

Accounting-Related Securities Class Action Filings Hit Record Low in 2025

 [cornerstone.com/insights/press-releases/accounting-related-securities-class-action-filings-hit-record-low-in-2025](https://www.cornerstone.com/insights/press-releases/accounting-related-securities-class-action-filings-hit-record-low-in-2025)

March 17, 2026

[HomeInsights](#) Accounting-Related Securities Class Action Filings Hit Record Low in 2025

- Press Release
- 18 March 2026

Total settlement value rose 40% to \$1.5 billion in 2025, with accounting cases representing 51% of total securities class action settlement dollars.

Accounting-related securities class action filings fell from 57 to a historic low of 34 in 2025, although the cases tended to involve larger issuer defendants than in recent years, according to a new report from Cornerstone Research. The report, [Accounting Class Action Filings and Settlements—2025 Review and Analysis](#), also found that the total settlement value in accounting cases rose 40% to \$1.5 billion and represented 51% of total securities class action settlement dollars in 2025, the highest proportion since 2020.

Asset valuation and/or impairment issues were the most common GAAP violation alleged in accounting-related securities class action filings and settlements.

"In 2025, asset valuation and/or impairment issues were the most common GAAP violation alleged in accounting-related securities class action filings and settlements," said [Frank Mascari](#), a report coauthor and vice president at Cornerstone Research. "These allegations are often being added as litigation progresses rather than being established in the initial complaint."

Accounting Class Action Filings and Settlements—2025 Review and Analysis

[Read the Report](#)

Accounting Case Filings in 2025

- For the first time in four years, accounting case filings fell, down 40% in 2025 to 34 cases, the lowest level since tracking began in 2004.
- Generally Accepted Accounting Principles (GAAP) violations were alleged in 97% of accounting case filings, the highest level since 2015. On the other

hand, only 38% of accounting case filings included allegations of internal control weaknesses, the lowest proportion since 2009.

- Accounting case filings involved larger issuer defendants than in recent years. The median pre-disclosure market capitalization of issuer defendants surpassed \$1 billion for the first time since 2022.
- Filings related to artificial intelligence (AI), cryptocurrency, and special purpose acquisition companies (SPACs) made up 24% of all accounting case filings, up from 14% in 2024.
- The DDL Index (the dollar-value change in the defendant firm's market capitalization) of accounting cases declined 40% to \$28.1 billion and was 50% lower than the 2016–2024 historical annual average of \$56.2 billion.

In 2025, we saw a shift toward fewer cases but against larger issuer defendants.

"In 2025, we saw a shift toward fewer cases but against larger issuer defendants," said [Sally Bai](#), a report coauthor and principal at Cornerstone Research. "This was driven, in part, by accounting case filings involving AI issues where the median firm size was roughly four times larger than the rest of the accounting case filings."

Accounting Case Settlements in 2025

- Although the number of accounting case settlements held steady at 35, the total settlement value of these cases increased to approximately \$1.5 billion, up 40% from \$1.1 billion in 2024.
- In 2025, 83% of accounting case settlements included allegations of GAAP violations. Although the number of accounting case settlements with alleged GAAP violations remained generally consistent with 2024, the median value of those settlements increased by 67%.
- GAAP violations are also more likely to be added to non-accounting case filings than removed from accounting case filings as litigation progresses.
- The average time to settle for accounting cases in 2025 increased to 4.1 years, the longest since 2015.
- The median accounting case settlement amount rose to \$17.1 million, the highest level since 2022.
- Five mega settlements (those over \$100 million), totaling \$897.6 million, represented almost 60% of the value of all accounting case settlements.

- Median plaintiff-style damages—a proxy for the amount of potential investor losses that plaintiffs may claim in a securities class action with Rule 10b-5 claims—for 2025 accounting case settlements involving GAAP violations increased by 153% from 2024 to \$294.9 million, the second-highest level in the last 10 years.

The longer accounting cases take to settle, the larger the eventual settlement value.

“Both the total and median settlement values for accounting cases surged in 2025 even as settlement activity held steady, reinforcing the long-standing relationship between litigation duration and settlement size,” said [Kelly Lancer](#), a report coauthor and senior manager at Cornerstone Research. “In other words, the longer accounting cases take to settle, the larger the eventual settlement value.”

Related Insights

FEATURED

Accounting Class Action Filings and Settlements

This Cornerstone Research report compares accounting case filings and settlements to overall securities class action trends.

[Read More](#)

FEATURED

Securities Class Action Filings

These widely-cited reports provide comprehensive statistics on historical and recent filings activity, characteristics, and trends.

[Read More](#)

FEATURED

Securities Class Action Settlements

This research examines the relationship between settlement outcomes and certain securities case characteristics.

[Read More](#)

Securities

Manage Newsletters

Abbott Labs Leaders, Shareholders Settle Infant Formula Suit (2)

March 18, 2026, 6:19 AM PDT; Updated: March 18, 2026, 9:24 AM PDT

Summary by Bloomberg AI

AI Generated



- Abbott Laboratories will invest \$40 million over five years into its Michigan plant to resolve stockholder allegations against executives and board members over its infant formula safety.
- The derivative settlement seeks to ensure Abbott maintains sanitation and environmental monitoring programs in line with the health-care company's food safety principles across all of its US powdered infant formula facilities.
- The deal proposed by shareholders would require Abbott to extend a consent decree's monitoring plans and have a third party review any enhancements to those, among other oversight measures.

Abbott Laboratories will invest \$40 million over five years into its highly-scrutinized Michigan plant to resolve stockholder allegations against executives and board members over its infant formula safety.

The derivative settlement seeks to ensure Abbott maintains sanitation and environmental monitoring programs in line with the health-care company's food safety principles across all of its US powdered infant formula facilities, shareholders said in a proposed brief to the US District Court for the Northern District of Illinois. All \$40 million at the Sturgis, Mich., plant will be spent on "core operations, food safety, or quality assurance."

The investors Tuesday sought preliminary approval of the deal, inching Abbott's current and former officers and directors toward the end of more than three years of litigation tied to the Sturgis plant, which was temporarily shut down in 2022 amid bacterial contamination concerns.

Abbott, one of the main suppliers of infant formula in the US, paused production at Sturgis and issued a voluntary recall of several formula products, including its popular brand Similac, while federal regulators investigated the presence of a bacteria that can be deadly for infants. Pandemic-related supply chain issues coupled with Abbott's recall and months-long Sturgis shutdown spurred a nationwide formula shortage in 2022.

That year, Abbott entered into an agreement with US officials to improve sanitation and manufacturing practices at Sturgis. The shareholder deal would require Abbott to extend that consent decree's monitoring plans and have a third party review any enhancements to those, among other oversight measures.

The shareholders in 2024 were allowed to proceed with some of their allegations against top brass, including that the board failed to exercise its oversight function of critical safety compliance and a securities fraud claim. Judge Sunil R. Harjani said shareholders sufficiently alleged a variety of statements were designed to artificially inflate the price of Abbott's stock while directors caused the company to repurchase millions of shares.

Formula Complaints

Abbott has faced a rash of complaints from consumers, investors, and purported whistleblowers along with regulatory scrutiny arising from the Michigan plant.

The deal proposed Tuesday also comes while Abbott continues fighting a slew of allegations over its specialty formula and fortifiers for premature babies, including that it failed to warn consumers the products heighten odds of developing a serious intestinal illness. Abbott's countered there's nothing in current research to support those claims.

Scott & Scott Attorneys at Law LLP and Cohen Milstein Sellers & Toll PLLC are lead counsel for the shareholders leading the settlement, the International Brotherhood of Teamsters Local No. 710 Pension Fund and Southeastern Pennsylvania Transportation Authority. Scott & Scott Attorneys at Law LLP didn't immediately respond to an email seeking comment. Cohen Milstein declined to comment.

Kirkland & Ellis LLP represents the current and former executives and board members. Latham & Watkins LLP represents Abbott, a nominal defendant. Neither of these law firms nor Abbott immediately responded to emails seeking comment.

The case is *In re Abbott Labs. Infant Formula S'holder Derivative Litig.*, N.D. Ill., No. 1:22-cv-05513, notice 3/17/26 .

(Updates to note Cohen Milstein declined to comment in the ninth paragraph.)

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

To contact the editor responsible for this story: Carmen Castro-Pagán at ccastro-pagan@bloomberglaw.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Ernst & Young Wins Dismissal of Brooge Auditor Fraud Lawsuit

March 17, 2026, 5:04 PM PDT

Ernst & Young and related entities escaped a lawsuit related to their auditing work for Brooge Petroleum and Gas Investment Company FZE on Tuesday.

Most of the claims the investors made were time-barred and the remaining allegations failed to meet the heightened pleading standards for securities fraud cases, Judge P. Kevin Castel said in an opinion and order. The US District Court for the Southern District of New York granted Ernst & Young's motion to dismiss.

"The court concludes that the Complaint does not allege with particularity that Ernst & Young knew or was reckless in not knowing that its statements in the June 2020 audit opinion were false," Castel said. "Its scienter allegations are broad and conclusory."

The investors alleged Ernst & Young either knew or recklessly failed to detect that Brooge was engaged in a "round-tripping" scheme—where two affiliated entities exchanged the same assets back and forth instead of conducting legitimate transactions—to artificially inflate its revenues. The investors alleged they relied on Ernst & Young's audit opinions when acquiring Brooge shares through a special purpose acquisition company transaction in 2019.

Claims based on alleged misstatements made before Dec. 17, 2019, were barred by the five-year statute of repose for securities fraud claims, Castel said. The district court rejected the plaintiffs' argument that the repose period should run from the date they acquired shares, instead holding that it runs from the date of the defendant's last culpable act or omission.

For the sole claim not time-barred—related to a June 2020 audit opinion—Castel ruled that the plaintiffs failed to allege fraud with the particularity required by Federal Rule of Civil Procedure 9(b) and the Private Securities Litigation Reform Act, the opinion said.

The district court also concluded the complaint failed to adequately allege scienter, noting that for auditor liability, the conduct must involve actual intent to aid in the fraud being committed by the audited company.

Castel declined to exercise supplemental jurisdiction over the plaintiffs' state law claim of common law fraud.

Aegis Law Group represents the investors. Milbank LLP represents Ernst & Young.

The case is Anvil Trust v. Ernst & Young , S.D.N.Y., No. 24-cv-9731, 3/17/26 .

To contact the reporter on this story: Quinn Wilson in California at qwilson@bloombergindustry.com

To contact the editor responsible for this story: Alicia Cohn at acohn@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

EV Maker Bollinger Drops Manipulation Suit Against Brokerages

March 17, 2026, 3:20 PM PDT

Bollinger Innovations Inc., formerly Mullen Automotive Inc., and two of its investors agreed to drop a lawsuit against three broker-dealers for actions that allegedly drove down the electric vehicle maker's stock price.

The parties' dismissal agreement, filed Tuesday in the US District Court for the Southern District of New York, doesn't indicate whether a settlement was involved, but it does bar re-filing the claims. Attorneys for Bollinger and its investors, IMC Financial Markets, Clear Street Markets LLC and an affiliate, and UBS Securities LLC didn't immediately respond to an emailed request for comment.

Bollinger and the investors, who didn't sue on behalf of a class, alleged the defendants engaged in a "spoofing" scheme in which they would place, and then cancel, false "baiting orders" using high-speed algorithms, creating a false signal of a downward stock price trend

Judge Louis L. Stanton ruled in March 2025 that the plaintiffs adequately pleaded manipulative acts, fraudulent intent, and a causative link to their losses—allowing the case to proceed

Kasowitz LLP represented Bollinger and the investors. Morrison & Foerster LLP represented Clear Street. Cahill Gordon & Reindel LLP represented UBS. Paul Hastings LLP represented IMC.

The case is Bollinger Innovations Inc. v. IMC Fin. Markets , S.D.N.Y., No. 1:23-cv-10637, stipulation 3/17/26 .

To contact the reporter on this story: Martina Barash in Washington at mbarash@bloomberglaw.com

To contact the editor responsible for this story: Alicia Cohn at acohn@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

SPAC Fallout, Accrual Battles, and the Long Tail of De-SPAC Risk

K [dandodiary.com/2026/03/articles/securities-litigation/spac-fallout-accrual-battles-and-the-long-tail-of-de-spac-risk](https://www.dandodiary.com/2026/03/articles/securities-litigation/spac-fallout-accrual-battles-and-the-long-tail-of-de-spac-risk)

Sarah Abrams

March 18, 2026

It has now been several years since the peak of the SPAC boom, but litigation from that period continues to work its way through the courts. One of the ongoing cases, involving a 2020 SPAC transaction, involves the question of when the applicable three-year statute of limitations begins to run.

On February 10, 2026, the [Delaware Supreme Court](#) issued its ruling affirming the [Delaware Chancery Court's decision](#) that the standard three-year statute of limitations applies to fiduciary duty and related claims arising from de-SPAC transactions. In rejecting arguments for a longer period, the Court reaffirmed Delaware's long-standing approach that the limitations clock starts when the alleged wrongful conduct occurs, not when its effects are later discovered.

The following discusses the GigCapital2 litigation and decision in more detail, including considerations for D&O underwriters of SPAC risks.

The GigCapital2 Litigation

[GigCapital2, a healthcare-focused SPAC](#), completed a two-step de-SPAC transaction in late 2020 and mid-2021 that combined Cloudbreak Health, a telehealth company, with UpHealth Holdings, a portfolio of healthcare businesses. The combined public company [filed for bankruptcy](#) in 2023. According to the [Delaware Chancery Court's Opinion](#), now under appeal, in September 2024, former Cloudbreak equity holders (Cloudbreak plaintiffs) filed their lawsuit against SPAC entities and insiders, as well as the financial advisor involved in the de-SPAC transaction.

The Cloudbreak plaintiffs alleged that they were misled into approving the transaction by inflated financials, misleading diligence materials, and concealed conflicts, including alleged misconduct by the SPAC sponsor, management, and financial advisor (Gig2 defendants). In its July 25, 2025, Memorandum Opinion, the Delaware Court of Chancery dismissed the Cloudbreak plaintiffs' complaint in full. Among other grounds, the court held that many of the tort claims were time-

barred because they accrued no later than November 2020, when the business combination agreements were executed, and the alleged misrepresentations were made.

In particular, the court rejected the Cloudbreak plaintiffs' argument that accrual should be tied to the June 2021 closing of the de-SPAC transaction.

Applying [Delaware's long-standing "occurrence rule,"](#) the court reasoned that a cause of action accrues at the time of the wrongful act that causes injury, not when damages are fully realized or when a transaction later becomes irrevocable. Thus, the Delaware Chancery Court held that any legally cognizable injury occurred when the plaintiffs allegedly relied on misleading information to approve the transaction documents, *not* when the deal later closed. Without reaching the substance of the fraud and misrepresentation allegations, the court dismissed the complaint.

On [appeal](#), the Cloudbreak plaintiffs reframed the issue of when the statute of limitations began to run as a misapplication of Delaware tort law rather than a disagreement over facts. According to the Cloudbreak plaintiffs, [Delaware law](#) distinguishes between the making of a misrepresentation and the occurrence of injury. In a multi-step transaction like a SPAC de-SPAC, they argue, injury does not occur until reliance becomes irreversible, at the member vote or closing, when investors are locked into the deal and exposed to its economic consequences.

Notably, the Cloudbreak plaintiffs' appeal emphasizes the structural features of SPAC transactions that complicate traditional accrual analysis: extended timelines between signing and closing, layered approvals, redemption mechanics, and sponsor incentives that may not fully crystallize until late in the process. Thus, from the equity holders' perspective, tying accruals to early-stage representations effectively immunizes misconduct that only becomes harmful once the transaction is consummated.

In their [answer](#) to the Cloudbreak plaintiffs' appeal, the SPAC Defendants counter that the plaintiffs' theory would undermine Delaware's occurrence rule and dramatically extend limitations periods in sophisticated M&A transactions. They warn that allowing accrual to wait until closing, or later discovery, would convert nearly every failed de-SPAC into a potential long-tail tort claim, regardless of how much diligence was conducted or how many contractual protections were negotiated.

Discussion

The Delaware Supreme Court, by affirming that the standard three-year statute of limitations in the GigCapital2 litigation and declining to recognize a longer limitations period, kept intact Delaware's long-standing approach that the statute begins to run when the alleged wrongful act occurs, not when subsequent harm is discovered.

Moreover, in rejecting the Cloudbreak plaintiff's calls to extend the time for the de-SPAC shareholders to sue, Delaware appeared to favor certainty and finality in certain corporate governance disputes, even in the face of varying timelines that may be present in SPAC-related transactions. While the Delaware Supreme Court's decision may limit some late-filed shareholder claims, the GigCapital2 litigation may also provide lessons for SPAC participants, directors and officers, and their D&O insurers.

First, the GigCapital2 litigation highlights the importance of transaction-stage diligence and documentation. Because the statute of limitations clock was found to start the time of the alleged conduct, transaction disclosures and approvals by stakeholders may require additional review, to confirm certain deal terms are well-supported at the time of de-SPAC closure. Second, Delaware Court's decision may narrow the window of potential exposure, but perhaps shifts the focus on early risk identification, especially when shareholders are unable to bring suit if deal issues emerge later.

From a D&O insurance perspective, the GigCapital2 litigation may also reinforce timing and coverage trigger mechanics in SPAC coverage programs. The Cloudbreak plaintiff's arguments highlight that, for SPAC transactions, extended reporting (tail) coverage through the de-SPAC merger, and into the operating company phase, could be a central issue should a claim arising out of the transaction be made. The enforcement of Delaware's standard statute of limitations could further limit long-tail exposure, but it may result in delayed claims falling outside of coverage if reporting or discovery obligations are not timely addressed.

The Delaware Supreme Court's decision in the GigCapital2 litigation ultimately provides clarity for when a claim involving a de-SPAC needs to be brought, and less concern that a complicated transactions may extend the statute of limitations. The GigCapital2 litigation ruling seemed a nod to Delaware's preference for applying established corporate law principles to emerging business structures rather than creating new procedural exceptions.

Thus, for SPAC-related litigation, claims will continue to be evaluated under familiar fiduciary duty and disclosure frameworks, with the same procedural boundaries that have long defined Delaware's corporate law landscape. For D&O insurers of SPAC risks, the Gig2Capital litigation and Delaware Supreme Court decision reinforces that exposure resulting from de-SPAC transactions will likely be impacted by Delaware's firm three-year filing window.

Copyright ©2026, Kevin M. LaCroix. All Rights Reserved.

Trial over Elon Musk's \$44 billion Twitter takeover heads to jury

 [courthousenews.com/trial-over-elon-musks-44-billion-twitter-takeover-heads-to-jury](https://www.courthousenews.com/trial-over-elon-musks-44-billion-twitter-takeover-heads-to-jury)

Margaret Attridge

March 17, 2026



Attorney Aaron Arnzen of Bottini & Bottini questions Elon Musk during a trial over Musk's purchase of Twitter. (Photo by Vicki Behringer via Courthouse News)

SAN FRANCISCO (CN) — A San Francisco jury heard closing arguments Tuesday on whether Elon Musk violated securities law during his \$44 billion acquisition of Twitter in 2022.

Investors, including lead plaintiffs Steve Garrett, Nancy Price, John Garrett and Brian Belgrave, sued Musk in October 2022 over [claims](#) they suffered major losses when Musk deliberately made misleading statements about the presence of spam bot accounts on Twitter to drive down the company's stock, in hopes of backing out of the acquisition deal or renegotiating more favorably for himself.

The statements at issue include a tweet from May 13, 2022, where Musk said the Twitter deal was on hold "pending details supporting calculation that spam/fake accounts do indeed represent less than 5% of users." A couple hours later, Musk followed up with another tweet saying he was "still committed to acquisition."

In addition to the tweets, Musk a few days later at a conference said fake and spam accounts made up at least 20% of Twitter users at the time, and tweeted a poop emoji when then-Twitter CEO Parag Agrawal commented there was no way for external parties to calculate this information.

Musk tweeted the next day that his offer to buy Twitter was "based on Twitter's SEC filings being accurate" and that the deal would not be moving forward until Agrawal provided evidence of bot numbers under 5%.

During the two-week trial, the [eight-person jury](#) heard testimony from former senior leaders at Twitter, bankers from Morgan Stanley and Goldman Sachs involved in the transaction, and lawyers who represented both [Musk](#) and [Twitter](#) during the acquisition.

Musk himself took the stand on March 4, telling the jury that he had real concerns over the presence of bots on Twitter and did not intentionally drive down Twitter's stock price.

Mark Molumphy of Cotchett, Pitre & McCarthy, an attorney for the investors, began closing arguments by comparing Musk's commitment to the case to his conduct during the acquisition.

"In 2022, after signing a binding agreement, Mr. Musk proposed and promised to use his best efforts to get the deal done. Musk decided just weeks later that he didn't want to pay investors what he promised to pay. The deal in his mind had gotten too expensive," he said.

"So, he did here what he did on the stand, he trashed the executives, he trashed the company, he trashed the stock, then he fled the scene, never to be seen again."

The investors argue Musk knew about the prevalence of spam accounts on Twitter before he purchased the platform and deliberately rushed through the dealmaking process to make his offer more attractive, skipping traditional steps intended to give buyers more information on a company.

They claim the billionaire only began to second-guess the deal because of issues he ran into selling shares of Tesla stock to pay for the acquisition, and deliberately made a series of false or misleading comments about Twitter's bot counts to hurt the company's stock price.

"The evidence will show that they were intentional, deliberate, carefully devised to convey to investors that Twitter was overrun by spam," Molumphy said. "Musk literally had no proof for the tweets he issued. During two weeks of testimony, there was no evidence proving that allegation."

However, the defense argued Musk couldn't have defrauded investors because the issue of spam and bot accounts on Twitter was a genuine concern of his for years before the acquisition deal took place.

Michael T. Lifrak of Quinn Emanuel Urquhart & Sullivan, an attorney for Musk, told the jury his client tried to get more information about how Twitter calculates the 5% bot estimation after signing the deal, but Twitter refused to provide answers or data for Musk to test the theory, leading him to tweet about his doubts over Twitter's math.

"At the end of the day, look at all the evidence that this was a legitimate concern, that this was not fraud. What did they show you that this bot thing was made up? This was real, this was right," he told the jury.

Lifrak additionally argued the investors had not met their burden of proof for their scheme claims against Musk, arguing that "tweeting is not securities fraud."

"They have not proven a plot. There is not one shred of evidence that Mr. Musk tried to drive down Twitter's stock price. Without that, no fraud, no lie, no plot to drive down stock price, no case," he said.

Molumphy asked the jury to hold the world's richest person accountable for his actions.

"People have a right to rely on the securities market. When you open your mouth, you speak the truth. In this case, you shouldn't allow any person, no matter how powerful, how rich, how influential, to say whatever he wants, whenever he wants, and not be held accountable," he said.

Meanwhile, Lifrak reminded the jury not to be influenced by any personal feelings about Musk.

"When someone is standing trial that does things like stupid tweets, does things you may not like, does things you may hate, that is when the justice system matters most," he said.

Following the trial, Frank Bottini of Bottini & Bottini, attorney for the investors, told Courthouse News they were "thankful for the jury's service and we're keeping our fingers crossed."

A representative for the defense did not immediately respond to a request for comment.

U.S. District Judge Charles R. Breyer, a Bill Clinton appointee, presided over the trial.

[Follow @mhattridge](#)

Categories / [Business](#), [Courts](#), [Entertainment](#), [Financial](#), [Media](#), [Securities](#), [Technology](#), [Trials](#)

Subscribe to our free newsletters

Our weekly newsletter *Closing Arguments* offers the latest about ongoing trials, major litigation and rulings in courthouses around the U.S. and the world, while the monthly *Under the Lights* dishes the legal dirt from Hollywood, sports, Big Tech and the arts.

Additional Reads

- [Federal judge likely to block 'brazen' White House ballroom construction](#)
March 17, 2026
- [Live Nation exec testifies he regrets boasting about 'robbing' concertgoers in unearthed texts](#) March 17, 2026

Securities

Musk Jury to Decide if Twitter Deal 'On Hold' Post Was Fraud

March 17, 2026, 3:09 PM PDT

The question of whether Elon Musk defrauded Twitter Inc. investors went to an eight-person San Francisco jury Tuesday afternoon, who will decide if Musk can be held liable for a 2022 tweet that said his \$44 billion agreement to buy the platform was “temporarily on hold,” causing the stock price to tumble.

Musk, the world’s richest person, could be on the hook for damages ranging in the billions of dollars, although the exact number likely wouldn’t be known immediately given the additional data that will be needed to calculate a total damages award.

“Mr. Musk’s tweets were not some innocent mistakes, some stupid tweet that he didn’t consider,” Mark Molumphy of Cotchett Pitre & McCarthy LLP told the jury during closing arguments Tuesday. “They were intentional, deliberate, and devised to convey to investors that Twitter was overrun with spam.”

“Mr. Musk literally had no proof for these tweets that he issued,” Molumphy added.

The jurors heard three weeks of live testimony from Musk and top Twitter executives, who recalled the turbulent six month period in 2022 when Musk flip-flopped over whether he would purchase the platform, resulting in hard fought litigation with Twitter’s board of directors to force Musk’s follow through.

The investors claimed during trial that Musk’s social media posts and public statements—including a May 13, 2022, tweet stating the deal was on hold pending a review of Twitter’s spam account numbers—was actually part of a deliberate plan to drive down the company’s stock price so he could renegotiate at a better price.

The trial included more than a day of live testimony from Musk, who largely stayed on script in telling the jury that he believed Twitter executives, including chief executive officer Parag Agrawal and financial officer Ned Segal, lied to him and in public financial statements about the percent of spam and fake accounts, known as bots, on the platform.

Musk testified that while the May 13 tweet at the heart of the case was not his “wisest,” he was always committed to the deal but had a genuine concern about resolving Twitter’s spam issue. Once he discovered that Twitter’s 5% spam number seemed to be based on little data and a flawed methodology, he began to have serious misgivings, he said.

“Of course people were talking about a renegotiation once this bot issue came up,” Musk’s attorney Michael Lifrak of Quinn Emanuel Urquhart & Sullivan LLP told the jury during closing arguments. “There was no secret about that.”

The verdict form asks the jury to determine whether Musk made material false statements in either his May 13 tweet, in a later May 16 tweet, or in statements made during an interview with the “All-In” business and tech podcast. If he is found liable, the jury will then determine amount that Twitter’s stock was artificially deflated by Musk’s false statements for each day between May 13 and Oct. 3, 2022, when Musk agreed to buy the company at the original \$54.20 per share agreement.

“Two tweets and a podcast does not equal securities fraud,” Lifrak said.

Musk has previously succeeded in fending off securities cases over his social media habits. Three years ago in the same federal court in San Francisco, a jury took only two hours of deliberation to clear him of wrongdoing when he tweeted in 2018 that he had “funding secured” to take Tesla Inc. private.

The case is *Pampena v. Musk*, N.D. Cal., No. 3:22-cv-05937, 3/17/26 .

To contact the reporter on this story: Isaiah Poritz in San Francisco at iporitz@bloombergindustry.com

To contact the editor responsible for this story: Stephanie Gleason at sgleason@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Jurors begin deliberations after closing arguments in Musk Twitter securities trial

DJ [dailyjournal.com/articles/390312-jurors-begin-deliberations-after-closing-arguments-in-musk-twitter-securities-trial](https://www.dailyjournal.com/articles/390312-jurors-begin-deliberations-after-closing-arguments-in-musk-twitter-securities-trial)

Michael T. Lifrak

Before launching into his closing argument Tuesday in a securities lawsuit against Elon Musk over statements he made during his 2022 acquisition of Twitter, plaintiffs' attorney Mark C. Molumphy of Cotchett, Pitre & McCarthy LLP wished the jury a happy St. Patrick's Day.

He thanked them for making the trek to the courthouse every day and for taking the case seriously. In contrast, he said, the defendant showed up for a day and a half to testify, baselessly accused Twitter executives of fraud, "and then he disappeared, never to be seen again."

"In many ways, ladies and gentlemen, that's exactly what happened at Twitter in 2022," Molumphy said. *Giuseppe Pampena v. Elon R. Musk*, 3:22-cv-05937 (N.D. Cal., filed Oct. 10, 2022).

Musk signed a binding merger agreement that April, had some buyer's remorse, "and then he fled the scene," Molumphy told the jury, which began deliberations at the end of the closing arguments.

Musk's team from Quinn Emanuel Urquhart & Sullivan LLP told the story differently. In the defense's closing argument, Michael T. Lifrak repeated a point his side had made throughout trial: that Twitter struggled to answer basic questions about its fake account estimate, leading Musk to question the veracity of the company's SEC filings and the true value of Twitter.

"Every single person on Mr. Musk's side expressed surprise," Lifrak said.

Lifrak argued the plaintiffs didn't show enough evidence for their two claims: that a trio of Musk's statements, including the May 13 tweet, were materially false or misleading, and that Musk's actions constituted a scheme to defraud investors.

The false statement claims, he said, failed because plaintiffs didn't produce any evidence that showed there was anything untrue about Musk's words. And even if the jury believed that the May 13 post was false because Musk never instructed

his team to stop working on the deal, Lifrak said plaintiffs failed to prove there was a material difference between how investors reacted to what Musk said and how they would have reacted to a more plainly true statement.

The claim Musk carried out a scheme, meanwhile, "is a mountain to overcome," Lifrak said.

To prove the claim, he said, plaintiffs would have to show that Musk's concerns over the number of fake accounts on the platform were a ruse.

"If it was real, there was no fraud," Lifrak said.

Molumphy walked the jury through the timeline of the acquisition as the plaintiffs saw it. They are Twitter investors who sold stock after Musk said the deal was "temporarily on hold" in a May 13, 2022, social media post. Musk quietly bought nearly 10% of the company earlier that year, earning him an invitation to join its board. But after a social media post critical of the company and subsequent falling out with its CEO Parag Agrawal, Musk decided to buy the company, Molumphy said.

The Tesla CEO employed what his Morgan Stanley bankers called a "jiu jitsu strategy" to secure a deal -- making a weak offer followed quickly by a strong one that included a provision waiving Musk's right to conduct due diligence in order to pressure Twitter into accepting. But after the agreement was signed, Molumphy argued, Musk felt he'd overpaid.

Molumphy told the jury that Musk then hatched a scheme to lower the merger price by tanking the company's stock through a series of social media posts about the prevalence of fake accounts on the platform so that Twitter would be forced to renegotiate. Molumphy said that Musk sent a letter to Twitter terminating the deal that July, but the company sued him to enforce the agreement, which closed in October.

Molumphy pointed to video testimony given by Musk's biographer, Walter Isaacson, who said Musk told him after a May 6, 2022, meeting at Twitter headquarters that the fake account issue could be his chance to revisit the price of the deal.

Lifrak then pointed to testimony that Twitter shied away from giving Musk the data used to calculate their estimate that less than 5% of accounts were fake, as well as internal messages from Twitter's deal lead suggesting its process wasn't

well-organized, as proof Musk's concerns were legitimate.

But Molumphy said he had a pair of "smoking gun" emails that proved the alleged scheme, both sent by bankers at Barclays, which helped Musk finance the deal but had a back seat to Morgan Stanley.

One, delivered that May 9, told Musk the fake account issue could give Musk "an opportunity to revisit price," Molumphy said.

"The threat of walking away may be sufficient to get them to agree to a lower price," the email said, if it causes the stock to fall, according to the plaintiffs. Molumphy then displayed a response from Musk, saying "there is certainly a price" where the deal makes sense. After the exchange, Molumphy said, Musk's adviser, Jared Birchall, asked the bankers to communicate by phone, with lawyers on the line.

The second email came four days later and said the market was pricing Twitter's stock as if there were 50-50 odds that the deal would go through and was watching for more tweets from Musk, Molumphy said. He added that Musk responded, that "matches my understanding of things."

"I could stop there," Molumphy said.

Lifrak, though, argued that Barclays barely worked on the deal for Musk and sent those emails "unsolicited." Either way, he said, it was hardly a secret that Musk wanted to renegotiate the deal. The question is whether it was over legitimate concerns regarding the fake account estimate or if that was, as plaintiffs said, "a pretext."

"Wanting a better deal ... isn't fraud," Lifrak said.

"Plaintiffs' entire theory falls apart," Lifrak told the jury, when they consider that Musk had repeated contact with Twitter and never asked them to renegotiate, although the jury did hear testimony that members of Musk's team asked Twitter's lawyers to lower the price.

At one point Musk was offered a lower price, Lifrak said, citing testimony from his Quinn Emanuel colleague Alexander B. Spiro. But Musk turned it down because it came with the condition that he couldn't sue the Twitter executives he believed had defrauded him, Lifrak argued.

He closed with a request that the jury ignore outside noise, any feelings they have toward Musk and what he saw as plaintiffs' attempts to leverage the defendant's political and other business dealings against him and honor his client's right to a fair trial.

Joseph W. Cotchett represented the plaintiffs on rebuttal, using most of his time to argue Twitter had offered Musk plenty of chances to see the data he wanted, and he would have taken the company up on that had his concerns been real.

The defense objected that Cotchett had gone well over the time limit set by Senior U.S. District Judge Charles R. Breyer before the hearing, and Breyer instructed Cotchett to wrap up.

Cotchett urged the jury to send a message to Musk that he couldn't get away with defrauding ordinary pension holders across the country.

Breyer read the jurors a few final instructions before sending them off to begin deliberations.

#390312

Daniel Schrager

Daily Journal Staff Writer

daniel_schrager@dailyjournal.com

FT PROFESSIONAL

Elon Musk**Elon Musk's lawyers sidestepped SEC team in Twitter case settlement talks**

Lawyer for billionaire Tesla founder told judge they attempted to resolve matter without Wall Street watchdog's counsel



The SEC sued Elon Musk last year for not disclosing the ownership stake he amassed in Twitter under a required timeline © AP

Stefania Palma in Washington and **Stephen Morris** in San Francisco

Published 56 MINUTES AGO



Lawyers for Elon Musk sought to negotiate a settlement of a Securities and Exchange Commission case accusing him of failing to properly disclose his Twitter stake without involving the Wall Street watchdog's lawyers, court records show.

At a hearing on the case in Washington federal court earlier this month, Sarah Concannon, a lawyer for [Musk](#), informed the judge that settlement negotiations over the case had been ongoing for some time, but that opposing lawyers from the SEC "were not fully read in on that".

The judge, Sparkle Sooknanan, reacted with apparent surprise, according to a transcript of the hearing, asking: "Your colleagues at the SEC were not read in to discussions to resolve the case?" She repeated the question moments later.

It was not clear who Musk's lawyers had been holding settlement talks with. Excluding the agency that filed the case from settlement discussions would be unusual, and the exchange raises questions about whether Musk or his lawyers were tapping relationships with other officials in the Trump administration in an effort to dispense with the case.

Musk, the billionaire founder of [Tesla](#), xAI and SpaceX, was a top ally of Donald Trump and leading voice for his re-election campaign, and led the president's effort to make government more efficient, before a public fallout and subsequent reconnection in recent months.

A person familiar with the talks denied the White House was involved and said discussions were held with higher echelons of the SEC.

Musk and the SEC on Tuesday filed a joint motion in the case to extend a filing deadline, because the "parties are engaged in discussions of a potential resolution that would mean further proceedings might not be necessary", according to court documents.

The filing comes one day after Margaret Ryan, the SEC's enforcement director, abruptly resigned from her role after seven months.

The SEC last year [sued](#) Musk for not disclosing the ownership stake he amassed in Twitter under a required timeline, a move that allegedly violated US securities law and helped him achieve a discount of at least \$150mn on additional stock purchases. The judge rejected a motion by Musk's lawyers to dismiss the case earlier this year.

During the March 4 hearing, Concannon told the court that parties had "made progress" on a potential resolution, and that long delays in the case were due to the settlement discussions.

The statement appeared to baffle Sooknanan, who asked Concannon repeatedly about the SEC not being involved in the discussions.

"It's odd that you're telling me that discussions are ongoing to resolve the case that counsel's not aware of," she said. Concannon asked for a sidebar to explain the matter outside the earshot of the rest of the courtroom, but the judge demurred.

The White House and the SEC did not immediately respond to a request for comment. A spokesperson for Quinn Emanuel, the law firm representing Musk, declined to comment on behalf of Concannon and another lawyer for the Tesla boss, Alex Spiro. Ryan did not respond to requests for comment.

Musk's \$44bn take-private deal for Twitter closed in October 2022. He has since renamed the social media site X. At the time the case was filed, a lawyer for Musk said he had "done nothing wrong and everyone sees this sham for what it is".

The lawsuit was filed under former SEC chair Gary Gensler, who was appointed by then president Joe Biden, just days before Trump's return to the White House on January 20 2025.

Paul Atkins, Gensler's Trump-appointed successor, has scrapped much of his enforcement agenda, dropping a number of cases and investigations targeting crypto platforms. He also told the FT he would give businesses notice of any technical violations before regulators ["bash down their door"](#).

Tensions between Musk and the SEC have over the years spilled out into the open, as the agency filed multiple lawsuits against the world's richest man. Musk has frequently taunted the regulator on X, at one point calling the SEC the ["short seller Enrichment Commission"](#).

Musk also faces a shareholder lawsuit in New York federal court over the failure to disclose his Twitter stake in a timely manner. Meanwhile, he is also being sued in San Francisco by a group of shareholders who allege they lost money after the billionaire threatened to walk away from the Twitter deal, despite knowing he would be legally compelled to complete the buyout. Closing arguments in the trial began on Tuesday.

[Copyright](#) The Financial Times Limited 2026. All rights reserved.

Follow the topics in this article

US companies



Ann M. Lipton

@annmlipton.bsky.social

"The filing comes one day after Margaret Ryan, the SEC's enforcement director, abruptly resigned from her role after seven months."

www.ft.com/content/0185...



Elon Musk's lawyers sidestepped SEC team in Twitter case settlement talks

Lawyer for billionaire Tesla founder told judge they attempted to resolve matter without Wall Street watchdog's counsel

www.ft.com

2:47 PM · Mar 17, 2026 · Everybody can reply

9 reposts · 1 quote · 25 likes · 3 saves

4 10 25



Write your reply



Ann M. Lipton @annmlipton.bsky.social · 45m

Oddly, the article mentions the ongoing trial over his efforts to get out of the Twitter deal, but does not mention there's a separate securities class action pending in NY that is directly about this particular violation, i.e., failure to disclose his advance accumulation of Twitter stock.

1 2 5



Ann M. Lipton @annmlipton.bsky.social · 45m

And I have to say, he may reach a sweetheart deal to settle the SEC's case, but this goes to show the value of the private enforcement regime in undercutting authoritarianism. The Trump Admin may offer deals to friends but it can't thwart the plaintiffs' bar.

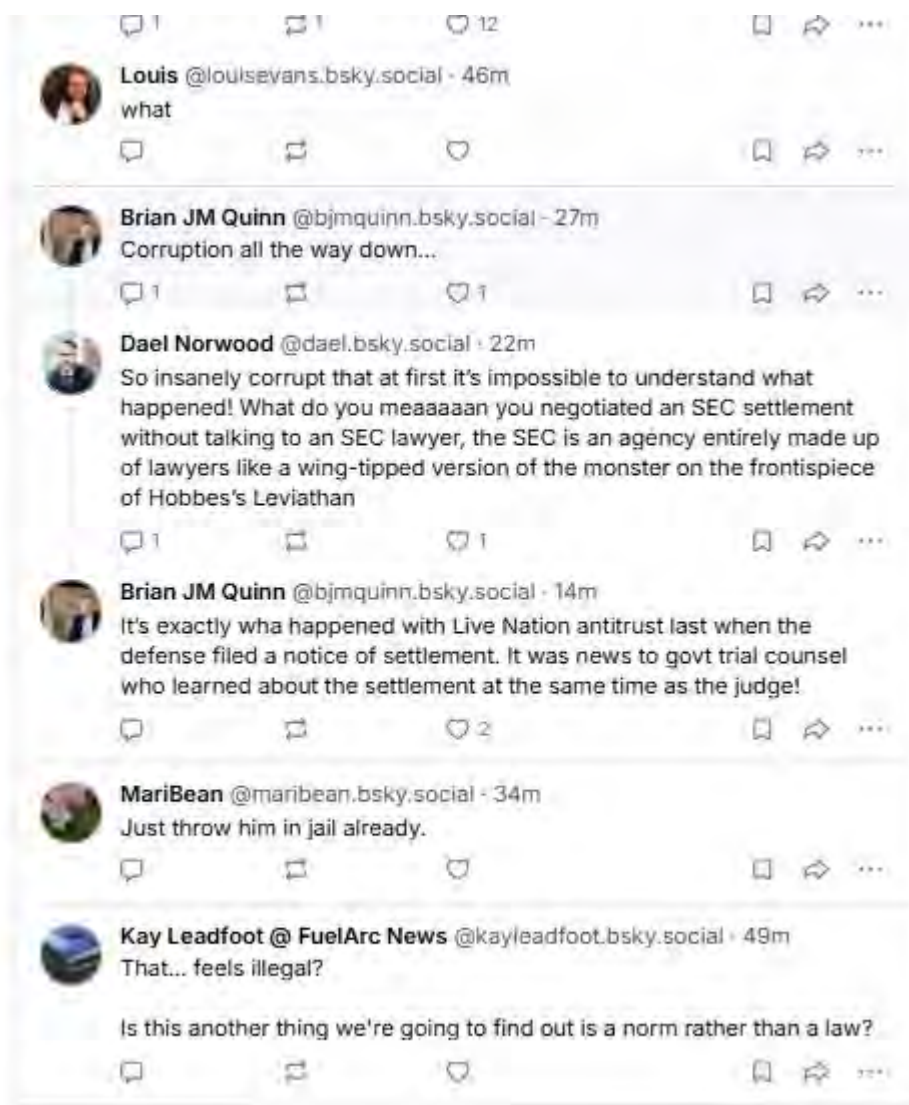
2 2 20



Ann M. Lipton @annmlipton.bsky.social · 45m

Which may be why SEC Chair Paul Atkins is leaning so hard on the idea of mandatory arbitration for securities cases.

1 1 12



<https://bsky.app/profile/annmlipton.bsky.social/post/3mhbx6biwok2w>

Litigation

Manage Newsletters

Big Law Cuts Back on Investor-Funded Lawsuits as Scrutiny Grows

March 18, 2026, 3:00 AM PDT

Summary by Bloomberg AI

AI Generated



- Big Law is backing away from investor-funded lawsuits due to potential complications and attacks on Capitol Hill.
- The 200 largest US law firms accounted for just under a quarter of investors' new case commitments as of June 30 2025, down from 37% in the same period in the previous year.
- The pullback reverses the trend of the biggest firms growing comfortable with third-party investments for the cost of lawsuits, known as litigation finance.

Big Law is backing away from investor-funded lawsuits, as the practice adds potential complications at firms and comes under attack on Capitol Hill.

The 200 largest US law firms accounted for just under a quarter of investors' new case commitments as of June 30 2025, down from 37% in the same period in the previous year, according to a Westfleet Advisors report released Wednesday.

The firms also took fewer investor dollars that backed portfolios of cases, possibly because such groups of lawsuits could create tension between attorneys handling the various suits, said Charles Agee, Westfleet's chief executive officer. "Partner A feels that his really good, strong, high-value case is being weighed down by Partner B's weaker case," he said.

The pullback reverses the trend in recent years that saw the biggest firms grow comfortable with third-party investments for the cost of lawsuits, a practice known as litigation finance. The investors in return for financing get a piece of any successful court awards or settlements.

Litigation finance grew to \$16.1 billion of assets under management in the year ending mid-2024, an increase from less than \$10 billion five years earlier, according to Westfleet. The money flow drew the ire of businesses who were alarmed by the prospect of frivolous lawsuits. Some US lawmakers last year pushed aggressively—though ultimately unsuccessfully—for legislation to curtail the practice.

"It definitely had an impact," said Agee, whose firm advises funders, law firms, and clients on deals and transactions. "We were advising on transactions that should have closed in May or June of last year, but because of all the uncertainty wound up closing in July, August."

Market Mystery

Westfleet, which for years has been the main source of information of the size of the commercial litigation finance market, has ceased publishing estimates of assets under management with its new report.

"That number has been the only number that opponents of the industry, I think in bad faith, have used to try to scare the public about how large the industry is," Agee said.

The estimate also contained stale, irrelevant data from funds winding down or no longer operating, he said. It's difficult to assess the amount allocated from multi-strategy funds managing billions of dollars in assets, Agee said.

"We want to preserve the intellectual integrity of this research," he said.

Active Funders

The Westfleet report identified 39 active commercial litigation funders, including one new entrant to the space. A small group of those funders contributed to the majority of deal flow, however.

"It's more like 12 to 15 that are really driving the market today," Agee said. For "those funders that have the ability to access capital, the market conditions are very favorable."

The Westfleet report showed an increase in new case commitments, up to \$2.8 billion. Agee said there were some funders included in the 39 that are deploying capital even if it "slowed to a trickle," but he excluded funders that were winding down.

The number of new entrants declined from previous years he said, but he's optimistic for the coming year. "We're going to see more new entrants in the year ahead," Agee said.

To contact the reporter on this story: Emily R. Siegel at esiegel@bloombergindustry.com

To contact the editors responsible for this story: John Hughes at jhughes@bloombergindustry.com; Chris Opfer at copfer@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Three More Jury Notes in Social Media Addiction Trial Focus on YouTube Witness, Plaintiff's Father

The jury asked Los Angeles Superior Court Judge Carolyn Kuhl to read back the 30-minute testimony of YouTube custodian Ian McNeeds, who talked about which accounts YouTube deleted and which were deleted by K.G.M., the plaintiff.

March 17, 2026 at 03:48 PM By  **Amanda Bronstad**

What You Need to Know

- W. Mark Lanier, the lawyer for plaintiff K.G.M., who alleges her addiction to YouTube and Instagram caused her mental health problems.
- A second jury note on Tuesday asked if a 40-second audio recording of Kaley's remarks about her father to a therapist, in which she said he made her depressed, was available by video.
- The jury has sent seven notes to the judge since beginning deliberations in the one-month trial on Friday.



Los Angeles Superior Court at 312 N. Spring St. in downtown Los Angeles. Photo: Amanda Bronstad/ALM

Jurors in the novel social media addiction trial in Los Angeles have sent three more notes, asking for the testimony of a YouTube witness and an audio recording of the plaintiff's remarks about her father.

On the third day of deliberations, the jury on Tuesday asked Los Angeles Superior Court Judge Carolyn Kuhl to read back the 30-minute testimony of YouTube custodian Ian McNeeds, who talked about which accounts YouTube deleted and which were deleted by K.G.M., the plaintiff.

W. Mark Lanier, the lawyer for plaintiff K.G.M., who alleges her addiction to YouTube and Instagram caused her mental health problems, argued that the jury appeared to be asking for his cross examination of McNeeds, but Kuhl replied, "I can't tell that they're only asking for the cross."

YouTube attorney Luis Li, a Los Angeles partner at Wilson Sonsini Goodrich & Rosati, [told jurors](#) during the trial that K.G.M.'s average time per day on YouTube for the five years up through 2024 was 29 minutes. In his closing, Lanier, of The Lanier Law Firm in Houston, stacked piles of paper with links of the 88,000 videos that K.G.M., who also goes by Kaley, watched on YouTube in the past five years—the only records that still exist.

"This is when she didn't use YouTube much," Lanier told jurors at the time.

A second jury note on Tuesday asked if a 40-second audio recording of Kaley's remarks about her father to a therapist was available by video. Covington & Burling's Paul Schmidt, a New York lawyer for Meta Platforms, which owns Instagram, played the clip during his closing argument, in which Kaley told the therapist that her dad "makes me depressed." Lanier argued to simply read the clip to the jury, but Schmidt countered that the audio has a "measure of emotionality."

The third note sought a readback of Lanier's cross examination of a defense expert, a psychiatrist who evaluated Kaley and testified that social media was not a contributing factor to her mental health problems.

The trial, which [began Feb. 9](#), is the first bellwether trial in a coordinated proceeding in California state courts against Meta, Google, which owns YouTube, and two other defendants: TikTok, owned by ByteDance and Snap Inc., which owns Snapchat. Additional trials are planned.

Jurors have to decide whether the defendants' negligence in the design features of their platforms was a "substantial factor" in Kaley's mental health struggles and, but for Instagram or YouTube, she would not have had those problems. They also must decide whether YouTube and Meta failed to warn about the dangers their platform features posed for children.

If both companies are found liable, jurors could divide comparative fault between the two defendants and award past and future compensatory damages, including noneconomic

compensation for emotional distress and other suffering, such as body dysmorphia, depression and addiction. Jurors also could find Meta and YouTube acted with malice, oppression or fraud, which would trigger additional testimony at a later date on the amount of potential punitive damages.

On Friday, the first day of deliberations, jurors [sent two notes](#) to Kuhl about two internal Meta surveys and a “review of social media feedback loop, any charts of when features were introduced.” The jury also sent two notes on Monday asking if expert reports are in evidence and whether testimony or deposition was considered “more true” than the other. In Meta’s cross examination of Kaley, Covington & Burling’s Phyllis Jones, in Washington D.C., repeatedly brought up how her testimony on the stand conflicted with her 2025 deposition.

The case is separate from the addiction multidistrict litigation against the same four social media defendants in the U.S. District Court for the Northern District of California. The first trial in that case, involving a school district, is planned for this summer.

Page printed from: <https://www.law.com/2026/03/17/two-more-jury-notes-in-social-media-addiction-trial-focus-on-youtube-witness-plaintiffs-father/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

California Brief

Insight

Social Media Warning Laws Boost Consumer Rights, Protection

March 18, 2026, 1:30 AM PDT

For years, cigarette packages and alcohol bottles have prominently listed warnings on the harmful effects of those products in writing and graphics. But social media addiction is a new health concern garnering significant attention.

In 2024, US Surgeon General Vivek Murthy called for nationwide social media warning labels in response to the growing view that social media platforms cause harms resulting from excessive platform use, disproportionately affecting children and young adults. Some states, including California, Minnesota, and New York, have responded by requiring social media companies to issue warnings on their products.

While these state warning-label laws don't afford consumers private rights of action, opportunities for consumers to seek protection and recovery through class action litigation are rapidly evolving given the addiction-type risks that social media poses.

Key State Statutes

Several states have enacted laws requiring social media platforms to display conspicuous warnings about mental health risks and addictive design features similar to the warning labels contemplated by the surgeon general. These laws vary in their coverage, with some applying only to minors while others extend to all users. They also vary in their timing requirements, which range from a single notice at login to recurring alerts based on cumulative screen time.

California enacted a landmark statute in October 2025 that requires social media companies to use escalating, time-based warnings for users. The law mandates these companies provide daily notices upon login and longer alerts after extended use, designed to intervene as usage increases.

Minnesota adopted similar proposals focused on mental-health warnings and usage timers, emphasizing screen-time awareness, that will take effect on July 1.

New York followed, with legislation requiring labels on platforms that deploy features such as infinite scroll, a design pattern in which a platform dynamically loads new content as the users scrolls down, and autoplay, which enables systems to automatically continue actions without user intervention. New York's law focuses on design-based disclosures rather than time-based triggers.

Beyond these enacted statutes, additional efforts in states such as Texas signal a shift toward holding social media companies accountable by strengthening the regulatory framework governing platform design and disclosure practices. Texas is considering a bill that would require platforms to display warnings about addictive features and mental-health risks.

This expanding legislative momentum suggests that warning labels may become a standard component of state-level social media regulation.

A Conceptual Shift

Warning-label laws shift accountability onto social media companies rather than individual users, reflecting growing recognition that platforms deploy inherently addictive design features, including autoplay, infinite scroll, push notifications, "likes," and algorithmic personalization.

Such features are engineered to maximize engagement by "creat[ing] reward loops that are especially difficult for adolescents to ignore," according to the Petrie-Flom Center. Internal documents and whistleblower disclosures have galvanized public and legislative attention by revealing that social media companies understood the psychological risks their features posed, yet prioritized engagement metrics over user well-being.

Warning-label statutes targeting product characteristics are emerging as a powerful consumer-protection tool. The laws represent a pivotal step in preventing the dangers of unregulated social media design.

Changing Litigation Landscape

Although these state statutes don't provide for private rights of action, consumers may still rely on warning-label laws to seek remedies under state Unfair and Deceptive Acts and Practices statutes. Consumers can pursue these claims by alleging the platforms fail to disclose addictive design features and associated mental health risks—despite the platforms' documented knowledge of these harms. Consumers also may pursue relief under products liability theories.

Private actions like these are already being litigated across the country. One notable example is the ongoing *In re: Social Media Adolescent Addiction/Personal Injury Products Liability Litigation*.

This multidistrict litigation consolidates thousands of lawsuits against Meta Platforms Inc., TikTok Inc., Snap Inc., and Google LLC, alleging that platforms are defectively (and even intentionally) designed to addict young users. In November 2023, the court allowed the case to proceed, denying defendants' argument that social media companies are shielded from liability under the First Amendment and Section 230 due to their status as "distributors" of speech, rather than publishers.

Despite potential obstacles to private litigation, such as arguments arising from Section 230, courts are recognizing the availability of consumer protection action through litigation. Recent decisions highlight a growing judicial consensus that platform design features are distinct from user-generated content.

For example, a New Jersey Superior Court judge rejected TikTok's argument that it merely provides a neutral forum, stating "[h]ere, the harm arises from TikTok's design, not by what users view." Similarly, a California Superior Court judge rejected arguments that expert testimony about the impact of social media on young users should be excluded under Section 230, as the plaintiffs refrained from seeking "to hold the provider liable for allowing that content to exist."

This litigation landscape provides important context for warning-label laws, which codify legislative findings that engagement-maximizing features can be deceptive and harmful, broadening consumer rights and protections.

Outlook

The growing number of state statutes requiring social media companies to formally identify potentially harmful features on their platforms are shaping public policy, guiding regulatory action, and informing judicial interpretation—all of which serve to increase consumer protection online.

As warning-label requirements spread to other states, consumers will have more opportunities to protect themselves and their children, and to pursue relief for harms caused by social media features.

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

Author Information

Carol C. Villegas is partner in the New York office of Labaton Keller Sucharow, where she leads one of the securities litigation teams.

Garrity A. Kuester is an associate at Labaton Keller Sucharow.

Write for Us: Author Guidelines

To contact the editors responsible for this story: Daniel Xu at dxu@bloombergindustry.com; Heather Rothman at hrothman@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Critical Mass With Law.com's Amanda Bronstad: Jury Sends Notes in Closely Watched Trial Over Social Media Addiction, Judge Wipes Out \$950M Punitive Damages From J&J Talc Verdict

March 18, 2026 at 10:15 AM By  Amanda Bronstad



Los Angeles Superior Court at 312 N. Spring St. in downtown Los Angeles. Photo: Amanda Bronstad/ALM

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

This week: Jurors in the Los Angeles addiction trial against **Meta** and **YouTube** have sent seven notes so far to the judge since beginning their deliberations on Friday. A judge struck punitive damages from a \$966 million talc verdict against **Johnson & Johnson**. Find out who represents **Abbott**, **Boston Scientific** and the **FDA** in cases over spinal cord stimulators.

I'm **Amanda Bronstad**. Feel free to reach out to me with your input. My email is amanda.bronstad@alm.com. Follow me on [LinkedIn](#) or X: [@abronstadlaw](#).



Credit: Jose Calsina/Adobe Stock

Readbacks, Audio Clip: What Jurors in Social Media Trial Asked For

Jurors in a closely watched social media addiction trial against **Meta** and **YouTube** [sent three notes](#) to the judge on Tuesday, the third day of deliberations.

One note asked to read back the testimony of a YouTube witness regarding which accounts YouTube deleted and which were deleted by K.G.M., the plaintiff, who alleges she became addicted to the platform and **Instagram**, owned by Meta, leading to her mental health problems. Another note asked to read back plaintiff's attorney [W. Mark Lanier](#) (**The Lanier Law Firm**)'s cross-examination of a psychiatrist and defense expert who testified that social media was not a contributing factor to K.G.M.'s mental health problems. A third note asked whether a 20-second audio recording of the plaintiff's remarks about her father to a therapist was available by video.

On the third note, **Los Angeles Superior Court Judge Carolyn Kuhl** instead played the audio recording to the jury. "He makes me depressed," K.G.M., who also goes by Kaley, told the therapist about her dad, who hadn't been in her life since she was 15, according to the audio clip. When asked whether she wanted a relationship with her father, Kaley replied on the recording, "No."

On Friday, the first day of deliberations, jurors [sent two notes](#) to Kuhl about two internal Meta surveys and a “review of social media feedback loop, any charts of when features were introduced.” The jury also sent two notes on Monday asking if expert reports are in evidence and whether testimony or deposition was considered “more true” than the other.

They continue deliberations on Wednesday.



Sabrina Strong, with O'Melveny & Myers. October 2021. Photo: Andrew Zinn

‘J&J is Breathing a Sigh of Relief’

A Los Angeles judge [tossed \\$950 million in punitive damages](#) from one of the largest jury awards in a talcum powder case against **Johnson & Johnson**. The March 13 ruling by **Los Angeles Superior Court Judge Ruth Kwan** wiped out most of the [\\$966 million verdict on Oct. 6](#) for the children of Mae Moore, who died in 2021 from mesothelioma.

What the judge said: Kwan found no malice on the part of Johnson & Johnson. “In sum,” she continued, “despite plaintiffs’ attempt at showing J&J knew asbestos existed in its products, the record does not support a high probability that J&J actually knew, believed, and willfully and deliberately disregarded the presence of asbestos in its products.” She also found that punitive damages, if warranted, should have been closer to \$6 million—a ratio of 1:1. And she agreed with

Johnson & Johnson that there was attorney misconduct as to two pretrial orders, but she disagreed that jury misconduct tainted the verdict. She also found the plaintiff had “substantial evidence” that Johnson & Johnson’s baby powder caused her mesothelioma.

What the lawyers told me: [Danny Kraft](#) (**Dean Omar**), who represented Moore, said he planned to appeal, while Johnson & Johnson’s **Worldwide Vice President of Litigation Erik Haas** called the verdict “devoid of evidentiary support and patently unconstitutional.” [Sabrina Strong](#) (**O’Melveny**) and [John Ewald](#) (**Kirkland & Ellis**) represented Johnson & Johnson.

[Nora Engstrom](#) (**Stanford Law**), who is following the talc litigation, told me:

“No doubt, J&J is breathing a sigh of relief, but this is hardly the last word. Let’s not forget that another court—the appellate court of Missouri—has evaluated similar evidence and come to a very different conclusion. Unlike Judge Kwan, that court described J&J’s conduct as ‘reprehensible’ and concluded that J&J ‘knew of the asbestos danger in their products’ and sold those products to an unsuspecting public anyway.”

In that case, the **Missouri Court of Appeals** in 2020 reduced a \$4.7 billion verdict to \$2.1 billion for 22 women who alleged Johnson & Johnson’s baby powder caused their ovarian cancer, but refused to wipe out punitive damages, concluding [Johnson & Johnson’s conduct](#) was “outrageous because of evil motive or reckless indifference.”



Amy Laurendeau, with O'Melveny & Myers. October 2021. Photo: Andrew Zinn

Who Got the Work?

Lawyers for **Abbott Laboratories**, **Boston Scientific** and the **Food & Drug Administration** stepped in to represent the defendants in more than a dozen lawsuits alleging spinal cord stimulator devices didn't relieve pain and caused other problems. [Amy Laurendeau](#) (**O'Melveny**), for Abbott, told the **U.S. Judicial Panel on Multidistrict Litigation** that the alleged injuries and devices are too dissimilar to coordinate the cases into multidistrict litigation, which would "bog Abbott down in litigation alongside a competitor." [Terri Reiskin](#) (**Nelson Mullins**), for Boston Scientific, also opposed multidistrict litigation, noting that most of the cases are before **U.S. District Judge Josephine Staton**, in the **Central District of California**, who is set to hear dismissal arguments on federal preemption next month. Noah Katzen (**DOJ**) appeared for the FDA, which he said should be dismissed due to subject matter jurisdiction.

Here's what else is happening:

Ford Halted: A federal judge [granted final dismissal](#) of **Ford's** \$100 million racketeering case against lawyers who brought "Lemon Law" cases against it. The March 10 ruling dismissed the case, brought under the **U.S. Racketeer Influenced and Corrupt Organizations Act** and naming three current and former **Knight Law Group** attorneys, on the grounds that the First Amendment's *Noerr-Pennington* doctrine protected lawyers from being sued over the cases they bring, unless they are "sham" lawsuits. **U.S. District Judge Michelle Williams Court**, in the **Central District of California**, previously dismissed the claims, which originally also included two other plaintiffs' firms, **Altman Law Group** and **Wirtz Law**, and their lawyers, but allowed Ford to amend its case.

Buzbee Win: Houston plaintiffs' attorney [Tony Buzbee](#) (**Buzbee Law Firm**) [won a \\$198.2 million sexual assault verdict](#) in **San Patricio County, Texas**, near Corpus Christi. Plaintiff Mary Kristene Chapa alleged that David Strickland shot her and her friend, who later died, and sexually assaulted her. Strickland, accused of kidnapping both women, is now serving a life sentence for murdering Chapa's friend. The jury awarded \$100 million in punitive damages to Chapa.

Morgan Verdict: A team of lawyers from **Morgan & Morgan** [won a \\$644 million verdict](#) in **Florida's Orange County** for a man who fell down a flight of 100-year-old stairs and hit a door jamb, rendering him a partial quadriplegic who lost his sense of taste and smell. The jury awarded the March 12 verdict to plaintiff Karim Elkasimi and his wife, his primary caretaker, who received \$109.50 million, and against the owners and operators of the bar where the accident occurred. The trial is a re-hearing set after both sides failed to seat a jury more than a year ago. [John Morgan](#) (**Morgan & Morgan**) told Law.com that the case was especially personal to him because his brother, Tim, lived as a quadriplegic after a tragic accident.

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

Page
printed
from: <https://www.law.com/2026/03/18/critical-mass-with-lawcoms-amanda-bronstad-jury-sends-notes-in-closely-watched-trial-over-social-media-addiction-judge-wipes-out-950m-punitive-damages-from-jj-talc-verdict/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

Litigation

Manage Newsletters

J&J Unit Urges Court to Set Aside \$1.6 Billion Fraud Judgment

March 18, 2026, 10:37 AM PDT

Summary by Bloomberg AI

AI Generated



- Janssen Products LP urged a federal appeals court to throw out a \$1.6 billion False Claims Act judgment, attacking the case two whistleblowers made on critical elements of their fraud claims.
- Janssen's attorney argued that the judgment should be tossed for lack of falsity and materiality, and that the jury didn't hear a proper but-for causation instruction.
- The whistleblowers' attorney said the award should stand, arguing that the government lacked actual knowledge of misconduct when it made payments, and that Janssen "hoodwinked" doctors into writing improper prescriptions.

Janssen Products LP urged a federal appeals court Wednesday to throw out a \$1.6 billion False Claims Act judgment, attacking the case two whistleblowers made on critical elements of their fraud claims.

Whistleblowers Jessica Penelow and Christine Brancaccio convinced a jury in 2024 that Janssen—now called Johnson & Johnson Innovative Medicine—violated the FCA by engaging in an off-label promotion scheme involving two HIV drugs, Prezista and Intelence.

The US Court of Appeals for the Third Circuit should toss the “largest” award in FCA history, said Janssen’s attorney, Mark Mosier of Covington & Burling LLP, for lack of falsity and materiality. The government health-care programs here didn’t look at whether off-label marketing occurred when deciding to reimburse claims, he said, which should defeat the whistleblowers assertions of falsity.

Their fraud case also fails for lack of materiality because the government never stopped paying for the drugs despite seeing the whistleblowers’ allegations over a decade ago, he argued.

And, the jury didn’t hear a proper but-for causation instruction, Janssen argued. A proper instruction, Mosier said, would be to tell the jury that an event wouldn’t happen the absence of off-label marketing.

The whistleblowers' attorney, David Frederick of Kellogg, Hansen, Todd, Figel & Frederick PLLC, said the award should stand because, despite the government's continued payments, the government lacked actual knowledge of misconduct when it made the payments.

Frederick said the government didn't get the full range of evidence until the whistleblowers pursued their case to trial. The lower court didn't err on causation, and the jury properly considered whether the promotion was a substantial factor for the submission of false claims, he also argued.

Janssen "hoodwinked" doctors into writing improper prescriptions, Frederick said, addressing Judge Cindy K. Chung's questions about falsity. Janssen told thousands of doctors falsehoods about the medical effects of the drugs to get them to write prescriptions, he said.

Article II

Michael McGinley of Dechert LLP, arguing on behalf of the US Chamber of Commerce, urged the court to dismiss the suit for violating Article II of the US Constitution.

The whistleblower provision in the FCA "destroys" accountability by giving core executive power to individuals the executive branch doesn't control, McGinley said.

Chung and Judge Paul B. Matey asked McGinley, as well as Daniel Winik of the US Department of Justice, about how to consider the long history of qui tam suits when assessing the constitutionality issue.

McGinley asserted there's no evidence suggesting qui tam suits were the subject of great debate at the country's founding. Winik said, however, that the suits have deep historical roots.

Winik also said the modern FCA is constitutional because of extensive mechanisms of government control. Whistleblowers under the FCA can file suits under seal—bringing cases to the government's attention—and allowing the government to decide whether to intervene and seek dismissal, or intervene and help prosecute, Winik pointed out.

The appointments clause in Article II, Winik said, doesn't apply to FCA whistleblowers because they don't have a continuing US office. The role of a whistleblower can't be handed off to another whistleblower, he noted.

Although Janssen argued in its brief that the \$1.6 billion award is excessive under the Eighth Amendment, neither the judges nor the attorneys raised the issue during Wednesday's oral argument.

The whistleblowers, who sued in 2012, alleged Janssen's tactics caused Medicare, Medicaid, and the AIDS Drug Assistance Program to improperly pay claims seeking reimbursement for the HIV drugs.

The US District Court for the District of New Jersey in 2021 said the case could advance, finding the whistleblowers sufficiently argued that Janssen's off-label drug promotion misled doctors about their appropriateness for patients with lipid conditions, and therefore claims seeking reimbursement from the government were false.

The government should receive \$360 million in trebled damages and \$1.28 billion in penalties, the US District Court for the District of New Jersey ruled in 2025. The penalties consist of \$8,000 for each of the 159,574 false claims the jury found Janssen caused to be submitted to the government, the district court said.

Judge Arianna J. Freeman was also on the panel.

Reese & Marketos LLP and Berger Montague PC also represent the whistleblowers.

The case is United States ex rel. Penelow v. Janssen Prods. LP, 3d Cir., No. 25-1818, oral argument 3/18/26 .

To contact the reporter on this story: Daniel Seiden in Washington at dseiden@bloombergindustry.com

To contact the editor responsible for this story: Martina Stewart at mstewart@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Live Nation exec testifies he regrets boasting about 'robbing' concertgoers in unearthed texts

 [courthousenews.com/live-nation-exec-testifies-he-regrets-boasting-about-robbing-concertgoers-in-unearthed-texts](https://www.courthousenews.com/live-nation-exec-testifies-he-regrets-boasting-about-robbing-concertgoers-in-unearthed-texts)

Erik Uebelacker

March 17, 2026

FILE - The Ticketmaster logo is seen along the sideline of the field before an NFL football game, Sept. 15, 2024, in Jacksonville, Fla. (AP Photo/Phelan M. Ebenhack, File)

MANHATTAN (CN) — A Live Nation executive was forced to answer Tuesday for a series of messages made public amid his company's ongoing [federal antitrust trial](#), in which he appears to boast about "taking advantage" of concertgoers with exorbitant parking fees and other pricey add-ons.

Ben Baker, the head of ticketing for Live Nation venues, testified that the language he used in the Slack messages was "immature," "unacceptable" and "indefensible."

"Robbing them blind baby" Baker said in one 2022 message to fellow Live Nation employee Jeff Weinhold. "That's how we do."

Baker sent the message alongside a chart, titled "premier parking," which yielded more than \$166,000 in growth from 2019 to 2021. At the time, Baker and Weinhold were "junior staffers," according to the company, responsible for handling the sale of tickets and add-ons, like parking, at certain Live Nation venues.

Prosecutors published a series of messages between Baker and Weinhold to the case's public docket last week. The private texts appear to show the duo crudely testing the waters to see how much they can charge for parking at various concerts.

At a Kid Rock concert in 2022, the top price was \$199.

"These people are so stupid," Baker wrote. "I almost feel bad taking advantage of them. BAHAAHAHAHA."

But faced with the texts on the witness stand on Tuesday, Baker took a different tone.

"What I was trying to convey was my surprise that this is what fans were willing to pay to upgrade their experience," he said. "They were not required to purchase any of these products."

Baker also admitted he raised the price of parking even further after texting with Weinhold, who said he set his top-level parking price to \$250 for a show at his venue.

"I wonder if I can get \$225," Baker said in a message at the time.

"Sure why not," Weinhold replied.

Even when he bumped up the price, Baker said fans still bought the parking spots. His messages to Weinhold at the time, he said, were those of "utter surprise."

"I can't change the language — there's no excuse for the language," Baker said of the texts on Tuesday. "What I was trying to convey to Jeff was my surprise that the demand was there for those products."

Jurors saw another set of messages in which Baker and Weinhold discussed charging for parking at another show.

"I charge \$50 to park in the grass lmao," Baker said. "I charge \$60 for closer grass."

Baker added that he lists "oversize" parking for \$100, "which doesn't give you ANY benefits" and is still three-quarters of a mile away from the venue.

"Hahahaha," he said.

"Lolol," replied Weinhold.

Of this text chain, Baker testified that this was "unfortunately, again, very regrettable, immature language" but did not deny that it is what he wrote at the time.

The messages speak to accusations from around three dozen states that Live Nation and its ticketing subsidiary, Ticketmaster, [illegally maintained a monopoly](#) over live events in the United States, smothering competition and smacking consumers with higher ticket prices.

Live Nation tried to keep the texts from coming to light, arguing in court filings that the exchanges are "irrelevant" and "highly prejudicial." The company claimed, since Baker and Weinhold were discussing the prices of parking, VIP club access and other add-ons — not pure ticket prices — that the messages had nothing to do with the underlying issues in the case.

U.S. District Judge Arun Subramanian, the Joe Biden appointee presiding over the trial, disagreed. He ruled last week that the messages are relevant to the overall fan experience, and compared it to the harm that filmgoers might face if theaters started charging \$50 for a bag of popcorn.

In a statement to Courthouse News, Live Nation said that the exchange shown to jurors "from one junior staffer to a friend absolutely does not reflect our values or how we operate."

"Because this was a private Slack message, leadership learned of this when the public did, and promptly began looking into the matter," the company added. "Our business only works when fans have great experiences, which is why we've capped amphitheater venue fees at 15% and have invested \$1 billion in the last 18 months into U.S. venues and fan amenities."

Baker said Tuesday that he has been promoted twice since he sent the scrutinized messages about four years ago. He also said, since they became public, Live Nation has not taken any punitive action against him.

The Department of Justice initially brought the sprawling antitrust case against Live Nation and Ticketmaster in 2024, with the District of Columbia and 39 states joining the lawsuit. But last week, the [DOJ unceremoniously settled](#) with the live event giants in the middle of trial, leaving more than 30 unsatisfied states to resume the case on their own.

California Brief

Live Nation Ticket Director Downplays 'Robbing Them Blind' Chats

March 17, 2026, 2:06 PM PDT

A Live Nation Entertainment Inc. ticketing director, who once denigrated fans in an internal chat as “so stupid” for being willing to pay high fees for VIP add-ons at concerts, minimized his comments to a New York jury at an antitrust trial against the company and its Ticketmaster unit.

Ben Baker, who now heads ticketing for all of Live Nation’s venues, testified that his language was “immature and regrettable” and that he was simply “testing market demand.” His chats from 2022, when he managed ticketing at a Live Nation venue in Tampa, Florida, were unsealed last week as evidence in the case. “These people are so stupid,” he wrote. “I almost feel bad taking advantage of them.”

Baker was one of three Live Nation employees to testify Tuesday. A group of more than 30 states accuses the company of illegally monopolizing the live events industry and seeks to force the sale Ticketmaster, the company’s ticketing arm. The states allege Live Nation uses its various businesses to reinforce its dominance over live events, including by threatening to withhold concerts from venues that seek to use other ticketers.

In his chat comments with a coworker, Baker bragged about raising prices for ancillary services such as parking. On the witness stand, he told jurors his choice of language was “immature” and “indefensible,” but said he hasn’t been reprimanded or demoted by Live Nation. Fans paid for extras at the shows even though “were not required to,” he said. “What I was trying to convey was my surprise that fans were willing to pay” this much.

In another exchange about fees, Baker bragged about “robbing them blind, baby. that’s how we do,” after sending a coworker a table that showed Live Nation had increased revenue on parking by 33% from 2019 to 2021. He also boasted about charging “\$50 to park in the grass” and “\$60 for closer grass.”

Read More: Live Nation Faces 'Fed Up' States After 16 Years of Battles

On Tuesday, the states introduced a series of emails involving a Live Nation employee who threatened to re-route Jonas Brothers concerts in 2019 unless venues paid additional money to the company and switched their ticketing provider to Ticketmaster.

Brad Wavra, who worked on tours for Live Nation, told venues they needed to increase fees in order to pay the company an additional \$4 on each ticket and switch from AEG's AXS to Ticketmaster. In a later email to more senior executives including Live Nation Chief Executive Officer **Michael Rapino**, Wavra said he had used a similar maneuver on a previous tour for the singer Pink and "never was told it was a bad idea."

Wavra said he had gotten most of the venues to agree to the additional per-ticket payment and to switch to Ticketmaster, intending for the extra money to go to Live Nation, not the artists.

But **Mark Campana**, who was then chief operating officer for Live Nation's concert division, told jurors that Wavra was "completely out of line" and that he was "told he shouldn't be doing that."

Wavra was "reprimanded" by Rapino, according to Campana, though he acknowledged he didn't know whether Wavra experienced any career consequences over the incident. Wavra is now a senior vice president for Live Nation's touring arm, according to his LinkedIn.

Read More: Even Artists Who 'Hate' Ticketmaster Can't Avoid It

In 2015, Live Nation considered bidding on the exclusive booking rights for the amphitheater that houses the Atlanta Symphony Orchestra. In an internal analysis about the deal, Live Nation employees said gaining the rights would help "consolidate" the market and "stop the threat" of rival AEG acquiring a location in the area.

As part of the analysis, which was shown in court Tuesday, company officials concluded Live Nation could gain "considerable talent savings" on artists for future concerts because the venue often made "excessive offers to artists." They cited a \$750,000 deal the amphitheater gave to Stevie Wonder, beating out Live Nation's bid to host his concert for \$500,000.

"At times we've had to raise our offers to compete therefore artificially inflating the artist value in the market," company officials said in their internal analysis.

"They were overpaying the artist," Campana testified about the amphitheater.

He rejected the idea that Live Nation wanted the exclusive rights to the venue so that it could depress artist payments, saying they were "proud" to partner with the Atlanta Symphony Orchestra.

'Not Language We Want'

Towards the end of his testimony Campana said he reprimanded an employee for "inappropriate" language in an email.

"Please do not send emails that state you want to 'crush' the competition. Not the language we want to be seen in emails when reviewed by the DOJ or anyone for that matter," Campana said in a June 2020 text to a Live Nation employee. "Crap," she responded.

Campana said he sent the text to the Live Nation employee — a booker in Portland, Oregon — rather than responding to her email because of the seriousness of the issue, not in an effort to hide any communications.

"I've been under review with the DOJ over a decade," Campana said Tuesday, to explain why he referred to the Justice Department in his text.

The case is US v. Live Nation Entertainment, 24-cv-03973, US District Court, Southern District of New York (Manhattan).

To contact the reporters on this story:

Leah Nylen in Washington at lnylen2@bloomberg.net;

Mikella Schuettler in New York at mschuettler4@bloomberg.net

To contact the editors responsible for this story:

Sara Forden at sforden@bloomberg.net

Steve Stroth

© 2026 Bloomberg L.P. All rights reserved. Used with permission.

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Big drugmakers must face US overcharge claims on medications for low-income patients

 [reuters.com/legal/government/big-drugmakers-must-face-us-overcharge-claims-medications-low-income-patients-2026-03-17](https://www.reuters.com/legal/government/big-drugmakers-must-face-us-overcharge-claims-medications-low-income-patients-2026-03-17)

Jonathan Stempel

March 17, 2026

U.S. dollar banknotes and medicines are seen in this illustration taken, June 27, 2024. REUTERS/Dado Ruvic/Illustration [Purchase Licensing Rights, opens new tab](#)

- Appeals court revives whistleblower lawsuit
- AbbVie, AstraZeneca, Novartis, Sanofi are the defendants
- Adventist Health says Medicare and Medicaid were overcharged

March 17 (Reuters) - A U.S. appeals court on Tuesday revived a whistleblower lawsuit accusing four large drugmakers of defrauding the federal and state governments out of hundreds of millions of dollars by overcharging on medications for low-income and uninsured patients.

In a 3-0 decision, the 9th U.S. Circuit Court of Appeals in Pasadena, California said AbbVie ([ABBV.N](#))  [, opens new tab](#), AstraZeneca ([AZN.L](#))  [, opens new tab](#), Novartis ([NOVN.S](#))  [, opens new tab](#) and Sanofi ([SASY.PA](#))  [, opens new tab](#) must defend against claims they violated the federal False Claims Act through their involvement in the Section 340B Drug Pricing Program. Sign up [here](#).

Created by Congress in 1992, the program lets medical providers buy drugs at discounted prices, and at no more than \$0.01 -- known as "penny pricing" -- when the drugs' statutory ceiling prices fall below zero.

Adventist Health System/West, a Roseville, California-based nonprofit with more than 440 hospitals and clinics, said many years of overcharges by the four drugmakers caused Medicare and Medicaid to pay inflated reimbursements.

It said this stopped when the U.S. Department of Health and Human Services decided in 2019 to impose large civil fines for Section 340B pricing violations.

Circuit Judge Roopali Desai wrote for the appeals court that while Section 340B does not give medical providers a private right to sue drugmakers for overcharges, they can sue under the False Claims Act to recover damages for alleged fraud that causes "financial loss" to the government.

Adventist's claims "belong to the government," and "it does not matter" that Adventist cannot sue on its own behalf, Desai wrote.

AbbVie, AstraZeneca, Novartis, Sanofi and their respective lawyers declined to comment. Lawyers for Adventist did not immediately respond to similar requests.

The appeals court returned the case to U.S. District Judge Dale Fischer in Los Angeles, who dismissed it in March 2024.

The False Claims Act lets whistleblowers sue on behalf of the government, and share in recoveries.

Reporting by Jonathan Stempel in New York; Editing by Aurora Ellis

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

California Brief

Ninth Circuit Revives Adventist Health's Drug Price Fraud Suit

March 17, 2026, 3:09 PM PDT

AbbVie Inc. and other pharmaceutical companies will have to continue facing Adventist Health System/West's whistleblower suit alleging Medicaid fraud after a federal appeals court ruled Tuesday it was wrongly dismissed.

Adventist plausibly pleads falsity under the False Claims Act and the district court's finding of an absence of a private right of action under a federal drug pricing program was immaterial, Judge Roopali H. Desai said in an opinion. The US Court of Appeals for the Ninth Circuit reversed the district court's dismissal of Adventist's qui tam suit and remanded it for further proceedings.

"Because Adventist asserts legally cognizable claims for relief under the FCA and has satisfied the necessary pleading requirements, we reverse and remand," Desai said.

Adventist sued the pharmaceutical companies, which include AstraZeneca and Novartis, in 2021. Adventist alleges they violated the FCA since they failed to comply with drug pricing requirements of the federal 340B drug pricing program. The program places a ceiling price for certain outpatient drugs when they are sold to health-care providers known as covered entities. Adventist said that the defendants caused false claims to be submitted to the federal government and state governments by failing to comply with a statutory pricing formula.

But a district court concluded the qui tam suit was barred by US Supreme Court precedent and failed to state a claim. The high court held in *Astra USA Inc. v. Santa Clara Cnty* that 340B entities such as public hospitals couldn't sue allegedly overcharging manufacturers as third-party beneficiaries of pharmaceutical pricing agreements.

But neither Section 340B nor *Astra* bar Adventist's claims against defendants since the action is brought under the FCA, which confers an express right of action for any qui tam plaintiff to remedy fraud resulting in financial loss to the government, Desai said. The suit also isn't to enforce Section 340B but is a "prototypical FCA action" that doesn't assert the pharmaceutical companies are liable merely because of a direct Section 340B violation.

Barring Adventist's claims would also undermine the FCA, "a statute that courts interpret 'broadly' and that does not exempt qui tam actions by covered entities for alleged fraud against the government from the Section 340B Program," Desai said.

"Adventist brings claims under the FCA, which are free-standing and independent of Section 340B," Desai said. "Thus, it is of no import that Section 340B does not provide covered entities like Adventist a mechanism to bring suit."

Judges Consuelo M. Callahan and Ana de Alba joined the opinion.

Baron & Budd PC, Walden Macht Haran & Williams LLP, and Power Pyles Sutter & Verville PC represent Adventist. King & Spalding LLP represents Abbvie.

The case is United States ex rel. Adventist Health Sys./W. v. Abbvie Inc , 9th Cir., No. 24-2180, 3/17/26 .

To contact the reporter on this story: Quinn Wilson in California at qwilson@bloombergindustry.com

To contact the editor responsible for this story: Alicia Cohn at acohn@bloombergindustry.com

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

California Brief

Tesla Is Sued by Survivor of Deadly California Cybertruck Crash

March 17, 2026, 1:53 PM PDT

Tesla Inc. was sued by the sole survivor of a 2024 Cybertruck crash in California that killed three college students who were unable to escape the burning vehicle, the latest in a growing body of litigation faulting the automaker's electrically powered doors.

Jordan Miller was rescued by a friend who witnessed the middle-of-the-night crash in the San Francisco suburb of Piedmont and smashed a window with a tree branch after the doors wouldn't open. The other occupants — driver Soren Dixon, 19; Jack Nelson, 20; and Krysta Tsukahara, 19 — all died in the vehicle of smoke inhalation.

"Despite having extensive knowledge of the dangers of its door systems, Tesla consciously disregarded the safety of occupants in Tesla vehicles, and prioritized aesthetics over function, all while refusing to make changes to its door systems," according to the complaint, which was filed in Alameda County Superior Court. "To this day, Tesla continues to market and sell a dangerous vehicle."



A memorial for three college students who died in a Cybertruck crash, in Piedmont, California in 2024.
Photographer: David Paul Morris/Bloomberg

Tesla didn't immediately respond to a request for comment.

Details of the crash were previously reported by Bloomberg News as part of a wide-ranging investigation into the hazards of electric door systems, which can fail and trap occupants inside vehicles, particularly after a crash. The reporting uncovered at least 15 deaths in a dozen incidents over the past decade in which occupants or rescuers were unable to open the doors of a Tesla that had crashed and caught fire.

Read More: 15 People Have Died in Crashes Where Tesla Doors Wouldn't Open

The families of Nelson and Tsukahara filed separate complaints in October over the Piedmont crash, alleging Tesla knew of issues with the doors but failed to take appropriate action.

Tesla's chief designer said in September that the Austin-based company was working on a redesign of its door handles to make them more intuitive in emergency situations. In December, Tesla updated its website to say that after a serious collision is detected, hazard lights will turn onto increase visibility and "doors will automatically unlock for emergency access."

The US National Highway Traffic Safety Administration has opened a defect investigation into certain Model Y SUVs, citing incidents in which exterior handles stopped working and trapped children and other occupants inside. In December, NHTSA said it would evaluate a request for a defect probe that was filed by a Georgia man who had to kick his way out of his burning Model 3 sedan.

The case is Miller v. the Estate of Soren Mangseth Dixon, 25CV135984, California Superior Court, Alameda County.

To contact the reporter on this story:

Dana Hull in San Francisco at dhull12@bloomberg.net

To contact the editors responsible for this story:

Richard Clough at rclough9@bloomberg.net

Peter Blumberg

© 2026 Bloomberg L.P. All rights reserved. Used with permission.

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

US appeals court reverses contempt order against lawyer in hundreds of food labeling lawsuits

 [reuters.com/legal/government/us-appeals-court-reverses-contempt-order-against-lawyer-hundreds-food-labeling-2026-03-17](https://www.reuters.com/legal/government/us-appeals-court-reverses-contempt-order-against-lawyer-hundreds-food-labeling-2026-03-17)

Diana Jones

March 17, 2026

An NYPD officer stands guard at the 2nd U.S. Circuit Court of Appeals in Manhattan, New York, U.S., September 6, 2024. REUTERS/Adam Gray/ File Photo [Purchase Licensing Rights, opens new tab](#)

- New York lawyer known for filing consumer lawsuits over misleading food labels
- Lawyer held in contempt after Starbucks lawsuit was dismissed
- No evidence lawyer acted in bad faith, appeals court says

March 17 (Reuters) - A U.S. appeals court on Tuesday reversed a contempt order against a New York lawyer who has filed hundreds of class actions accusing companies of misleading labeling on foods, saying there was no evidence he acted in bad faith when he sued Starbucks.

The New York-based 2nd U.S. Circuit Court of Appeals reversed a federal judge's ruling holding attorney Spencer Sheehan in civil contempt after he filed a lawsuit claiming Starbucks' labeling on its French Roast Ground 100% Arabica coffee falsely implied it had no additives. Sheehan's arguments in bringing the lawsuit may not have been convincing, but the claims were not frivolous and Sheehan did not violate any court order, the appeals court said.

Sign up [here](#).

Court-initiated sanctions, like those Senior U.S. District Judge Frederick Scullin Jr. [leveled against Sheehan](#), require a subjective finding of bad faith, the appeals court said. Starbucks was not involved in the bid for sanctions.

Neither Sheehan, who is based in Great Neck, New York, nor his attorney immediately responded to a request for comment.

Sheehan had argued on appeal that the lawsuit's claim that the 100% label would be understood by consumers to be free of additives was supported by rulings in four other courts. He also argued that he had done the appropriate investigation before filing the claims.

Sheehan, who has garnered headlines for his lawsuits over product labeling, has said that he filed more than 500 lawsuits between January 2020 and April 2023. He has filed lawsuits claiming Kellogg's Strawberry Pop Tarts [don't contain enough strawberries](#) and Walmart's fudge mint cookies [don't contain any actual fudge or mint](#). Both lawsuits were dismissed, court records show.

The lawsuit against Starbucks, filed on behalf of plaintiff Kristie Brownell in November 2022, alleged that Starbucks' "100% Arabica coffee" label indicated to consumers that the coffee contained no additives, when it likely had added potassium. Starbucks moved to dismiss the lawsuit, arguing Brownell had not presented evidence of added potassium and that the U.S. Food and Drug Administration does not require the company to list potassium content on its label.

In 2023, Scullin granted the motion to dismiss, entered a contempt order and imposed a \$500 sanction on Sheehan. Scullin said the lawsuit was unsupported by studies, case law or "reasonable interpretations" of the labeling, and was part of a pattern of frivolous lawsuits Sheehan filed in federal court.

The appellate panel included Circuit Judges Alison Nathan and Reena Raggi and U.S. District Judge Jesse Furman of the U.S. District Court of the Southern District of New York, sitting by designation.

The case is Kristie Brownell et al. v. Starbucks Coffee Corp, 2nd U.S. Circuit Court of Appeals, case number 25-189.

For Spencer Sheehan: Daniel Rose of Costello Cooney & Fearon

Reporting by Diana Novak Jones

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

[Diana Novak Jones](#)

Thomson Reuters

Diana reports on product liability, litigation, mass torts and the plaintiffs' bar. She previously worked at Law360 and the Chicago Sun-Times.

- X

Justice Sam Alito shamed as 'absolute embarrassment' over case involving billionaire pal

 rawstory.com/supreme-court-2676273475

Ewan Gleadow

March 18, 2026



U.S. Supreme Court Justice Samuel Alito (from Creative Commons)

A [Supreme Court](#) justice branded an "absolute embarrassment" has [thrown the judiciary into a state of mistrust](#), an analyst accused Wednesday.

Justice Sam Alito was slammed for his refusal to recuse himself from a case concerning oil executive hopes of a climate claim in Colorado. Alito's connections to the case are well documented, with [Slate](#) writer Hannah Story Brown noting the stocks the judge has in the oil industry. But a personal relationship with Paul Singer, the billionaire founder and president of the hedge fund Elliott Investment Management, makes Alito's part in the case particularly questionable, Brown wrote.

Singer's firm holds major investments in Suncor, one of two companies involved in the Colorado climate suit. Alito's private stocks should be enough to have him recuse from the case, but the ties with Singer are an "absolute embarrassment," Brown wrote.

ALSO READ: [Ex-Marine Nazi leader who once urged execution of judges arrested by FBI](#)

She added, "Alito and Singer's relationship came under public scrutiny in 2023, when ProPublica [reported](#) that Alito had failed to disclose that he had flown for free on Singer's private jet on his way to a [luxury fishing](#) trip in Alaska organized by 'court whisperer' Leonard Leo. If Alito had paid for the flight himself, it would have cost more than \$100,000 each way."

The reporting on the trip prompted Alito to claim he was not close with Singer and that the seat would have gone unused had he not taken the trip. Brown suggested Alito had spun this as "saving taxpayer money by taking an undisclosed free trip on a billionaire's private jet".

Brown also earmarked the claim that Alito "hadn't known that Singer was involved in certain cases before the court, but even if he had, he wouldn't have been obliged to recuse anyway."

What should have been a moment to tighten what the Supreme Court appointees can and cannot accept from the public instead became a moment for the judiciary to turn inwards and make themselves less transparent, Brown argued.

She wrote, "But the pressures of the moment failed to yield a binding code of ethics for the Supreme Court. While federal employees are broadly prohibited from accepting gifts worth over \$20 from anyone with interests that might be affected by government business,

"Supreme Court justices, who enjoy lifetime appointments, can apparently argue their way out of disclosing free trips from billionaires via op-eds in the Wall Street Journal.

"Far from taking action to remedy this crisis in public confidence, the Supreme Court has fashioned itself less transparent and accountable in the wake of the devastating 2022 Dobbs decision and subsequent ethics scandals. The high court is increasingly using the shadow docket to make monumental decisions outside of official proceedings, including to protect Trump's executive power grabs."

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

<https://www.wsj.com/business/how-epstein-collected-insider-tips-on-stocks-and-startups-from-his-network-424809d7>

BUSINESS

How Epstein Collected Insider Tips on Stocks and Startups From His Network

Epstein files show several associates shared confidential materials the sex offender sometimes used to invest for himself



Jeffrey Epstein and Jes Staley in an undated photograph released in the Epstein files. JUSTICE DEPARTMENT

By Emily Glazer [Follow](#) and Mark Maremont [Follow](#)

March 18, 2026 5:30 am ET

Quick Summary



- Jeffrey Epstein collected confidential information from well-connected associates, including a Gates adviser and a JPMorgan executive.

[View more](#)

A disclaimer in Jeffrey Epstein's email signature was a provocation as much as a warning: The contents of this message “may constitute inside information.”

For Epstein, the line between social networking and securities law wasn't just blurred, it was part of the way he conducted business. The Epstein files show how easily the sex offender collected confidential information from his well-connected associates.

Epstein received board minutes from Ehud Barak about a tech startup where the Israeli politician was chairman. JPMorgan Chase executive Jes Staley emailed details about an M&A deal that his bank was secretly working on. A key adviser to Bill Gates passed along information about biotech startups his billionaire boss was investing in.

Epstein sometimes used the tips cultivated from his network to invest for himself, whether his associates or the companies knew it or not, according to a Wall Street Journal review of the files. Other times there is no public record that Epstein acted on the information he amassed, some of which came his way as a wealthy individual with connections to billionaires, hedge funds and other investment firms.

A representative for Barak told the Journal that Epstein was an investor in a partnership and entitled to receive information about the startup. Boris Nikolic, the Gates adviser, said what he shared was public information or material he was authorized to share. Staley and his lawyer didn't respond to requests for comment.

The Epstein files also show how willing Epstein's associates were to share private material beyond financial information. Andrew Mountbatten-Windsor, the former Prince Andrew, is under investigation for potentially sharing confidential U.K. government reports with Epstein. So is former British diplomat Peter Mandelson.

Mountbatten-Windsor has denied wrongdoing in relation to his dealings with Epstein. Mandelson has said he regretted his association with Epstein. Neither man responded to requests for comment.

Trading wasn't the source of most of Epstein's wealth, which came from advising billionaires like Leon Black and former Victoria's Secret boss Les Wexner. His estate was worth at least \$577 million, including his private island and properties, according to court papers filed after Epstein's death. He was arrested in 2019 on federal sex-trafficking charges and died while in custody.

The scientist

Nikolic, Gates's longtime science adviser, emailed Epstein about Foundation Medicine, a molecular diagnostic testing company, in late 2012, around the time Gates took a significant stake in the startup.

At that time, Nikolic—a physician and investor—advised Gates on tens of millions of dollars in investments in healthcare and biotech companies, according to people familiar with his work and documents he later shared with investors that were reviewed by the Journal.

Gates—and his representatives—received access to confidential financial information as a major early investor in Foundation Medicine. Nikolic, in turn, sent some documents discussing the investment to Epstein.

“I never shared material, non-public information (MNPI) with Epstein,” Nikolic told the Journal. He said the Foundation Medicine material he shared was public or included in the company's prospectus. “If Epstein invested, he did so on the public markets when anybody could invest.”

In July and August 2013, Nikolic forwarded to Epstein emails discussing Gates's investment in the startup and attached some documents about information rights and financial terms of the investment. “Please see all docs and let me know questions asap,” he wrote.

Around that time, Epstein was helping Nikolic negotiate his separation from Gates's private office. Nikolic said he was authorized to share the materials to negotiate his exit. A spokesperson for Gates didn't respond to requests for comment.

From: Boris Nikolic <[REDACTED]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: FW: Foundation Medicine
Date: Sat, 06 Jul 2013 02:58:20 +0000
Attachments: Lock-Up (Preferred)_Gates.pdf;
 FM_A&R_Investor_Rights_Agreement_Series_B_Executed.pdf

Please see all docs and let me know questions asap

Sent from my Windows Phone

From: Rodi Guidero
Sent: 7/5/2013 20:34
To: Boris Nikolic
Cc: John O'Brien; Mike Rodden; Alan Heuberger
Subject: RE: Foundation Medicine

Hi Boris,

The lock-up agreement that we negotiated in connection with the proposed public offering is attached. This will become effective once the company files its preliminary prospectus (they will give us notice) and continue for 180 days after the public offering.

In the meantime, the private company securities we hold have restrictions on transfer – you can see the language in section 2.8 and 2.10 of the Investor Rights Agreement – so we would need to run some traps with the company in order to sell shares before the company goes public and the lock-up expiration.

What do you have in mind / how can we help?

Rodi

From: Boris Nikolic [mailto:[REDACTED]]
Sent: Friday, July 05, 2013 3:41 PM
To: Rodi Guidero
Subject: Foundation Medicine

Hi Rodi,

Hope you are having great 4th!

Sorry to bother you – can you please send me a copy of closing documents with Foundation Medicine, any documents describing restrictions (of sale) etc!

THANK YOU

Boris

EFTA01135006

A 2013 email that Boris Nikolic forwarded to Epstein. JUSTICE DEPARTMENT

Foundation Medicine went public in September 2013 at \$18 a share. Epstein bought 25,000 shares on Jan. 13, 2014, paying \$27.51 per share.

Two days later, Nikolic emailed Epstein: “Did you see Foundation Medicine?...You probably made around 30% in last two days! The company is coming with a number of new products. I do think it might hit post IPO 42 again—soon.”

A few months later, Nikolic sent Epstein analyst research about Foundation Medicine and told Epstein that he expected “greatly increased revenues—FMI was doubling its revenue for 3-4 years in the row and it will continue,” according to an April 2014 email.

In January 2015, Swiss drug giant Roche paid \$50 a share for a roughly 56% stake in Foundation Medicine—a 109% premium.

In July of that year, one of Epstein’s bankers emailed about Foundation Medicine, noting that Epstein was long about 50,000 shares at an average price of about \$25.38. It isn’t clear when

Epstein purchased other shares or how long he held on to his stake.

In June 2018, Roche said it would buy the remaining shares in Foundation Medicine—at \$137 a share.

Epstein also invested in Editas Medicine, a gene-editing company where Nikolic served on the board and Gates was a major investor through Nikolic's fund.

On Feb. 3, 2016, the day Editas went public, Nikolic wrote to Epstein: “We were 6x oversubscribed which is a miracle considering HORRIBLE markets.”

Weeks after the public offering, Epstein purchased 3,200 shares of Editas for \$31.93 apiece. Two days after the purchase, Epstein emailed Nikolic, referencing Editas. Nikolic responded: “So far so great.”

Epstein's accountant emailed Epstein in December 2018 to notify him that Nikolic was stepping down from the board. It is unclear how long Epstein held his position in Editas, which traded around \$25 when Epstein died.

The banker

One of Epstein's most valuable insider sources, according to the Journal's review, appeared to be Staley, who was a senior JPMorgan executive until 2013. He had a close relationship with Epstein and they exchanged hundreds of emails over the years, the files show.

In December 2009, Staley shared with Epstein internal JPMorgan compensation deliberations, including that 34 people were expected to earn more than \$10 million that year, and CEO Jamie Dimon's perspective on pay issues amid a public backlash.

Epstein in 2010 bought JPMorgan preferred stock and his financial statements show he held it for years, owning at least \$5.7 million worth in early 2019.

Staley also sent Epstein insider information about other matters. In 2010, as the wealthy Pritzker clan was nearing the end of a process to split up the family empire among warring cousins, it planned to sell a chunk of credit-reporting agency TransUnion, which the Pritzkers controlled.

EPSTEIN FILES FALLOUT



50 Famous Names and High-Profile Exits

Thomas Pritzker, a senior family member who also was in close touch with Epstein, sent an April 10, 2010, email to Staley. Pritzker discussed a deal to sell 51% of a company to Madison Dearborn Partners, a private-equity firm, while keeping 49% for the family and adding "to my personal problem of cash accumulation."

Shortly after, Staley, whose bank JPMorgan was advising Madison Dearborn, forwarded Pritzker's email to Epstein, writing: "Fyi."

Less than three weeks after Epstein got this private information, TransUnion announced on April 29 that the Pritzkers were selling a 51% stake to Madison

Dearborn while retaining 49%.

A JPMorgan Chase spokeswoman said it wasn't aware of Staley sharing confidential information with Epstein until after he left the bank. Pritzker declined to comment, as did Madison Dearborn.

From: Jes Staley <[REDACTED]>
 To: 'jeevacation@gmail.com' <jeevacation@gmail.com>
 Sent: 4/11/2010 12:54:52 AM
 Subject: Fw: Re:

Fyi

----- Original Message -----

From: Pritzker, Tom <[REDACTED]>
 To: Jes Staley
 Sent: Sat Apr 10 19:17:48 2010
 Subject: RE: Re:

Yep. it's the final big one for family restructuring. Sponsor (MDF) sat on company board for a number of years so they know management and biz. Idea is to recap, pull capital out for my relatives, sell 51%; keep 49% for the hoped for ride; duck the next Obama tax and add to my personal problem of cash accumulation. Life's about alternatives.
 Tom

-----Original Message-----

From: Jes Staley [mailto:[REDACTED]]
 Sent: Saturday, April 10, 2010 06:06 PM
 To: Pritzker, Tom
 Subject: Re:

It will be fun.....and productive.

I gather we are in the midst of a deal.

Jes

----- Original Message -----

From: Pritzker, Tom <[REDACTED]>
 To: Jes Staley
 Sent: Sat Apr 10 01:24:44 2010
 Subject:

Jes
 Enjoyed the chance to talk and look forward to working w you.
 Tom

Confidential Treatment Requested by JPMorgan Chase

SDNY_GM_00077657

JPM-SDNY-00000784
 EFTA_00188127

EFTA01300542

A 2010 email that Jes Staley forwarded to Epstein. JUSTICE DEPARTMENT

The politician

Barak, the former Israeli politician, met with Epstein dozens of times and traveled to his private island. In 2015, Barak invested in and later was named chairman of Reporty, an Israeli startup.

The Epstein files reveal that Epstein was much of the money behind Barak's \$1.5 million investment in the technology company. Epstein loaned \$1 million to an entity formed by Barak for the deal, and later converted the loan into a partnership interest, the documents show.

Epstein received a string of inside information about the company from Barak.

In January 2016, Barak sent an email to Epstein, where he shared the minutes from a Reporty board meeting. The minutes showed the board had authorized the CEO to contact venture capitalists to raise \$10 million. "Moving forward very well," Barak wrote.

In an email, a spokesman for Barak's office said Reporty was a private, untraded company, and that Epstein, as an investor in Reporty through a partnership run by Barak, was entitled to receive certain information.

"All of Barak's business activities, including re Reporty, were conducted under careful legal advice and according to the law," his spokesman said.

Reporty changed its name to Carbyne in 2018 and later that year raised additional funds. In 2020, the company said that Barak was stepping down from its board.

Carbyne was bought by Taser stun gun maker Axon for \$625 million in November 2025. It's unclear how long Epstein held the investment in the company.

The client

Epstein was also an investor in Apollo where he got some confidential information from his close ties to Black, the private-equity firm's then-CEO. Epstein invested in Apollo's 2011 IPO and owned more than 250,000 shares purchased at a cost basis of about \$5 million, the files show.

Epstein knew Black since the 1990s and provided tax- and estate-planning advice to Black from 2012 to 2017. Epstein signed an agreement in 2013 to keep confidential any material he received in providing those services.

In March 2015, Epstein received an email marked “Confidential. Material non-public info” from the finance chief of Black’s family office.

The email projected, among other things, that Apollo’s cash distribution—equivalent to a dividend—for the first quarter of 2015 would be about 34 cents per share. When Apollo announced its quarterly earnings two months later, the cash distribution turned out to be 33 cents per share.

A spokesman for Black said Epstein provided tax and estate planning services for Black’s family office and was given information about his holdings in Apollo for these purposes.

The value of Epstein’s stake in Apollo as of February 2019, shortly before he died, was about \$7.7 million, showing a gain of about \$2.7 million.

Emily Glazer is a Pulitzer Prize-winning enterprise reporter focusing on business leaders, power and influence for The Wall Street Journal in New York. Her articles often focus on the intersection of business and politics, CEO succession, board shakeups or regulatory investigations. Emily also contributes to the Journal’s Personal Board of Directors...

[Follow](#)

Mark Maremont is a senior editor with The Wall Street Journal. He focuses on investigative reporting, particularly in the business, finance and political spheres, and is based in the Journal’s Boston office. Mark previously was special projects editor and deputy chief of the Boston bureau. Mark was part of a small team of Journal reporters awarded the Pulitzer...

[Follow](#)

SEC Moves to Define Which Crypto Assets Are Securities

"We're not the 'Securities and Everything Commission' anymore," said U.S. Securities and Exchange Commission Chair Paul Atkins.

March 17, 2026 at 05:01 PM By  **Dan Novak**



Paul Atkins, chair of the U.S. Securities and Exchange Commission. Photo: Diego M. Radzinski/ALM

U.S. Securities and Exchange Commission Chair Paul Atkins said Tuesday that the SEC will apply federal securities laws to just a narrow set of cryptocurrency assets and investments.

Atkins, who has been tasked with implementing President Donald Trump's vision for making the United States the world's crypto capital, has said bringing regulatory clarity to the industry is his top priority as chair. A central question has been whether crypto assets are primarily commodities regulated by the Commodity Futures Trading Commission or securities regulated by the SEC.

"Today, I am pleased to announce that the SEC's persistent failure to provide clarity on this question is over," Atkins said during the Blockchain Summit in Washington.

Minutes before Atkins spoke, the SEC [released](#) interpretive guidance defining four asset categories: digital commodities, digital collectibles, digital tools and stablecoins that fall under the 2025 GENIUS Act. None are subject to federal securities laws, the SEC stated.

“With these categories in place, the interpretation then clarifies that only one crypto asset class remains subject to the securities laws: digital securities, namely traditional securities that are tokenized,” Atkins said. “This distinction returns the commission to its core mission—and statutory authority—of protecting investors involved in securities transactions.”

The interpretive guidance was released in partnership with the CFTC. The two agencies formally agreed last week to a memorandum of understanding to promote clarity on overlapping regulatory areas, primarily crypto.

While the guidance does not carry as much weight as formal agency rulemaking, it is the first attempt by either commission to define certain crypto assets.

“For far too long, American builders, innovators, and entrepreneurs have awaited clear guidance on the status of crypto assets under the federal securities laws and Commodity Exchange Act,” CFTC Chair Michael Selig said in a statement.

Former SEC Chair Gary Gensler applied the securities laws as he pursued an aggressive stance toward the cryptocurrency industry but never outlined how the agency interpreted different crypto products.

The SEC’s guidance states that most crypto assets are not themselves securities—something the Biden administration refused to recognize, Atkins said.

“We’re not the ‘Securities and Everything Commission’ anymore,” he said.

Page printed from: <https://www.law.com/nationallawjournal/2026/03/17/sec-moves-to-define-which-crypto-assets-are-securities/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

**Bloomberg
Law**[Request a Demo](#)[Login](#)

Securities

SEC, CFTC Move to Define Which Digital Assets Are Securities

March 17, 2026, 2:21 PM PDT

The Securities and Exchange Commission issued a long-awaited “token taxonomy” on Tuesday, a key step forward laying out which types of digital assets it deems to be securities.

The guidance carves out payment stablecoins, digital collectibles and digital commodities as non-securities. It also clarifies how federal securities laws apply to protocol mining, staking and crypto airdrops, the SEC said in a memo.

Digital securities, or traditional securities that are tokenized, are subject to SEC rules and regulations, according to the guidance.



Paul Atkins speaks during the DC Blockchain Summit in Washington on March 17.

Photographer: Al Drago/Bloomberg

"We're not the securities and everything commission anymore," Chairman **Paul Atkins** said at the Digital Chamber's conference in Washington, in a critique of the Biden administration's stance that most crypto assets should be treated as securities.

Notably, the SEC explained that a non-security crypto asset may stop being an investment contract under securities laws when an issuer has either fulfilled or failed its representations or promises.

The crypto industry has long sought greater clarity on whether particular assets are considered securities, which typically require more regulatory disclosures than commodities.

The Commodity Futures Trading Commission joined in the interpretation, in the latest sign that Wall Street's two main regulators are no longer waiting for Congress to finalize legislation to delineate which agency has jurisdiction over which digital assets.

The SEC head also said the agency would soon issue a proposed rule teeing up a safe harbor program for startups to launch crypto companies, crypto investment contracts and security tokens without necessarily having to register with the agency.

The goal would be to allow companies to gain access to capital without being subject to enforcement action, said Atkins, adding the safe harbor could last up to four years.

“Such a safe harbor would provide crypto innovators bespoke pathways to raise capital in the US while providing appropriate investor protections,” Atkins said.

Atkins said the latest efforts would give the agencies a “head start” bringing certainty to the digital asset industry but urged lawmakers to continue their work on market structure legislation.

To contact the reporter on this story:

Lydia Beyoud in Washington at lbeyoud2@bloomberg.net

To contact the editor responsible for this story:

Megan Howard at mhoward70@bloomberg.net

© 2026 Bloomberg L.P. All rights reserved. Used with permission.

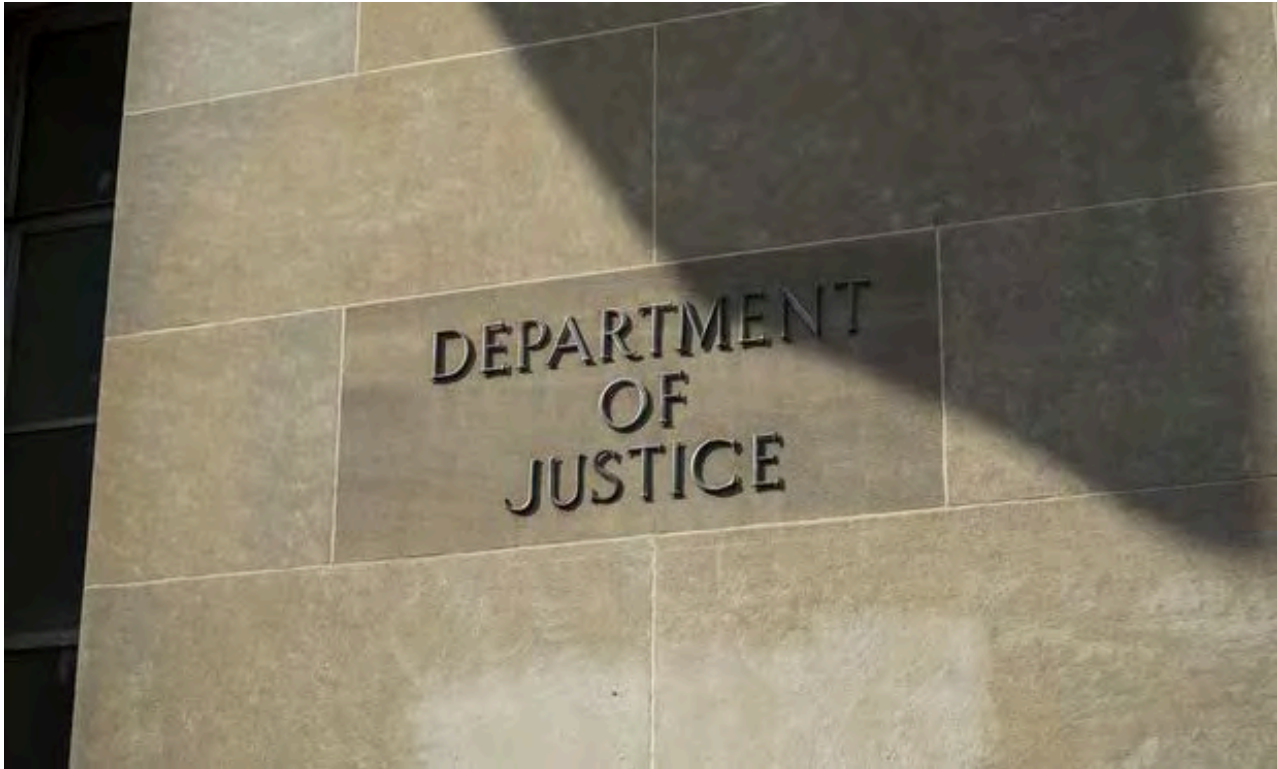
© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Analysis | **White Collar Crime**

DOJ's New Corporate Enforcement Policy Offers Clearer Path for Self-Reporting Companies, Lawyers Say

Previously, different Justice Department divisions used inconsistent corporate enforcement policies, leaving companies unsure whether self-disclosing misconduct would actually benefit them, said former federal prosecutor Mark Bini.

March 17, 2026 at 02:07 PM By  **Dan Novak**



U.S. Department of Justice building in Washington. Photo: Diego M. Radzinski/ALM

The U.S. Department of Justice's new corporate enforcement [guidelines](#) released last week give companies a clearer idea of how federal prosecutors will handle cases in which companies self-report misconduct, white-collar defense attorneys said.

The DOJ's Corporate Enforcement and Voluntary Self-Disclosure Policy establishes a three-tier framework for resolving cases based on a company's level of self-disclosure and cooperation. The policy governs enforcement decisions across all DOJ offices except for the antitrust division—the first time the department has established such a broad corporate enforcement policy for criminal matters, the DOJ said.

Corporations can avoid prosecution entirely and be granted a declination if they voluntarily self-disclose misconduct and fully cooperate in a timely manner, the department said. In “near miss” cases where companies tried to self-report but did not fully qualify for a full self-disclosure, companies can still be eligible for non-prosecution agreements and significant fine reductions, the DOJ added.

The third tier covers cases that don’t qualify for leniency, leaving prosecutors with broad discretion over charges and penalties, with limited fine reductions, the department said.

“Well-intentioned businesses know that, across the department, they will be rewarded when they self disclose wrongdoing, cooperate with our investigations and remediate the misconduct,” Deputy Attorney General Todd Blanche said in a statement. “But for those that do not, make no mistake — we will not hesitate to seek appropriate resolutions against companies and individuals alike that perpetrate white collar offenses that harm American interests.”

Previously, different Justice Department divisions used inconsistent corporate enforcement policies, leaving companies unsure whether self-disclosing misconduct would actually benefit them, said former federal prosecutor Mark Bini.

“I think it's still a careful analysis with [companies’] counsel about making sure they address any issue they may have and then considering whether to self-report and how,” said Bini, a Reed Smith partner. “But this certainly has created more incentives to do so. And I think it's really helpful to have one policy across the board.”

Prior to the new guidelines, companies would be reluctant to self-disclose with the outcome being so uncertain, said former DOJ attorney Chip Mulaney. Though companies will still need to make the determination whether it is in their interest to disclose wrongdoing, the DOJ policy “incentivizes self-disclosure by making it more certain,” added Mulaney, a principal at Goldberg Kohn.

“It’s a much more a concrete policy than I’ve ever seen,” he added.

When deciding whether to disclose misconduct to the DOJ, there could still be conflict surrounding the best interest of the corporation versus the best interests of individuals or corporate leaders, Mulaney said. Declinations granted to companies may not necessarily extend to individual employees, he added.

“There's always going to be that tension about self-disclosing,” Mulaney said.

He called the DOJ’s guidance “a corporate-friendly policy” that signals the department wants companies to voluntarily self-disclose potential white-collar misconduct.

"The DOJ has lost a lot of their experienced attorneys, especially in complex white-collar enforcement," Mulaney said. "And this will, in some ways, solve that problem by getting people to come forward," saving the department time and resources, he added.

Page printed from: <https://www.law.com/nationallawjournal/2026/03/17/dojs-new-corporate-enforcement-policy-offers-clearer-path-for-self-reporting-companies-lawyers-say/print/>

NOT FOR REPRINT

© 2026 ALM Global, LLC, All Rights Reserved. Request academic re-use from www.copyright.com. All other uses, submit a request to asset-and-logo-licensing@alm.com. For more information visit [Asset & Logo Licensing](#).

NewsRoom

3/18/26 Akron Beacon J. (Ohio) A1
2026 WLNR 7969963

Akron Beacon Journal (Ohio)
Copyright (c) 2026 Gannett

March 18, 2026

Section: News

Jury begins deciding FirstEnergy case today
Closing statements wrap in \$4.3M bribery case

Patrick Williams

March 18, 2026

"If Randazzo had not secretly stolen that \$4,333,333

of his clients' settlement money, we wouldn't

be here."

Carole Rendon Defense attorney

for Chuck Jones

A Summit County jury is on the verge of deciding whether former FirstEnergy executives Chuck Jones and Michael Dowling paid a \$4.3 million bribe to Ohio's eventual top utility regulator.

Jurors are set to begin deliberations March 18 after closing statements wrapped midafternoon March 17.

In its final presentation, the defense implored jurors to find that the state lacked a credible case against the men.

Defense attorney Carole Rendon said that by interviewing 26 witnesses and displaying various exhibits, the prosecution provided proof beyond a reasonable doubt of criminal activity — but not by the defendants.

She said the state convincingly showed that Sam Randazzo — the man the defendants are accused of bribing — was a thief.

Rendon, representing Jones, said her client's decision in December 2018 to pay then-energy lawyer Randazzo more than \$4.3 million was a "legitimate business decision." Randazzo died in 2024.

Rendon said Jones decided to pay the lump sum to Randazzo to terminate a settlement agreement with Industrial Energy Users of Ohio, which Randazzo represented. Rendon said FirstEnergy executive Jason Lisowski testified that Jones decided to make the payment to balance FirstEnergy's earnings guidance for 2018 and improve its budget for 2019 and beyond.

Lisowski, FirstEnergy vice president, controller and chief accounting officer, testified as a state witness Feb. 10 and Feb. 11.

"If Randazzo had not secretly stolen that \$4,333,333 of his clients' settlement money, we wouldn't be here," Rendon said.

Jones and Michael Dowling, former FirstEnergy senior vice president of external affairs, are accused of bribing Randazzo before he became chair of the Public Utilities Commission of Ohio.

Rendon's presentation came the day after closing statements by Ohio Assistant Attorney General Matthew Meyer and Steve Grimes, an attorney for Dowling.

Accusing Meyer of making a misrepresentation in his closing, Rendon said the prosecutor left out relevant information relating to a November 2019 text from Jones to Dowling.

The text said in part that Jones was wondering whether "Sam can make a public statement" about utilities and rate cases. The Beacon Journal reported about the text as part of its coverage of closing statements in this case.

"But what he didn't tell you? Sam Randazzo never said any such thing. ... It went nowhere," Rendon said.

In his rebuttal closing statement, Meyer called defense complaints against the prosecution "a sign of desperation."

"It's not about the lawyers, ladies and gentlemen," Meyer said. "It's not about me. It's not about Mr. Grimes. It's not about Ms. Rendon."

Meyer pushed back on the defense's statement that Jones realized it would have made sense to pay the \$4.3 million in one lump sum as opposed to paying it over a longer term. An existing agreement between FirstEnergy and Randazzo had multiple payments scheduled — totaling \$4.3 million but broken up over multiple years.

The prosecutor displayed February testimony from witness Lisowski, who had said, "On core finance principles, it's always better to just pay it later, so pay it over the course of these years, not pay it up front and not accelerate it."

Also in his final arguments, Meyer pointed out that Randazzo was "making \$43,000 a month from First-Energy while he was serving on the PUCO Nominating Council."

"Those are facts that they don't want you to think about," Meyer said. "I trust you. And the people from the state of Ohio trust you to get this right."

Patrick Williams covers growth and development for the Akron Beacon Journal. He can be reached by email at pwilliams@gannett.com or on X @pwilliamsOH.

Sign up for the Beacon Journal's business and consumer newsletter, "What's the Deal?"

"If Randazzo had not secretly stolen that \$4,333,333

of his clients' settlement money, we wouldn't

be here."

Carole Rendon Defense attorney

for Chuck Jones

---- Index References ----

Company: FIRSTENERGY CORP

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

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

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

Language: EN

Other Indexing: (Industrial Energy Users; PUCO Nominating Council; FirstEnergy)

Edition: 1

Word Count: 647

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

NewsRoom

3/18/26 cleveland.com (Cleveland, Ohio) (No Page)
2026 WLNR 8027647

cleveland.com (Cleveland, OH)
Copyright © 2026 cleveland.com

March 18, 2026

Jury begins deliberations in FirstEnergy bribery trial

Adam Ferrise; cleveland.com

AKRON, Ohio — A jury began deliberating Wednesday in the trial of two former FirstEnergy executives accused of bribing a state utility regulator.

Former CEO Chuck Jones and ex-top lobbyist Michael Dowling are accused of bribing Sam Randazzo with \$4.3 million, shortly before Randazzo became the chairman of the powerful Public Utilities Commission of Ohio.

Jones and Dowling face charges including engaging in a pattern of corrupt activity, bribery and conspiracy.

The seven-woman, five-man jury opted to begin deliberating Wednesday morning, rather than starting Tuesday after defense attorneys and prosecutors wrapped up their two days of closing arguments.

The jury will parse through testimony taken over six weeks from 30 witnesses, including U.S. Sen. Jon Husted, and some 600 exhibits, including troves of text messages and emails between Jones, Dowling and Randazzo.

Prosecutors argued during the trial that Jones and Dowling "rigged" the state's utility regulator that holds heavy sway over all utilities' finances by bribing Randazzo.

The duo learned Randazzo was being considered for PUCO chairman during a Dec. 18, 2018 dinner with incoming Gov. Mike DeWine and Lt. Gov. Jon Husted, then raced to Randazzo's home where they hatched a plan to bribe him.

Jones signed off on the payment, and FirstEnergy employees ushered it through on Jan. 2, 2019. Randazzo became PUCO chairman in April 2019.

That year, he helped draft House Bill 6, which gave a \$1.3 billion bailout to two aging nuclear power plants and Randazzo inserted language into the bill that allowed the company to keep making profits at inflated rates. Later that year, he squashed a PUCO review of the company's finances, causing FirstEnergy's stock prices to spike, prosecutors said.

Jones benefitted because his FirstEnergy pay was tied closely to the company's stock prices, prosecutors said.

The jury will also consider an unusual jury instruction that Summit County Common Pleas Judge Susan Baker Ross handed down that said prosecutors failed to properly record interviews with three witnesses and turn them over to the defense.

Defense attorneys argued that amounted to cheating.

They also attacked the prosecution's case, saying they misunderstood text messages and emails.

Jones' and Dowling's attorneys said the payment was a legitimate settlement in a 2015 case and that they were legally required to pay it.

The settlement was struck in 2015 between FirstEnergy and a trade group made up of industrial businesses represented by Randazzo, then a private attorney. The group, IEU-Ohio, fought a FirstEnergy surcharge because their businesses used large amounts of energy. The settlement was to end their opposition, and FirstEnergy paid it out in yearly increments from 2015 to 2018, defense attorneys said.

In 2018, FirstEnergy had a particularly good financial year and officials were looking for ways to get future years' expenses off its books early.

Defense attorneys said FirstEnergy owe IEU-Ohio another \$4.3 million over the course of several more years and paid it out in bulk, with Randazzo's approval.

Randazzo then stole the money, as he did with some \$11 million worth of settlements he negotiated, defense attorneys said.

Jurors were not told that Randazzo took his own life in April 2024, nor of several criminal and civil investigations spawned by the passage of HB 6. That includes the 20-year federal prison sentence

being served by former Ohio House speaker Larry Householder, who was convicted of using \$60 million in FirstEnergy bribes to ensure HB 6's passage and beat back a repeal effort.

The jury also didn't hear that FirstEnergy admitted to bribing Randazzo and Householder, paid a \$230 million penalty and fired Jones and Dowling.

---- Index References ----

Company: FIRSTENERGY CORP; PUBLIC UTILITIES COMMISSION; OHIO HOUSE APPRAISERS, INC

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

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

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

Language: EN

Other Indexing: (PUCO; FirstEnergy; Public Utilities Commission; Ohio House)

Word Count: 583

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

NewsRoom

3/18/26 Ohio Cap. J. (No Page)
2026 WLNR 8035950

Ohio Capital Journal
Copyright (c) 2026 Ohio Capital Journal

March 18, 2026

What the jury will be deciding in the FirstEnergy corruption trial

Morgan Trau

Mar 18, 2026

Defendants former FirstEnergy executives Michael Dowling and Chuck Jones listen to the proceedings on the second day of their trial in Summit County Court of Common Pleas Judge Susan Baker Ross's courtroom on Feb. 4, 2026. (Pool photo by Mike Cardew/Akron Beacon Journal.)

AKRON, Ohio — The jury has begun deliberating whether or not two former FirstEnergy executives are guilty of bribery for their role in the largest public corruption scheme in Ohio history.

In a Summit County courtroom on Tuesday, tensions ran high as defense attorneys and the state's prosecutor made their final pleas to the 12 jurors.

For six weeks, Assistant Attorney General Matthew Meyer explained why former FirstEnergy CEO Chuck Jones and VP Mike Dowling are guilty of bribing former Public Utilities Commission Chair (PUCO) Sam Randazzo with \$4.3 million to get beneficial rulings.

The defendants have also been accused of spending \$61 million to help create and pass House Bill 6. H.B. 6 was legislation to provide a billion-dollar bailout for the struggling company.

Charges

The jury will decide on charges for each man. All are different levels of felonies.

Jones

Engaging in a pattern of corrupt activity — Felony 1, up to 11 years in prison
Bribery — Felony 3, up to three years in prison
Telecommunications fraud — Felony 1, up to 11 years in prison
Conspiracy — Felony 2, up to eight years in prison

Dowling

Engaging in a pattern of corrupt activity — Felony 1, up to 11 years in prison
Bribery — Felony 3
Two counts of telecommunications fraud — Felony 1, up to 11 years in prison (22 if convicted of both)
Two counts of tampering with records — Felony 3, up to three years in prison (6 if convicted of both)
Conspiracy — Felony 2, up to eight years in prison

Arguments

On Monday, Meyer and Dowling's defense attorney Steve Grimes gave their closing arguments.

Tuesday, Jones' attorney Carole Rendon got her turn.

"The state of Ohio upended and tried to destroy Chuck Jones's life and his family, and his reputation and the collateral damage from these false charges is hard to measure," Rendon said.

Throughout the trial, the defense had several main arguments.

Defense attorney Carole Rendon questions witness Jason Lisowski, vice president, controller and chief accounting officer at FirstEnergy, as defendants ex-FirstEnergy Senior Vice President Michael Dowling and former FirstEnergy CEO Chuck Jones listen in Summit County Court of Common Pleas Judge Susan Baker Ross's courtroom in Akron on Feb. 11, 2026. (Pool photo by Mike Cardew/Akron Beacon Journal.)

Settlement payment

The crux of the defense's case is that the payment was not a bribe, but rather a settlement agreement.

"He made that legitimate business decision for one very simple reason," she said. "It was in FirstEnergy's best interest, plain and simple."

Jones' team argued that it was Randazzo, who is now dead, who was corrupt.

The former utility regulator, facing dozens of charges in federal and state court, became the second defendant in this scheme to kill himself. He died by suicide in 2024, after his joint arraignment with Jones and Dowling, and after pleading not guilty.

Before Randazzo was the top regulator, he was a consultant for clients who worked with FirstEnergy and wanted to get a better deal from them (he was also a consultant for FirstEnergy, as well). Randazzo ran the books for the Industrial Energy Users-Ohio, a legitimate trade group.

The defense said that FirstEnergy was simply paying the former PUCO chair settlement funds owed to IEU-Ohio clients, but Randazzo stole that money.

“If Randazzo had not secretly stolen that \$4,333,333 on his client settlement money, we wouldn’t be here,” Rendon said.

Meyer said that the Randazzo argument was getting old.

“We spent the better part of six weeks where these guys have blamed a dead man for everything that happened,” Meyer said. “Every bad thing — they want to put it on Dead Man Randazzo’s back and send him out in the wilderness, so you don’t focus on what they did.”

The state reminded the jury that throughout the trial, they went through dozens of texts between the defendants, showing their awareness of the scheme, warnings they ignored and how excited they were to financially benefit.

“The evidence is simple: money, soon to be public servant, influence policies, get richer,” the prosecutor said.

They were able to get away with the bribe thanks to what Meyer calls the “magic” consulting agreement. The settlement deal was a sham document “designed to confuse and conceal” money to flow from FirstEnergy to Randazzo’s shell companies. It was a relatively blank document that no one had signed, the prosecution said.

But the judge weighed in on Meyer’s persistent drawing of attention to the agreement.

Summit County Common Pleas Judge Susan Baker Ross chastises Assistant Ohio Attorney General Matthew Meyer during his rebuttal in the trial of ex-FirstEnergy Senior Vice President Michael Dowling and former FirstEnergy CEO Chuck Jones trial in Ross’s courtroom in Akron on March 17, 2026. (Pool photo by Mike Cardew/Akron Beacon Journal.)

“No one has said that it was not signed, not one witness,” Judge Susan Baker Ross said. “If you want, I’ll continue to misstate — state — what I think the evidence is, which I’m sure you don’t want me to do so.”

It was unclear whether the judge was saying that Meyer wouldn't like her take on the evidence or whether he wouldn't want her to be incorrectly referencing it.

This settlement was fine because Jones and Dowling relied on their attorneys and got good-faith legal advice, Rendon said. That argument is moot, Meyer said, because the legal advice said not to go forward with the settlement.

One of the benefits that FirstEnergy received was not having to file a new rate case before the PUCO due to the 2024 numbers. Meyer explained that the company was seemingly overearning through their current electricity rates, and the PUCO would likely have ordered it to lower the costs. Jones, after bribing Randazzo, told his team not to worry about this, Meyer said.

"I can almost guarantee you we will not have to go in for a rate case in May of 2024," Meyer said, quoting a comment Jones had allegedly said to a colleague.

This is a case about greed, Meyer said. Rendon disagreed.

"The CEO of First Energy can manipulate and influence the chair of the PUCO to make favorable decisions, so Chuck Jones can buy his retirement home in Naples, Florida," Meyer said, referencing an email Jones sent where he explains his plan to sell 200,000 FirstEnergy shares once Randazzo's decisions help bring the stock up.

Painting Jones as a benevolent CEO, the defense argued that he couldn't be greedy, since he declined to lay off employees while the company was struggling.

"Chuck Jones turned down the opportunity to get a raise year after year after year, a raise in both his base salary and his incentive compensation," Rendon said.

He earned \$20 million in 2019, Meyer responded.

"The stock price goes up, his wealth goes up. That's undisputed," the prosecutor said. "This was about juicing the stock price."

Randazzo wasn't first choice

The executives never even wanted Randazzo in a position of power, showing how they were originally pushing another chair.

"They continued to back [Jason] Rafeld, even though the state says we had Randazzo corrupted," Grimes said. "That doesn't make any sense. If you've got your guy, push for him — or at least don't get in the way."

Prosecutors said when it was clear Randazzo was the top candidate, FirstEnergy moved quickly to back him, but knew they had to pay up.

“Plan B, Plan Bribe,” Meyer said.

Defense attorney Carole Rendon, for former FirstEnergy CEO Chuck Jones, delivers her closing arguments from the podium in Jones’ trial in Summit County Common Pleas Judge Susan Baker Ross’s courtroom in Akron on March 17, 2026. (Pool photo by Mike Cardew/Akron Beacon Journal.)

Technicality that would prevent Randazzo from even being eligible to be bribed

Rendon went with a bold strategy, using a technicality to get Jones off for bribery he allegedly didn’t commit.

“Only a public official or a candidate can be bribed,” Rendon said. “In other words, you can bribe someone once they become a candidate... But you cannot bribe someone before they even become a candidate.”

Randazzo hadn’t even applied for the PUCO chair when the alleged bribe took place, she said.

Meyer seemed flabbergasted by this argument.

“What Miss Rendon is arguing is, ‘As long as you get your bribes into this man before he formally declares, it’s okay,’” the prosecutor said, to an objection from the defense.

That’s not what the law is, Meyer said.

In high-level Statehouse politics, it is more common than not for a possible candidate to work on gaining support and money before publicly declaring their interest.

Pointing fingers

But the closing shifted tone — when the defense started to attack the state.

“I’m not going to have the chance to point out all of his lies and all of his half-truths and all of his misrepresentations,” Rendon said.

While seemingly choking up, Rendon made an impassioned plea to the jury not to think that Jones is guilty because he chose not to testify.

“And Chuck Jones, he knows that you already know that he didn’t do this, and he doesn’t have to testify to tell you that he knows it,” she said.

She also urged the jurors not to believe Meyer.

“This is what a pattern of corrupt activity is,” Rendon said, referring to Meyer. “You violate the rules day after day, week after week, witness after witness, and then in closing argument, you get up and you lie about what the evidence is.”

Meyer did not take kindly to this accusation.

“What you just saw was a sign of desperation,” the assistant AG said. “The people I prosecute, particularly the powerful ones, don’t like being hauled into court and forced to sit in those defendants’ chairs.”

He said that this case was simple.

“Don’t fall for the excuses,” he said. “Look at what’s right in front of you.”

He also lambasted Rendon for her jovial nature in discussing memes sent between the defendants and colleagues.

“There’s nothing to laugh about,” Meyer said. “Any laughing that you heard in this courtroom absolutely inappropriate.”

Rendon had a whole slide during her closing titled ‘Memes are not crimes.’

One of the most well-known memes from the H.B. 6 scandal is a poorly photoshopped version of Mt. Rushmore. The faces now contain Dowling, a FirstEnergy lobbyist named Ty Pine, Randazzo and another utility executive, Matt Evans. Likely created by Evans, it was meant to show how each man would benefit financially from the corrupt H.B. 6.

It shows “HB 6” at the top of the photo and “F*** ANYBODY WHO AIN’T US” at the bottom.

Mike Dowling, Ty Pine, Sam Randazzo and Matt Evans poorly edited onto Mt. Rushmore after H.B. 6 passed. (Trial evidence photo.)

Next steps

Despite their continued fighting, each side had the same message:

“You are the deciders of the truth,” Rendon said. “In this case, the deciders of the facts.”

The jury, “deciders of facts,” has some long hours of deliberation ahead of it. They decided to leave right after the instructions from the judge and start fresh on Wednesday morning.

The jury will go into deliberation without key pieces of evidence that could bolster the prosecution’s case, ones that weren’t allowed to be brought up during the trial. Not only were they not told that FirstEnergy, as a company, already admitted to this bribery, but they weren’t informed that former Ohio House Speaker Larry Householder is currently sitting in prison due to accepting FirstEnergy’s bribes.

Even if Jones and Dowling are found not guilty in the state case, they still have federal racketeering charges to face revolving around the \$61 million given to Householder.

Follow WEWS statehouse reporter Morgan Trau on X and Facebook.

This article was originally published on News5Cleveland.com and is published in the Ohio Capital Journal under a content-sharing agreement. Unlike other OCJ articles, it is not available for free republication by other news outlets as it is owned by WEWS in Cleveland.

SUBSCRIBE

GET THE MORNING HEADLINES.

SUPPORT

YOU MAKE OUR WORK POSSIBLE.

The views expressed in any and all content distributed by Newstex and its re-distributors (collectively, the "Newstex Authoritative Content") are solely those of the respective author(s) and not necessarily the views of Newstex or its re-distributors. Stories from such authors are provided "AS IS," with no warranties, and confer no rights. The material and information provided in Newstex Authoritative Content are for general information only and should not, in any respect, be relied on as professional advice. Newstex Authoritative Content is not "read and approved" before it is posted. Accordingly, neither Newstex nor its re-distributors make any claims, promises or guarantees about the accuracy, completeness, or adequacy of the information contained therein or linked to from such content, nor do they take responsibility for any aspect of such content. The Newstex Authoritative Content shall be construed as author-based content and commentary. Accordingly, no warranties or other guarantees are offered as to the quality of the opinions, commentary or anything else appearing in such Newstex Authoritative Content. Newstex and its re-distributors expressly reserve the right to delete stories at its and their sole discretion.

---- Index References ----

Company: FIRSTENERGY CORP; PUBLIC UTILITIES COMMISSION; OHIO HOUSE APPRAISERS, INC

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Legal (1LE33); Prisons (1PR87); Social Issues (1SO05))

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

Region: (Americas (1AM92); Florida (1FL79); North America (1NO39); Ohio (1OH35); U.S. Midwest Region (1MI19); U.S. Southeast Region (1SO88); USA (1US73))

Language: EN

Other Indexing: (Industrial Energy Users; First Energy; WEWS; FirstEnergy; Public Utilities Commission; Ohio House)

Keywords: (Criminal Justice & Policing); (Energy); (Environment); (Politics & Gov); (Public Corruption); (Utilities); (First Energy executives bribery trial); (First Energy executives criminal trial Ohio bribery scandal)

Word Count: 2257

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

News from Bloomberg Terminal

Jury deliberating in corruption trial of ex-FirstEnergy executives accused of \$4.3 million bribe

March 17, 2026, 2:00 PM PDT

Jury deliberating in corruption trial of ex-FirstEnergy executives accused of \$4.3 million bribe

By PATRICK AFTOORA-ORSAGOS and JULIE CARR SMYTH

COLUMBUS, Ohio (AP) - Jurors in Akron began deliberating Tuesday in the corruption trial of two fired FirstEnergy Corp. executives charged for their alleged roles in a sweeping \$60 million bribery scheme that resulted in a lucrative bailout of two affiliated nuclear plants.

Former CEO Chuck Jones and ex-senior vice president Michael Dowling face charges of corruption, bribery, conspiracy and aggravated theft for paying \$4.3 million to a future top utility regulator in Ohio who helped draft the bailout legislation known as House Bill 6 and delivered the company other favors. Both have pleaded not guilty.

During closing arguments that spanned two days, prosecutors drove home their argument that Jones and Dowling purposely corrupted Public Utilities Commission of Ohio chair-to-be Sam Randazzo for their own benefit. They said securing Randazzo's help to land coveted legislative and regulatory favors bolstered the Akron-based utility giant's bottom line, which was tied directly to the financial compensation of Jones and Dowling.

"They rigged a process that was supposed to be fair for everyone. Their corruption here was using power, influence and money for personal and corporate greed," Special Assistant Attorney General Matthew Meyer told jurors Monday. "By cleverly structuring the timing and labels of their payoff to Sam Randazzo, these two captains of industry behaved like they were untouchable."

The defense called that argument ridiculous, reiterating their position that the payment to Randazzo - delivered in early January 2019, before he was a candidate for the Public Utilities Commission of Ohio - represented an aboveboard legal settlement.

"Chuck Jones did not bribe Sam Randazzo," Jones' attorney Carole Rendon told jurors on Tuesday. "He made a legitimate business decision to terminate a settlement agreement that was for Sam Randazzo's clients, the members of IEU-Ohio." Industrial Energy Users-Ohio was one of Randazzo's businesses.

Text messages between the ex-executives and advice they were parsing for speaking to then-Gov.-elect Mike DeWine and then-Lt. Gov.-elect Jon Husted, a current U.S. senator who testified at the trial - as well as evidence from various postelection meetings - were used as evidence that prosecutors said showed that the two men had a detailed plan for enriching themselves while taking advantage of Ohioans.

Dowling's attorney Steven Grimes told jurors Monday that the state failed to prove its case beyond a reasonable doubt. He said that almost everything prosecuting attorneys argued was based on the assumption that Dowling intended that \$4.3 million go to Randazzo, a premise contradicted by the evidence.

Grimes said that the defense cherry-picked a series of events from years ago to paint a picture that Dowling conspired with Randazzo and Jones, but that the evidence presented did not show with certainty that is what happened.

"I've been fighting for Mike for a long time. And this is it. I'm done fighting. I get to turn it over to now," he told jurors. "You guys are the safeguards. You're the constitutional protection that Mike has. You're what he's got. And so when you go back there in your jury room, please demand the details. Don't compromise. Listen. Respect your fellow jurors. Talk it out. But don't accept these assumptions. Keep up the fight for Mike. Send him home."

FirstEnergy admitted as part of a nonprosecution agreement in 2021 to underwriting the \$60 million scheme in which former Ohio House Speaker Larry Householder elected allies, secured power, passed the nuclear bailout bill and then defended it from a citizen referendum with the dirty-tricks campaign.

Householder was convicted of racketeering alongside lobbyist and former Ohio Republican Party chair Matt Borges in 2023. Jurors sentenced Householder to 20 years for orchestrating the scheme and Borges got five. Two other political operatives also pleaded guilty to their roles and a dark money group admitted in court to serving as a conduit for the cash. A fourth Householder associate charged in the scheme, powerful Statehouse lobbyist Neil Clark, died by suicide in 2021.

Randazzo took his own life in 2024 after pleading not guilty to a litany of state and federal charges. Some of the gritty details that have taken place in the case over the past five years were not shared with jurors in Akron, where Summit County Common Pleas Judge Susan Baker Ross has overseen the Jones and Dowling case for six weeks.

[Editor notes: Eds: UPDATES: Fixes transposed words in second paragraph.; Updates Media. Links audio.]

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

NewsRoom

3/18/26 Plain Dealer (Clev.) 2
2026 WLNR 8010601

Cleveland Plain Dealer

Copyright (c) 2026 The Plain Dealer. All Rights Reserved. Used by NewsBank with Permission.

March 18, 2026

Section: B

Defense slams prosecution in FirstEnergy bribery trial Defense attorney Carole Rendon told jurors Tuesday that former CEO Chuck Jones signed off on...

Adam Ferrise - aferrise@cleveland.com

Defense slams prosecution in FirstEnergy bribery trial Defense attorney Carole Rendon told jurors Tuesday that former CEO Chuck Jones signed off on a legitimate deal, not a bribe to Sam Randazzo, shortly before he became PUCO chairman.

Former FirstEnergy CEO Chuck Jones never bribed a state regulator, he signed off on a legitimate legal settlement that was reviewed by a slew of company attorneys, a defense attorney said Tuesday during closing arguments in Jones' high-profile bribery trial.

Jones believed the \$4.3 million payment was headed to Sam Randazzo's clients, but Randazzo secretly pocketed the money months before he became chairman of the Public Utilities Commission of Ohio, defense attorney Carole Rendon said.

Rendon, in the final defense push before jurors begin deliberating today, said prosecutors failed to show the jury any direct evidence that Jones and former FirstEnergy top lobbyist Michael Dowling carried out a plot to bribe Randazzo.

"If you were waiting for a smoking gun or even some testimony or some evidence that Chuck Jones committed a crime, well, it just never happened," Rendon said. "There's no smoking gun. There's no evidence of a bribe. Because he didn't bribe Sam

Randazzo."

Dowling's attorney gave his final arguments on Monday, largely mirroring Rendon's arguments that Randazzo's theft was to blame and that prosecutors misinterpreted text messages and emails related to the payment.

Jones and Dowling face charges including engaging in a pattern of corrupt activity, bribery and conspiracy. Randazzo was charged in the case, but took his own life in April 2024.

At issue is the \$4.3 million FirstEnergy payment to Randazzo.

Prosecutors said Jones and Dowling bribed Randazzo after learning in December 2018 that then-Gov.-elect Mike DeWine was considering Randazzo for the powerful PUCO chairmanship. The regulatory agency holds heavy sway over the finances of utilities like FirstEnergy.

As PUCO chairman, Randazzo helped draft scandal-ridden House Bill 6, the 2019 legislation that gave a FirstEnergy subsidiary a \$1 billion ratepayer bailout of two aging nuclear plants that has since been largely rolled back. Randazzo also included in the law a provision that allowed the Akron-based utility to make inflated profits and later quashed a PUCO review of FirstEnergy's finances that sent the Fortune 500 company's stocks soaring.

Assistant Ohio Attorney General Matthew Meyer, who gave the bulk of his closing arguments on Monday, said the stock prices were directly tied to Jones' mostly incentive-based compensation and that the payment was about "juicing the stock prices."

Meyer called the defense arguments "made for trial excuses."

He said the company essentially lost \$300,000 to \$500,000 in value by paying the settlement early, when accounting for inflation. If it was a legitimate settlement, it would have been paid through normal channels, not through one of Randazzo's shell companies, Meyer said.

He argued that defense attorneys put all the blame on "a dead man's back," referencing Randazzo.

Rendon called Meyer's arguments "misstatements, half-truths and boldface lies."

Rendon, a former U.S. attorney in northern Ohio, also attacked prosecutors over what she said was misconduct. Summit County Common Pleas Judge Susan Baker Ross in her instructions to the jury included a passage that said prosecutors failed to properly document interviews with three witnesses who testified at trial.

"They literally failed to do what they were required to do to pursue justice," Rendon said. "I've spent half my career as a prosecutor and half as a defense attorney, and I have never had a case where a judge gave an instruction like that."

Meyer waived off the statement, calling it a personal attack by powerful people and a "sign of desperation."

In a lengthy defense of Jones, Rendon mixed in technical legal arguments - like saying Randazzo wasn't a public official under Ohio law when he was paid by FirstEnergy - while establishing a counternarrative.

Rendon said Jones signed off on the

\$4.3 million payment because the company had a particularly successful financial year in 2018 and company officials were looking to pay off future expenses by the end of the year to get it off the company's books.

It was good business, Rendon said, and company attorneys and accountants reviewed and signed off on the payment.

Jones had no idea that Randazzo would keep the money, she said. He believed the money was going to Randazzo's clients, a trade group of industrial business owners, in exchange for the group not opposing a FirstEnergy rate hike.

Rendon said Randazzo stole \$11.6 million out of about \$37 million worth of settlements over the years, including from settlements with other utilities.

"A person cannot steal a bribe," Rendon said. "If you have to take the money, it's not a bribe."

Rendon also said it didn't make sense for Jones to bribe Randazzo. Though his compensation was tied to the stock prices, Jones in 2017 voluntarily took a pay cut of about \$2.7 million over four years and in 2018 rejected a raise proposed by FirstEnergy's board of directors.

"It's like if your boss comes to you and says you've done an excellent job and I'd like to give you a raise," Rendon said. "And you say, 'Oh, no thank you. I'd prefer to go rob that bank.'"

---- Index References ----

Company: FIRSTENERGY CORP; FORTUNE 500 LIMITED

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Criminal Law (1CR79); Fraud (1FR30); Government Litigation (1GO18); Legal (1LE33); Social Issues (1SO05))

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

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

Language: EN

Other Indexing: (Defense; PUCO; FirstEnergy; Fortune 500) (Carole Rendon; Chuck Jones; Sam Randazzo)

Edition: PDEE Extra

Word Count: 863

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

NewsRoom

3/17/26 Targeted News Serv. (U.S.) 00:00:00

Targeted News Service (US)
Copyright © 2026 Targeted News Service

March 17, 2026

WHAT OHIOANS ARE WATCHING: Jon Husted
At the Center of Ohio's Largest Corruption Scandal

COLUMBUS, Ohio, March 17 -- The Ohio Democratic Party posted the following news:

* * *

WHAT OHIOANS ARE WATCHING: Jon Husted At the Center of Ohio's Largest Corruption Scandal

*

Jon Husted : Corrupt billion dollar bailout to utilities was the "right thing"

Ohio families paying \$663 more a year on utility bills thanks to Husted

COLUMBUS, OHIO - FirstEnergy "golden boy" Jon Husted was across the airwaves this weekend as news outlets covered his desperate attempts to downplay his central role in the largest public corruption scandal in Ohio history after being forced to take the stand.

Husted's testimony last week made clear he was at the center of the massive bribery scheme that delivered a billion dollar bailout to utilities and contributed to electricity costs for Ohioans increasing by \$663 a year.

See what Ohioans are watching about Jon Husted being forced to answer for his role in Ohio's largest corruption scandal:

NBC 4 Columbus: Sunday Briefing: Husted on House Bill 6 [...]

* Colleen Marshall, WCMH: "It is the latest chapter in the saga known as the HB 6 scandal, the billion dollar bailout of two FirstEnergy power plants paid for with your tax dollars and fueled by a \$60 million bribery scheme. In the ongoing trial, Husted's name has come up more than 100 times. "

* Colleen Marshall, WCMH: "Testimony revealed that Husted was referred to as FirstEnergy's 'Golden Boy' by accused HB 6 co-conspirator Neil Clark, who died by suicide.

* Colleen Marshall, WCMH: "And in 2017, FirstEnergy contributed a million dollars to Husted's then campaign to be Governor of Ohio. The money was funneled through a dark money group, a political 501(c)(4) nonprofit that can accept unlimited funds from corporations without disclosing the source."

* Jon Husted: "Ultimately, what we were trying to do was the right thing..."

10TV Columbus: Face the State | March 15, 2026

* Ohio Political Strategist: "I think the thing that did hurt Jon Husted in this manner was the fact that he said he was unable to make the first appointment for testimony but still managed to make it home for a fundraiser. [...] I think it is the fact that you have a federal case that you are being called back for and you can't make it because of requirements back in DC, but you get caught at home for a fundraiser."

News 5 Cleveland: US Senator Jon Husted testifies in FirstEnergy corruption trial

* U.S. Senator Jon Husted testified in the trial related to the largest public corruption scheme in Ohio history on Wednesday morning, maintaining his distance from the FirstEnergy executives. However, there were some discrepancies between his testimony and public documents.

* The FirstEnergy team invited DeWine and Husted to a private meeting at the Athletic Club of Columbus in 2018, after they were elected.

* Meyer tried to give the jury a picture of what kind of establishment the men met at. The ACC is basically a members-only country club without the golf course. It costs thousands of dollars to join, according to Capitol Square lobbyists. It has a wellness center, spa, bowling alley and even overnight rooms.

* After Husted downplayed the fanciness of the club, Meyer noted the "wood panelling." "It's not like Planet Fitness, or something like that?" Meyer asked Husted.

- * "I've never been in a Planet Fitness," Husted said, seriously, but received laughs.
- * For years, we have been uncovering the close ties between FirstEnergy and major political players. Our previous investigations have shown that FirstEnergy executives say that then-Lt. Gov. Husted worked closely with them to pass H.B. 6 in 2019, after they helped fund his campaign.
- * "There are inconsistencies between what he said and what some of the documents and investigative reporting have shown," Chaffee said.
- * Husted claimed to have no knowledge of Randazzo's active relationship with FirstEnergy at that time, saying it hadn't been disclosed to him. But he later referenced the 'Randazzo Dossier.'
- * "I recall that one of the other utilities had sent maybe a letter or something to the governor criticizing Sam Randazzo as a potential appointment," Husted said.
- * In a nearly 200-page document sent by a former colleague who then worked for American Electric Power, the dossier to Husted and DeWine stated, "PUCO applicant Sam Randazzo has opaque, undisclosed financial ties to FirstEnergy that should be fully examined and made public." The document provided proof of financial, legal and business filings.
- * "If you find a document that provides pretty direct evidence to the contrary of what somebody testified, there is reason to consider the accuracy of the testimony offered by the witness," Chaffee said.
- * Husted also testified that he couldn't recall how Randazzo's name was brought up for the chair, but Randazzo testified in his 2019 Senate confirmation hearing that it was Husted who recruited him, according to a transcript of the meeting.
- * We asked for clarification from the senator's team, but didn't hear back.

Read more about Jon Husted's role in Ohio's largest corruption scandal:

- * Jon Husted played a central role " running the show " in the largest bribery scandal in Ohio history that is costing Ohioans \$663 more a year.
- * New evidence revealed nine calls between Jon Husted and Mike Dowling in the months preceding a \$4.3 million bribe to former Utilities Commission Chair Sam Randazzo.

- * New reporting revealed Jon Husted held secret meetings with indicted FirstEnergy executives, including with the "mastermind of Ohio's largest public corruption scheme two days before scandal-ridden bribery legislation was introduced."
- * Neil Clark, a FirstEnergy lobbyist and co-defendant with former House Speaker Larry Householder, referred to Husted as FirstEnergy's "golden boy."
- * Text messages between Husted and FirstEnergy Executives reveal that the trio were in constant communication "before, during and after his campaign."
- * Indicted FirstEnergy CEO Chuck Jones said Husted was a "good friend of FirstEnergy" who was "highly engaged" and "fighting to the end" in support of the massive bail out.
- * A dinner between Jon Husted, Mike DeWine, and the indicted FirstEnergy executives at the Athletic Club of Columbus has become a focal point of the current criminal trial.
- * Public records show that FirstEnergy funneled \$1 million in dark money to a dark money group backing Husted in 2017 -part of the same corrupt scheme that led to federal and state indictments.

Original text here: <https://ohiodems.org/what-ohioans-are-watching-jon-husted-at-the-center-of-ohios-largest-corruption-scandal/> MSTRUCK-9547548 MSTRUCK

---- Index References ----

Company: PLANET FITNESS FRANCHISING LLC; FIRSTENERGY CORP; APPALACHIAN POWER CO

News Subject: (Corruption, Bribery & Embezzlement (1EM51); Crime (1CR87); Fraud (1FR30); Government (1GO80); Lobby & Pressure Groups (1LO18); Public Affairs (1PU31); Social Issues (1SO05))

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

Language: EN

Other Indexing: (Ohio Democratic Party; NBC 4; ACC; Planet Fitness; FirstEnergy; American Electric Power) (Jon Husted)

Word Count: 1069

End of Document

© 2026 Thomson Reuters. No claim to original U.S. Government Works.

NewsRoom

Securities

Manage Newsletters

Matt Levine's Money Stuff: Tokens Are Not Securities

March 18, 2026, 9:37 AM PDT

Programming note: *Money Stuff* will be off tomorrow and Friday, back on Monday.

SEC token taxonomy

In the late 2010s and early 2020s, you could raise hundreds of millions of dollars for a business by selling "tokens" "of" the business, tokens that were in some loose but definite sense linked to the economic success of that business. You could go around saying "we are launching the next hot crypto protocol, and it is [going to be](#) 'a life-changing, you know, world-altering protocol that's gonna replace all the big banks,' and when it does that the tokens of the protocol will be worth a lot of money, so you should buy some." People would believe you, so they would buy the tokens, from you, and then you would have money to build your business. If you built the business successfully, the tokens probably *would* be worth a lot of money, and the people who bought them would get a nice return on their investment.

The US Securities and Exchange Commission, in the late 2010s and early 2020s, objected to this state of affairs. Its objection had two main strands:

1. That proposition – "give us money to build a business, and you'll get rich when we succeed" – is obviously a *securities offering*, there are rules that regulate the registration and disclosure of securities offerings, and the crypto businesses tended not to follow those rules.
2. Also sometimes the people who raised the money would steal it, or would lie about the business they were building, or would otherwise commit what the SEC would call securities fraud.

The SEC pursued the first objection in an interesting way. It sued a few token issuers for violating securities laws, some because they were lying and stealing the money, but others *purely* for technical reasons, because they had sold tokens without following SEC registration and disclosure requirements. But the SEC [also](#) went after crypto [exchanges](#). The theory was that, because these *token offerings* were *securities offerings*, therefore the *tokens* were *securities*. Therefore, the exchanges that listed the tokens had to register with the SEC as national securities exchanges. The crypto exchanges were not registered with the SEC, in part because being a registered national securities exchange would in various ways be impractical for a crypto exchange, and in larger part because the SEC [probably wouldn't let them](#).

There was a lot of pushback against the SEC from the crypto industry. Tokens, people argued, are not *securities*; they are *tokens*. They are something else, something new, not subject to SEC jurisdiction. The strong form of this argument would be: "Tokens are not securities, so token offerings are not securities offerings, so we don't have to register them or follow SEC disclosure requirements." Token issuers sometimes made this argument.

A weaker form of the argument would be: "Okay, sure, selling tokens to raise money to build a business does look like a securities offering. So, fine, those offerings should comply with SEC rules, either by registering them or by meeting some exemption from registration (like selling only to foreigners, or only to accredited investors). But just because the *token offering* is a securities offering, that doesn't make the *token* a *security*. When a crypto issuer sells tokens to raise money, sure, it should have to follow SEC rules, because it is raising money from investors and undertaking to build a business. But when those tokens start trading, they are just tokens; people buy them for all sorts of reasons, not necessarily because anyone promised to build a business."

I never found this argument [entirely convincing](#), but it has a real logic to it. Crypto *issuers* with careful lawyers followed this logic: They would raise money from institutional investors in exempt securities offerings by selling them SAFTs, "simple agreements for future tokens," and then once they had built the business out they would deliver the tokens, which the investors could go sell on a crypto exchange. The SAFT was a securities offering, they argued, but the underlying tokens were not.

And crypto *exchanges* definitely followed this logic: "Hey, whatever some issuer did or did not promise when it was raising money is not our problem, but now these tokens are just tokens and we want to trade them without worrying about securities law."

The crypto industry had some wins and [losses](#) in court, but in the broader sense it definitively won the argument: Donald Trump promised to roll back crypto regulation, the crypto industry mostly supported him, he won the election, and yesterday the SEC announced:

The Securities and Exchange Commission (SEC) today issued an interpretation clarifying how the federal securities laws apply to certain crypto assets and transactions involving crypto assets. ...

"After more than a decade of uncertainty, this interpretation will provide market participants with a clear understanding of how the Commission treats crypto assets under federal securities laws. This is what regulatory agencies are supposed to do: draw clear lines in clear terms," said SEC Chairman Paul S. Atkins. "It also acknowledges what the former administration refused to recognize - that most crypto assets are not themselves securities. And it reflects the reality that investment contracts can come to an end. This effort serves as an important bridge for entrepreneurs and investors as Congress works to advance bipartisan market structure legislation, which I look forward to implementing with Chairman Selig in the near future."

Here is the interpretation. Some highlights:

1. Most tokens you can think of, including "Aptos (APT); Avalanche (AVAX); Bitcoin (BTC); Bitcoin Cash (BCH); Cardano (ADA); Chainlink (LINK); Dogecoin (DOGE); Ether (ETH); Hedera (HBAR); Litecoin (LTC); Polkadot (DOT); Shiba Inu (SHIB); Solana (SOL); Stellar (XLM); Tezos (XTZ); and XRP (XRP)" are "digital commodities," and thus not securities.
2. Most nonfungible tokens you can think of, including "CryptoPunks, Chromie Squiggles, Fan Tokens, WIF, and VCOIN" are "digital collectibles," and thus not securities.
3. Payment stablecoins are not securities.
4. Shares of stock wrapped in tokens are obviously securities, [come on man](#) .
5. Mining and staking, in which token holders can lock up their tokens to receive token rewards, are not securities. (Previously [the SEC argued](#) that staking programs are securities.)

But the main thing is probably that the SEC adopted the "securities offerings don't make securities" theory. The relevant Supreme Court case, SEC v. W.J. Howey Co., defines when something is an "investment contract" and thus a security . Yesterday's interpretation says:

A non-security crypto asset becomes subject to an investment contract when an issuer offers it by inducing an investment of money in a common enterprise with representations or promises to undertake essential managerial efforts from which a purchaser would reasonably expect to derive profits.

The issuer's representations or promises to engage in essential managerial efforts from which a purchaser would reasonably expect to derive profits, when combined with an investment of money in a common enterprise, creates an investment contract under the *Howey* test. As is the case with other non-security assets, the fact that a non-security crypto asset is subject to an investment contract does not transform the non-security crypto asset itself into a security. ...

A non-security crypto asset that was offered and sold subject to an investment contract does not necessarily remain subject to the associated investment contract in perpetuity.

The token can stop being a security in two ways: The issuer can fulfill its promises by completing "the essential managerial efforts it represented or promised it would undertake," or it can *give up*, so that it "become[s] clear to investors that the issuer has neither conducted the essential managerial efforts it represented or promised it would undertake nor indicated that it still intends to conduct such efforts."

Thus, loosely speaking, a crypto business can raise money to build its crypto protocol, but that is probably a securities offering. (Perhaps it's a SAFT to institutional investors, so exempt from SEC registration.) But once it builds its protocol, the tokens can trade freely without being securities; the *exchanges* are fine. Also if it doesn't build much that's fine too. In success or failure, it's only a security for a little while.

I guess I would make two points here. One is that it is a somewhat novel theory of securities law, something like "startup crypto businesses are subject to securities law but mature ones aren't." There is a real logic to this; in theory, mature crypto businesses are supposed to be *decentralized*, that is, *not* controlled by their founders and promoters, so their tokens probably shouldn't be securities. (In practice this is not always true.) But implementation will be strange: If you are the founder and leading proponent of a crypto protocol, and you control a lot of its tokens, and you go around telling everyone that it is the future of finance, and you are *lying*, then there is some mysterious point at which your lies transition from "securities fraud" to "not the SEC's problem."

The other point I would make is: In the late 2010s and early 2020s you could raise hundreds of millions of dollars for a business by selling "tokens" "of" the business, but the SEC didn't like it. In 2026, the SEC is fine with it, but can you still do it? The crypto boom is, uh, not what it used to be. We've got prediction markets and AI now. The desire to invest hundreds of millions of dollars in the next world-changing crypto protocol seems to have faded abit. When crypto was booming, it was legally ambiguous in the US; now its legal status is clearer, but how much will that matter?

Anti-PE

I [wrote yesterday](#) that "a possibly good business niche would be 'private equity front.'" You've got family-owned small businesses that want to cash out, you've got a private equity firm that is the highest bidder, but you've got broad public opprobrium against private equity ownership. What you want, I wrote, is a Private Equity Concealment Consultant to structure a deal:

The founder-grandson sells the private equity firm a prepaid total return swap on his shares and enters into a software supply contract, or he enters into a management services agreement with the PE firm that gives it certain control rights and a variable claim on the company's cash flows, etc. etc. etc., but he still "owns" the "shares" and has his picture on the billboards. ... This seems like it would create a lot of value, somebody should do it, and I know I am going to get emails saying that somebody did.

A couple of readers pointed out that my basic model here – a private equity firm doesn't "buy" a "company," but rather enters into some sort of service agreement that entitles it to much of the economics of that company – *is* pretty common in private-equity rollups of medical, accounting and legal practices. My point yesterday was that private equity ownership is informally unpopular, so it would be good marketing and public relations to structure around it. But in some areas private equity ownership is *illegal*, so you *really* have to structure around it. The structuring takes the form of a "managed service organization" that does not *buy* the company but that enters into some contracts to acquire much of its economics. Here's a Financial Times article from January about a possible quasi-buyout of a law firm:

It is similar to models that have already been used to prise open medical practices and accounting firms to private equity ownership in recent years. ...

The structure under consideration would split [the firm] into two parts: a business giving advice to clients that is fully owned by its lawyers, and a separate “managed service organisation” that the lawyer-owned firm would buy services from. That could include back-office work, licensing its brand and buying IT services. Investors could buy a stake in the MSO, giving them a revenue stream designed to be attractive to private equity investors.

The lawyers “own” the “firm” for ethical purposes, but the private equity firm gets a share of the profits and the lawyers get an up-front payment.

Separately, another reader emailed me about American Operator, which is not *quite* the business I proposed, but definitely playing in a similar anti-private-equity-private-equity-rollup space. Here’s a New York Post article from last week:

William Fry, who launched American Operator late last year, is trying to offer a fresh alternative.

His Austin-based firm helps operators – typically a longtime employee or industry veteran – co-purchase retiring owners’ businesses. With AO’s help, the operators starts with 10% equity and a clear path to 70% majority ownership. Meanwhile, the seller gets their liquidity event and the business stays local.

Unlike PE, which buys to flip, often selling to another PE company, American Operator has no intention of selling the businesses it buys. Their goal is to keep Main Street in the hands of Main Street.

I just think that, like, Blackstone Group could *also* come up with a product in which (1) they buy 90% ownership of local companies and (2) they say “our goal is to keep Main Street in the hands of Main Street.”

Absent principal

I [write occasionally](#) that Elon Musk is our foremost modern theorist of legal realism. “Legal realism” is the theory, associated with Karl Llewellyn, [that](#) “what officials do about disputes is the law itself,” and that “rules are only important so far as they help you see or predict what judges will do or help you to get judges to do something.” Musk, it seems to me, takes this theory more seriously and applies it more creatively than any lawyer. By which I mean, when lawyers come to him and tell him that something he wants to do is against the rules, he is world-historically good at saying “well what are they gonna do about it?”

In that vein, if I ever teach Securities Regulation at a law school, this Financial Times article is going to be the reading assignment for the first class:

Lawyers for Elon Musk sought to negotiate a settlement of a Securities and Exchange Commission case accusing him of failing to properly disclose his Twitter stake without involving the Wall Street watchdog’s lawyers, court records show.

At a hearing on the case in Washington federal court earlier this month, Sarah Concannon, a lawyer for Musk, informed the judge that settlement negotiations over the case had been ongoing for some time, but that opposing lawyers from the SEC “were not fully read in on that”. ...

It was not clear who Musk's lawyers had been holding settlement talks with. Excluding the agency that filed the case from settlement discussions would be unusual, and the exchange raises questions about whether Musk or his lawyers were tapping relationships with other officials in the Trump administration in an effort to dispense with the case. ...

A person familiar with the talks denied the White House was involved and said discussions were held with higher echelons of the SEC.

"If you're being sued by the SEC, and you want to settle, you negotiate the settlement with the SEC lawyers who are suing you," is what most lawyers would tell you, but it's not what legal realism would tell Elon Musk!

Trevor Milton is back

I [have consistently argued around here that](#) it can be good, for your financial career, to lose a billion dollars. Losing a billion dollars will probably get you fired from your current job, but it will make you intriguing to potential future employers: Someone trusted you with a billion dollars, you took big risks with it, and presumably you have learned something from your mistakes. A lot of potential employers – hedge funds, but also venture investors – are looking to hire *risk-takers*, and if nothing else you have proven that you're that.

I am always half-joking about this, but only half. This logic is plausible, it kind of works, it has kind of worked for a long time, and it has almost become conventional wisdom. The industries that seek out and reward risk-takers have long been willing, even eager, to give second chances to big risk-takers whose risks didn't work out. Failure, in tech startups and sometimes in hedge funds, can be a badge of honor.

Recently, though, I have made a different though related argument, which is that it can be good, for your financial career, to develop a reputation as a scammer. Unlike the thing about losing a billion dollars, this strikes me as rather novel, and less logically compelling. Still? I [wrote a few months ago](#) :

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."

And we have [talked](#) a few times about the mostly-joking revival of Enron Corp.; I [once wrote](#) that "'Synonymous with willful corporate fraud and corruption' is the sort of meme that, in 2024, is *valuable*."

These two points shade into each other: If you lose a lot of other people's money honestly, some of those people might accuse you of fraud; if you take a lot of people's money by fraud, there is probably some core of legitimate risk-taking. It is not always easy to tell, from the outside, whether some disaster is better characterized as "that guy lost a lot of money for investors" or "that guy stole a lot of money from investors." But a few years ago, I would have said something like "yeah sure it's good to lose a billion dollars honestly, but if there is any taint of illegality – certainly if you are *prosecuted* for it – that's going to make it hard to recover." Now I would never say that; that's dumb.

Anyway the Wall Street Journal checks in with Trevor Milton:

Early [in 2025], Nikola, the hydrogen truck company Milton had founded, filed for bankruptcy. Milton had left Nikola in 2020 under a cloud, and by 2022 had been convicted of defrauding the company's investors with what prosecutors said were his repeated lies about the development of the company's zero-emissions trucks and technology. He faced a four-year prison term—he was free on appeal—and federal prosecutors were seeking roughly \$676 million in restitution from him.

It was wiped away with a phone call. In March 2025, Trump called Milton to tell him he had signed an unconditional pardon. Milton had styled himself as a political victim of the Biden administration, and Trump agreed. ...

Now, Milton has joined an exclusive group of post-pardon businesspeople, seemingly anointed by Trump's favor. "I walk into meetings now, and I'll get high-fives from the most wealthy people in the world," he said. "They're like, 'Welcome to the club. You can withstand the fire. We can trust you now.'"

"We can trust you now" *because a jury convicted you of fraud*. We really do live in interesting times. Anyway:

Milton has wasted little time embarking on his second act. He's now CEO of SyberJet Aircraft, an ailing jet manufacturer, which he said he purchased with an investment group. He brought on dozens of former Nikola staffers to rejuvenate it. "I love to find products that are unreal and need someone with vision or guts to be able to bring it to market," he said.

Back in 2021, when Nikola released a report saying that Milton had not been entirely truthful about its electric trucks, [I wrote](#) :

That is, like, startups, man. What you want, when you invest in a startup, is a founder who combines (1) an insanely ambitious vision with (2) a clear-eyed plan to make it come true and (3) the ability to make people believe in the vision now. ... The goal is to get the investor to see the future, so she'll give you money today, so that you can build the future tomorrow.

Milton is apparently good at that.

Big cowbells

If you work in trading or investment banking at a big bank, and you complete some big project successfully, what generally happens is that the project produces money and you get a big bonus. If you work in the technology infrastructure and back-office parts of the bank, and you complete some big project successfully, what happens, at best, is that everything at the bank runs a bit more smoothly. Or sometimes the big project is just “prevent things from running *less* smoothly.” The benefits are not as tangible, so you will have to seek fulfillment in other ways.

Here’s a Financial Times article about how UBS Group AG “has completed the most complex stage of its integration of Credit Suisse, three years after agreeing to buy it, by “complet[ing] the transfer of 1.2mn of its former rival’s clients on to its own systems after a 10-month operation involving more than 80,000 tests and 132,000 hours of staff training.” If you do this transition really really well then what will happen is pretty much that you won’t lose track of anyone’s money, which is good, but not particularly exciting. You’re not supposed to lose track of anyone’s money. Still there is some excitement:

Executives said that as the project progressed their teams marked milestones in the changeover by ringing four Swiss cowbells, each so large that two people were required to hold them.

The ringing of the bells, modelled on those worn by cows in the Swiss Alps, became a ritual as the bank completed months of testing, overnight checks and live migrations.

It’s something I guess.

SPACEs

I used to be a derivatives structurer at an investment bank, and one thing that you learn as a derivatives structurer is how to construct and appreciate [good acronyms](#) for financial instruments. [Good job SES](#) :

European satellite operator SES SA, a rival to Elon Musk’s Starlink network, has launched the sale of unusually structured hybrid bonds, which it hopes will help it reclaim an investment-grade credit rating.

The company aims to raise an expected €500 million (\$576 million) by issuing so-called Space bonds – subordinated perpetual with automatic conversion events – for which investors have placed more than €3 billion of bids so far, said a person familiar with the matter who asked not to be identified.

SPACE, “subordinated perpetual with automatic conversion events,” love it. Here’s Fitch’s description; they’re sort of [CoCos](#) , but with a good brand name.

Things happen

Arizona Charges Kalshi With [Illegal Gambling Operation](#) . Kirkland defies private equity downturn with record \$11mn partner pay. Texas makes its pitch to lure corporate America to 'Y'all Street.' Victory Capital Raises Cash Offer in Revised Bid for Janus Henderson. Pimco Sees Private Credit Strains Triggering Wake-Up Call on Liquidity Risks . Microsoft weighs legal action over \$50bn Amazon-OpenAI cloud deal. Why Your Private Banker Is Now Handling Your Travel and Shopping Needs. People Are [Using Claude to Do Their Taxes](#) (But Maybe They Shouldn't). How Epstein Collected Insider Tips on Stocks and Startups From His Network. 'Steroid Olympics' company to start selling peptides after Kennedy signals deregulation.

If you'd like to get Money Stuff in handy email form, right in your inbox, please subscribe at this link. Or you can subscribe to Money Stuff and other great Bloomberg newsletters here. Thanks!

To contact the author of this story:

Matt Levine at mlevine51@bloomberg.net

To contact the editor responsible for this story:

Michael Newman at mnewman43@bloomberg.net

1. The word "decentralized" or its variants appears only nine times in the SEC release, mostly in footnotes. Nothing really turns, legally, on whether the crypto thing is "decentralized." Instead, the distinction is whether the issuer has "fulfilled its representations or promises to engage in essential managerial efforts, even if the issuer continues to provide efforts that are not essential managerial efforts."

2. These are slightly modified quotations from Llewellyn's book "The Bramble Bush"; I have quoted them more accurately here .

3. My dreams include teaching Sec Reg at a law school and [teaching](#) Meme Finance at a business school and I feel like they'll both eventually happen.

© 2026 Bloomberg L.P. All rights reserved. Used with permission.

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved

Securities

Arizona Charges Kalshi With Illegal Gambling Operation (3)

March 17, 2026, 4:55 PM PDT

Arizona said it filed criminal charges against Kalshi for operating an illegal gambling business, in a significant escalation in the legal battles between the prediction market exchange and about a dozen states.

While state regulators have taken steps to crack down on what they say is unlicensed betting on Kalshi's site, Arizona appears to be the first state to escalate to criminal charges. The charges cited in the complaint are misdemeanors, which carry less serious penalties than felonies.

"Kalshi may brand itself as a 'prediction market,' but what it's actually doing is running an illegal gambling operation and taking bets on Arizona elections, both of which violate Arizona law," Arizona Attorney General **Kris Mayes** said in a statement.

Prediction market exchanges like Kalshi have said they should continue to be regulated by the US Commodity Futures Trading Commission despite opposition from some state officials, who argue the trading should fall under state gambling laws.

"States like Arizona want to individually regulate a nationwide financial exchange, and are trying every trick in the book to do it. As other courts have recognized and the CFTC affirms, Kalshi is subject to federal jurisdiction," said a spokesperson for Kalshi.

CFTC Chairman **Michael Selig** said the matter was a jurisdictional dispute and "entirely inappropriate as a criminal prosecution." He said in a post on X the agency was reviewing its options.



A Kalshi billboard

Photographer: Michael Nagle/Bloomberg

Arizona's criminal complaint follows Kalshi's move last week to block the state's gaming department from taking enforcement action against the company.

"These are the first criminal charges of any kind filed against Kalshi in any court in the United States, but it will likely be the first of several," said Daniel Wallach, a sports and gaming attorney.

So far, most of the state-level legal skirmishes centered on Kalshi's event contracts have involved cease-and-desist letters, seeking preliminary injunctions, and civil enforcement. Kalshi has been at the forefront of that legal fight as the platforms barrel into states without regard to their gambling rules. Preemptively suing state officials in federal court, before they can file for enforcement in state court, has become a cornerstone of Kalshi's strategy but it has not been alone in its efforts.

Polymarket and Crypto.com have also faced a slew of lawsuits as the fight over the prediction market industry spreads across states including Nevada, New Jersey, Maryland, Illinois and Montana. Lawsuits have ramped up as trading on the platforms surged over the past year, with the industry quickly turning into a multibillion-dollar business.

That explosive growth came after Kalshi won a lawsuit against the CFTC under then-Chair Rostin Behnam, which allowed the company to legally open trading on the 2024 election. The agency has since drastically changed its approach under Selig, who has claimed the CFTC has “exclusive jurisdiction” over prediction market platforms.

Read More: CFTC Faces More Pushback From States Over Prediction Markets

Last month, the CFTC filed an amicus brief in support of Crypto.com in a key Nevada case. That suit is expected to impact how courts may approach the tug-of-war between states and the CFTC going forward.

Some lawyers watching the space say the state-level battles will likely lead to the issue being taken up by the Supreme Court within the next year or two.

Aaron Brogan, a lawyer who focuses on alternative financial assets, said the Arizona charges makes that more urgent.

“It only deepens the need for a federal appellate court, and ultimately the Supreme Court, to decide whether or not federal law preempts states’ enforcement of gambling laws,” he said. “I think it is very plausible, if some of these exchanges face criminal sanctions, that certain of the executives or certain of these exchanges stop operating in some states.”

--With assistance from **Nathaniel Popper**.

To contact the reporters on this story:

J.J. McCorvey in Washington at jmccorvey9@bloomberg.net;

Denitsa Tsekova in New York at dtsekova@bloomberg.net

To contact the editors responsible for this story:

Ben Bain at bbain2@bloomberg.net

Peter Blumberg, Megan Howard

© 2026 Bloomberg L.P. All rights reserved. Used with permission.

© 2026 Bloomberg Industry Group, Inc. All Rights Reserved



Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Zoox Stockholders Push For Amazon Ex-Exec's Texts, Emails

By Jarek Rutz

Law360 (March 17, 2026, 2:52 PM EDT) -- A pair of Zoox Inc. stockholders have asked the Delaware Chancery Court to force Amazon.com Inc. to provide additional documents in litigation challenging its \$1.3 billion acquisition of the self-driving vehicle startup, arguing that a former Amazon executive's communications could shed light on particulars of the allegedly conflict-tainted deal.

In a **motion to compel** filed Monday, plaintiffs James Wei and Yanxin Zhang allege Amazon has improperly refused to collect and produce documents from Jeff Wilke, former CEO of Amazon's worldwide consumer business, despite what they describe as his central role in negotiating the 2020 acquisition. The plaintiffs contend Wilke's emails and text messages likely contain critical evidence about how the deal was structured and whether Zoox fiduciaries prioritized their own interests over those of common stockholders.

The motion is the latest development in the long-running dispute, which centers on allegations that the deal process was conflicted and produced only about \$100 million in value for common stockholders. The plaintiffs argue that Wilke's direct communications with Zoox CEO Aicha Evans, including one-on-one discussions and unproduced text messages, are central to evaluating those claims.

"Jeff Wilke, the then-CEO of Amazon's Worldwide Consumer division, should be a document custodian because he formed a relationship with Evans and was closely involved in the conflicted acquisition process," Monday's motion states.

Stockholders Wei and Zhang allege that Zoox's directors and officers breached their fiduciary duties by steering the company toward a deal that disproportionately benefited preferred investors and certain members of management. Prior rulings in the case allowed those claims to proceed under the demanding "entire fairness" standard, while **dismissing Amazon** as a defendant. The remaining defendants are Zoox, Evans, Zoox co-founder Jesse Levinson and six of Zoox's directors at the time of the transaction.

According to Monday's filing, Evans cultivated Wilke as a key conduit to Amazon during the sale process and engaged in repeated direct communications with him as negotiations progressed. The plaintiffs point to evidence that Evans and Zoox co-founder Jesse Levinson advocated internally for a deal with Amazon and worked closely with Wilke on both price and deal terms, including contentious issues such as an employee bonus pool that affected how merger proceeds would be allocated.

The plaintiffs further argue that Wilke's involvement extended beyond ordinary negotiations — alleging he participated in diligence, communicated internally with Amazon leadership about the transaction and provided input on strategy during critical stages of the deal. Despite this, Amazon has produced roughly 3,500 documents from only three custodians and has refused to include Wilke as a document custodian, even after months of discussions with plaintiffs' counsel.

The stockholders also raise concerns about missing evidence, particularly text messages between Evans and Wilke that plaintiffs say have not been produced by any party. According to the filing, internal records show that Evans exchanged numerous text messages during the relevant period, yet no messages between her and Wilke have surfaced, suggesting potential preservation issues.

"Within that broad scope, the court will compel discovery from senior executives who are 'specifically

involved' in challenged transactions and whose custodial files are 'likely to contain' relevant information," Monday's motion states.

The stockholders argue that standard discovery rules require Amazon to produce Wilke's documents because he was directly involved in the transaction and likely possesses unique, nonduplicative information. They also contend that Amazon has control over Wilke's materials, including any business-related text messages on personal devices, and should have preserved them when litigation began in 2020.

Amazon, however, has maintained that Wilke's level of involvement does not justify adding him as a custodian — a position plaintiffs say is untenable, given the documentary record. The parties reached an impasse after months of negotiations, prompting the motion.

In the present motion, the plaintiffs seek an order compelling Amazon to search Wilke's files using agreed-upon terms and to produce responsive documents. They also ask to be awarded attorney fees and costs associated with bringing the motion.

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

The stockholders are represented by Randall J. Baron, David A. Knotts, Michaela Park, Christopher H. Lyons and Jason M. Avellino of Robbins Geller Rudman & Dowd LLP, and Joel Friedlander, Jeffrey M. Gorris, David Hahn and Matthew D. Venuti of Friedlander & Gorris PA.

Zoox and the individual defendants, as well as dismissed defendant Amazon, are represented by Garrett B. Moritz, Benjamin M. Whitney and Dylan Mockensturm of Ross Aronstam & Moritz LLP.

The case is *In re Zoox Inc. Stockholder Litigation*, case number 2023-0521, in the Delaware Chancery Court.

--Additional reporting from Jeff Montgomery. Editing by Amy French.



Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Fla. Judge Orders Consumers To Arbitrate Binance Claims

By **Carolina Bolado**

Law360 (March 17, 2026, 6:38 PM EDT) -- A Florida federal judge sent two proposed class suits against Binance to arbitration Monday after finding that the arbitration provision of Binance's terms of use applied to the investors' claims that the exchange laundered stolen cryptocurrency.

U.S. District Judge Rodolfo A. Ruiz II said the plaintiffs in the two actions, which were consolidated for these motions, are bound by the arbitration provision despite never agreeing to Binance's terms of use because their claims rely on the terms.

The judge pointed to his July 2024 ruling in [Michael Osterer v. BAM Trading Services Inc.](#), a similar suit against Binance that Judge Ruiz sent to arbitration. The two suits brought by plaintiffs Phillip Martin and Charles Baratta are not different enough from the Osterer suit to warrant a different outcome, according to the judge.

"Plaintiffs argue that the inclusion of more plaintiffs, a new defendant, and additional statutory causes of action commands the court to reach a different result than in Osterer — but that is not so," Judge Ruiz said.

In the suits, the plaintiffs said hackers stole their crypto from Coinbase and other exchanges and routed the digital assets to Binance accounts, from which they were withdrawn by the thieves. The complaints name Binance Holdings Ltd., BAM Trading Services and founder and former CEO Changpeng Zhao as defendants.

Martin and Baratta filed their suits in the Western District of Washington in 2024, after Judge Ruiz's decision sending the Osterer case to arbitration. But the cases were sent to the Southern District of Florida after the judge in Washington found that they heavily overlapped with the Osterer suit.

Like the Osterer suit, the Martin and Baratta suits allege conversion, aiding and abetting conversion and violations of the Racketeer Influenced and Corrupt Organizations Act, but they also added counts for violations of the California Unfair Competition Law and the Massachusetts Consumer Protection Act.

Martin and Baratta argued that their suits should not be sent to arbitration because their claims derive not from the Binance terms of use but from Binance's statutory obligations to comply with Know Your Customer and Anti-Money Laundering protocols and with the California and Massachusetts laws they say it violated.

But the judge was not persuaded, saying the claims derive from the terms of service, which broadly requires arbitration of any claims "arising in connection with or relating in any way to these terms."

Judge Ruiz added that the new claims in the Martin and Baratta complaints do not differentiate them enough from Osterer to come to a different conclusion regarding arbitration.

"The fact that Osterer sought leave to amend to add the new plaintiffs, defendants and RICO claim to his own complaint illustrates the lack of daylight between the two cases," the judge said.

In addition, the judge pointed to the delegation provision of the terms of use, which vests the arbitrator with the power to decide threshold issues of arbitrability.

Attorneys for the parties did not respond to requests for comment Tuesday.

Zhao was **sentenced** in April 2024 to four months in prison for his failure to implement an effective anti-money laundering program at the global cryptocurrency exchange. As part of his deal with the government, Zhao agreed to step down from Binance.

In November 2023, Binance **agreed to \$4.3 billion in fines** and pled guilty to violating the Bank Secrecy Act and failing to register Binance.com as a money-transmitting business.

The company said it was complying with the federally required Know Your Customer measure and had put restrictions on certain U.S. accounts. Binance also agreed to enhance its compliance program and appoint an independent compliance monitor to ensure it follows the terms of the plea agreement it struck with the government.

Martin and Baratta are represented by Chris N. Ryder, Derek W. Loeser and Lynn Lincoln Sarko of Keller Rohrbach LLP.

Martin is also represented by Eric I. Niehaus of Robbins Geller Rudman & Dowd LLP, by David C. Silver and Jason S. Miller of Silver Miller and by John C. Herman of Herman Jones LLP.

Binance Holdings is represented by Aaron Stenzler Weiss of Carlton Fields PA, by Christopher Lavigne, Kimberly A. Pallen, Tyler Goss and Vahe Mesropyan of Withers Bergman LLP and by Sean David Jackson of Ballard Spahr LLP.

BAM Trading is represented in the Martin suit by Daniel Tramel Stabile, Gabriela Ana Plasencia and Athanasia Charmani of Winston & Strawn LLP and by Blake Marks-Dias and Todd T. Williams of Corr Cronin LLP.

BAM Trading is represented in the Baratta suit by Daniel Tramel Stabile of Winston & Strawn LLP, by Matthew Solomon, Rishi N. Zutshi and Samuel Levander of Cleary Gottlieb Steen & Hamilton LLP and by Timothy B. Fitzgerald of McNaul Ebel Nawrot & Helgren PLLC.

Zhao is represented by Alicia Cobb, Avi Perry, Peter H. Fountain, Michael A. Linneman and Brenna Ledvora of Quinn Emanuel Urquhart & Sullivan LLP.

The cases are Martin et al. v. Binance Holdings Ltd., case number 1:25-cv-22100, and Baratta et al. v. Binance Holdings Ltd., case number 1:25-cv-22202, in the U.S. District Court for the Southern District of Florida.

--Additional reporting by Greg Lamm. Editing by Nick Petruncio.



Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Gartner Investor Says Co. Made Misleading Growth Claims

By **Sydney Price**

Law360 (March 17, 2026, 9:12 PM EDT) -- Insights company Gartner Inc. was hit with a proposed class action on Tuesday accusing it of failing to disclose that tariff headwinds and other macroeconomic factors would prevent it from growing its contract value.

According to shareholder Kevin Schmidt's **complaint** in Connecticut federal court, Gartner's claims that it would be able to achieve a growth rate of between 12% and 16% for contracts within its consulting segment were baseless. Gartner investors learned of the company's "significant decline" in contract value last month when Gartner announced fourth-quarter 2025 earnings that disappointed the market, according to the complaint.

The suit's proposed class period begins Feb. 4, 2025, the day Gartner announced on an earnings call that it expected accelerated contract value growth for the remainder of the year.

For several months, Gartner continued to publicly state and imply that it was on track to achieve its intended growth rate, the suit states.

Then, in August 2025, Gartner, which is based in Connecticut, revealed that its contract value grew 5% year-over-year in the second quarter, a decline from 7% in the previous quarter.

The complaint says Gartner blamed a challenging selling environment across its customer base, which includes the U.S. federal government, but told investors it planned to make adjustments to give it "a clear path back to double-digit growth."

Following the announcement, shares of Gartner fell \$92.78 each, or about 28%, to close at \$243.93 on Aug. 5, 2025, according to the suit.

A few months later, on Nov. 4, 2025, the defendants told investors on an earnings call that the selling environment was improving, which the suit alleges was misleading.

"This seemingly led defendants to refuse to confirm or even suggest any 'bottoming' of its [contract value] growth in the fourth quarter and instead repeat its assertion that [contract value] growth will accelerate into 2026," the suit states.

Then, on Feb. 3, the "full truth" emerged, the suit alleges, when Gartner announced that quarter-four 2025 contract value grew by only 1% year-over-year. Excluding the U.S. federal government, contract value grew 4%, according to the suit.

Analysts reacted swiftly and negatively to the news, and shares of Gartner fell \$42.24, or about 21%, to close at \$160.16 on Feb. 3, according to the suit.

In addition to Gartner, its CEO Eugene A. Hall and Chief Financial Officer Craig W. Safian are defendants in the suit. The complaint accuses the defendants of violating the Exchange Act and acting with scienter.

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

Schmidt is represented by Shannon L. Hopkins and Adam M. Apton of Levi & Korsinsky LLP.

Counsel information for Gartner and the individual defendants was not immediately available Tuesday.

The case is Schmidt v. Gartner Inc. et al., case number 3:26-cv-00394, in the U.S. District Court for the District of Connecticut.

--Editing by Linda Voorhis.

All Content © 2003-2026, Portfolio Media, Inc.



Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Skechers Controllers Accused Of Unfair \$9.4B 3G Buyout

By Jarek Rutz

Law360 (March 17, 2026, 3:41 PM EDT) -- A Detroit pension fund is challenging the \$9.4 billion take-private sale of Skechers U.S.A. Inc. to 3G Capital in Delaware Chancery Court, alleging the footwear company's controlling stockholders engineered an unfair deal that favored themselves at the expense of minority investors.

In a **complaint** unsealed Monday, the Police and Fire Retirement System of the City of Detroit claims longtime Skechers CEO Robert Greenberg and his son Michael Greenberg, Skechers' president, used their roughly 60% voting control to push through a buyout that undervalued the company while securing lucrative rollover equity and continued control for themselves.

The suit centers on what the pension fund describes as a conflicted transaction that lacked meaningful safeguards for unaffiliated stockholders and was approved through a flawed process dominated by insiders.

"Plaintiff brings this action to challenge a controller-driven take private transaction in which Robert and Michael Greenberg used their voting power and managerial dominance over Skechers U.S.A. Inc. to orchestrate a sale to 3G Capital at a price that did not reflect the company's fair value," the complaint states.

Skechers announced in May 2025, that it would be acquired by private investment firm 3G Capital in a deal offering shareholders either \$63 per share in cash or \$57 in cash plus an illiquid equity unit in the postmerger entity. The transaction closed in September and valued the company at approximately \$9.4 billion, according to the complaint.

The Greenbergs, who founded and led the company for decades, received more than \$1 billion in cash along with significant equity in the newly private company, while also retaining their roles as CEO and president, according to the complaint. Minority stockholders, by contrast, were effectively forced into the all-cash option, which the plaintiff alleges undervalued the company and deprived them of future upside.

The pension fund contends that the deal process was tainted from the outset by undisclosed negotiations between the Greenbergs and 3G that allegedly began years earlier and intensified in late 2024 without board oversight. By the time the board formed a special committee on April 30, 2025, just four days before approving the merger, the key terms of the deal had already been negotiated, according to the complaint.

The pension fund argues that the so-called independent committee lacked real independence and authority, failed to retain its own advisers, conducted no meaningful market check and did not negotiate price. It also alleges the board never conditioned the transaction on approval by a majority of unaffiliated stockholders, instead allowing the Greenbergs to approve the deal unilaterally through written consent.

The plaintiff further claims the timing of the deal was opportunistic, pointing to a temporary dip in Skechers' stock price following tariff-related market volatility in early 2025. Despite internal and external indications that the company's long-term prospects remained strong, the board accepted a reduced \$63-per-share offer after 3G had previously floated higher valuations, according to the complaint.

"The buyout, which was announced on May 5, 2025, and closed on September 12, 2025, valued Skechers at approximately \$9.4 billion," the complaint states, adding that the consideration "undervalued Skechers given its long-term growth trajectory."

A central feature of the lawsuit is the structure of the mixed consideration option, which allegedly ensured that only the Greenbergs could meaningfully participate in the equity rollover. The complaint says the equity units were unlisted, nontransferable and subject to strict limitations, making them impractical for most public investors while granting the Greenbergs enhanced governance rights and future liquidity opportunities.

The pension fund also alleges the absence of a competitive bidding process, saying that no other potential buyers were contacted and that a limited 20-day "window shop" period after signing provided no realistic chance for rival offers.

The plaintiff seeks damages on behalf of a proposed class of former Skechers stockholders, arguing that the defendants breached their fiduciary duties by engaging in unfair dealing and approving a transaction that was both procedurally and substantively unfair under Delaware law.

Contact information for the individual defendants was not immediately available Tuesday, and representatives for the plaintiffs did not immediately respond to requests for comment Tuesday.

The Police and Fire Retirement System of the City of Detroit is represented by Blake Bennett of Cooch & Taylor PA, and Donald J. Enright, Elizabeth K. Tripodi and Jordan A. Cafritz of Levi & Korsinsky LLP.

Counsel information for Michael Greenberg and other Skechers board members and officials listed as defendants was not immediately available Tuesday.

The case is the Police and Fire Retirement System of the City of Detroit v. Michael Greenberg et al., case number 2026-0331, in the Delaware Chancery Court.

--Editing by Amy French.

Were Musk's Tweets 'Deliberate' Or 'Stupid'? Jury To Decide

By **Bonnie Eslinger**

Law360 (March 17, 2026, 10:24 PM EDT) -- Elon Musk made "deliberate and carefully devised" statements to drive down Twitter's stock price after offering \$44 billion for the company, Twitter investors' counsel told a California federal jury during closing arguments Tuesday, while Musk's lawyer insisted that there's no evidence of securities fraud and that it's not a crime to "tweet stupid things."



Elon Musk, left, seen arriving for trial earlier this month, has admitted on the stand that sometimes he tweets "stupid things." But his counsel on Tuesday reminded jurors "this isn't a stupid tweeter trial," it's about whether investors proved Musk committed securities fraud. (AP Photo/Godofredo A. Vásquez)

Tuesday wrapped a two-week trial over claims that Musk made false and misleading statements about the amount of spam on the social media platform after signing a Twitter takeover agreement in order to drive down Twitter's stock price. Musk's plan was to create leverage that would allow him to back out of the deal or renegotiate a lower buyout price, the investors allege.

The trial **kicked off** on March 2 in the U.S. District Court for the Northern District of California, and Musk took the stand over two days that first week, telling jurors that Twitter **had lied** to the public when it said that fewer than 5% of active Twitter accounts were fake.

On Tuesday, a lawyer for the investors, Mark Molumphy of Cotchett Pitre & McCarthy LLP, began his closing arguments by noting that Musk had not been in court for the entire trial.

"You've taken this so seriously," Molumphy told jurors. "Elon Musk ... came here, made his appearance, trashed the company, trashed the executives, accused them of a yearslong fraud, provided no evidence supporting his claims, and then he disappeared."

Musk signed a binding agreement to acquire Twitter in April 2022 for \$54.20 per share but decided weeks later that he didn't want to pay that much — so he publicly disparaged the company, Molumphy said.

"Mr. Musk's tweets were not some innocent mistakes, some stupid tweet that he really didn't consider something off the top of his head," the lawyer for the investors said. "They were intentional, deliberate and carefully devised to convey a message to the public, that Twitter was overrun with spam [and] that it was lying to its investors."

Musk had no proof for the May 2022 tweets and public statements at issue, Molumphy told jurors. Further, the agreement Musk signed with Twitter waived his right to due diligence, so when he tweeted on May 13, 2022, that the \$44 billion deal was "temporarily on hold" pending more details on spam accounts, that was untrue, Molumphy said.

"There was no right to put the deal on hold," he told jurors.

After the May 13 tweet, Twitter's stock plunged, the lawyer said, erasing \$8 billion in company value. Three days later, Musk told a tech conference audience in Miami that fake and spam accounts made up at least 20% of Twitter's users and "a bunch" of outside firms had come to that conclusion.

That's also false, Molumphy said. One small firm had issued a report, but back in 2022 Musk testified that he didn't rely on that.

By that point, Musk had already begun his plan to renegotiate the deal price, Molumphy said. He reminded the jury that they had seen recorded deposition testimony of Musk's authorized biographer, who said Musk told him on May 6, 2022, that the deal "might work out at a much lower price."

The investors also have evidence of an email exchange between Musk and one of his Barclays bankers working on the deal suggesting that there's an opportunity to revisit the purchase price, and Musk agrees. Molumphy called the communication a "smoking gun" and "the prelude to a fraud."

He urged the jury to find Musk liable for securities fraud.

"You shouldn't allow any person, no matter how powerful, how rich, how influential, to say whatever he wants, whenever he wants, and not be accountable," Molumphy said.

A lawyer for Musk, Michael Lifrak of Quinn Emanuel Urquhart & Sullivan LLP, said the investors hadn't proven their case, that Musk fabricated a concern about bots to drive down the price of Twitter stock to try to get a better deal.

"Plaintiffs have not proven any element of any claim against Mr. Musk," Lifrak said.

Musk's concerns that Twitter's bots were higher than the company was claiming was fueled by the company's executive's unwillingness to provide Musk with account holders' personal data so he could figure out the spam percentage himself, Lifrak said.

"Twitter didn't give Mr. Musk the data he needed to test that 5% number," Lifrak told jurors. "But this case isn't about whether Twitter committed fraud."

And while the plaintiffs say Musk had a motive to commit fraud, that's not enough to prove intent to defraud, Musk's lawyer told the jury.

"Of course people were talking about renegotiation once this bot issue came up," Lifrak said.

Musk, however, didn't ask for a better deal, the lawyer said. Twitter offered one in September 2022.

"They offered him billions of dollars off [the price], and he said no," Musk's lawyer said. "He said, 'I want to preserve my right to possibly go after the people at Twitter who had committed fraud with these bot [representations].'"

The plaintiffs' case falls apart because Musk had a chance to renegotiate and didn't because he would have had to release any potential fraud claims against Twitter higher-ups, Lifrak said.

"What kind of fraudulent scheme is it when you don't actually try to get the better price?" Musk's lawyer said.

Another hole in the plaintiffs' case, Lifrak said, is the fact that Musk sent out another tweet two hours after his May 13 deal-on-hold tweet, saying he was "still committed" to the acquisition.

"That doesn't make sense," Musk's lawyer said. "If his real plot was to punish the stock, he wouldn't walk it back."

While on the stand, Musk acknowledged that he sometimes tweets "stupid things."

"But this isn't a stupid tweeter trial," Lifrak said. "This is a trial about whether this man committed securities fraud, whether they proved it, and they didn't."

Lifrak concluded by evoking an image of a blindfolded "Lady Justice."

"Justice is blind," Musk's lawyer said. "It's the most important thing when somebody is standing trial ... somebody who does things like stupid tweets, who does things you may not like, who does things that you may hate."

Musk eventually paid the full \$44 billion offer price in October 2024. He told the jury that he did so because the Delaware Chancery Court judge overseeing litigation about the sale was "**extremely biased**" against him.

The **certified class** is made up of investors who sold the publicly traded stock or call options or purchased put options of Twitter from May 13, 2022, through Oct. 4 that year. They say that if they had been aware that the market price was being manipulated by Musk's statements, they would not have sold their securities at the "artificially depressed prices" or not at all.

During the trial, jurors heard from former executives with Twitter as well as from attorneys and bankers from deal teams on both sides. On March 9, Martin Korman of Wilson Sonsini Goodrich & Rosati PC, the lead attorney who advised Twitter on the transaction, told jurors that members of Musk's legal team, including Alex Spiro of Quinn Emanuel Urquhart & Sullivan LLP, **first suggested** a settlement. The next day, Spiro took the stand and said Twitter offered the discounts and Korman was "**misremembering**."

On Friday, they were presented with recorded deposition testimony from Twitter co-founder and former CEO Jack Dorsey, who **stood by** 2022 company statements that bots made up less than 5% of accounts on the platform.

The investors are represented by Joseph W. Cotchett, Mark C. Molumphy, Tyson C. Redenbarger, Gia Jung, Elle D. Lewis and Caroline A. Yuen of Cotchett Pitre & McCarthy LLP, and by Frank Bottini Jr. and Aaron P. Arnzen of Bottini & Bottini Inc.

Musk is represented by Alex Spiro, Ellyde R. Thompson, Jesse A. Bernstein, Stephen Broome, Matthew Alex Bergjans, Stephanie Kelemen, Michael T. Lifrak and Phillip Jobe of Quinn Emanuel Urquhart & Sullivan LLP.

The case is Pampena v. Musk, case number 3:22-cv-05937, in the U.S. District Court for the Northern District of California.

--Editing by Karin Roberts.



Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

EY Beats Brooge Petroleum, SPAC Merger Fraud Suit

By **Katryna Perera**

Law360 (March 17, 2026, 8:07 PM EDT) -- A New York federal judge Tuesday tossed a suit against EY's Middle East affiliates that claimed they botched audits of United Arab Emirates-based Brooge Petroleum before its merger with a blank check company to enable a fraudulent scheme against investors, finding that the suit's claims are time-barred or inadequately pled.

U.S. District Judge P. Kevin Castel issued an **opinion and order** stating that "nearly all" of the claims in the suit brought by plaintiffs Anvil Trust, Stephen Cannon, Bryant Edwards and Neil Richardson are time-barred under the Securities Exchange Act of 1934's statute of repose.

The suit, which named EY's Middle East unit and its Abu Dhabi, UAE branch alongside the parent company, claimed that EY's "unqualified" audit opinions for Brooge **enabled** the company to defraud investors in its \$1 billion 2019 merger with a special purpose acquisition company.

According to Tuesday's opinion, the claims against EY, formerly known as Ernst & Young, are time-barred because they are based on acts or omissions that allegedly occurred more than five years before the initial complaint was filed on Dec. 17, 2024.

"Plaintiffs assert that they relied upon audit reports [from EY] completed in 'early 2019' covering Brooge's financial statements of 2015 through mid-2018. They also relied upon the audit opinion of Sept. 27, 2019 covering Brooge's financial statements of 2017 and 2018, and the two investor presentations that Ernst & Young approved on Oct. 8 and 25, 2019," the opinion states.

"Plaintiffs acquired their Brooge shares through the SPAC merger of Dec. 19, 2019. They allegedly did so in reliance on statements that were made before Dec. 17, 2019," the opinion further states. "Because all culpable acts or omissions relied upon by plaintiffs occurred more than five years before the complaint was filed, the court concludes that their claims are time-barred."

The judge also dismissed as time-barred the suit's scheme liability claims. The remaining claims or challenged statements in the suit, while not time-barred, were still dismissed because the judge found that the plaintiffs did not allege with particularity why they were fraudulent.

According to the opinion, the suit does not adequately plead that the June 2020 audit opinion, which the plaintiffs are said to have relied upon, contained a fraudulent statement. Judge Castel said Tuesday that the statements in the audit report were statements of opinion.

The judge further found that the complaint does not plausibly allege scienter, or knowledge of wrongdoing, because it lacks particularized allegations that EY knew, or was reckless in not knowing, that the statements in the audit report were false.

"Ernst & Young may have failed to identify fraudulent conduct within [Brooge], but the complaint does not allege facts consistent with a reckless or knowingly fraudulent 'intent in conducting the audit,'" the opinion states.

"Any inference of scienter on the part of Ernst & Young is further weakened by the allegation that its successor as Brooge's independent auditor, PwC, separately 'provided a clean audit opinion' for the company's fiscal year 2020, before eventually resigning in 2023 after it learned of 'illegal acts,'" the opinion further states. "This suggests that Brooge concealed from two separate independent auditors the existence of its round-tripping scheme."

In their complaint, the plaintiffs claimed that when they decided to invest in the SPAC, they had been reassured by the relationship between "the supposedly reputable Ernst & Young" and Brooge, the SPAC's acquisition target.

The plaintiffs said they were among a group of investors who in 2018 executed a merger agreement in advance of the planned merger with Brooge.

But according to the investors, Brooge faked its revenues by issuing fraudulent invoices to customers it didn't do business with, and they said Brooge couldn't have pulled off its scheme without support from its auditor, specifically EY's Middle East unit and its Abu Dhabi branch.

The scheme allowed Brooge "to report tens of millions of dollars in fake revenue" to investors and the U.S. Securities and Exchange Commission, the investors claimed, and its SPAC merger secured a valuation of over \$1 billion.

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

The investors are represented by Serine Consolino of Aegis Law Group LLP.

The defendants are represented by Tawfiq S. Rangwala, Jed M. Schwartz, George S. Canellos and John J. Hughes III of Milbank LLP.

The case is Anvil Trust et al. v. Ernst & Young et al., case number 1:24-cv-09731, in the U.S. District Court for the Southern District of New York.

--Editing by Jay Jackson Jr.



Portfolio Media, Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

NeoGenomics Beats Investor Suit Over Growth Driver Claims

By **Emilie Ruscoe**

Law360 (March 17, 2026, 9:55 PM EDT) -- Cancer diagnostics company NeoGenomics Inc. no longer faces a proposed investor class action alleging it mischaracterized its growth drivers, including by failing to disclose that a rainmaking unit potentially ran afoul of anti-kickback laws, after a Manhattan federal judge held the suit failed to show the company had intentionally misled the markets.

In a Friday **order** in Manhattan federal court, U.S. District Judge Valerie E. Caproni tossed NeoGenomics investor Daniel Goldenberg's fraud claims against the company and certain members of its brass, finding, among other things, that the latest version of the allegations "fall woefully short of pleading facts that give rise to a strong inference that defendants' statements (or omissions) were made recklessly or with conscious disregard of the truth."

Judge Caproni added Tuesday that "there is at least one more compelling, non-fraudulent inference that can be drawn from plaintiff's alleged series of events: namely, that the officer defendants sincerely believed in the superiority of their product offerings and business model throughout the class period, as evidenced by NeoGenomics' reportedly buying back millions of dollars of its own shares during the time in which plaintiff alleges the company's stock prices were artificially inflated."

Since the investor already had "two bites at the apple" and hadn't given any indications in dismissal briefings that the complaint's shortcomings could be surmounted, Judge Caproni tossed the suit with prejudice.

The Friday dismissal order ends claims that NeoGenomics shares were artificially inflated between February 2020, when the company described its so-called next-generation sequencing offerings as a "key growth driver," and April 2022, when the company disclosed losses for its most recent quarter and acknowledged that the sequencing turnaround times were an area of weakness the company was focused on improving.

The suit alleged three stock price declines over the proposed class period, including a 4% decline following its April 2022 disclosures. Stocks also fell 18% in November 2021, when the company disclosed it was probing its compliance practices, and 30% in March 2022, when the company withdrew its financial projection for its 2022 fiscal year, the suit said.

According to the investor, the company knew or should have known that it was misrepresenting where its organic growth was coming from. The company allegedly touted purported strengths like its turnaround times despite falling short of its turnaround time promises to customers.

The investor also alleged that the company concealed that its real growth driver was its Laboratory Collaborations and Implementations group. According to the investor, that group helped healthcare providers set up their own in-house labs for certain basic testing with the hope those providers would send the company "a greater share of their high-priced, high-margin testing."

The investor described the LCI group as an "unethical — and illegal — kickback arrangement," noting that NeoGenomics eventually dismantled the group and self-reported it to the Office of the Inspector General of the U.S. Department of Health and Human Services and the U.S. Department of Justice in connection with federal anti-kickback laws.

The investor also noted that the company created a \$10.5 million liability reserve in connection with

its LCI group, asserting that the company had implicitly admitted liability for anti-kickback law violations by reporting them. The suit doesn't reference any subsequent settlements of kickback-related claims, and relevant regulators and the Justice Department haven't announced settled claims with the company.

According to the investor, the company failed to disclose to investors that its financial prospects would reflect the LCI shutdown — and subsequent disappointing financial performance took investors by surprise.

On Friday, Judge Caproni rejected the investors' assertion that LCI itself drove growth, finding that the complaint suggests that it didn't independently drive growth.

"The LCI group's primary function was to invest in providers (potentially in violation of federal law) with the hope that, by teaching them how to operate their own basic testing labs, the providers would in turn funnel their more complex (and, importantly to NeoGenomics, more lucrative) testing needs to the company," the judge said.

As such, the judge said, she saw "no reason why defendants would have been required to disclose LCI's impact [on the company's financial performance] as a singular entity."

The judge also said the complaint failed to support its assertions that the company mischaracterized its other growth factors.

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

Goldenberg is represented by Corban S. Rhodes and Adam J. Levitt of DiCello Levitt LLP and David Stein and Parker Hutchinson of the Gibbs Mura LLP.

NeoGenomics and its brass are represented by James R. Carroll, Michael S. Hines, Emily M. Jennings, Christopher Corcoran and Lara A. Flath of Skadden Arps Slate Meagher & Flom LLP.

The case is Goldenberg v. NeoGenomics Inc et al., case number 1:22-cv-10314, in the U.S. District Court for the Southern District of New York.

--Editing by Linda Voorhis.