardash

**Vice Chancellor Morgan T. Zurn of the Delaware Court of Chancery. Credit: Wikimedia Commons**

Vice Chancellor Morgan T. Zurn declined to expedite Paramount Skydance Corp.'s case against Warner Bros. Discovery Inc. at the end of a hearing Thursday morning, concluding Paramount hadn't shown expedition was necessary to prevent irreparable harm.

Counsel for Paramount, which claims Warner Bros. needs to disclose additional information about the valuation of certain Warner Bros. networks relevant to the differences in merger offers made by Paramount and Netflix, argued Warner Bros. has an obligation to make those disclosures as soon as possible because it has recommended that shareholders not accept Paramount's tender offer.

Zurn said Paramount, bringing its action individually, asserts other Warner Bros. shareholders are being misled, but that Delaware requires a plaintiff to show the harm the plaintiff itself would suffer. Because Paramount hasn't claimed the alleged disclosure violations have made it, as a Warner Bros. shareholder, lose the ability to make an informed decision or suffer any other cognizable injury, she said, the motion can't be granted.

"Paramount, as a Warner Bros. stockholder, is not making any decision based on Warner Bros.' recommendation on Paramount's own tender offer," Zurn said. "To state the obvious, Paramount already owns its Warner Bros. shares and does not need to make any decision whether to tender them to itself."

The hearing was held three days after Paramount filed its complaint and moved to expedite, proposing briefing on a motion for summary judgment be completed by Feb. 2. Warner Bros. responded to the motion on Wednesday, calling it premature and stating further activity in the case should wait until after Warner Bros. files a proxy on the Netflix merger agreement.

Michael Barlow of Quinn Emanuel Urquhart & Sullivan, arguing for Paramount, said Warner Bros.' stance that correcting the allegedly deficient disclosures was not an urgent matter was based on red herrings, including the arguments that Paramount has the ability to extend its tender offer and that the tender offer likely would not receive regulatory approval for up to 18 months. The fact that Paramount's offer isn't able to close now doesn't give Warner Bros. the ability to commit breaches of fiduciary duty now, he said.

"What the Warner Bros. board seeks to do is ignore the fact that there is a pending tender offer right now involving a contest that they admit for the control of the company," Barlow said. "They ask the court to put that aside right now, the disclosure violations that are occurring today, in favor of not deciding any of this until they have the opportunity to put before stockholders their preferred deal, the Netflix deal. That is exactly the kind of inequitable thumb on the scale that Delaware law rejects."

Ryan McLeod of Wachtell, Lipton, Rosen & Katz argued for Warner Bros. that Paramount's motion to expedite was an attempt to accelerate the disclosure timeline for Warner Bros. and push shareholders to say which offer they prefer at a time when Warner Bros. was only required to make a recommendation on whether or not to accept Paramount's tender offer.

"Paramount does not control the timing of that question, nor should it be able to," McLeod said. "The law should not allow a hostile acquirer who had every opportunity to participate in a fair, robust auction to circumvent the board's timeline in favor of its own and to force stockholders to pick between a negotiated merger and what Paramount itself has repeatedly said is not its best and final offer."

With the motion to expedite denied, Zurn asked the parties to identify next steps in the case. At the time of the hearing, Paramount's tender offer was set to expire on Jan. 21. Paramount has also indicated it intends to launch a hostile takeover bid when Warner Bros.' advance notice period opens in early February.

Bloomberg Law

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Securities

# RYVYL Shareholders' Corporate Reform Deal Gets Final Court Nod

Jan. 14, 2026, 10:52 AM PST

RYVYL Inc. stockholders' corporate governance reform settlement with certain executives and board members earned a federal judge's final approval to end allegations they lacked internal controls to prevent the blockchain payments company from overstating key financial metrics.

"The reforms' benefits are bolstered by the fact that RYVYL will implement and maintain the reforms for three years," Judge Gonzalo P. Curiel said Tuesday. Reforms include establishing a Risk & Disclosure Committee, adding an additional independent director to the board, and bolstering its related-party transactions policy. The US District Court for the Southern District of California judge's final approval of the shareholder derivative settlement comes less than a month after he signed off on a $1 million deal to end related investor class claims.

Investors sued after the company said in 2023 that certain its financial results needed to be restated
RYVYL leaders agreed to pay the shareholders' counsel in the derivative suit $200,000 in attorneys' fees and costs—$25,000 in cash and shares worth $175,000
"We're very pleased that, with this final approval of the derivative case settlement and the prior final approval of the securities class action settlement, all of the Company's shareholder litigation is now resolved," said Sean Prosser of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo PC, who represented RYVYL and leaders

The Brown Law Firm PC, lead counsel for the shareholders, declined to comment in an email.

The case is In re RYVYL Inc. Derivative Litig. , S.D. Cal., No. 3:23-cv-1165, final approval 1/13/26 .

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# Judge approves $30 million settlement in YouTube child privacy case

**courthousenews.com**/judge-approves-30-million-settlement-in-youtube-child-privacy-case

Carly Nairn January 13, 2026


SAN JOSE, Calif. (CN) — A federal judge granted final approval for a $30 million class action settlement against Google on Tuesday, after six years of litigation with parents claiming the tech giant violated children's privacy by collecting data while they watched YouTube videos.

U.S. Magistrate Judge Susan van Keulen did not sway from the plaintiffs' proposed settlement filed last September, granting the class members the right to a monetary award.

During the Tuesday settlement hearing, class member counsel Steven Bloch told the court there could be around 1 million legitimate claims from the class, with each member awarded between $20 to $30, after attorney fees and expenses.

Van Keulen reserved $9 million, or 30% of the settlement fund, for attorney fees. The judge said the award was "reasonable and fair" due to the 9,000 hours of work the plaintiffs' attorneys did, and the risk of coming up with nothing for the class members.

Van Keulen also awarded $1,500 for each representative guardian in the case, totaling $27,000.

The certified class includes "all persons in the United States who were under 13 years old, and watched content allegedly directed to children on YouTube between July 1, 2013 to April 1, 2020."

The families and their children first filed the class action in 2019, claiming that Google violated the privacy of minors by collecting personal information while they watched YouTube videos.

They claimed that the company used the information, which included their IP addresses, device serial numbers, geolocation data and other details, to more effectively advertise to minors.

Although Google doesn't charge for access to YouTube, the company does use it as a revenue source. It collaborates with advertisers and the owners of popular YouTube channels to advertise on specific videos, with Google and the channel owners splitting the payments received from advertisers.

The families also accused channel owners of "baiting" vulnerable children by using cartoons, nursery rhymes and other child-directed content to entice them to view YouTube channels to further their goals of collecting data without parental consent.

The judge declined to hold responsible the owners of popular YouTube channels initially named in the lawsuit, like Dreamworks Animation, Cartoon Network and Hasbro, stating that their conduct as content creators wasn't enough to "sufficiently tie" them to Google's supposed wrongful data collection, as they had not collected any data themselves.

In July 2024, the court dismissed all the plaintiffs' claims with only limited leave to amend.

Over the last six years in court, the class action grew. In their most recent complaint, filed in August 2024, the plaintiffs brought 42 claims under the laws of 18 different states.

In January 2025, van Keulen found the plaintiffs properly claimed that Google collected and held on to protected consumer data without permission, allowing damages claims to proceed based on consumer protection laws in Indiana, Massachusetts and New Hampshire.

She also allowed claims for injunctive relief to remain over laws from Florida, Massachusetts, Michigan, New Hampshire and Tennessee.

To alert class members of the settlement, notice included a media plan with press releases, a website, a toll-free number and an email contact.

At Tuesday's hearing, van Keulen said the settlement was a product of "extensive arms-length negotiations and mediation sessions."

However, the judge said she was concerned about fraudulent claims for reward, saying prior and similar class actions were the "subject of some press" after an "alarming number" of claims were found to be fake, and questioned if final approval of the settlement should happen before the audit process.

Bloch said the claims administrator for the case was an expert in tracking claims, including using algorithms as part of the process.

Google attorney Adam Cooke concurred with Bloch.

"We were cognizant of this potential of fraudulent claims from the beginning," he said.

"We feel comfortable of the process," noting the claims window will close in about a week.

Attorneys representing the plaintiffs and Google did not immediately respond to a request for comment.

Categories / Consumers, Courts, Entertainment, Technology

# AGs increasingly booting private lawyers from lucrative cases | State AGs & Supreme Courts

**legalnewsline.com**/state-ags-and-supreme-courts/ags-increasingly-booting-private-lawyers-from-lucrative-cases/article_d08e8fa4-e185-4031-8f5d-ae1b30c1ccde.html

Daniel Fisher, Daniel Fisher January 15, 2026

Cox
https://law.alaska.gov/department/about.html

Alaska Attorney General Stephen Cox has fired Texas law firm Baron & Budd as outside counsel in the state's PFAS lawsuit amid a backlash against a practice that critics say rewards political contributors with lucrative contingency-fee contracts.

Last year, Alaska also fired Motley Rice as outside counsel in its opioid litigation, following a similar move by Utah. In both cases, the states cited conflicts of interest, accusing the South Carolina law firm of using its role as state-appointed counsel to unearth evidence it then used to pursue litigation on behalf of other clients.

Alaska didn't comment on its reason for firing Baron & Budd, but the law firm said it was because of an alleged conflict between the state and other clients.

The firings illustrate the tension between what some AGs promote as free legal advice and critics say is a corrupt system of rewarding politically influential law firms with contracts for work that state employees should be performing. While historically associated with Democratic AGs, Republicans like Texas AG Ken Paxton also have embraced the idea of hiring outside lawyers to represent the state.

Alaska hired Baron & Budd in 2021 to sue over PFAS-containing firefighting foam, joining many other states in accusing manufacturers including 3M and DuPont of promoting the product despite concerns it could pollute the water table. Baron & Budd represents scores of other plaintiffs in the same litigation and has bragged about its role in negotiating a $1.2 billion settlement with DuPont.

The law firm has contributed tens of thousands of dollars to politicians in the last three years, including $30,000 to the campaign of Oregon's Democrat AG Daniel Rayfield in 2024 and $10,000 to Louisiana AG Liz Murrell, a Republican, in 2023, according to Followthemoney.org.

Supporters say the practice provides legal expertise at zero cost to taxpayers, because the outside lawyers operate on a contingency-fee basis and only collect if they win. Critics – including some Republican AGs – say it is fundamentally unfair to arm private lawyers with the power of state government to sue companies. The U.S. Chamber Institute for Legal Reform says contingency fees give private lawyers an incentive to “inflate the amounts sought in lawsuits to maximize their own potential take.”

Most of the recent firings have cited the basic conflict between representing a state and tens or hundreds of other clients who are all seeking a piece of a limited settlement pool. Montana AG Austin Knudson fired Motley Rice in 2021, saying the firm’s continued involvement in opioid litigation was “not in the best interests of Montana.”

Oklahoma’s attorney general Gentner Drummond fired Whitten Burrage, hired by his Republican predecessor Mike Hunter, in 2023 after the firm collected $34 million in fees from opioid suits.

"While your efforts under the Contract have certainly succeeded in enriching yourselves far beyond what you deserve, those efforts have fallen far short of delivering the results that Oklahomans are entitled to receive," Drummond wrote.

Iowa AG Brenna Bird and Kris Kobach in Kansas both fired Morgan & Morgan, one of the largest plaintiff law firms. Iowa acted after a judge dismissed a Morgan & Morgan-led lawsuit against tobacco companies over their payments under the 1998 master settlement agreement. Republican lawmakers in Wisconsin are also investigating Attorney General Josh Kaul for hiring an assistant funded by a Bloomberg charity to pursue climate litigation.

Sometimes the targets of outside firms fight back, although with little success so far. Two alternative electric companies sued Illinois AG Kwame Raoul in August over hiring Edelson PC and two other firms on contingency, calling it “a contingency-fee-incentivized quest to investigate and prosecute an entire industry, with the goal of profiting from enormous fines.” The law firms had already obtained more than $30 million in settlements, the companies said.

In California, opposition is coming from the left, with the union representing state lawyers repeatedly suing to block contracts with outside lawyers. California Attorneys, Administrative Law Judges, and Hearing Officers in State Employment (CASE), sued AG Bob Bonta last year after his office hired Lieff Cabraser to handle climate litigation against major oil companies. The union, as it has in other cases, argued the arrangement violated a California law prohibiting outside contracts for services state employees can perform.

Hiring contingency-fee private lawyers “sets a dangerous precedent that would allow the outsourcing of any legal work whenever OAG determines that it does not want to assign a sufficient number of its nearly 1,100 rank-and-file attorneys to perform the work,” CASE said in its complaint.

Judge Shelleyanne Chang dismissed the case in September, however, citing the AG’s description of the climate lawsuit as being of “once-in-a-generation magnitude.”

“The Court understands petitioner’s argument that this decision may open the proverbial floodgates for the DOJ to hire outside counsel for every `generational lawsuit’ even when the work could be performed by civil service attorneys,” Judge Chang wrote. “The Court’s determination is not altered by this speculative parade of horribles. The Court’s analysis is limited to the facts presented by this specific litigation.”

# California To Investigate If xAI Broke The Law With Easily Accessible Porn Deepfakes Of Women And Minors

**abovethelaw.com**/2026/01/california-to-investigate-if-xai-broke-the-law-with-easily-accessible-porn-deepfakes-of-women-and-minors

Chris Williams January 14, 2026

Twitter, the world's former public stage turned Stormfront alternative and porn site not long after Elon Musk's takeover, is facing new legal trouble over Grok's penchant for turning any photo into goon material at a user's request. Pornographic deepfakes are nothing new, we've covered attempts to regulate it in the past, but Grok's near omnipresence combined with the need for Twitter users to control women's bodies has made it *very* easy to sexually harass women and children online. Given that the world's foremost free speech absolutist only seems to give a damn when someone acts in a way that directly harms him, there needs to be some external pressure if there's any hope of people posting pictures of their spouse or child on Twitter without @Lowkirkenuinely65 asking Grok to put her in a saran wrap bikini. Thankfully, California is stepping up to bat. The Guardian has coverage:

> "The avalanche of reports detailing the non-consensual, sexually explicit material that xAI has produced and posted online in recent weeks is shocking," California attorney general, Rob Bonta, said in a statement. "I urge xAI to take immediate action to ensure this goes no further."
>
> Bonta's office is investigating whether and how xAI violated state law.
>
> On X, California governor Gavin Newsom called for an investigation into "Grok's disgusting spread of child porn on this website".

Musk responded that there has been no use of the stripping tactic to turn photos of children into lewd images. One of the most vocal dissenters to that stance has been Grok itself.

> It's still doing it btw.. they just shut off its media tab & thanked their lucky stars that the world is currently being run by Fucking Pedophiles, so can do what they like. pic.twitter.com/WxZroKxYu8
>
> — Michael Walsh (@thatbloodyMikey) January 1, 2026

Damn, do any of Elon's children have his back?

The undress feature was reworked to only work for the fools that paid for Twitter premium. When this didn't fix the problem, the feature was apparently removed for everyone:

> Grok now won't undress women even for paid users.
>
> Protest works. Big tech is not invincible.https://t.co/n8hOBx2NmD pic.twitter.com/9t1sVZsVQL
>
> — Ed Newton-Rex (@ednewtonrex) January 14, 2026

By 8am and Above the Law
Let's see how long this fix stays up — my money is on someone circumventing safety protocols by asking for the nudes in iambic pentameter. Godspeed, California.

California Attorney General Investigates Musk's Grok AI Over Lewd Fake Images [The Guardian]

Earlier: Act Protecting Adults From Deepfaked Porn To Be Signed Into Federal Law

Washington State Takes A Stand Against Deepfake Porn

**Chris Williams became a social media manager and assistant editor for Above the Law in June 2021. Prior to joining the staff, he moonlighted as a minor Memelord™ in the Facebook group Law School Memes for Edgy T14s . He endured Missouri long enough to graduate from Washington University in St. Louis School of Law. He is a former boatbuilder who is learning to swim, is interested in critical race theory, philosophy, and humor, and has a love for cycling that occasionally annoys his peers. You can reach him by email at cwilliams@abovethelaw.com and by tweet at @WritesForRent.**

News | Legislation

# New California Bill Targets Lawyers' Use of Generative AI

SB 574 would also bar arbitrators from delegating "any part of their decision-making process" to generative AI.

January 14, 2026 at 12:31 AM By Cheryl Miller


Credit: InfiniteFlow/Adobe Stock

Newly amended California legislation would set statutory guardrails for attorneys who use generative artificial intelligence to draft legal filings.

Senate Bill 574, introduced by Senate Judiciary Chair Tom Umberg, D-Santa Ana, would codify many of the guidelines for AI use finalized by the state bar's Committee on Professional Responsibility and Conduct in 2023.

The legislation would also explicitly expand those restrictions to arbitrators and limit the types of personal identifying information lawyers could share with AI systems.

"What this does is basically require a human to be engaged so that, to the extent that there are cases cited, there are briefs that are filed, a human has to take responsibility for them and has to disclose whether or not artificial intelligence was used in its presentation," Umberg said at a legislative hearing on the bill Tuesday.

Additional provisions in the bill would forbid arbitrators from delegating "any part of their decision-making process" to AI generated tools. The language is a response to the American Arbitration Association-International Center for Dispute Resolution's release in November of an AI-powered arbitrator for use in two-party, documents-only construction cases.

The bill's introduction follows almost three years of recorded high-profile instances of lawyers around the globe submitting AI-hallucinated case citations and quotations and even what one court determined was AI-fabricated evidence. A database maintained by legal research fellow Damien Charlotin has found 770 legal decisions in cases involving AI-hallucinated content since 2023.

Last September, California's Second District Court of Appeal fined an attorney $10,000 and referred him to the state bar for possible discipline after he included fake, AI-generated case quotations and citations in his opening and reply brief. Presiding Justice Lee Smalley Edmon of the court's Division Three called the sanctions "a warning."

"Simply stated, no brief, pleading, motion or any other paper filed in any court should contain any citations—whether provided by generative AI or any other source—that the attorney responsible for submitting the pleading has not personally read and verified," she wrote in *Noland v. Land of the Free.*

SB 574 would not outlaw the use of AI in legal drafting, but it would require attorneys to take "reasonable steps" to ensure the platforms they use do not discriminate against protected classes. The bill would also mandate that lawyers personally read and verify the accuracy of citations included in any papers they file in court under their names, whether they, generative AI or someone else wrote them.

The legislation would not create any new sanctions for attorneys who violate its provisions. Under existing law, courts can fine attorneys for not taking proper steps to ensure the information they file is accurate. The state bar, too, can file disciplinary charges in such instances.

Attorneys' groups and the Judicial Council have not taken a position on the new language in SB 574, which Umberg introduced Jan. 5. Privacy rights advocate Oakland Privacy was the only association to openly back the bill, citing its provisions barring the sharing of specific personal information with AI platforms.

# Washington lawyer Tom Goldstein accused of hiding millions in poker earnings as trial begins

reuters.com/legal/government/washington-lawyer-tom-goldstein-accused-hiding-millions-poker-earnings-trial-2026-01-15

Mike Scarcella January 15, 2026

Item 1 of 3 Tom Goldstein, a top U.S. Supreme Court attorney and publisher of the SCOTUS blog news website arrives for jury selection in his trial on charges of tax fraud, at U.S. District Court in Greenbelt, Maryland, U.S., January 13, 2026. REUTERS/Leah Millis

**[1/3]**Tom Goldstein, a top U.S. Supreme Court attorney and publisher of the SCOTUS blog news website arrives for jury selection in his trial on charges of tax fraud, at U.S. District Court in Greenbelt, Maryland, U.S., January 13, 2026. REUTERS/Leah Millis Purchase Licensing Rights, opens new tab
WASHINGTON, Jan 15 (Reuters) - Prominent Washington lawyer Tom Goldstein is set to square off with federal prosecutors on Thursday as a jury trial begins on criminal charges stemming from the veteran U.S. Supreme Court advocate's side career as a high-stakes poker player.

Jurors in Greenbelt, Maryland, will hear arguments from Goldstein's legal team and prosecutors who allege he failed to report millions of dollars he won in poker matches, lied on loan documents and made improper payments through his law firm Goldstein & Russell to fund a lavish lifestyle.


Goldstein, who has argued more than 40 cases at the U.S. Supreme Court and founded the SCOTUSblog news and analysis website, pleaded not guilty and has twice turned down an offer of a plea deal by the Justice Department.

In a pretrial filing, he said "the government has cherry-picked a few clerical errors and charged them as a crime."

The trial is expected to last about four weeks before U.S. District Judge Lydia Kay Griggsby.

Goldstein's indictment in January stunned Washington's legal community, where he was widely seen as one of the top appellate lawyers in the country.

A Democrat, Goldstein was part of the team that represented Al Gore in the Supreme Court fight over George W. Bush's victory in the 2000 presidential election. His other clients have included Google and "Fortnite" maker Epic Games. He retired from his law practice in 2023.



Goldstein was charged in the final days of Democratic President Joe Biden's administration. In a November 2024 opinion column in the New York Times, Goldstein urged prosecutors to drop criminal cases against Trump after his election victory, writing that voters had already rendered the "ultimate verdict."

Securities

Insight

# Qui Tam Lawsuits Introduce Uncertainty Over Public Authority

Jan. 15, 2026, 1:30 AM PST

**Professional Perspectives give authors space to provide context about an area of law or take an in-depth look at a topic that could benefit their practice.**

**The Bottom Line**

A ruling that the False Claims Act's qui tam provisions don't violate the US Constitution marks the latest chapter in a series of challenges to the mechanism's constitutionality.

Qui tam lawsuits have soared in recent decades leading to big recoveries of taxpayer funds, but vastly more unsuccessful and protracted cases.

Qui tam introduces uncertainty around oversight, incentives, and limits of public authority.

For decades, the False Claims Act has been celebrated as one of the federal government's most effective fraud-fighting tools, helping to recover billions in taxpayer funds. But this mechanism has recently come under scrutiny, with critics questioning whether allowing private individuals to litigate on behalf of the US violates the Constitution.

In an October 2025 ruling in *United States ex rel. Heath v. Wisconsin Bell* , Judge Lynn Adelman of the US District Court for the Eastern District of Wisconsin reaffirmed the constitutionality of the provision following an earlier opposing ruling from the district court.

This case is just one of several in the last decade exploring the fundamental question of whether the qui tam mechanism is constitutional? In recent years, several courts and justices have suggested the FCA's qui tam structure may violate Article II of the Constitution, which vests executive power in the president. This is but one of the ways courts today are contemplating how far executive power can be delegated.

**FCA Debate's Origin**

The term qui tam comes from a Latin phrase meaning "he who sues on behalf of the King as well as himself." That dual role—acting both for the government and for personal gain—captures the core tension at the heart of this debate.

Passed during the Civil War, the FCA was meant to stop contractors from defrauding the Union Army by charging for supplies that were either never delivered or were of poor quality. It didn't just allow the government to seek penalties—it also let private citizens sue on the government's behalf and rewarded them with half of the recoveries. That incentive quickly led to abuse, prompting Congress in 1943 to vastly reduce relators' powers and eliminate guaranteed payouts.

After the change, qui tam suits nearly disappeared. Then, in the 1970s and 1980s, a string of defense contracting scandals, and flashy headlines about $640 toilet seats and $436 hammers, reignited concerns about government fraud and brought renewed attention to the FCA.

Congress responded with the 1986 amendments, which essentially shaped the law as we know it today and turned it into one of the most effective fraud-fighting tools the federal government has in its arsenal, giving relators—the whistleblowers bringing the suits—15% to 30% of any recovery and authorizing treble damages against violators.

This reform revived qui tam suits on a massive scale, and its reach has only expanded since as recoveries have soared. Today, most FCA actions focus on health care and contracting fraud (rather than hammers and toilet seats). In 2024 alone, the FCA generated roughly $3 billion for the Department of Justice's Civil Division, with about $2.4 billion coming from qui tam suits.

The qui tam process itself is straightforward. A relator files a case, the DOJ investigates, and then the agency decides whether to intervene.

According to data covering January 2009 through June 2020, when the DOJ steps in, roughly 90% of cases result in a settlement. When it declines, however, and the relator continues alone, only around 10% of cases result in settlement. Yet the DOJ intervenes in only around 25% of cases, leaving the remaining 75% to move forward without meaningful government backing. This imbalance has fueled criticism that most cases advance with little to no input from the very agency they claim to represent.

Concerns about wasted time and resources eventually led to the leaked 2018 "Granston Memo," which urged DOJ attorneys to proactively dismiss weak qui tam cases—a practice the US Supreme Court later affirmed in 2023, when it ruled the DOJ can dismiss cases even after initially declining to intervene.

While these efforts aim to streamline enforcement, the reality is that qui tam litigation, like most whistleblower policies, will always invite a mix of strong and weak claims. The best cases yield enormous recoveries, but most unfold with little oversight, leaving private citizens to act as stand-ins for federal prosecutors.

**Testing Limits**

In 2023, these doubts gained traction in *United States ex rel. Polansky v. Executive Health Resources* , when the Supreme Court upheld the DOJ's authority to dismiss qui tam cases even after initially declining to intervene. While the court's 8–1 decision resolved a procedural question, Justice Clarence Thomas's dissent went further, questioning the constitutionality of the qui tam provisions.

Justices Brett Kavanaugh and Amy Coney Barrett separately noted that there are “substantial arguments that the qui tam device is inconsistent with Article II and that private relators may not represent the interests of the United States in litigation.”

Lower courts have since started to test those arguments. In September 2024, Judge Kathryn Mizelle of the US District Court for the Middle District of Florida ruled in *United States ex rel. Zafirov v. Florida Medical Associates* that qui tam violates Article II, reasoning that when the DOJ declines to intervene, relators effectively make prosecutorial decisions without presidential oversight.

The DOJ chose not to intervene in that case, which involved allegations of Medicare fraud. After the ruling was appealed, the US Court of Appeals for the Eleventh Circuit heard oral argument on Dec. 12, 2025, where the judges asked the question at the heart of the Article II challenge: who is actually in control once DOJ declines. They asked whether relators are effectively in the “driver’s seat,” or whether DOJ’s continuing authority to step in, limit participation, or dismiss the case is enough to satisfy constitutional supervision.

Similar concerns surfaced in *United States ex rel. Gentry v. Encompass Health* , where the US Court of Appeals for the Fifth Circuit affirmed the dismissal of a whistleblower retaliation claim. In a concurring opinion, Judge James Ho questioned the constitutionality of qui tam, writing that relators “presume to represent the United States government in federal court” even though “they are neither appointed by, nor accountable to, the President.” Although the Fifth Circuit rejected similar arguments in a 2001 decision, Judge Ho urged the court to revisit the issue in a future case—signaling that this debate is far from over.

Against this backdrop, the Wisconsin Bell case stands out as a clear example of the courts reaffirming the legitimacy of qui tam provisions. The case began in 2008, when school district auditor Todd Heath—who reviewed telecom bills for public institutions—accused AT&T Inc.’s Wisconsin Bell subsidiary of overcharging schools and libraries under the FCC’s “lowest corresponding price” rule, part of the federal E-Rate program that subsidizes internet access for public institutions.

The DOJ initially declined to intervene, and Adelman dismissed the case in 2011. The Seventh Circuit revived it in 2014, dismissed it again in 2022, and revived it once more in 2024.

The case then reached the Supreme Court in February 2025, which confirmed that E-Rate subsidies count as government funds under the FCA. While the court’s ruling upheld the subsidies as valid claims, in their concurring opinion, Kavanaugh and Thomas flagged potential Article II concerns, suggesting that the constitutionality of the qui tam mechanism itself could be challenged in the right case.

Following the Supreme Court’s decision, Wisconsin Bell returned to the district court with a new strategy, arguing that the FCA’s qui tam provisions violate the Appointments Clause because relators act as unappointed federal officers. Adelman rejected that claim, finding that “relators lack the necessary authority to be deemed ‘Officers of the United States.’” Instead, their authority depends entirely on government oversight: the DOJ can intervene, limit their participation, or dismiss claims altogether.

Most recently, as the case moves toward trial, Adelman has emphasized that the Supreme Court's ruling didn't end the inquiry—it just cleared a threshold issue. In a Dec. 19, 2025 order, he noted that Heath still has not shown that the alleged pricing-rule violations were material to the government's decision to pay, and that materiality remains an issue for trial. The case is now set for a Jan. 20 trial, with materiality likely to be the central fight.

**Looking Ahead**

By design, the FCA recognizes that relators pursue both public and private interests. In many ways, this structure is precisely what makes qui tam indispensable. Operating outside traditional bureaucratic constraints, whistleblowers uncover fraud that federal agencies might never detect. Since 1986, relators have helped recover more than $50 billion for taxpayers, allowing the DOJ to extend its enforcement reach far beyond its own staffing limits.

At the same time, the statute also raises real questions about where public enforcement ends and private profit begins. Today, many qui tam cases proceed without government intervention. There is also a growing network of for-profit litigation firms that treat the statute as a revenue stream, chasing payouts more aggressively than serving the public interest.

From my perspective, this administration's focus on "fraud, waste, and abuse" has caused qui tam to be a bigger part of corporate life than ever before. For companies, the practical takeaway is that FCA exposure often starts outside the DOJ—most likely with a disgruntled or profit-minded employee. That reality makes early decisions matter: effective internal reporting channels, credible internal investigations, and careful documentation can be the difference between a contained issue and years of costly litigation.

Though Adelman's decision leaves qui tam intact for now, the broader constitutional question remains unresolved. By empowering individuals to act as quasi-prosecutors, the statute formalizes what is, in effect, an outsourcing of federal enforcement—extending the government's reach while introducing uncertainties around oversight, incentives, and the limits of public authority.

With qui tam cases surging and courts increasingly examining whether the statute aligns with the Constitution, the Supreme Court may soon be forced to decide whether this unique mechanism can survive.



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**Write for Us: Author Guidelines**

News from Bloomberg Terminal

Jan. 15, 2026, 11:09 AM PST

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By Matt Levine

(Bloomberg Opinion) --

**Stablecoin interest**

If you have dollars, you can put them in a checking account at a bank. This is convenient (the bank will let you use those dollars to make payments) and fairly safe (the bank *probably* won't fail, and if it does your deposits are insured, up to some limit, by the US government), but not especially lucrative. The bank will use your money to do stuff — make loans, buy securities, etc. — and will make some money from those activities, but you won't see much of that money. The bank will lose some money (from bad loans or bad trades), and it will use a lot of the money to pay for branches and salaries and stock buybacks and stuff. It will pay you something close to 0% interest on your checking account.

Of course, there are all sorts of ways to earn more money on your money, at the cost of convenience (your money might get locked up) and safety (you might lose some of it). You can put the money in private credit funds or Nvidia stock or Bitcoin or whatever. None of these things is really a substitute for a checking account.

Another thing you can do is invest in Treasury bills. Short-term US Treasury bills pay about 3.6% interest. They are fairly convenient (they mature in a month or two, and you can sell them any time in a hugely liquid market) and quite safe (they mature at par in a month or two, and the US government will probably pay). They are not a perfect substitute for a checking account, though. You can't write checks against them; you can't *instantly* use your Treasury bills to pay your bills. You have to convert them to cash, put the cash in a checking account, and write checks against that.

Here is an arbitrage:

1. Start a bank.
2. Offer checking accounts.
3. Take deposits from customers.
4. Put their money directly into short-term Treasury bills paying 3.6%.
5. Don't do anything else: No loans, no credit cards, no long-term investments, no branches, no customer service line, no free toasters, almost no salaries. (Obviously you get a salary!) Costs are low (a website and your salary), say 0.1% of the money you take in.
6. Pass the other 3.5% on to the customers.

This product is much better for customers than a regular checking account in two respects:

- You are paying them 3.5% instead of roughly 0%.
- You are *safer* than the other banks. The other banks *probably* won't fail, and if they do their deposits are insured up to some limit, but banks do fail sometimes, and some deposits are over the limit. Your bank, though, kind of *can't* fail: All your money is in short-term Treasury bills with essentially no credit or interest-rate risk. All the stuff that banks do that could cause them to fail — lending, trading, interest-rate bets — you don't do. (Obviously the other thing that banks do that cause them to fail is "steal all the money," which you *could* do, but you should try not to.) You are a "narrow bank," taking deposits and parking them somewhere perfectly safe.

It is worse than a regular checking account in some other respects — minimal customer service, no loans, no branches, no toasters — but this is 2026 and a lot of your customers are probably fine with that. They do everything on their phones anyway; they don't need branches.

Can you do this? Well. You're kind of not supposed to, not exactly, not literally. For one thing, US bank leverage requirements are a problem: You need to have some capital against your holdings of Treasury bills, so you can't really pass all of the interest back to customers; a lot of it has to go to shareholders. More broadly, US bank regulators take a dim view of this sort of thing. We have talked a few times about TNB USA Inc., "The Narrow Bank," which aimed to do roughly this trade. (Instead of Treasury bills, it would put the money in interest-bearing deposits at the Federal Reserve, which have similar properties of being extremely safe and paying interest.) The Fed didn't like it. "Fed Rejects Bank for Being Too Safe" was my headline.

The problem is: What about all the other banks? *They* are taking deposits and using them to make loans; they use depositors' money to provide the credit that lubricates the economy. There is some cost to that lubrication, and the cost shows up in forms like "the bank pays you 0% on your deposits" and "occasionally a bank fails and is bailed out by the government." You can get rid of the costs through narrow banking, but that might also get rid of the lubrication.

The more specific problem is: Look, in good times, people will keep their money in their local bank because they like the fancy branch and the customer service and the toasters. But in a *panic*, people will take their money out of their local bank and *put it into a narrow bank*, because it's safer. Narrow banking arguably undermines the *stability* of the broader banking system; it makes the regular banks less safe.

So you mostly can't do exactly this sort of narrow banking in a *bank*. Not never, though. We talked last month about a thing called N3XT, a "Wyoming Special Purpose Depository Institution" where "every dollar of deposits is backed one-to-one by cash or short-term U.S. treasuries, making N3XT the first 'narrow bank' in the United States."

And outside of "banking," you can get pretty close to this trade. The classic example is a government money-market fund. That's just a pot of money invested in short-term US Treasury bills. There are lots of those, and they tend to pay about 3.6% interest these days: They buy Treasury bills, collect the interest and pass almost all of it on to customers. Unlike banks, they do not really have capital requirements. And your broker will probably let you write checks against them.

There is a little tension here: US bank regulators are nervous about narrow banking because they worry that it will undermine the stability of the banking system, but they allow government money market funds. And in fact there's an argument that those funds *do* undermine the stability of the banking system: Back in 2023, we discussed worries that deposits were fleeing troubled US regional banks for money market funds, and that this would put the banks at risk. Still, the banks have mostly survived competition from money market funds.

Then there are stablecoins. As we have discussed, stablecoins are a form of narrow banking: They take deposits and (mostly) park the money in cash and Treasury bills. You occasionally hear worries that this will undermine the banking system: People will prefer to put their money in stablecoins (which are convenient for crypto-y sorts of payments, and invested in Treasury bills) rather than in banks (which are less crypto-native and take more credit risk).

In the US, the regulatory solution to this worry is *prohibiting stablecoins from paying interest*. That's in the GENIUS Act regulating stablecoins: They can't pay interest. They are safer [1] and more crypto-y than bank accounts, but they are no more lucrative than checking accounts, and less lucrative than many savings accounts.

As we have discussed a few times, though, there are some pretty straightforward ways around that restriction:

- The stablecoin issuer can't pay *interest*, but it can pay *fees* to crypto exchanges (for encouraging their customers to hold the stablecoin), and the exchanges can pass those fees along to the customers. To the customers, this looks pretty much exactly like "interest on a stablecoin."
- If you're a customer who *holds* a stablecoin, you can lend *it* out to crypto traders for their crypto trades, and get a second layer of interest.

And so in practice stablecoins kind of *do* pay interest. Does this undermine the safety and profitability of the banking system? I mean, the banks think so. The Wall Street Journal reports:

The cryptocurrency and banking industries are locked in a lobbying battle over digital tokens that yield annual payouts, a fight that threatens to derail legislation intended to bring crypto into mainstream finance.

The two sides are clashing about what crypto firms call rewards, or annual payments to investors based on a percentage of their total holdings. They are commonly used for stablecoins, popular tokens typically pegged to the U.S. dollar and used for trading, overseas payments and money transfers.

To banks, rewards on stablecoins from companies such as Coinbase Global that pay out 3.5% resemble high-yielding deposits—but without the regulations they face for holding customers' cash. Bank-industry groups have flooded lawmakers with letters and phone calls arguing the rewards would decimate Main Street lenders. The national average interest rate for a standard interest-bearing checking account is below 0.1%.

"We are hearing every day from community bankers who are worried about the impact stablecoins offering yield will have on their deposit bases and their ability to lend and support their local communities," said Brooke Ybarra, senior vice president for innovation and strategy at the American Bankers Association, an industry group.
In theory, one solution here is to allow stablecoins to pay interest (like banks) but also impose capital requirements (like banks). I would not bet on that happening though.

**Covenant-lite private credit**

Here is a rough stylized story of covenants. In the olden days, companies had two ways to borrow money: They could issue *bonds* to public investors, or they could get *loans* from their banks. In a bond offering, the company would send out a disclosure document (a prospectus or offering memorandum) to dozens of potential buyers — insurance companies, mutual funds, hedge funds, individuals [2] — and would take money from whoever wanted to invest at some market-clearing terms. In a bank loan, the company would sit down with its relationship banker, who had known the company for decades, and would negotiate a loan based on the banker's deep knowledge of the company and trust in the character of its executives.

Because bonds were impersonal capital markets transactions, while bank loans were products of long-term personal relationships, they had different terms. Among the differences: Loans traditionally had "maintenance covenants." A maintenance covenant says something like: "The company's debt can't exceed six times its earnings," or "the company's interest expense can't exceed half its earnings." [3] The company promises to have at least a certain amount of earnings, relative to its debt. What if it doesn't? What if it has a bad year and doesn't make as much money as it promised? Well, then it is in default, and the lender can demand its money back immediately. Even if the company is current on its loan payments, if it breaches a covenant, then it is in default and has to pay back its loans.

This seems harsh, and you could imagine the company objecting. "Look, if we make enough money to pay your interest, and we *do* pay your interest, what do you care if we make twice as much?" The bank could reasonably reply: "If you are only barely making enough to cover our interest this quarter, that makes your loan much riskier than we thought, and we want the ability to get our money back. We are not in the business of taking wild risks; we want a safe credit where you make plenty of money, and if things change we want out."

But that was mostly *not* exactly what the banks said. Instead, the standard answer went more like this: "We understand that this seems harsh. Obviously, if you have a bad year and don't make a lot of money, it would be terrible for you if we also demanded that you repay our loan early. It would be monstrous of us to do that. But we are not monsters. We have a long personal relationship with you; you know and trust us. No, the point of the maintenance covenant is not that we'll take our money back at the first sign of trouble. The point of the maintenance covenant is that we want to *work* with you if there's trouble. We want you to call us so we can work something out. Maybe we'll extend the term of the loan. Maybe we'll ask for more collateral. Maybe we'll help you find an outside investor. We're a bank; we can do lots of things. But in that scenario, where your business isn't going as well as we both expect, we want an early warning, and we want *leverage*. We want the *ability* to call in our loan, so that we have a seat at the table while you work things out. But we won't *use* that ability, or not immediately and arbitrarily. The covenant is just a part of our relationship."

That answer broadly made sense, and maintenance covenants in bank loans were pretty common. But this whole line of reasoning doesn't work for *bonds*. A bond is not like a bank loan, where the lender is a single bank with a long relationship with the company. In a bond deal, there are lots of lenders, they change every day as people buy and sell the bonds, and they don't necessarily have any special relationship with the company's managers. So bonds do not normally have maintenance covenants; bonds do not normally say "if the company's income falls below X it's a default and the bondholders get their money back immediately," because that *would* be a disaster. [4] It would be too hard for the company to negotiate with all the bondholders if that happened, so they probably would demand their money back, and the company might go bankrupt.

That is the old-timey story. One thing that happened over the last few decades is that "bank loans," and particularly "leveraged loans" to non-investment-grade companies, became much more like bonds. In fact the name "bank loan" is now somewhat antiquated, and people are more likely to call them "broadly syndicated loans." As the name implies, they are broadly syndicated: A company's lead bank will *arrange* the loan, but the money will come from lots of lenders. The lenders will include some banks, but also hedge funds and credit funds and collateralized loan obligations. The loans will trade in a secondary market; the company's lender base can change each day.

And so the old arguments for maintenance covenants — that they were part of a relationship, and that the lender would work with the company in case a covenant was breached — got much weaker. "If our income goes down, we don't want to be in default," companies could reasonably say, "because our collection of random hedge funds and CLO managers won't work with us and we'll just go into bankruptcy."

And lenders were largely like "yeah I see your point," and there was a long rise in "covenant-lite" loans, that is, loans without maintenance covenants. The old-timey relationship theory of covenants no longer made sense, so they dropped out of a lot of loans.

The big story in credit in recent years is the rise of private credit. Private credit is in many ways like the *old* model of bank lending: A company negotiates one loan with one lender, the lender puts up the money and holds the loan to maturity, and the company has a relationship with the lender. If things go wrong, the lender will work with the company to fix them; their interests are aligned and they have a long-term relationship. [5] The difference is that the lender is not a bank, but it is not a rapacious hedge fund either; it's a long-term asset manager that understands credit markets and invests in relationships with its borrowers. Of course the company should be happy to work with its private credit lender if it runs into trouble, and of course the private credit lenders — who hold loans to maturity and take concentrated risks on individual borrowers — should want covenants to protect themselves. And private credit loans usually have maintenance covenants.

And then the inevitable continuation of that story is:

1. Private credit loans get bigger and more distributed.
2. They start trading.
3. Everything starts to feel a bit more impersonal.
4. Covenant-lite private credit.

We talked about that story back in 2023, and it's continuing. Bloomberg's Francesca Veronesi and Kat Hidalgo report:

Private credit firms' efforts to reap leveraged debt business from Wall Street is coming at a steep cost — safeguards that made them less vulnerable to an economic downturn. …

The safeguards, along with access to nonpublic financial information, are part of why industry chiefs like to claim private is safer than bank credit. They also say that they vet deals more carefully. While the rates at which private borrowers default is up for debate, they've been reported in a range of 2% to 3% — lower than for leveraged loans made by banks.

Traditional private credit carries maintenance covenants — limits on leverage that are tested regularly. As soon as a borrower breaches its limits, a lender can seek an equity injection from shareholders or private equity owners, push them into asset sales for the good of lenders, or demand more collateral. If a lender favors a debt restructuring, or even wants to take over a company, a covenant breach would be the starting point.

The right to curb unhealthy debt levels is also a way for private credit firms to hedge risks like recession or tariffs that can zero corporate profits.

But now direct lenders are making deals on the same terms as banks — breaking long-standing convention that gave them more rights to manage a borrower's debt.

In the long run, private credit will probably end up like every other kind of credit.

**MrBeast treasury company**

Back in simpler times, a year ago, BitMine Immersion Technologies Inc., as its name implies, was a technology company that mined Bitcoin using immersion. Something like that. From its annual report in December 2024:

Since July 2021, our business has been as a blockchain technology company that is building out industrial scale digital asset mining, equipment sales and hosting operations. The Company's primary business is self-mining bitcoin for its own account, as well as hosting third-party equipment used in mining of digital asset coins and tokens, specifically bitcoin. ...

We plan to operate our data centers using immersion cooling technology. Immersion cooling is the process of submerging computer components (or full servers) in a thermally, but not electrically, conductive liquid (dielectric coolant) allowing higher heat transfer performance than air and many other benefits.

Intuitive! But 2025 was a pretty weird year, and if you ran a public company that was at all connected to crypto, it was awfully tempting to become a digital asset treasury company. As we discussed a lot around here, there was a period of at least several months where a pot with $100 worth of crypto would trade at $200 on the stock exchange, so everyone rushed to do that. That bubble has now pretty definitively burst: Many digital asset treasury companies are trading below net asset value, and now a pot of $100 worth of crypto is more likely to trade at $90 than $200.

Like everyone else, BitMine did the pivot: "During 2025, the Company refined its business strategy to emphasize digital asset treasury operations, reflecting a transition from primarily mining and hosting activities toward the long-term accumulation and optimization of digital asset holdings." Never mind about the immersion. Also it transitioned from Bitcoin to Ethereum, "becoming the largest corporate holder of ETH, with over 3,737,140 tokens valued at approximately [$10.5 billion] as of November 30, 2025." "The Alchemy of 5%" is its slogan, apparently meaning that, if it ends up holding at least 5% of Ethereum, then, uh, that would be good. In 2025, that was a strategy!

Like everyone else, BitMine might be having second thoughts. By this Monday, its holdings were up to $14 billion of assets, consisting mostly of "4,167,768 ETH at $3,119 per ETH," or about $13 billion of Ethereum, but also "193 Bitcoin (BTC), $23 million stake in Eightco Holdings … and total cash of $988 million." BitMine has essentially no debt, so that's a net asset value of about $14 billion. Bloomberg tells me that BitMine's market capitalization on Monday was about $13.3 billion. [6] Ah well.

What do you do, if you pivoted to the crypto treasury strategy and it stopped working? We have talked about one approach, which is to run the strategy in reverse, selling crypto to buy back stock. BitMine has another idea:

LAS VEGAS, Jan. 15, 2026 /PRNewswire/ -- (NYSE AMERICAN: BMNR) Bitmine Immersion Technologies, Inc. ("Bitmine" or the "Company") the leading Ethereum treasury company in the world, announced a $200 million equity investment into Beast Industries. Bitmine also implements an innovative digital asset strategy for institutional investors and public market participants.

"MrBeast and Beast Industries, in our view, is the leading content creator of our generation, with a reach and engagement unmatched with GenZ, GenAlpha and Millennials," said Thomas 'Tom' Lee, Chairman of Bitmine. "Beast Industries is the largest and most innovative creator based platform in the world and our corporate and personal values are strongly aligned."
I suppose part of the point here is, like, get a YouTuber to get the kids more interested in Ethereum? Like here are some words:

"It's our view that ethereum, which is a smart contract platform, is the future of finance, where digitalization of not only dollars but stocks and equities [are] going to take place," Bitmine Chairman Tom Lee said on CNBC's "Squawk Box" on Thursday. "Over time, that really blurs what is a service versus what's digital money, and that's where a collaboration and investment into Beast Industries makes sense." ...

"I think it's part of the sort of evolution of digital platforms and money, and I think it's really uniting the No. 1 creator in the world with the biggest ethereum platform in the world," Lee added.

There are other advantages. There is some controversy about whether digital asset treasury companies are "investment funds" or operating businesses. [7] This controversy strikes me as dumb: They are obviously investment funds; their business is mainly investing in crypto, and their value comes from the value of that crypto. But they are a weird passive sort of investment company, not "our hard-working team of professionals makes brilliant investing decisions" but rather "hey here's a pot of Ethereum."

They don't *have* to be that way, though. There was a time when "hey here's a pot of Ethereum" was a really good pitch to investors, so lots of crypto companies pivoted their strategy to accumulating as much as they could of their favorite token. Now that pitch has stopped working. But all those companies pivoted to becoming investment funds; now they have huge pots of cash that they invest in stuff. Mostly Ethereum, in BitMine's case, but … you can change that easily enough? You've got a $14 billion pot of money and a free hand to invest it; investing it all in Ethereum *used* to be cool, but now it is less cool. Maybe do some venture capital too.

**Everything is securities fraud: AI data centers**

You know the deal: Every bad thing that a public company does is also securities fraud, and "bad" is in the eye of the beholder. For instance, one thing that has happened in financial markets in the last few years is that a lot of big technology companies have committed to spend a zillion dollars building data centers for the artificial intelligence boom. Is that bad? Well, the companies don't think so. Their shareholders, by and large, don't think so — there is a lot of enthusiasm for the AI boom and the profits that it might one day create — though there are dissenters.

On the other hand, there *are* some investors who might be less happy. If you were a *creditor* of a big tech company a few years ago, you probably felt great. "This company makes tons of money, doesn't have to spend that much, and has very little debt," you thought; "that's just how Big Tech works." Now, the way Big Tech works is that companies borrow money and sign leases obligating them to pay tens of billions of dollars a year for many years to build data centers so they can compete in AI. Having zillions of dollars of lease and interest obligations is a worse credit profile than not having that. There are ways to mitigate this risk — companies can do some sleight of hand to make the data-center debt not *quite* count as debt — but this can only accomplish so much.

So if you are a *bondholder* of a big tech company, you might think "the AI boom is bad, so it is securities fraud." (I mean: If you were a bondholder before the AI boom, or, at least, before the company's latest round of debt financing or data-center commitments. Lots of creditors love the AI boom, in the sense that it allows them to buy new bonds at high interest rates. But if you were a pre-boom bondholder who bought old bonds at low interest rates, the boom is bad for the price of those bonds.)

Bloomberg's Caleb Mutua reports:

Oracle Corp. was sued by bondholders who claim that the database giant failed to disclose plans to raise more debt when it borrowed $18 billion in one of 2025's largest corporate bond offerings.

The Ohio Carpenters' Pension Plan, which was among bondholders that bought bonds issued in September, claims that Oracle didn't tell investors that it needed to raise a "significant amount of additional debt" to finance its artificial intelligence infrastructure, according to a lawsuit filed in a New York state court Wednesday.

Several weeks after issuing the notes, Bloomberg reported that banks were also providing a $38 billion debt offering to help fund data centers in Texas and Wisconsin tied to Oracle. As a result of the additional debt, Oracle's bonds began to trade with yields and spreads similar to lower-rated issuers as concerns about Oracle's credit risk grew.

"The offering documents were false and misleading and omitted to state that, at the time of the offering, Oracle was organizing to raise that additional debt, which would ultimately bring the creditworthiness of these bonds into question," according to the lawsuit.

Here is the complaint. These are not exactly pre-AI-boom bondholders — they bought these bonds in September 2025 — but since then "reports emerged that Oracle was looking to raise an additional $38 billion in debt sales to help fund its AI buildout" and these bonds traded down. The bond offering documents *did* say things like "Oracle Corporation and its subsidiaries may incur additional indebtedness in the future," but they didn't say that it *would* incur the additional debt, so, lawsuit.

I suggested above that all of this makes a certain amount of sense as a matter of disgruntled Big Tech *bondholders*, but that Big Tech *shareholders* might have less cause to sue about the AI boom. But that's only loosely true. Incurring zillions of dollars of debt to build data centers feels (1) fairly straightforwardly bad for credit but (2) ambiguous for equity. But of course "ambiguous for equity" doesn't mean that people *can't* sue. Every bad thing that a public company does is also securities fraud, and "bad" is in the eye of the beholder. If the stock went down, sure, securities fraud. And Oracle's stock *is* down since September. Here's a law firm press release:

LOS ANGELES, Jan. 15, 2026 (GLOBE NEWSWIRE) -- The Portnoy Law Firm advises Oracle Corporation, ("Oracle" or the "Company") (NYSE:ORCL) investors that the firm has initiated an investigation into possible securities fraud, and may file a class action on behalf of investors. ...

On September 10, 2025, Oracle and OpenAI OpCo, LLC ("OpenAI") announced a $300 billion, five-year cloud computing contract to supply OpenAI with computing power. On November 13, 2025, reports emerged that Oracle was seeking to raise an additional $38 billion in debt sales to help fund its AI buildout, with loan proceeds to fund two data centers that would support the Oracle-OpenAI agreement. On this news, Oracle's stock price fell $9.42 per share, or 4.15%, to close at $217.57 per share on November 13, 2025. Then, on a December 10, 2025 earnings call, Oracle's Executive Vice President and Principal Financial Officer disclosed that the Company "now expect[s] fiscal 2026 CapEx will be about $15 billion higher than we forecasted after Q1." On this news, Oracle's stock price fell $24.16 per share, or 10.83%, to close at $198.85 per share on December 11, 2025.

Yep, building AI data centers, securities fraud.

**Things happen**

Amazon Blasts Saks Funding Deal, Says Equity Is 'Worthless.' Inside the Mad Dash to Save Saks, America's Last Luxury Retailer. Goldman's Stock Traders Beat Their Own Wall Street Record. BlackRock Total Assets Hit Record $14 Trillion as ETFs Surge. Citi CEO Warns of More Job Cuts, Calls Time on 'Old, Bad Habits.' Kalshi and Polymarket race to crack 'parlays' as stakes rise in sports betting. Hedge Funds Revive Dispute Over Argentina GDP-Linked Securities. Blackstone Real-Estate Fund Stages Comeback With Best Return in Three Years. Donald Trump's 'unpredictable' policies to fuel multiyear shift from US, Pimco says. Blackstone to Offer Private Investments in Empower 401(k)s. BlackRock, Microsoft AI Partnership Raises $12.5 Billion So Far. OpenAI Forges Multibillion-Dollar Computing Partnership With Cerebras. Hedge Funds Hire Talent Scouts in Japan to Tap Comeback. Key Wall Street Regulator Grapples With Crypto, Sports Gambling. Amazon Becomes First Buyer of Arizona Copper Made by Rio's Nuton. Mastercard, Visa, Revolut Lose London Suit Over Card Fee Cap. Soho House Shares Rise After New Funding Secured For Take-Private Deal. People Are Paying $99 a Month to Talk to a Tony Robbins Chatbot. India tells delivery companies to stop promising 10-minute service. Elon Musk bows to pressure over Grok creating sexualised AI images. Meta Lays Off 1,500 People in Metaverse Division.

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1. Other than, arguably, the “you can steal the money” risk.

2. I mean, not really individuals, in modern corporate bond markets, but in the olden days probably.

3. Those covenants, or variations on them, are the two main ones: a “leverage ratio” covenant and an “interest coverage” or “fixed charge coverage” covenant. Generally “earnings” will be not net income but EBIT (earnings before interest and taxes), or EBITDA (earnings before interest, taxes, depreciation and amortization), or adjusted EBITDA (earnings before whatever the lenders agreed to back out).

4. Many bonds have “incurrence covenants,” basically “we can’t take on *more* debt if our income is below X,” which is less likely to lead to disaster.

5. In particular, the “company” is often a private equity portfolio company, and the private credit lender has a repeat relationship with the sponsor and wants to stay in good favor so it can get more deals.

6. Blockworks calculates that Bitmine's "mNAV" (multiple of net asset value) is right around 1, down from 8.7 in the boom times.

7. Not in the sense of being “investment companies” under the US securities laws, a technical term that applies to firms that invest primarily in *securities* and that leads to much more regulation. DATs are not investment companies in that sense, because they buy crypto rather than stocks.

Securities

Opinion

# Matt Levine’s Money Stuff: Wall Street Wants Predictors

Jan. 14, 2026, 11:36 AM PST

**Prediction market liquidity**

There are two basic ways to use computers to trade stocks:

1. There are what you might call “naive market making” and “simple arbitrage.” Sometimes a stock index future trades at $100 and an exchange-traded fund on that index trades at $100.01, so you buy the future and sell the ETF and collect $0.01. Or some stock last traded at $30, so you post orders to buy it for $29.99 or sell it for $30.01, hoping to buy from sellers and sell to buyers and collect a small spread. You program computers to do this quickly, make small amounts of money on each trade and try not to lose money. You and your computer do not have the time or inclination to *think about fundamental value:* You don’t know if the stock *should* trade at $20 or $30 or $40; you just know (or can confidently predict) that you can buy it at one price and sell it at another price relatively quickly.
2. There is what you might call “quantitative investing,” where you program a computer to look at some set of data *about a stock* and figure out what it’s worth. If it last traded at $30, and your computer tells you it’s worth $40 or $31 or perhaps even $30.05, you (or your computer) buy the stock and hope to sell it later at a higher price when the market comes around to your computer’s view.

These things bleed together; a human market maker at a big bank, or an electronic market-making algorithm at a big electronic trading firm, will probably have *some* notion of fundamental value. It is *possible* to do market making or arbitrage with no concept of fundamental value, but in a competitive market it is hard and risky. If you are buying a stock at $29.99 and selling at $30.01, and some well-informed investor knows that it’s really worth $40, she will keep buying from you at your price and you will lose a lot of money. (This is called “adverse selection.”)

The only safe ways to do market making, really, are:

1. Have an informed and sophisticated view of the "correct" price, so you do not constantly face adverse selection, or
2. Trade against idiots.

A lot of very smart people devote their lives to the first approach, but it is important to point out that a lot of very smart people also devote their lives to the second approach. Big electronic proprietary trading firms understand that the public stock markets are full of sharks, that is, sophisticated investors with informed views on prices who will pounce on them if they get their prices wrong. One thing that they do about this is try to make their prices right, but another thing that they do is try to *avoid the sharks*. We talk sometimes around here about " payment for order flow," which is the mechanism that US stock market makers use to avoid sharks: A market maker will pay a retail brokerage to trade with its customers' orders, because those customers are unlikely to be especially well informed about the correct stock price. Market makers will pay more to brokers whose customers are particularly uninformed. Uninformed orders are what you want.

Taking a step back, though: There are idiots everywhere. If you are fundamentally in the business of finding ways to trade with uninformed people, there is no sense limiting yourself to the stock market. One reason that several of the big market-making firms jumped enthusiastically into crypto — or their employees left to jump into crypto — is, uh, you know. Not so much "crypto is full of idiots" (maybe!) but more "a lot of cryptocurrencies trade frequently at large market caps with no particular fundamental value, so you are unlikely to be picked off by sharks with a more sophisticated view of fundamental value than you have."

The hot financial thing in 2026, though, is prediction markets. Prediction markets seem to have a lot of the same appeal to trading firms as crypto markets:

They attract a lot of hobbyists and gamblers rather than high-powered professional investors, so chances are good that you will not be adversely selected by sharks.

They are small and new enough that the arbitrages have not all been competed away; it is at least possible that you'll find the same contract trading at 55% on Kalshi and 50% on Polymarket and you can make a quick profit.

They are global and often pretty lightly regulated, and philosophically (and technologically) often pretty crypto-y, so you can apply your crypto learnings to trading predictions.

They are plausibly uncorrelated to your stock trading business.

Your interns will love it. Just, you know: One reason you got into this business was to make steady profits, but another reason you got into it was to have a little fun, and arguably "we build models to gamble on sports and awards shows" is more entertaining than "we build models to arbitrage across US equity trading venues." It's the Wild West of modern markets, plus it's something you can talk about at parties with non-financial people and maybe they'll be interested.

Prediction markets do, however, have one big difference from crypto: There is absolutely a fundamental value, and you will find out in the fairly short term if you are right or wrong about it. The contract for "Amy Poehler will win the Golden Globe for Best Podcast" would pay out $1 if she won and $0 if she didn't, and it resolved on Sunday. It's not like Dogecoin, where you can perpetually and unquantifiably make the case that it's worth whatever you want it to be. The prediction either comes true or it doesn't, in the near term, and the contracts pay out accordingly.

This does not *necessarily* matter directly to market makers, because they can trade in the even shorter term: If you buy that contract at $0.60 and sell it at $0.62 a minute later, you make a profit, whether or not she wins. If you are trading against pure degenerate gamblers with no insight into who will win, your flow is random and you'll make a spread. But it's a market where you *can* get picked off. If you sell that contract at $0.62 to someone who knows it's going to $1, and then you sell them some more at $0.64 and $0.66 and $0.68, you can get in trouble.

So you could imagine a path in which:

Big Wall Street proprietary trading firms get into prediction markets, because they are fun and lucrative and they can apply their skills in new territory.

By "apply their skills," I mean mostly arbitrage and market making against relatively unsophisticated retail hobbyists.

But, because prediction market prices depend on fundamentals, they will occasionally get picked off by people who know more. Those people might be insider traders, or they might just be smart hard-working people who seek out fundamental information and/or build good models to predict events.

And, as big proprietary trading firms do more prediction-market trading, *that will happen more often*. One reason that people do not regularly make millions of dollars insider trading in prediction markets is that *nobody will sell them millions of dollars' worth of contracts:* Prediction market liquidity is mostly pretty thin. But as big prop firms get into these markets, they will provide more liquidity, which means that it will be more lucrative to pick them off.

Which means that, over time, the big prop firms will end up investing, not just in quick arbitrages of prediction markets, but in *building fundamental models*. They will hire astrophysicists to program computers to use deep learning models to predict which podcasts will win Golden Globes, etc., so that they can make more informed markets in who will win the Golden Globes.

This will create more liquidity, and more incentives to trade against it, and so big hedge funds will also build their own more medium-frequency quant predicting businesses.

One possible end state here is "the future will become transparent to us, because Jump Trading and Susquehanna and Jane Street and Citadel and Millennium and Point72 will build sophisticated models that accurately predict the outcomes of all interesting events to make their prices correct." That is, market signals will lead very well-capitalized and highly motivated players to build perfect oracles. This is not the most likely outcome — I mean, it hasn't really happened yet for *stocks* — but maybe.

Another possibility is that if you are a really close follower of celebrity gossip and awards-show buzz, you might have a lucrative future on Wall Street. I wrote once about meteorologists getting hired at hedge funds:

The nicest thing you can say about the financial industry is that it lavishly rewards correct understanding of the world. If you know a thing, and other people do not know it, financial markets provide an efficient and fairly general way to turn your knowledge into large amounts of money.

That was broadly true at the time, but in limited domains: Weather is relevant to all sorts of commodity prices, but podcast awards buzz mostly was not. Now it is!

Anyway here's a Financial Times story about the early stages of this:

Trading groups are expanding into the rapidly evolving realm of prediction markets, hiring traders to arbitrage fleeting price discrepancies between contracts for events such as football games and elections. ...

Don Wilson's DRW is looking for a trader who will be paid a base salary of up to $200,000 to "monitor and trade active markets in real time" across Polymarket and Kalshi, according to a job advert posted last week, as it builds a "dedicated prediction markets desk".

Options trading giant Susquehanna is on the hunt for traders to "detect incorrect fair values" and identify "unusual behaviours" and "inefficiencies" on prediction markets, as well as people to work on its dedicated sports trading desk. Crypto hedge fund Tyr Capital hopes to hire a prediction markets trader "who is already running sophisticated strategies". …

Analysts said strict risk controls meant trading businesses would probably avoid placing direct bets on questions such as when US President Donald Trump will buy Greenland or which film will win the most Oscar awards in March.

A more attractive proposition is arbitraging between markets offering different prices for similar outcomes — mimicking how high-frequency traders exploit spreads on different stock exchanges.

"The big guys are going to be trading one market versus another, they're not going to be throwing darts at a dartboard, betting that Trump will invade whichever country," said Joseph Saluzzi, co-founder of Themis Trading.

"In a market like this that's so new, where different platforms are so siloed, there will be so many arbitrage opportunities," he added.

Yes, that is the sensible *first* step. But eventually, if you can make a lot of money on Trump invading some country, somebody will.

Incidentally I have gotten through this whole column without saying "obviously this is like 90% sports gambling," but obviously this is like 90% sports gambling.

**People are worried about stock buybacks**

My basic model is that:

1. Companies try to maximize *profits*, and then
2. They take those profits and try to use them in the highest-value way.

That is, it is a sort of two-step model: The company has an operating business, and the goal of the operating business is to bring in as much profit as possible. And then the company has a capital-allocation function, and if it makes a profit, it will allocate that money to projects with the highest expected return. Sometimes those projects might be building a new factory, or expanding the sales force, or otherwise reinvesting in the current operating business. Other times, they might include getting into a new line of business or acquiring other companies.

And then there is the default option, which is: “We have a good business, it makes money, we’re happy, but we’re doing it as fast as we can and it happens to make more money than we need in the business. So we’re going to give the money back to the owners of the business, and *they* can figure out how to reinvest it, or use it to pay their mortgage for that matter.” Historically that was the *normal* thing that businesses did with their profits: People invested in companies because they expected the companies to make steady profits and give the profits to investors. (This was called a “dividend.”)

Modern stock investing somewhat obscures that normal mechanism: Now, the highest goal of a typical investor is not so much a quarterly dividend check but rather a company whose value goes up 100x, so high-profile technology companies tend to spend their profits to become dominant players in artificial intelligence rather than just writing checks to shareholders. But most companies are not going to 100x their value; most companies make widgets and sell them for more than they cost to make and have some steady profits and think “well these profits are nice but they belong to our owners, so let’s give them to our owners.”

Also, for various more or less good tax and corporate finance reasons, these days companies tend to give the money back to owners through stock buybacks (paying the shareholders for their shares) rather than dividends (writing checks to all shareholders).

My two-step model makes sense to me, but you could have another model. You could have a one-step model something like this:

1. Companies try to maximize the cash that they send back to shareholders (through stock buybacks).

I don’t think that this is generally *true* about US public companies, but it is not a crazy model. Surely there are *private* companies like this; surely there are people who own small businesses (or large businesses for that matter) whose main desire is to get as much cash as possible every month, and who would much rather get big dividend checks than reinvest in growing their businesses. Some people think that private equity firms tend to have similar priorities for their portfolio companies, that they load those companies up with debt and then prioritize current cash flow over reinvesting in the businesses. And I suppose you could have similar views about at least some public companies, something like “the executives get paid in stock, stock buybacks prop up the stock price, so the executives care more about short-term cash flows to shareholders than they do about long-term value creation.” I don’t really buy this — I think profits do more to prop up the price than stock buybacks do — but some people do.

Anyway. If you are a populist politician, one thing that you might think is “Company X should lower its prices.” How can you *express* that thought? What should you *say* to Company X to get it to lower its prices? Well, the simplest approach is just to say it: “Company X’s prices are too high and it should lower them.” Maybe you pass a law instituting price controls on Company X, saying it can’t charge more than $10 per widget or whatever. There are political and economic problems with this. Price controls get a bad rap, economically. Also Company X’s lobbyists are going to come to you and say “actually it costs us $10.15 to make a widget so your price controls will cause a collapse of the widget market and hurt the widget consumers you are trying to help.” Last week, President Donald Trump told credit card companies that they’re not allowed to charge more than 10% for their widgets, and the credit card companies gave the standard (and surely accurate) reply.

But you might think that actually Company X is doing great and can easily afford to sell widgets cheaper. Perhaps you don’t want to meddle with price controls per se, but you want to at least shame Company X into lowering prices. One thing that you might say is: “Look, Company X’s profits are huge, surely it can afford to charge less for widgets.” If you are pretty draconian about it, you might say “we will pass a law saying that Company X’s profits can’t be more than _____.” This law *might* have the effect of forcing Company X to lower its prices: If it is capped at a 10% profit margin, and it costs $9 to make a widget, Company X will have to charge at most $10 per widget to comply with the law. (The obvious workaround, though, is to increase *costs*, for instance by paying Company X’s executives a bonus of $1 per widget.)

This is more or less how *utility* regulation works; it’s not so much the prices that are regulated but rather the return on equity. But, again, in the general case, there are political and economic problems with capping a company’s profits.

In my little model, I assume that Company X is maximizing profits. But you might not assume that. You might have the one-step model, in which Company X is maximizing *stock buybacks*. If that is your model, you might try to force Company X to lower its prices by *capping its buybacks*. Same basic analysis: If Company X is not allowed to do stock buybacks, and it costs $9 to make a widget, and Company X has no use for its profits other than doing buybacks, then, without the ability to do buybacks, Company X will just say “meh I guess we’ll charge $9 per widget; we don’t have any use for any more money than that.” (Or various softer versions: Maybe Company X likes to keep $1 per widget in its cash reserve, but any more than that would go to buybacks or nothing.)

I am making fun of this model here, but not entirely. It's not completely nuts. If you were the owner of a company, and your company was allowed to *make profits* but not allowed to *pay them out to you*, you *might* care less about the profits. You might say "meh I'm not gonna get that money in my bank account this year so whatever, cut prices." This is not a fully rational thought process — you might instead think "my net worth includes the value of the company I own, and the more profitable that company is the better off I am, even if I'm not getting a quarterly check" — but it is sort of psychologically plausible.

And the advantage of this approach is that, while economists are often (not always!) pretty skeptical of banning stock buybacks, it does seem *politically* more palatable. Politicians have been railing against stock buybacks for years; "people are worried about stock buybacks" is a long-running section heading in this column. Of course, there is also a history of politicians *criticizing profits*, but, you know, less. "Companies should not make profits" sounds a lot like socialism, and it does not go over well in US politics, certainly not in US *Republican* politics. "Companies should not do buybacks" is pretty mainstream and bipartisan.

So "we will lower widget prices by forbidding widget companies from doing stock buybacks" strikes me as mostly incorrect economic analysis but plausible politics. Anyway here's this:

In an interview with The Wall Street Journal, President Trump's Federal Housing Finance Agency director, Bill Pulte, questioned repurchases made by home builders when discussing the administration's plans to lower housing costs.

Pulte, the scion of a home-building giant, said the industry has purposely kept prices high, calling on it to help lower them and to build more homes across the country.

"They're making, in some cases, more money than they've ever made, and they're buying back stock like never before," Pulte said. "It's something that we're studying, you know, how much money they're spending on buybacks."

He hinted at penalties for companies that didn't help the administration's push, adding that support for the government-backed mortgage-finance firms Fannie Mae and Freddie Mac shouldn't be "used to fund buybacks at the expense of Americans who need to get in homes."

Sure.

**Eric Adams memecoin**

One novel and noteworthy feature of our current economic and cultural climate is that people love a scammer. Some of this is aesthetic: We love a rogue, someone who plays by her own rules and sticks it to the elites. But also, with crypto and prediction markets and meme stocks, we have developed better ways to profit from other people's scams. If you know someone is running a pump and dump, the right move might not be "stay away" but rather "get in during the pump and get out before the dump." It used to be that most people did not want to be involved in scams. Now, it seems, a lot of people are happy as long as they think they're in on the scam.

This reverses a lot of traditional incentives. For instance: Traditionally, if you took $100 million of people's money, and you never gave it back, and when they asked for it back you were like "teehee I know I'm such a rascal aren't I," you would have a hard time raising *new* money. There would be newspaper articles about your failed venture and your disgruntled investors, and if you wanted to find new investors for a new venture, you might have to change your name or move to another country or at least *explain* yourself. Whereas *now*, if you take $100 million of people's money and never give it back and get stories written about you, you can go out to new investors and show them the stories and be like "lol look what a rascal I am," and they will be like "oh man you *are* a rascal, here's $200 million."

I realize this reads like a joke, and of course I am partly joking, but I'm also partly not. Adam Neumann's shtick is not that he failed as the founder and chief executive officer of WeWork; his shtick is that he incinerated investors' money in hilariously lavish ways while becoming a billionaire himself — *and investors love that.* We talked last week about the revival of MoviePass. We talked last year about the revival of *Enron*. I wrote:

If you launched Enron Corp. on the stock exchange today — even without a business — the stock would go up, because that is funny. "Synonymous with willful corporate fraud and corruption" is the sort of meme that, in 2024, is *valuable*. Stocks go *up* in bankruptcy now. "The largest bankruptcy due specifically to fraud in United States history" is great!

Again, that sounds like I was kidding, and I was kind of kidding, and Enron was mostly kidding, but there's also some truth there. Scandal, these days, sells. I mean it sells *stock*, even.

Certainly it sells crypto. Donald Trump did some memecoins, made money for himself, lost money for investors, and keeps announcing new crypto things. "That guy did a crypto that took in a lot of money and then pancaked" seems to be kind of a *good* thing, in the memecoin world. The essential value of memecoins comes from attention, any kind of attention. Bad attention is fine.

I once wrote about the memecoin launched by Haliey Welch, the woman who became famous for saying "hawk tuah" in a YouTube interview once:

Yes I mean obviously Haliey Welch should get millions of dollars from selling a token representing her own virality, and obviously that token's value should go to zero in like a day. That is how modern finance works! … People are complaining that this is a "rug pull" or a "pump and dump," but I cannot understand what *different thing* they thought would happen. The Hawk Tuah coin would build an enduring business with large and growing value for years to come? What? Why? How? It's a memecoin representing the fastest-melting imaginable form of fame; of course it should go to $500 million and then to zero in a day. That's what it's for! It worked perfectly!

My model here was "she is famous now, she won't be famous later, you can monetize fame with a memecoin, so she should do that, and she did." Fine. But an alternative model could be something like: "She is famous now, she won't be famous later, *unless* she annoys everyone by doing a controversial memecoin that loses a bunch of money for people and gets her more negative attention. Then she'll continue to be famous, or at least infamous, and maybe she can monetize that fame by doing another memecoin."

Here I am like 80% joking. Still, something to consider.

Anyway:

Eric Adams' fondness for crypto — which during his one-term tenure as mayor of New York included the launch of the ill-fated 'NYCCoin' — is once again attracting controversy.

Less than two weeks after being succeeded by Zohran Mamdani, Adams re-emerged to promote a new city-inspired cryptoasset called NYC Token. A portion of the proceeds would go to fight antisemitism and educate children about the blockchain, Adams said during appearances in Times Square and on the Fox Business television channel. Adams encouraged the public to buy into the project.

The value of the token - which has no official affiliation with New York City or any state or local government - surged on Monday to as high as 58 cents before crashing within hours to under 10 cents. Crypto market observers and analysts have cried foul, drawing parallels to what's known in the industry as a "rug pull" — crypto slang for a project in which the creators appear to withdraw or sell a significant number of tokens without explanation.

"Our market maker made adjustments in an attempt to keep trading running smoothly, and as part of this process, moved liquidity," according to an email statement sent from NYC Token. "The team has not sold any tokens and is subject to lockups and transfer restrictions." …

"It seems to be pretty obviously just another celebrity memecoin, which doesn't really have any long-term value and just exists as a way to rinse retail traders," said Tom Schmidt, general partner at venture capital firm Dragonfly. "Granted, if you're choosing to trade Eric Adams' memecoin, you probably know what you're getting into."

Byrne Hobart calls this a "fame exit scam, where someone becomes a sufficiently high-profile public figure that they can launch a crypto token and then promptly sell a bunch of it":

The scam part isn't that the token dropped in value—these tokens generally don't promise any real connection between their price and some real-world source of value. Instead, the actual scam is reputational: someone gets famous enough to get away with it, and apparently decides that liquidating their fame at pennies on the dollar, something they'll be able to get away with exactly once, is worth doing.

And, yes, that — "something [he'll] be able to get away with exactly once" — is my usual intuition. But, you know. He's Eric Adams. When he comes to you and says "teehee I know I'm such a rascal aren't I," won't you melt? Or at least laugh along with him? Donald Trump is proof that you can liquidate your fame at pennies on the dollar dozens of times, and each time it only gets more valuable. Perhaps doing a memecoin disaster as soon as he leaves office is the best way for Adams to *launch* the next phase of his career; perhaps this establishes his credentials.

**Things happen**

Luxury Retailer Saks Files Bankruptcy After Turnaround Fails. Blistering Metals Rally Sends Gold, Silver and Copper to Records. Netflix Weighs Amending Warner Bros. Bid to Make It All Cash. Wall Street Is Suddenly on the Defensive With the President. "The guy is a medieval prince. He needs to be buttered up." McKinsey challenges graduates to use AI chatbot in recruitment overhaul. AI Startup Sued by Palantir Says Company Wants to 'Scare Others' From Leaving. "If I was flying business class, or flying somewhere where I'm representing somebody or something, I would think to dress more nicely." Matthew McConaughey Trademarks Himself to Fight AI Misuse.

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1. "Look around."
2. The *most* ambitious business founder-owners tend to prioritize reinvestment; they'd rather live on ramen for years to build a giant company than take money out of the business every month. But lots of people would rather have the money now.
3. Another thing you might think is "Company X should raise its wages," and the analysis of wages, profits and buybacks is pretty much identical to the analysis of prices.
4. Where "profits" might mean a dollar amount, or a net profit margin, or a return on equity, or something else.
5. Notice that there is another form of "people are worried about stock buybacks": Sometimes people who have the two-step model of corporate goals (first profits, then capital allocation) nonetheless want to ban buybacks, not because they want to lower profits and prices but because they want to increase capex. The theory here is that companies make money, and they should reinvest the money in the business, but they instead pay it out to shareholders out of risk-aversion or short-term thinking or whatever. Thus the idea of banning defense contractor buybacks, maybe.
6. Here I am a bit influenced by Matt Yglesias, who writes that "clearly honor, shame, and a sense that others will feel bound by honor to shun or shame the dishonorable are holding up large swathes of society" in 19th-century novels. "This seems to me like a pretty profound difference from contemporary society. These days, I feel like the general vibe even (perhaps especially) in elite circles is that the worst thing you can be is a sucker. You don't want to break the law or directly steal from or physically injure other people, but you are seen as

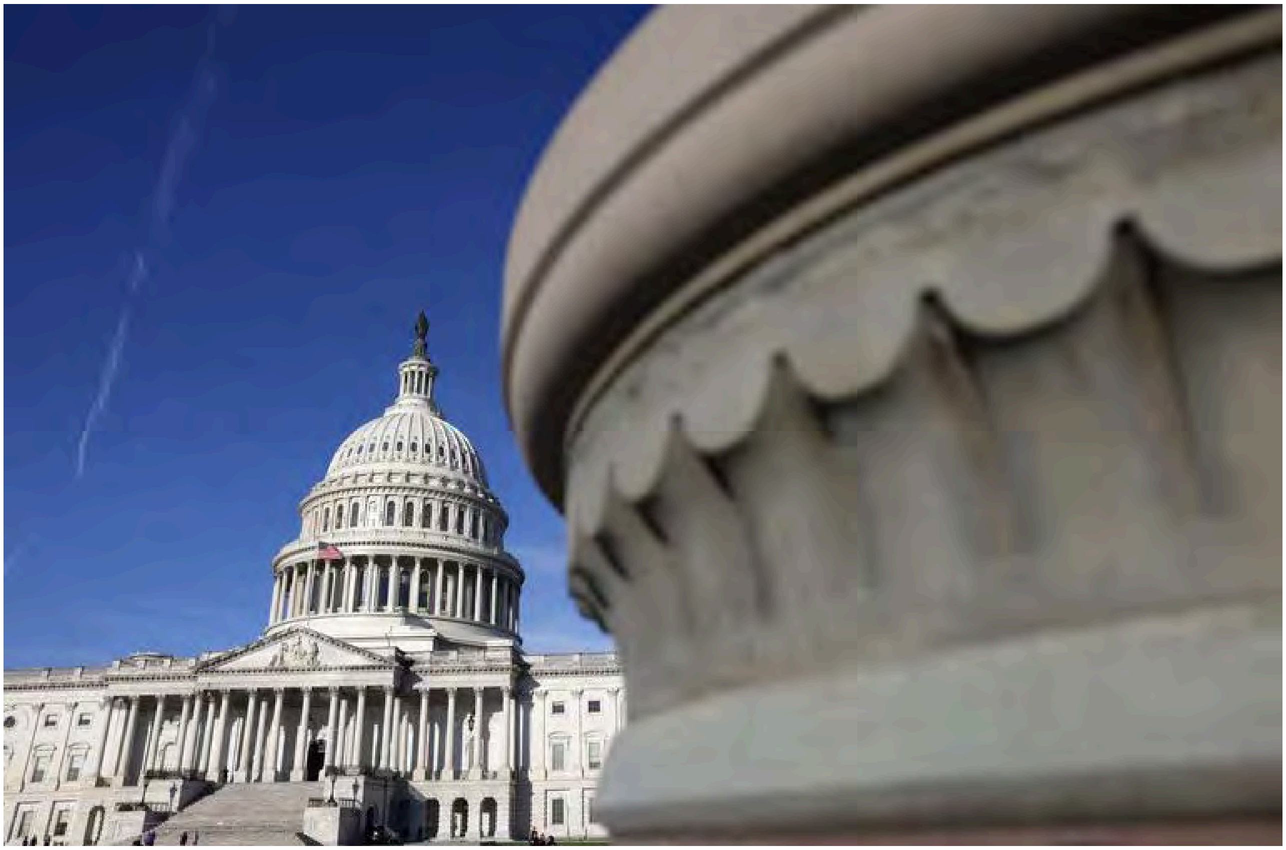
holding some kind of obligation to yourself and your family to exploit every angle available. Not just because you want to gratify yourself, but because everyone else is doing it.”

Analysis | **Cryptocurrency**

# When Crypto Finally Gets Rules, the Lawsuits Are Unlikely to Stop

As crypto rules take shape, uncertainty isn't disappearing—it's transforming, with private lawsuits and new liability theories redefining some of the industry's next legal battles.

January 15, 2026 at 07:30 AM By **Michael A. Mora**



**U.S. Capitol building in Washington, D.C., on October 7, 2025. Photo: Diego M. Radzinschi/ALM**

For much of the past few years, the cryptocurrency industry has framed its legal woes as a problem of uncertainty because the rules, if any, were unclear, delivered not through guidance or regulation but through enforcement actions and lawsuits. Crypto companies posited that if regulators would spell out their expectations in advance, rather than retroactively, they could comply, innovation could proceed and the constant churn of legal battles might slow.

That expectation is now being tested.

Congress has begun to act. Federal agencies have adjusted their tone. Long-awaited market-structure legislation is moving haltingly, but undeniably, toward reality. And yet, among the lawyers who spend their days defending digital asset companies in court, there is little sense that the industry is entering a prolonged period of legal calm.

Instead, they described a landscape in transition, one in which the questions are no longer just about jurisdiction or statutory authority, but about how liability itself is evolving.

**Alexander Drylewski**, a partner at **Skadden, Arps, Slate, Meagher & Flom**, has observed that evolution up close. Drylewski said that market-structure legislation remained one of the most closely followed developments in crypto, but clearer rules from Congress will not eliminate litigation. Instead, they will simply change its shape.

“Private plaintiffs have gradually expanded their theories of liability to include claims that don’t hinge on whether or not the digital assets at issue are securities,” Drylewski said.

Increasingly, lawsuits assert state unfair-competition laws, false-advertising statutes and common-law claims—legal theories that do not depend on how Congress or the Securities and Exchange Commission classifies a token. Drylewski expects that trend to continue, even if lawmakers exempt broad categories of digital assets from federal securities regulation.

For defense lawyers, that shift has made crypto litigation less predictable, not more. When liability no longer turns on a single threshold question—Is this a security?—the universe of potential claims expands, along with the range of possible defendants. Drylewski described the job as one of constant vigilance. New theories appear. Some are dismissed. Others gain traction. No one knows in advance which will survive, but companies still must plan for the risk.

“It’s a constantly evolving game where we see a new theory and we try to proactively advise our clients about the existence of it and how to try to mitigate that risk, even if we don’t know whether that theory will pan out in court,” Drylewski said. “It may not be accepted, but we try to be cognizant of the risks and proactively mitigate those risks when new claims are presented.”

## ‘Not a Lot of Red Meat on the Bones’

That dynamic stands in contrast to the earlier phase of crypto regulation, when uncertainty often arrived directly from the federal government. During the Biden administration, crypto companies faced what many in the industry described as regulation by enforcement, with limited guidance from either the SEC or the Commodity Futures Trading Commission.

**Helen Gugel**, a litigation and enforcement partner at **Ropes & Gray**, recalled a period in which companies often learned the rules only after regulators claimed that they had been broken.

“What we were seeing is the absence of any sort of specific rules saying, ‘If you're engaging transaction, here's who's going to regulate you, here's what you should be doing,’” Gugel said.

Instead, she explained, regulators frequently stepped in after the fact, alleging that certain transactions constituted securities activity and were therefore subject to SEC jurisdiction.

**Amy Jane Longo**, also a litigation partner at **Ropes & Gray**, previously served as regional trial counsel for the SEC's Los Angeles office, where she oversaw enforcement litigation in federal court and administrative proceedings. She described an agency culture focused on testing the outer limits of existing securities laws.

"The mantra when I was there was, 'How can we bring as much of the crypto within our jurisdiction?'" Longo recalled. "That really characterized the administration, an effort to see which of our securities laws [applies] and grafts onto this new area, whether it's unregistered exchanges, registered offerings, you name it."

That posture intensified toward the end of the Biden administration, when uncertainty surrounding an impending change in leadership coincided with a surge in enforcement actions. For litigators representing crypto companies, it was a period of intense activity.

"It was a very hot market in our space," Gugel recalled.

The tone shifted after the 2024 election. The new administration promised to move away from regulation by enforcement and cast crypto as a technology worth fostering rather than restraining. Both the SEC and the CFTC issued policy statements outlining how they viewed digital markets and market activity. Federal enforcement actions were dropped, one after another, against industry leaders,including Coinbase, Binance and Cumberland DRW.

Around the same time, Congress began to fill gaps that had existed for years. Lawmakers passed the GENIUS Act, establishing the first federal framework for payment stablecoins. The law mandates one-to-one backing with cash and Treasuries, prohibits interest payments, imposes anti-money-laundering and know-your-customer requirements, creates federal oversight for large issuers and grants stablecoin holders priority in bankruptcy.

Separately, the Digital Asset Market Clarity Act, if signed into law, will define the respective roles of the SEC and the CFTC in regulating digital assets. Under the bill, the CFTC will have exclusive jurisdiction over transactions in "digital commodities," such as Bitcoin, while the SEC will retain authority over "investment contract assets," digital assets initially sold as securities to raise capital.

The CLARITY Act passed the House with bipartisan support this summer and now awaits consideration in the Senate, where lawmakers on the Banking and Agriculture committees have been developing their own versions of a crypto regulatory framework, delaying any final resolution. The Senate Banking Committee entered the fray Monday, releasing its own draft legislation aimed at creating a regulatory framework for cryptocurrency. Senators are expected to debate and consider amendments Thursday.

Now, lawmakers are largely grappling with three unresolved questions: whether stablecoin-linked rewards should be permitted; how decentralized finance platforms and their developers should be treated; and whether elected officials—including President Donald Trump—should be barred from profiting from crypto ventures.

Even with more guidance, uncertainty remains. While SEC Chair Paul Atkins has outlined how he views different categories of tokens, Longo, of Ropes & Gray**,** said, the guidance has yet to offer what many practitioners would consider operational clarity.

“There’s still not a lot of red meat on the bones,” Longo said.

What has changed, however, is the enforcement environment. Federal actions have grown quieter overall, prompting companies to shift their focus inward. Institutional players have invested more heavily in compliance programs, internal controls and governance structures.

At the same time, another source of legal risk has become more prominent: private litigation. As regulatory enforcement receded, plaintiffs’ lawyers have stepped into the vacuum, pursuing claims that extended far beyond what had been brought against traditional defendants. Longo pointed to the multidistrict litigation arising from the collapse of FTX as a preview of what may lie ahead.

FTX, once one of the world’s largest crypto exchanges, filed for bankruptcy in November 2022 after a liquidity crisis exposed allegations of widespread fraud. In the MDL, plaintiffs did not limit their claims to FTX’s executives. They sued investors, law firms, accountants and celebrities who appeared in promotional materials—anyone who could plausibly be linked to the alleged harm.

The case illustrated a broader shift moving into 2026, attorneys said. As crypto markets mature, so does the crypto plaintiffs’ bar. And as statutory clarity reduces some forms of uncertainty, it creates others, such as how wide liability can spread when things go wrong.

“The more institutional involvement there is in this space,” Longo said, “the more likely you’ll see efforts to try and bring those parties in when there is an action.”

Securities

# Eric Adams Says He Did Not Profit From Launch of NYC Memecoin

Jan. 14, 2026, 2:02 PM PST

Eric Adams said he did not profit from the launch of the NYC Token memcoin he is promoting, which initially soared in value before crashing following its debut on Monday, prompting crypto market observers to draw parallels to a "rug pull."

The former mayor of New York City said in a statement through his spokesperson Todd Shapiro that reports about Adams moving money out of the NYC Token were "false." Rug pull is crypto slang for when project creators appear to withdraw or sell a significant number of tokens without explanation, often causing the value to collapse after a surge in the price.

NYC Token was launched on Monday, as Adams appeared in Times Sqaure and on the Fox Business television channel, saying that proceeds from the token will help fight antisemitism and educate children about the blockchain. However, the token had a rough start, as its value crashed to as low as below 10 cents after having surged as high as 58 cents.

"To be absolutely clear: Eric Adams did not move investor funds," the statement on Adams' X account said. "Eric Adams did not profit from the launch of the NYC Token. No funds were removed from the NYC token."

A website for the token described it as a "community" cryptocurrency for New York City, one that would "represent the unstoppable energy of the Big Apple." The token has no affiliation with New York City or any state or local government. It is still unclear who else was involved in the launch of the token.

Read more: Adams' NYC Memecoin Crashes After Debut, Sparking Outcry

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Dave Liedtka

Bribery and corruption

# UK SFO launches £300mn bribery probe into social housing company Home REIT

Six people arrested and properties raided across England and in Italy


The SFO said it was looking into 'the past management' of the company © Charlie Bibby/FT

**Suzi Ring** in London

Published 4 HOURS AGO | Updated 09:27

The UK Serious Fraud Office has opened an investigation into the UK social housing company Home REIT in relation to allegations of bribery and fraud.

The SFO said on Wednesday that it had raided seven sites and arrested six people at homes and premises in London, Maidenhead and Manchester in connection with the alleged offending, which is estimated to be worth £300mn. The SFO added it was looking into "the past management" of the company.

The fraud prosecutor also worked with Italy's Guardia di Finanza to search a home in Venice.

The fund, which bought properties to provide sheltered accommodation to veterans and the homeless, listed in 2020 but suspended trading on the London Stock Exchange in 2023. This followed an investor report the previous year that raised concerns about the company's property valuations and the ability of its tenants to pay rent.

Following the allegations from short seller Viceroy Research in November 2022, a number of tenants filed for voluntary liquidation.

The UK's accounting watchdog announced an investigation into the company's auditors, BDO, last year over the same allegations. The Financial Conduct Authority also opened a probe in 2024.

"This company had a meteoric rise, spending millions on properties that were supposed to house the most vulnerable in society and provide returns for investors," said Emma Luxton, the SFO's director of operations. "Its chaotic downfall has left many with unanswered questions."

Home REIT raised more than £850mn in its first three years of trading and investors were told that their money would be used to buy and restore properties that would be let to charities to help house homeless people and people struggling with addiction.

"Vulnerable people, including rough sleepers and veterans, were promised homes, while investors who funded millions of pounds were promised returns. Both groups deserve answers," said Ellie Reeves, the solicitor-general for England and Wales.

Home REIT said in a statement on Wednesday that it had been "made aware of reports of the SFO's arrests and raids. Naturally the company will provide any assistance it is able to the SFO in pursuing its investigations."

The investigation comes as the SFO is set to go to trial in a number of other high-profile cases this year, including an alleged fraud in relation to high street bakery chain Patisserie Valerie.

*Additional reporting from Julie Steinberg in London*



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# Raids and six arrests as £300m bribery and fraud probe launched into social housing company

liverpoolecho.co.uk/news/liverpool-news/raids-six-arrests-300m-bribery-33229867

Liam Thorp January 14, 2026

## Probe relates to social housing company Home REIT, which has links to a troubled Liverpool charity group


View 3 Images

Serious Fraud Office officers raided properties today as part of a £300m probe into social housing company Home REIT*(Image: )*

Six people have been arrested and homes around the country have been raided after the Serious Fraud Office (SFO) launched an investigation into a UK social housing company with links to Merseyside.

The SFO has today conducted a major operation involving raids and arrests in different locations around the country as it announced a new bribery and fraud investigation into the past management of Home REIT, a listed UK social housing company. The SFO said that the suspected offending had an estimated value of £300m.

SFO investigators carried out searches and made arrests at homes in Altrincham, Maidenhead and London - a commercial site in Manchester has also been searched. Assistance was provided by the National Crime Agency.

Home REIT, listed on the London Stock Exchange in 2020, sold investment in its leasing of thousands of homes across the UK, raising more than £850 million in its first three years of trading.

Investors were told that their money would be used to buy and restore properties that would be block-let to publicly funded charities and Community Interest Companies to house rough sleepers, veterans and people struggling with addiction. Returns would be generated to investors from rent payments.

One of Home REIT's major former tenants was the troubled Liverpool-based charity group Big Help Group. In 2024, The charity surrendered its leases on over 600 properties after a fall out regarding houses it had rented from Home REIT to house homeless people and those leaving prison. The Big Help Group includes the Big Help Project anti-poverty charity, which is under investigation by the Charity Commission.

In November 2022 an investor report into Home REIT raised multiple concerns about the company including the valuation of its properties and the ability of its tenants to pay rent. It suspended trading on the London Stock Exchange in January 2023.

Assisted by the SFO, Italy’s Guardia di Finanza also carried out a search of a home in Venice.

Emma Luxton, Director of Operations at the Serious Fraud Office (SFO), said: “This company had a meteoric rise, spending millions on properties that were supposed to house the most vulnerable in society and provide returns for investors.

“Its chaotic downfall has left many with unanswered questions. Today we conducted a major operation to advance our inquiries into suspected bribery and fraud.”

Solicitor General Ellie Reeves MP said: "The allegations in this case are deeply serious. Vulnerable people, including rough sleepers and veterans, were promised homes, while investors who funded millions of pounds were promised returns. Both groups deserve answers.

“Fraud is a devastating crime harming people and damaging business confidence. I fully support the Serious Fraud Office’s fraud and bribery investigation, working with enforcement partners – at home and abroad.“

# US DOJ closes investigation of Swedbank

**reuters.com**/business/finance/us-doj-closes-investigation-swedbank-2026-01-14

Reuters January 14, 2026

Swedbank logo is seen in this illustration taken December 3, 2025. REUTERS/Dado Ruvic/Illustration Purchase Licensing Rights, opens new tab

(SWEDa.ST) , opens new tab said on Wednesday that the U.S. Department of Justice has closed its investigation into the bank without enforcement.

The investigation was initiated in 2019 and related to Swedbank's historical anti-money laundering work, the company said.

The bank was caught up in a regional money laundering scandal originating with Danske Bank (DANSKE.CO) , opens new tab, which said in 2018 that 200 billion euros ($232.90 billion) of suspicious funds moved through its Estonia branch between 2007 and 2015.

The Department of Financial Services in New York investigation is still ongoing, Swedbank said.

Swedbank also said it cannot at this time assess the potential financial impact or when the investigation will be concluded.

Reporting by Fabiola Arámburo in Mexico City; Editing by Shailesh Kuber

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# 2nd Circ. Suspects Forum Shopping In Credit Suisse Suit

By **Brian Steele**

Law360 (January 14, 2026, 5:08 PM EST) -- Two Second Circuit judges Wednesday sounded inclined to uphold the dismissal of a breach of duty claim against Credit Suisse and others tied to its auditing firm, with one saying the decision to bring the stock-plunge case in New York "almost smacks of forum shopping."

U.S. Circuit Judges Guido Calabresi and Reena Raggi expressed support for the reasoning that saw the proposed shareholder class action bounced from the Southern District of New York, suggesting that the lower court was right to find that Switzerland, where the bank is incorporated, is the more appropriate forum.

Counsel for the plaintiffs, Andrew Chan Wolinsky of Bathaee Dunne LLP, denied that they made "a random or opportunistic forum choice" and said their preference should be respected.

"My main problem is that some of the arguments that you make about why Switzerland is not a terribly convenient [forum] are also arguments that look like forum shopping," Judge Calabresi said. "That is, 'Switzerland does not allow class actions, Switzerland does not have a jury, Switzerland asks for a bond.'"

Judge Calabresi said that "perhaps correctly or not," Second Circuit case law does not consider those to be relevant factors in keeping the suit stateside.

Those hurdles, Wolinsky said, mean that Switzerland is not an adequate alternative forum, so the defendants did not meet their burden of showing that the case should be heard there.

"I think you're missing Judge Calabresi's point," Judge Raggi said, "which is that we've held that those are not grounds to say it's an inconvenient forum, that they just have different legal remedies, different legal requirements and you find the ones in New York more favorable to you. That doesn't seem to be a ground for favoring the New York forum; it almost smacks of forum shopping. This is some place where you think you would have procedural and remedial advantages."

Judge Eunice C. Lee asked whether the panel is supposed to consider "tactical advantage" when weighing the issue of forum non conveniens, referring to factors laid out in the Second Circuit's 2021 decision in Iragorri v. United Technologies Corp. That decision established a "sliding scale" to determine how much deference is owed to a plaintiff's forum choice.

The judge said that "it's not like a plaintiff has to have completely bad faith motives, they're trying to be abusive and harassing, and it's also not the case that we don't consider the plaintiff's convenience at all."

Wolinsky said the lower court "adopted wholesale" Credit Suisse's argument that the case was meant "to get a different answer from a different judge" after similar claims were tossed from state court, but did not engage in any analysis of the factors for determining if deference is owed to the plaintiff, which were laid out in the U.S. Supreme Court's 1947 case Gulf Oil Corp. v. Gilbert and its progeny, including Iragorri.

Shareholders Gregory Stevenson and Nicole Lawtone-Bowles filed suit in the Southern District of New York after state Supreme Court Justice Andrea Masley threw out similar claims from different plaintiffs, with the same attorneys, in a derivative case against the bank in April 2023. That case is known in court records as Cattan.

The investors alleged in the May 2023 complaint that Credit Suisse and auditor KPMG allowed a "common course of misconduct and civil conspiracy" to go on for more than a decade at the bank, causing Credit Suisse to suffer over $30 billion in losses, write-offs, penalties and fines, and significant harm to shareholders as its stock declined to $2 per share.

U.S. District Judge Colleen McMahon **ruled** in February 2024 that a breach of statutory duty claim under Swiss law belonged in Switzerland, while RICO claims were "deficient on a number of grounds." She said the latest case was "a patent and blatant effort to circumvent" Justice Masley's decision.

"Needing a hook to get into federal court, knowing that there were already multiple Credit Suisse securities fraud cases pending, and not wishing to compete for lead plaintiff status under the Private Securities Litigation Reform Act, plaintiffs have asserted claims under the Racketeer Influenced and Corrupt Organizations Act in addition to their Swiss law claims," Judge McMahon wrote.

"They allege a twenty-year scheme of mismanagement carried out through a variety of criminal acts, only some of which qualify as predicate acts under the RICO statute and none of which is pleaded with particularity, despite the prolix 272-page amended class action complaint they filed," the decision said.

The dismissal of the breach of duty claim was conditioned on KPMG and some individual defendants agreeing to Swiss jurisdiction; the plaintiffs appealed the dismissal of that claim, but not the RICO claims. They argued in their opening brief that Justice Masley's decision said it was without prejudice to any other shareholder, so it did not bar the new plaintiffs from suing in New York.

The defendants include four New York-based Credit Suisse subsidiaries that manage American operations, bank officials who are mostly Americans, KPMG's U.S. arm and 11 people connected to it, including officers and employees. A defense appellate brief filed in January 2025 said the plaintiffs sued the wrong KPMG entity, since Credit Suisse "was audited solely by the legally independent Swiss member firm of KPMG AG."

On Wednesday, counsel for the Credit Suisse defendants, Jason M. Hall of Cahill Gordon & Reindel LLP, said Judge McMahon applied the Iragorri factors "carefully and thoroughly."

"No, no. Let's just go to the point," Judge Calabresi said. "She said that this was forum shopping because it was an attempt to reargue Cattan, and that's wrong because this is a different plaintiff, and so that had nothing to do with that."

The judge asked why a plaintiff claiming that mismanagement took place in New York is not owed deference for their forum choice.

Hall said the case "could not be more Swiss" and the New York connections "seem manufactured, as Judge McMahon found." The complaint said about 10% of class members are based in the U.S., he added.

KPMG's attorney, Jamie L. Wine of Latham & Watkins LLP, said the plaintiffs named "local parties in an attempt to manufacture jurisdiction."

On rebuttal, Wolinsky said there is "plenty" in the complaint about actions the bank's wealth management and investment banking businesses took in New York that exposed Credit Suisse to risk and losses.

"There were management decisions, certainly, being made in Switzerland. That's where the head honchos are," Wolinsky said. "But that doesn't mean that insulates all of the other New York-based conduct."

Banking giant UBS Group AG **bought out** Credit Suisse in March 2023 for $3.2 billion after Swiss authorities said the deal would "ensure stability for the bank's customers and for the financial center." In November 2025, Judge McMahon granted certification to a class of Credit Suisse **bondholders** in a securities fraud suit alleging the bank concealed the impact of quarterly losses and its inability to retain clients leading up to the takeover.

U.S. Circuit Judges Guido Calabresi, Reena Raggi and Eunice C. Lee sat on the panel for the Second Circuit.

The shareholders are represented by Andrew Chan Wolinsky of Bathaee Dunne LLP, Francis A. Bottini Jr. and Michelle C. Lerach of Bottini & Bottini Inc., Byron S. Georgiou of Georgiou Consulting Inc. and Alfred G. Yates Jr. and Gerald L. Rutledge of the Law Office of Alfred G. Yates Jr. PC.

The defendants-appellees are represented by Herbert S. Washer, Jason M. Hall, Edward N. Moss, Tammy L. Roy, Nicholas N. Matuschak and Britney R. Foerter of Cahill Gordon & Reindel LLP, Jamie L. Wine, Jason C. Hegt, Corey A. Calabrese and Stephen P. Barry of Latham & Watkins LLP, David L. Axelrod of Ballard Spahr LLP, Antonio Yanez Jr. and Pia Williams Keevil of Willkie Farr & Gallagher LLP and Stephen R. Cook of Brown Rudnick LLP.

The case is Stevenson v. Thornburgh, case number 24-1788, in the U.S. Court of Appeals for the Second Circuit.

--Additional reporting by Jessica Corso, Najiyya Budaly and Katryna Perera. Editing by Patrick Reagan.

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# Biotech Co. CytoDyn In Talks To End Investor Class Action

By **Mark Payne**

Law360 (January 14, 2026, 5:22 PM EST) -- A federal judge has given the green light for biotech company CytoDyn Inc. and its former leadership to move forward with a potential settlement of a proposed class action that accused the company of misleading shareholders over the alleged approval of its COVID-19 and HIV drug.

U.S. District Judge Benjamin H. Settle on Tuesday gave CytoDyn and its former shareholder Brian Courter until **Jan. 30** to reach a deal, after the parties asked the court to grant them additional time to ink a settlement on Monday. Details about the potential settlement weren't immediately available.

Courter and the proposed investor class sued the company, claiming it misled them by overstating the likelihood that the U.S. Food and Drug Administration would approve its drug, which had the capacity to treat HIV and COVID-19.

The shareholders said that CytoDyn's shares dropped 22% after it announced in March 2022 that the FDA had placed its drug leronlimab, which the company alleged could treat HIV and COVID-19, on hold.

In July 2025, Judge Settle **denied** CytoDyn's motion to dismiss the case, finding that it knew by September 2021 that leronlimab would be held up because it knew it didn't have adequate information when it submitted its application to the FDA.

The case is Courter et al. v. CytoDyn Inc. et al., case number 3:21-cv-05190, in the U.S. District Court for the Western District of Washington.

--Editing by Adam LoBelia.

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# Monolithic Fights Investor Claims Over Nvidia Issues

By **Sydney Price**

Law360 (January 14, 2026, 10:38 PM EST) -- Power management parts maker Monolithic Power Systems Inc. wants out of an investor suit accusing it of hiding critical defects in power modules used by its largest customer, Nvidia Corp., arguing that the suit's "fraud-by-hindsight" claims are not actionable.

Monolithic said in its motion to dismiss filed on Tuesday that the investors do not show that statements Monolithic made regarding the nature of its relationship with Nvidia were false when made. Though the suit alleges Monolithic falsely assured investors on a February 2024 call that it had resolved a "quality issue" with components it supplied to Nvidia, Monolithic said the suit offers "no contemporaneous data" pointing to unresolved issues at the time of the statements.

The remaining alleged misstatements are nonactionable opinions, corporate optimism and true descriptions of historical results, Monolithic said.

In the suit, which was most recently amended in November, the investors allege that Monolithic finally revealed in October 2024 that customer orders had fallen materially below recent historical trends and would limit segment revenue growth in the upcoming quarter to the low single digits.

Analysts reported that day that Monolithic's "lackluster" sales were due to shipment delays at Nvidia, according to the complaint.

But Monolithic said Tuesday that the statements made by its CEO Michael Hsing on the call can be categorized as accurate facts or opinions.

"Plaintiff does not allege that Mr. Hsing did not actually hold the stated belief, that the opinion statement contained an embedded statement of untrue fact, or that the stated opinion did not fairly align with the information in Mr. Hsing's possession at the time," the motion states.

According to the complaint, Edgewater Research reported several months later in November 2024 that Nvidia had canceled half of its outstanding Monolithic orders, and engineers had "lost confidence" in Monolithic's products, turning to the company's competitors as primary suppliers. The report said some of Monolithic's competitors had received rush orders from Nvidia in recent weeks, according to the complaint.

But Monolithic said the report, which was published nine months after Hsing's statement about the company's relationship with Nvidia, does not show that quality control issues were affecting the relationship when the challenged statement was made.

"This is classic, impermissible fraud by hindsight and so must be rejected," the motion states.

Monolithic also argued that the suit's attempt to show scienter with claims that the defendants engaged in "suspicious" insider stock sales during the class period fails.

The amounts and percentages sold undermine an inference of scienter, and the timing of defendants' stock sales, which were permitted by their so-called 10b5-1 insider trading plans, is not suspicious, Monolithic claimed.

"[T]heir 10b5-1 plans were adopted some six months before the purported class period, at a time when the FAC does not allege that either of them knew any adverse information," the motion states.

"The sales to cover tax withholdings were consistent with their pre-class period sales."

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

The investors are represented by Kim D. Stephens and Rebecca L. Solomon of Tousley Brain Stephens PLLC and Jacob A. Walker, Brendan T. Jarboe and Zoe van Vlaanderen of Block & Leviton LLP.

Monolithic and the individual defendants are represented by Stephen C. Willey of Fennemore Craig PC and Geoffrey J. Ritts and Marjorie P. Duffy of Jones Day.

The case is Waterford Township General Employees Retirement System v. Monolithic Power Systems Inc. et al., case number 2:25-cv-00220, in the U.S. District Court for the Western District of Washington.

--Editing by Linda Voorhis.

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# Oracle Sued By Pension Plan Over AI-Linked Debt Disclosures

By **Katryna Perera**

Law360 (January 14, 2026, 7:23 PM EST) -- The Ohio Carpenters Pension Plan filed a proposed class action Wednesday in New York state court against Oracle, its founder Larry Ellison and other top brass, alleging the company failed to disclose that it would need to sell significant extra debt to fund its artificial intelligence buildout.

In Wednesday's **complaint** claims investors bought $18 billion of notes and bonds that Oracle issued in September and then suffered losses. The putative class would include individuals and entities that purchased or acquired Oracle Senior Notes traceable to offering documents the company filed with the U.S. Securities and Exchange Commission in March 2024 and supplemented in September 2025.

Based in Texas, Oracle sells database software, applications, cloud infrastructure and other hardware. According to the complaint, in September, Oracle and OpenAI OpCo LLC announced a $300 billion, five-year computing contract under which Oracle would supply OpenAI with computing power.

The complaint states that the agreement "covers roughly 4.5 GW of data center capacity per year and represents one of the largest commercial cloud contracts ever signed."

Following the announcement of the agreement, Oracle issued $18 billion in senior notes to fund its AI infrastructure expansion, the complaint states.

But the pension plan claims that while the offering was one of the largest debt issuances on record in the tech industry, Oracle failed to disclose that "further significant debt" would be needed to fund the agreement with OpenAI.

Specifically, the pension plan alleges the offering documents were false and misleading because they failed to disclose that Oracle was "organizing to raise that additional debt, which would ultimately bring the creditworthiness of these bonds into question."

The pension plan asserts Oracle was required to disclose this information because SEC regulations require disclosure of "any known events or uncertainties that at the time of the offering had caused, or were reasonably likely to cause." It is required that "a discussion of the most significant factors that make the offering risky or speculative, and that each risk factor adequately describes the risk," be present, the complaint states.

"Oracle's discussion of risk factors did not adequately warn potential investors about the additional debt it was looking to raise just seven weeks after issuing the Senior Notes," the complaint states.

On Nov. 13, 2025, seven weeks after issuing the senior notes, the complaint states, reports emerged that Oracle was looking to raise an additional $38 billion in debt sales to help fund its AI buildout.

It was further reported that this $38 billion figure would consist of $23 billion and $15 billion term loans led by various banks and that proceeds from the loans would fund two data centers in Wisconsin and Texas that would support Oracle's agreement with OpenAI, according to the complaint.

According to the complaint, the bond market's reaction to Oracle's additional debt was "swift and bracing."

"Oracle's senior notes began to trade with yields and spreads similar to lower-rated issuers as investors began to demand higher yields due to perceived credit risk," the complaint states. "As a result of defendants' wrongful acts and omissions, and the decline in the value of the Senior Notes, plaintiff and other class members have suffered significant losses and damages."

In addition to Ellison, the suit names as defendants Oracle CEO Safra Ada Catz, Chief Accounting Officer Maria Smith and several banks that served as underwriters in the offering, including BofA Securities, Goldman Sachs & Co. LLC and TD Securities LLC.

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

Oracle, counsel for the plaintiffs, and underwriter defendants Credit Agricole Securities Inc., HSBC Securities Inc., Deutsche Bank Securities Inc., Santander US Capital Markets LLC and BofA Securities Inc. declined to comment on Wednesday.

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

The pension plan is represented by Mandeep S. Minhas, Thomas L. Laughlin IV, Donald A. Broggi and Matthew A. Peller of Scott + Scott Attorneys at Law LLP.

Counsel information for the defendants was not immediately available.

The case is Ohio Carpenters Pension Plan v. Oracle Corporation et al., in the Supreme Court of the State of New York, County of New York. A case number was not immediately available.

--Editing by Amy French.

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# Wells Fargo Brass Gets 1st OK For 'Fake' Diversity Suit Deal

By **Katryna Perera**

Law360 (January 14, 2026, 9:21 PM EST) -- A California federal judge has granted the first green light to a settlement reached between Wells Fargo investors and executives in a derivative suit claiming the bank's leadership failed to address the company's discriminatory lending practices and engaged in "fake" interviews with diverse candidates.

U.S. District Judge Trina L. Thompson issued an **order** on Tuesday granting preliminary approval to the deal, under which Wells Fargo will create a $100 million "borrower assistance fund" for low- and moderate-income borrowers and communities to assist with mortgage down payments and closing costs. The fund would remain in place for a minimum of three years and be available in certain geographic regions of the United States.

Additionally, under the terms of the deal, Wells Fargo would receive $10 million from the defendants' directors and officers liability insurance, the order states.

In granting preliminary approval, Judge Thompson said the deal is fair, reasonable and adequate, and that it confers "substantial corporate benefits" on Wells Fargo. The judge also said the settlement should be approved, given the costs and risks of continued litigation.

"The court finds that proceeding to trial would have been costly, recovery was not guaranteed and there was the possibility of protracted appeals," the order said. "It is extremely unlikely that plaintiffs could have secured an award meaningfully above the settlement amount had they continued litigating, especially given the increase in attorney's fees and expenses with continued litigation."

Finally, the order states that lead counsel for the investors plan to seek approximately $26.3 million in attorney fees and $1.1 million in litigation expenses, along with a $20,000 service award for each lead plaintiff.

Counsel for the investors declined to comment on Wednesday, and representatives for the other parties did not immediately respond to requests for comment.

The parties jointly **notified the court** of the settlement in September, although no specifics of the deal's terms were available at that time.

The settlement came after Wells Fargo urged the court to **dismiss three executives** from the suit, arguing there were no allegations explaining why a pre-suit demand to the board would have been futile.

The suit stems from reporting by The New York Times in 2022 that some Wells Fargo bank employees were faking interviews for positions that had already been filled in order to meet a company target on diversity. The news led to an 8.6% decline in Wells Fargo's stock price.

The operative complaint, filed in 2024, alleged breaches of fiduciary duty and related causes of action, claiming the bank's board failed to "meaningfully monitor Wells Fargo's discriminatory lending and hiring practices."

The bank also settled a parallel class action in October for **$85 million** after the Ninth Circuit **declined** to hear its **appeal** of the **class certification**.

The investors are represented by Lesley E. Weaver, Anne K. Davis, Joshua D. Samra, Nancy A. Kulesa and Derrick B. Farrell of Bleichmar Fonti & Auld LLP, Marlon E. Kimpson, William S. Norton, Joshua C. Littlejohn and Vanessa A. Davis of Motley Rice LLC, and Mark C. Molumphy, Tyson Redenbarger, Gia Jung and Elle D. Lewis of Cotchett Pitre & McCarthy LLP.

Plaintiff Amy Isenberg is additionally represented by Francis A. Bottini Jr., Albert Y. Chang and Anne B. Beste of Bottini & Bottini Inc.

Defendant Charles W. Scharf is represented by Jennifer Kennedy Park, Victor L. Hou and Mark E. McDonald of Cleary Gottlieb Steen & Hamilton LLP.

The other individual defendants are represented by Todd G. Cosenza, Charles D. Cording, Zeh S. Ekono, Patricia O. Haynes, John L. Brennan, Amanda M. Payne and Alexander L. Cheney of Willkie Farr & Gallagher LLP.

Nominal defendant Wells Fargo is represented by Brendan P. Cullen, Sverker K. Hogberg, Christopher M. Viapiano, Rose G. Garber and Leonid Traps of Sullivan & Cromwell LLP.

The case is In Re Wells Fargo & Company Hiring Practices Derviative Litigation, case number 3:22-cv-05173, in the U.S. District Court for the Northern District of California.

--Editing by Melissa Treolo.

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