

Robbins Geller gets top spot in BellRing investor suit despite 'technical failure'

2026 SECDBRF 1817 • By Nicole Banas

WESTLAW Securities Enforcement & Litigation Daily Briefing • April 13, 2026

(April 13, 2026) - A federal judge has tapped a pension fund represented by [Robbins Geller Rudman & Dowd LLP](#) to lead a proposed securities class action against BellRing Brands Inc., even though the law firm missed the filing deadline by six minutes.

Denha v. BellRing Brands Inc. et al., No. 26-cv-575, 2026 WL 972463 (S.D.N.Y. Apr. 10, 2026).

In an April 10 order, U.S. District Judge Jed S. Rakoff of the Southern District of New York said the delay was "excusable" given that Indiana Public Retirement System submitted an affidavit detailing technical issues with the court's electronic filing system.

The judge granted INPRS' motion for lead plaintiff appointment and denied a competing motion filed by Trustees of the IWA-Forest Industry Pension Plan.

'Technical failure'

The two pension funds were the last remaining movants vying for lead plaintiff in a securities fraud lawsuit against BellRing Brands, which sells Premier Protein and Powerbar products.

The suit alleges BellRing and top executives concealed customer stockpiling and competitive pressures that hampered its sales in 2025. The company's share price fell nearly 33% on Aug. 5, 2025, closing at \$36.18, after it lowered full-year sales guidance, the complaint says.

In its motion for lead plaintiff appointment, INPRS asserted losses of at least \$2.1 million on BellRing securities purchased during the proposed class period. IWA-Forest claimed it had lost \$461,370.

The Private Securities Litigation Reform Act of 1995, [15 U.S.C.A. §78u-4\(a\)\(3\)\(B\)\(iii\)\(I\)](#), establishes a rebuttable presumption that the most adequate lead plaintiff has the largest financial interest in the suit and satisfies typicality and adequacy requirements of [Federal Rule of Civil Procedure 23](#).

IWA-Forest, represented by Jeffrey P. Campisi of [Kaplan Fox & Kilsheimer LLP](#), argued in an April 6 memo opposing INPRS' appointment that the court should deny the pension fund's motion for filing it a day after the PSLRA's 60-day window expired.

INPRS' counsel had attributed the delay to a "technical failure" of the court's Electronic Case Filing system, but four other movants timely submitted their motions on the March 23 deadline day, the opposition said.

INPRS asked Judge Rakoff to excuse its "six-minute tardiness," saying that a court investigation revealed proof of intermittent connectivity issues with ECF that day.

District courts have inherent authority to excuse late ECF filings related to "procedural defects," INPRS said, citing [Phoenix Global Ventures LLC v. Phoenix Hotel Associates Ltd.](#), 422 F.3d 72 (2d Cir. 2005).

Conditional lead counsel appointment

Judge Rakoff said that INPRS met the *Phoenix* standard because it submitted an affidavit attesting to the reason for the delay, which the court independently evaluated and corroborated.

The six-minute delay was "de minimis" and did not harm any other individual or entity, the judge added.

He said INPRS is the "most adequate plaintiff" to lead the suit, as it satisfied PSLRA requirements.

Judge Rakoff also approved the pension fund's choice of Robbins Geller as lead counsel, but he conditioned the appointment on the firm handling the case by itself.

If "special circumstances" arise, Robbins Geller must seek court approval in advance to retain other law firms for assistance, the judge said.

Peter E. Kazanoff of [Simpson Thacher & Bartlett LLP](#) represents the defendants.

By Nicole Banas

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[Jeffrey P. Campisi](#); [Kaplan Fox & Kilsheimer LLP](#) for Movant (IWA-Forest)

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Securities

Corcept Leaders Sued Over Drug-Approval Remarks, Stock Sales

April 13, 2026, 3:23 PM PDT

Corcept Therapeutics Inc. executives and directors misrepresented a drug candidate's approval prospects while some of them made \$67 million in insider stock sales, an investor alleges.

Shares offloaded by other senior executives brought the total to \$97 million in insider sales while the stock price was artificially inflated, Mark LeRiger says on behalf of the company. He filed his derivative suit April 10 in the US District Court for the Northern District of California.

Board members and executives expressed confidence in the evidence supporting the company's new treatment for patients with Cushing's syndrome, also called hypercortisolism, LeRiger says. And they repeatedly said the drug, relacorilant, was "approaching approval," the suit says.

Co-founder, CEO and President Joseph Belanoff sold more than \$25 million worth of his stock; Sean Maduck, the president of the endocrinology division, sold more than \$27 million; and William Guyer, the chief development officer, sold more than \$15 million, according to the complaint.

The company revealed Dec. 31 that the Food and Drug Administration couldn't approve relacorilant without additional evidence, according to the complaint. The stock's value fell by half following the news. Later evidence indicated the FDA had warned the company of that outcome, LeRiger said.

The harm to the company includes its exposure to a proposed investor class action, other costs, and reputational harm, LeRiger says.

He brings claims for securities fraud, breach of fiduciary duty, unjust enrichment, waste of corporate assets, and disgorgement of insider trading profits. In addition to the disgorgement remedy, he seeks compensatory and punitive damages, and a constructive trust on behalf of the company.

Corcept didn't immediately respond to an emailed request for comment on behalf of itself or the individual defendants.

Rigrodsky Law PA and the Grabar Law Office represent LeRiger.

The case is LeRiger v. Belanoff , N.D. Cal., No. 3:26-cv-03106, complaint 4/10/26 .

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Grocery Outlet investor sues board over expansion, store closures

DJ [dailyjournal.com/articles/390836-grocery-outlet-investor-sues-board-over-expansion-store-closures](https://www.dailyjournal.com/articles/390836-grocery-outlet-investor-sues-board-over-expansion-store-closures)

Shutterstock

A Grocery Outlet investor alleges in a lawsuit that the company's board acted recklessly by expanding the chain's footprint too quickly, leading to dozens of closures and a sharp decline in the stock price.

The plaintiff, represented by The Brown Law Firm, P.C., filed a derivative lawsuit -- brought on behalf of the company against the board -- in Northern California federal court on Monday, after an earnings call last month led to a 27.9% decline in the Emeryville-headquartered company's share price.

The complaint alleges that the board of directors made false or misleading statements and breached its fiduciary duty to shareholders when it announced a slew of new stores and said it was on track to meet the goals of its restructuring plan, only to change its tune and say it would need to close 36 stores.

The individual defendants "failed to disclose the true nature of the Company's plans for expansion, the success of the Restructuring Plan, and its overall ability to meet its expected financial goals for the 2025 fiscal year. More specifically, the Individual Defendants failed to disclose the extent to which the Company could successfully expand into new stores and implement the Restructuring Plan," the complaint states. *Marcus v. Potter et al.*, 4:26-cv-03116 (N.D. Cal., filed April 13, 2026).

The case is assigned to U.S. Magistrate Judge Kandis A. Westmore.

In the year leading up to the announcement, according to the complaint, the company repeatedly touted in earnings calls its expansion and strong metrics and said it was on track to meet the goals laid out in its restructuring plan. It added more than 10 stores in each of the two quarters leading up to the March earnings call, the plaintiff says. But the company failed to disclose that the increases in revenue it reported could be attributed to the new stores opening and didn't reflect its true financial performance, the complaint claims.

On the March 4 earnings call, CEO Jason Potter said the company had expanded at a faster rate than it could handle, the complaint says.

"It's clear now that we expanded too quickly, and these closures are a direct correction," the complaint quotes Potter as saying on the call.

The stock price fell from \$8.79 to \$6.34 the day after the call, the complaint says, and the company was hit with a securities class action.

"As a direct and proximate result of the Individual Defendants' conduct, Grocery Outlet has lost and will continue to lose and expend many millions of dollars. Such expenditures include, but are not limited to, legal fees, costs, and any payments for resolution of or to satisfy a judgment associated with the Securities Class Action, and amounts paid to outside lawyers, accountants, and investigators in connection thereto," the complaint says.

The lawsuit alleges the actions of the board members amounted to a conspiracy to cover each other's mistakes. It also alleges directors made wrongful gains from the alleged misstatements, although it doesn't specify when and how any alleged insider trading took place.

"The purpose and effect of the conspiracy, common enterprise, and common course of conduct was, among other things, to facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, gross mismanagement, abuse of control, and violations of the Exchange Act," the complaint says.

The plaintiff brings claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets.

The plaintiff is seeking damages and restitution for any wrongful gains obtained by the board members and asks the court to direct the company to increase oversight of the board and call a shareholder vote to elect six new directors.

#390836

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Intel Shareholder Litigation Removed to Federal Court

April 10 filings from the federal government, which is a defendant in the shareholder action, said the litigation meets all four requirements required to give jurisdiction to a federal court in the Third Circuit.

April 13, 2026 at 02:58 PM By  **Ellen Bardash**



Intel headquarters in Santa Clara, California. Credit: JHVEPhoto/Adobe Stock

The Department of Commerce has removed a Court of Chancery case challenging Intel's deal with the federal government to the District of Delaware, stating the federal court is the proper venue for claims involving a federal government agency.

April 10 filings from the government, which is a defendant in the shareholder action, said the litigation meets all four requirements required to give jurisdiction to a federal court in the Third Circuit.

The case was originally [filed in March](#), bringing four claims in total. Heyman Enerio Gattuso & Hirzel and George Washington University Law School professor Alan Morrison represent the shareholder plaintiff, who is seeking to undo the deal last year that gave the federal government a nearly 10% stake in Intel.

The complaint takes action against both sides of the deal, arguing it's invalid because the government can't acquire equity in a public company without congressional approval and claiming Intel's directors breached their fiduciary duties and wasted corporate assets in a deal that allegedly gave them voting power not shared by all Intel shareholders.

The [notice of removal](#) claims both the DOC and Secretary of Commerce Howard Lutnick, both defendants, are each entitled to file for removal, with the allegations against both related to their conduct "acting under" the United States and under color of federal office.

The notice also states the United States has multiple colorable federal defenses to the claims made against the DOC and Lutnick, with the plaintiff claiming the stock agreement breached federal law. Two of those anticipated defenses, it states, are that the claim is barred by federal sovereign immunity and that the deal is legal under laws including the CHIPS Act, under which Intel received funds prior to striking its deal with the government.

As of Monday afternoon, the case had not yet been assigned to a federal judge.

Intel and the 12 directors named as defendants in the case, including CEO Lip-Bu Tan, are represented by Akerman and Munger, Tolles & Olson. Spokespersons for the Department of Justice, DOC and Intel did not immediately respond for comment.

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Securities

Zaslav, Malone Must Defend SiriusXM Restructuring Challenge

April 13, 2026, 1:58 PM PDT

Claims that Warner Bros. Discovery CEO David Zaslav and other Sirius XM Holdings Inc. directors undermined public investors through a restructuring will advance in Delaware, a judge ruled Monday.

Chancellor Kathaleen St. Jude McCormick dismissed claims against the members of a special committee of Sirius' board tasked with negotiating against billionaire John Malone's Liberty Media Corp. conglomerate over the restructuring plan which resulted in the creation of spin-off SiriusXM Holdings Inc. However, she rejected arguments that while Zaslav and the other directors had admitted they weren't independent and voted for the disputed transactions, this wasn't enough to hold them liable.

"Voting in favor of a transaction unquestionably advances the transaction," she said in a 30-page opinion. "In many instances, it is the ultimate action needed to complete the transaction."

Warner Bros. Discovery wasn't named as a defendant in the Delaware Chancery Court lawsuit brought by Danish asset manager Sampension and an individual shareholder.

The investors claim Malone and Liberty Media, Zaslav, and other Sirius directors pushed through a corporate reshuffling that unloaded \$2 billion in tax liabilities while closing the gap between the trading value of Malone's holding company and its satellite radio assets.

The restructuring gave Malone at least three years of board control after changes governing Sirius board elections, the lawsuit said.

In oral arguments in June 2025, Zaslav and the Sirius directors defended the independence of the negotiators who proposed a restructuring they said aimed to liberate the company from a controlling shareholder.

Malone partially joined Zaslav's motion to dismiss the litigation. Two members of the special committee of Sirius' board tasked with negotiating against Liberty—Eddy Hartenstein and James Holden—also sought to exit the case.

Regarding the committee members, the shareholders failed to show “the extreme set of process flaws from which this court can infer that otherwise disinterested and independent directors acted with a controlled mindset,” McCormick said.

Zaslav and the Sirius directors are represented by Simpson Thacher & Bartlett LLP and Richards, Layton & Finger PA. Malone and Liberty Media are represented by Potter Anderson & Corroon LLP and Baker Botts LLP. The special committee members are represented by Debevoise & Plimpton LLP and Abrams & Bayliss LLP. The investors are represented by Johnson Van Kwawegen LLP and Kessler Topaz Meltzer & Check LLP.

The case is *Fishel v. Liberty Media Corp.*, Del. Ch., No. 2024-1057, opinion 4/13/26 .

Bloomberg Law Automation also contributed to this story.

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FT PROFESSIONAL

Opinion **Lex**

Elon Musk is officially free to roam in Texas

Delaware ruling draws a line under Tesla's corporate domicile in the Lone Star State



Elon Musk has been given more leeway for his own interpretation of corporate governance © Reuters

Published AN HOUR AGO



Good news, Texas: Elon Musk is all yours. On Monday, a corporate law court in Delaware gave a ruling that, in effect, drew a line under the electric-car maker's corporate domicile in that state. Tesla, and its eccentric boss, now have free rein to play havoc with corporate governance norms.

At stake were a series of investors' lawsuits that had accused [Musk](#) of breaching his duties to [Tesla's](#) shareholders. The plaintiffs said he had diverted resources from the EV maker to other companies in his universe, and that he had sold stock while in possession of negative information about Tesla.

It's not that the court said the investors were incorrect — rather, that they had complained in the wrong place. The lawsuits were filed after Musk started the process of moving Tesla's domicile to Texas in 2024, although before shareholders approved the shift. The Delaware court agreed with Musk's lawyers that the Lone Star State law should govern the claims.

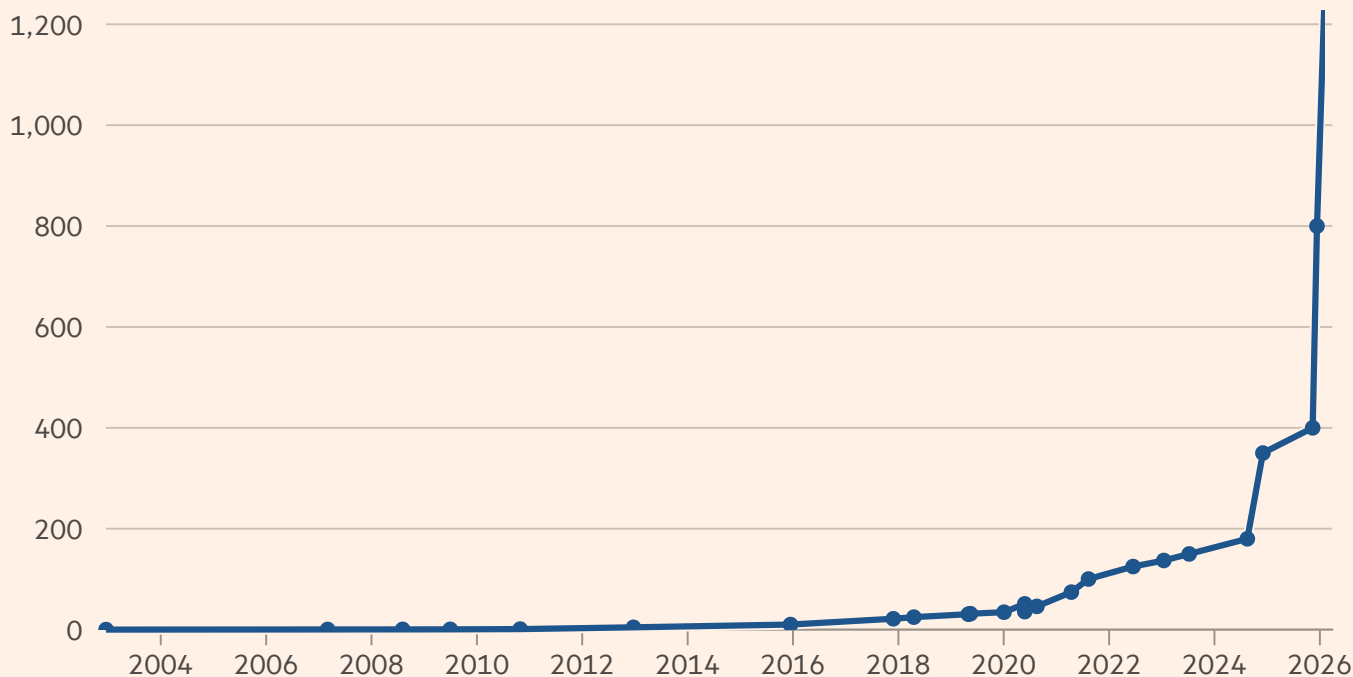
Musk and Delaware have hardly been a happy pairing. The entrepreneur fought for nearly two years — successfully — to reinstate a \$56bn pay package that a [trial judge in the state had voided](#) after claiming he and his board were too close.

Texas, by contrast, gives corporate bosses a much easier ride. For example, only shareholders owning 3 per cent of a company's shares, which would equate to a \$34bn holding in Tesla's case, can bring the kind of “derivative” investor lawsuit that was just dismissed.

That gives Musk more leeway to give life to his own interpretation of corporate governance. And not just at Tesla: his rocket company SpaceX, also domiciled in Texas, is on course to list its shares at what could be a \$2tn valuation, almost twice that of its carmaking sibling.

Lift-off

SpaceX valuation including new money raised (\$bn)



Source: PitchBook

FINANCIAL TIME

Already, SpaceX looks likely to bend some of the usual norms. Musk may, for example, dispense with the customary six-month restriction on insiders selling their shares. That creates the risk that pre-IPO investors dump shares, pushing down the price when the rocket maker has only just taken flight as a public company.

Musk might choose to extend olive branches at Tesla or SpaceX. Presumably he would wish to avoid the nuisance of lawsuits even if they are less likely to succeed in Texas. At various moments of weakness in the carmaker's share price in recent years, the billionaire and Tesla's board have been willing to at least make token gestures to reaffirm his commitment to the company — including the addition of new directors or developing a bench of future chief executives.

In some ways, Tesla is a test of the idea of so-called “private ordering”: that Musk, as largest shareholder and CEO, can negotiate the parameters of his rule directly with shareholders, without regulatory standards. The bargain struck seems to be that, as long as the stock goes up, the billionaire has earned deference. Texans claim “the higher the hair, the closer to God”. Let’s see if the same applies to share prices.

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Foundation Building, Lone Star Offer \$26 Million to End Lawsuit

April 13, 2026, 2:06 PM PDT

Summary by Bloomberg AI

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- Foundation Building Materials Inc. and Lone Star Funds affiliates have agreed to pay \$26 million to resolve litigation over the drywall distributor's sale to American Securities LLC.
- The settlement would resolve shareholder claims targeting Lone Star, insiders at Foundation, and two major financial firms that advised on the deal, with Foundation to pay \$17.8 million and Lone Star \$8.2 million.
- The defendants deny any and all allegations of wrongdoing, liability, breach of fiduciary duty, violations of law, or damages, and the settlement shall not be construed as or deemed to be an admission of fault.

Foundation Building Materials Inc. and Lone Star Funds affiliates have agreed to pay \$26 million to resolve litigation over the drywall distributor's \$1.37 billion sale to American Securities LLC.

The settlement, disclosed Monday in Delaware's Chancery Court, would resolve shareholder claims targeting Lone Star, insiders at Foundation, and two major financial firms that advised on the deal. The lawsuit said Lone Star orchestrated the transaction to secure an overpriced buyout of a tax agreement tied to Foundation's status as an umbrella partnership rather than a traditional corporation.

The accord—calling for Foundation to pay \$17.8 million and Lone Star \$8.2 million—"shall not be construed as or deemed to be" an admission of fault, according to one of the filings. "Defendants deny any and all allegations of wrongdoing, liability, breach of fiduciary duty, violations of law, or damages," the document said.

The proposed class action, filed in 2022, was part of a wave of cases zeroing in on the idiosyncrasies of Up-Cs, or umbrella partnership corporations, which involve a publicly traded parent over a privately held operating company that's partly owned by insiders. The multi-class structure typically includes common stock, equity units in the subsidiary, and preferred shares with voting rights pegged to the value of those units.

Most of the lawsuits—including cases targeting private equity giants Apollo Global Management Inc., Carlyle Group Inc., and KKR & Co.—allege that influential insiders manipulated transactions discarding the umbrella structure to seize a disproportionate share of the savings the firms recouped following significant changes to the tax code in 2018.

The Foundation case fit that mold. The shareholder suit, led by the Firefighters Pension System of the City of Kansas City, Missouri Trust, said Lone Star and the Foundation board—aided and abetted by Evercore Group LLC and RBC Capital Markets LLC—engineered the deal using unreasonably favorable estimates of the tax pact's value, which was reduced by the 2018 cuts.

A judge, Vice Chancellor J. Travis Laster, let those claims move forward in 2024, although he threw out several other legal theories. Because the case is a class action, the settlement requires the approval of a different judge, Vice Chancellor Bonnie W. David, who took over the litigation last year.

The pension fund is represented by Prickett, Jones & Elliott PA and Kessler Topaz Meltzer & Check LLP.

Foundation is represented by Ross Aronstam & Moritz LLP and Weil, Gotshal & Manges LLP. Its CEO is represented by Wilson Sonsini Goodrich & Rosati PC. Other board members are represented by Young Conaway Stargatt & Taylor LLP and Gibson, Dunn & Crutcher LLP. The company's special litigation committee is represented by Richards, Layton & Finger PA.

Evercore is represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP. RBC is represented by Ashby & Geddes PA, Paul Hastings LLP, and Katten Muchin Rosenman LLP. Lone Star is represented by Morris, Nichols, Arsht & Tunnell LLP and Elsberg Baker & Maruri PLLC.

The case is *In re Found. Building. Materials Inc. S'holder Litig.*, Del. Ch., No. 2022-0466, settlement stipulation filed 4/13/26.

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Securities

Manage Newsletters

Security Tech Firm Evolv Settles Investor Claims for \$15 Million

April 14, 2026, 8:46 AM PDT

Summary by Bloomberg AI

AI Generated



- Evolv Technologies Holdings Inc. has agreed to pay \$15 million to settle allegations that it misled the market about its main product, testing, contracting practices, and accounting.
- The settlement amount represents about a 9% recovery of the estimated maximum damages in the case, according to the investors.
- Evolv denies the allegations, and the investors say the settlement is an excellent result in light of the risks of continued litigation.

Evolv Technologies Holdings Inc. has agreed to pay \$15 million to quell allegations that it misled the market about its main product, testing, contracting practices, and accounting, investors told a federal district court.

The proposed class settlement deserves preliminary approval, the investors said Monday in a filing with the US District Court for the District of Massachusetts. The amount represents about a 9% recovery of the estimated maximum damages in the case, more than twice the median 2025 recovery in cases with similar damages, they said.

Shareholders sued after the weapons-detection technology company voluntarily disclosed in October 2024 that it would redo two years of financial statements. Evolv said "certain Company personnel" engaged in misconduct regarding sales to some of its largest partners that weren't shared with its accounting personnel or external auditors, according to the complaint.

Its Evolv Express touchless screening product, touted as government-tested and effective, hadn't been tested by government agencies or third parties and missed a significant percentage of knives and some pistols, the investors said. Internally undisclosed trial periods for some customers led to improper revenue recognition, they said. The investors sought damages for a series of stock drops allegedly connected to these issues.

The parties reached the settlement before Judge Allison D. Burroughs ruled on dismissal requests by the company and current and former leaders who are defendants in the case, according to the new filing. A period of document exchange followed so that the investors could assess the deal's fairness, reasonableness, and adequacy.

The settlement is an excellent result in light of the risks of continued litigation, they said. Evolv denies the allegations, according to the approval request.

Glancy Prongay Wolke & Rotter LLP is lead counsel for the investors. Morrison & Foerster LLP represents Evolv and most of the individual defendants. Goodwin Procter LLP represents ex-CEO Peter George.

The case is *In re Evolv Techs. Holdings Inc. Sec. Litig.*, D. Mass., No. 1:24-cv-10761, motion 4/13/26 .

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Follow-On Developments in Pump-and-Dump Litigation

K [dandodiary.com/2026/04/articles/uncategorized/follow-on-developments-in-pump-and-dump-litigation](https://www.dandodiary.com/2026/04/articles/uncategorized/follow-on-developments-in-pump-and-dump-litigation/)

Sarah Abrams

April 14, 2026

[In February](#), I noted an emerging securities litigation trend involving pump-and-dump schemes characterized by thin public float, retail investor participation, and the amplifying effects of social media. Three subsequent pump-and-dump securities filings in February and March 2026, along with a [recent federal court ruling](#) involving social media platform liability, provide further evidence that these risks may be accelerating. Taken together, these developments have important implications for D&O liability exposure and for underwriters evaluating risks associated with low-float issuers and companies whose securities trading activity may be influenced by online promotional activity.

Most Recent Pump-And-Dump Cases

Ostin Technology Complaint

On February 16, 2026, a [securities class action](#) was filed in the Southern District of New York against Ostin Technology Group Co., Ltd. and certain of its executives (Ostin Technology Complaint).

The Ostin Technology Complaint alleges what it describes as a “brazen and sophisticated” pump-and-dump scheme that artificially inflated the company’s stock price by more than 1,100% over a roughly two-month period. The alleged scheme centered on a coordinated effort by insiders and co-conspirators to manipulate both the supply of shares and investor demand.

According to shareholder plaintiffs, insiders structured offerings that placed shares into the hands of affiliated parties at steep discounts or no cost, while a parallel social media campaign, featuring impersonated financial advisors, WhatsApp coordination, and even AI-generated deepfake content, created artificial demand. Allegedly, the stock price rose from under \$1 to over \$9 before collapsing in a single day, erasing approximately \$950 million in market capitalization.

ChowChow Cloud Complaint

On March 13, 2026, another [securities class action](#) alleging a pump-and-dump scheme was filed against ChowChow Cloud International Holdings Limited (ChowChow Cloud Complaint). The ChowChow Cloud Complaint similarly alleges

that the company's stock price surged following its IPO due to a coordinated promotional campaign involving impersonators posing as financial advisors and disseminating misleading investment claims through online platforms.

The shareholder plaintiffs allege that the scheme unraveled on December 10, 2025, when the stock dropped approximately 84% in a single trading day after volatility-driven trading halts. The ChowChow Cloud Complaint alleges that the company failed to disclose that its stock price was being artificially influenced by fraudulent promotional activity, exposing investors to undisclosed risks.

The Concorde International Complaint

On March 19, 2026, another pump-and-dump [securities class action](#) was filed in the Southern District of New York against Concorde International Group, Ltd. (Concorde) and related defendants (the Concorde Complaint). The complaint alleges that after the company's April 2025 IPO, and dramatic post-IPO run-up, the company's share price collapsed in July 2025. According to the shareholder plaintiffs, Concorde's stock price surged from its \$4.00 IPO price to as high as \$31.06, despite no corresponding fundamental developments, before falling approximately 80% in a single day.

Like the Ostin Technology and ChowChow Cloud Complaints, the shareholder plaintiffs allege that the price increase was driven by a coordinated social media-based promotional scheme. Impersonators posing as legitimate financial advisors allegedly used online forums, chat groups, and targeted advertisements to induce retail investors to purchase the stock. The Concorde Complaint also details how investors were funneled through social media advertisements into WhatsApp groups where they were encouraged to concentrate investments in the stock with promises of significant returns.

The Concorde Complaint also alleges that Concorde had an extremely low public float, less than 3%, combined with concentrated insider control. Shareholder plaintiffs assert that this structure made the stock especially susceptible to manipulation, a risk that was not disclosed to investors.

Social Media Liability Moves Forward

On March 24, 2026, a federal court in the Northern District of California issued a ruling in a [proposed class action against Meta Platforms Inc \(Meta\)](#), allowing certain claims relating to Meta's alleged participation in pump-and-dump schemes to proceed. The court held that plaintiffs plausibly alleged that investors

were targeted through advertisements on Facebook and Instagram and then directed into WhatsApp groups where they were encouraged to purchase shares of a penny stock. In addition, the court found that Meta may have materially contributed to the fraudulent advertisements through its ad tools, including AI-driven features. As a result, the litigation and plaintiffs' claims for aiding and abetting fraud and negligence survived Meta's motion to dismiss the suit.

Of note, on March 25, 2026, a judge presiding over another Northern District of California case against Meta over ads on its platforms from scammers impersonating financial professionals to run pump-and-dump investment schemes [dismissed that complaint](#), with leave for plaintiffs to amend.

Discussion

Taken together, the Ostin Technology, ChowChow Cloud, and Concorde Complaints indicate that pump-and-dump schemes may have become a securities claim trend. While each of these cases involve similar allegations of structural vulnerability and external manipulation, another notable feature in many of the recently filed pump-and-dump securities cases is the central role of social media and digital communication platforms in driving investor demand.

The allegations include use of coordinated campaigns involving impersonated financial professionals, private messaging groups, and increasingly sophisticated tools such as AI-generated content and targeted advertisements. The Concorde Complaint, in particular, illustrates how these schemes operate in practice, describing how investors were funneled from social media advertisements into WhatsApp groups and encouraged to concentrate investments based on fabricated credibility and guarantees of returns.

The March 24, Meta decision allowing allegations of aiding and abetting fraud and negligence may signal that liability could extend to entities whose technology facilitates or amplifies the underlying misconduct. While the ultimate outcome of that particular case remains to be seen, the decision highlights the possibility that future pump-and-dump litigation could involve a broader range of defendants and potential D&O exposure for social media platforms.

The increasing number of pump-and-dump securities cases may also underscore plaintiff shareholders' use of disclosure-based liability theories. In the recently filed complaints, a central allegation is that the issuer failed to disclose that its stock price was being driven by artificial or manipulative forces, or that its structure made it particularly vulnerable to such manipulation. These types of allegations

could raise questions about the scope of an issuer's disclosure obligations, particularly with respect to risks arising from third-party conduct involving social media and artificial intelligence.

In addition, the Concorde Complaint names auditors and underwriters as defendants, which may signal a new focus by plaintiffs on targeting purported gatekeepers in these cases. The allegations that these parties failed to identify or respond to red flags associated with low-float offerings and suspicious trading activity could have significant implications for how these participants are evaluated in future offerings. For D&O insurers, this raises additional considerations of the potential for expanded exposure across multiple insured parties.

Finally, the increasing role of social media in driving trading activity means that underwriters may need to consider not only traditional financial and governance factors, but also how a company's stock is likely to be promoted, discussed, and traded in a digitally connected marketplace. Combined with the emerging willingness of courts to entertain claims against social media platforms, these developments suggest that pump-and-dump litigation will remain a significant and expanding area of concern for D&O insurers and market participants alike.

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Securities

Revance's \$17 Million Investor Settlement Gets First Court Nod

April 13, 2026, 8:37 AM PDT

Revance Therapeutics Inc.'s \$17 million agreement with investors earned a federal judge's initial blessing to resolve allegations the anti-wrinkle injection developer hid it might be in breach of a dermal-filler contract, lowering its buyout price.

The settlement class preliminarily approved by Judge Eli Richardson April 10 covers those who acquired Revance securities from Feb. 29, 2024, through the close of the biotechnology company's acquisition by Crown Laboratories Inc. on Feb. 6, 2025. If given final approval by the US District Court for the Middle District of Tennessee, the deal would end a proposed class action tied to disclosures about the merger's price tag.

Investors sued last year, alleging Revance concealed partner Teoxane SA raised issues over their distribution agreement to sell the Swiss company's line of dermal fillers in the US and that Crown, as a result, wasn't likely to proceed with a \$6.66-a-share offer—a total enterprise value of \$924 million. The truth allegedly emerged in December 2024 when Revance said it agreed to a revised Crown offer of \$3.10 a share, less than half of its previously-announced merger price. Revance's share price plummeted almost 21% to \$3.03 that day.

Crown ultimately bought out Revance at \$3.65 per share last year. The combined skincare aesthetics and therapeutics company rebranded as REVANCE.

Entwistle & Cappucci LLP and Saxena White PA are lead counsel for the investors. Kirkland & Ellis LLP and Riley & Jacobson PLC represent Revance. Skadden, Arps, Slate, Meagher & Flom LLP and Baker, Donelson, Bearman, Caldwell & Berkowitz PC represent former Revance executives Mark J. Foley and Tobin C. Schilke. None of these law firms nor REVANCE immediately responded to emails seeking comment.

The case is *In re Revance Therapeutics, Inc. Sec. Litig.*, M.D. Tenn., No. 3:25-cv-00018, 4/10/26.

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California Brief

Insight

Meta Cases Put Social Media Platforms at Securities Fraud Risk

April 14, 2026, 1:30 AM PDT

The modern “boiler room” isn’t a sweaty office filled with aggressive brokers on phones. It’s an air-conditioned server room with algorithms running advertising engines.

Social media platforms are now the dominant distribution channels for pump-and-dump schemes and fraudulent securities offerings. Yet plaintiffs have repeatedly collided with the same obstacle: Section 230 of the Communications Decency Act.

For years, platforms successfully argued they were passive hosts of third-party financial promotions, resulting in summary dismissals of complaints—even for fraud.

Three decisions out of the US District Court for the Northern District of California are changing that paradigm. An especially surprising change opens the door to securities fraud Rule 10b-5 claims against social media corporations.

AI Amplification Authorship?

In *Suddeth v. Meta Platforms, Inc.*, Chief Judge Richard Seeborg dismissed a class action brought by licensed investment advisers whose identities scammers had hijacked to promote pump-and-dump schemes in Chinese penny stocks.

Fraudsters purchased ad placements through Meta’s ad manager, uploaded fabricated endorsements using plaintiffs’ names and headshots, and funneled victims into WhatsApp groups where the manipulation continued. One promoted stock lost 90% of its market capitalization in minutes.

Plaintiffs argued that Meta’s machine-learning systems, which “maximize reach, engagement, or downstream actions,” made Meta a co-developer of the fraud. Algorithmically amplifying an illegal securities solicitation is itself content development. Seeborg rejected this theory.

Drawing on *Dyroff v. Ultimate Software Group, Inc.* and *Doe v. Grindr Inc.*, he held that Meta's targeting tools are "content neutral on their own." Algorithmic amplification, he wrote, "is nothing more than an averment of facilitation."

On the same day, Seeborg denied a Section 230 dismissal in *Bouck v. Meta Platforms, Inc.*, a parallel penny-stock class action where plaintiffs alleged Meta's generative AI tools had themselves "developed the ultimate content of the fraudulent ads," making Meta "a genuine co-conspirator in the creation of the offending content."

That allegation tracks the 2024 ruling in *Forrest v. Meta Platforms, Inc.*, where Judge P. Casey Pitts allowed a near-identical theory to survive dismissal. Forrest alleged that Meta's ad tools "mix and match" images, videos, text, and audio supplied by advertisers and use generative AI to "automatically optimize ads to versions the audience is more likely to interact with."

Under the US Court of Appeals for the Ninth Circuit's framework in *Calise v. Meta Platforms, Inc.*, that active involvement in shaping the ads creates a genuine factual dispute over "material contribution" to their illegality.

The Section 230 line becomes a technical distinction: Targeting an audience is protected distribution; transforming or generating ad content isn't. Securities law asks the same question and answers it with liability rather than immunity.

Janus Answers Back

I have argued that a platform exercising curatorial judgment over investment solicitations occupies the regulatory position of a participant in the offering, not a passive host.

The US Supreme Court's "maker" doctrine in *Janus Capital Group, Inc. v. First Derivative Traders* supplies the Rule 10b-5 corollary: "The maker of a statement is the person or entity with ultimate authority over the statement, including its content and whether and how to communicate it."

The court added that "merely hosting a document on a Web site does not indicate that the hosting entity adopts the document as its own statement or exercises control over its content."

That sentence's unstated implication is the argument no court has yet reached: When a platform's generative AI exercises ultimate authority over the assembled content of an investment solicitation, the platform may be the maker of the fraudulent statement under Rule 10b-5. Primary Rule 10b-5 liability is categorical; it has no Section 230 analog.

Risk Follows AI

The Northern District of California decisions aren't limited to Meta. Alphabet Inc., Snap Inc., TikTok Inc., and X Corp. all deploy generative AI in their advertising products.

Any platform whose tools exercise ultimate authority over assembled ad content faces the same exposure—the Section 230 material-contribution theory that survived in *Forrest* and *Bouck*, and the unresolved Rule 10b-5 maker question that *Janus* frames.

The Securities and Exchange Commission historically has focused its social media enforcement on individual promoters and financial influencers. Judicial recognition that platforms actively participate in generating fraudulent investment solicitations may invite scrutiny of whether those platforms are operating as unregistered broker-dealers.

For investors holding positions in ad-dependent platforms, the operative risk isn't that Section 230 protection will disappear. For hosted content, that immunity largely holds.

The risk is that the AI tools powering their advertising products are generating content, at which point the Section 230 immunity falls away and the platform confronts a Rule 10b-5 question it has never had to answer.

The cases are *Bouck v. Meta Platforms, Inc.*, N.D. Cal., No. 25-cv-05194-RS, opinion 3/24/26 ; *Suddeth v. Meta Platforms, Inc.*, N.D. Cal., No. 25-cv-08581-RS, opinion 3/24/26 ; and *Forrest v. Meta Platforms, Inc.*, N.D. Cal., No. 22-cv-03699-PCP, opinion 6/17/24 .

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J&J to appeal denial of bid to disqualify talc plaintiffs' counsel

DJ [dailyjournal.com/articles/390837-j-j-to-appeal-denial-of-bid-to-disqualify-talc-plaintiffs-counsel](https://www.dailyjournal.com/articles/390837-j-j-to-appeal-denial-of-bid-to-disqualify-talc-plaintiffs-counsel)

Johnson & Johnson said Monday it will appeal a Los Angeles judge's decision rejecting its bid to disqualify out-of-state attorneys at Beasley Allen from coordinated talc proceedings involving California plaintiffs.

Beasley Allen said Superior Court Judge Theresa M. Traber properly denied the motion as untimely and unsupported.

Traber found the motion was "astonishingly and inexcusably late" and failed to show ongoing prejudice, allowing the plaintiffs' trial team to remain in place as the litigation moves toward additional bellwether trials.

The ruling follows a \$40 million verdict last year for two plaintiffs in the first Los Angeles test case, in which Beasley Allen played a lead role. A second bellwether trial before Traber is set for April 27, with Beasley Allen trying the case alongside attorneys from Robinson Calcagnie Inc. and Wisner Baum LLP.

The litigation centers on claims that Johnson & Johnson's talc-based products, including Baby Powder and Shower to Shower, cause ovarian cancer. The company, defended by Kirkland & Ellis LLP, denies the allegations and maintains its products are safe and asbestos-free. *Johnson & Johnson Talcum Powder Cases*, JCCP 4872 (L.A. Super. Ct., filed Aug. 2, 2016).

Johnson & Johnson argued Beasley Allen should be disqualified based on its interactions with James Conlan, a former attorney for the company. Conlan later communicated with both sides and participated in discussions involving potential settlement structures tied to talc liabilities.

Courts in New Jersey and a federal multidistrict litigation have disqualified Beasley Allen in related cases over those interactions.

"Multiple courts in multiple states have found that Beasley Allen's collaboration with J&J's former counsel constituted an 'egregious' breach of the most fundamental ethical standards," said Erik Haas, Johnson & Johnson's litigation vice president.

"The same standards apply in California, and the same outcome is required," Haas added. "We therefore will be appealing the trial court's decision."

Traber, however, distinguished the California proceeding, emphasizing that state law requires a timely motion and evidence of continuing harm. She noted the out-of-state rulings were not binding.

At a hearing last week, Kirkland & Ellis partner Matthew Bush of New York urged Traber to follow the New Jersey decisions and revoke Beasley Allen's pro hac vice status.

Beasley Allen principal Andy Birchfield argued the motion was an improper attempt to remove the firm following its trial success.

In a statement, Birchfield said the firm would continue representing plaintiffs outside jurisdictions where it has been disqualified.

Beasley Allen principal Leigh O'Dell said that Johnson & Johnson waited years to raise the issue in California despite knowing the underlying facts. "The 'astonishingly and inexcusably late' and baseless disqualification attempt by J&J was rightfully denied," O'Dell said.

"As the court accurately explains in the order, for years J&J neglected to challenge the right of our firm's attorneys to appear and present evidence in this litigation, which also focuses on the negligence by the company in concealing the dangers of its talc-based products," O'Dell said.

Traber agreed, writing that Johnson & Johnson had known the relevant facts since at least 2023 but did not raise them in California until after trial and post-trial proceedings had concluded.

The company had continued litigating, consented to pro hac vice applications and did not object to Beasley Allen's role earlier in the case, the judge noted.

"At no time before the current motion did Defendants even allude to these facts," Traber wrote, adding the company "remained silent" until after judgment was entered.

She found the delay unjustified and indicative of a "last-ditch procedural gambit" following an adverse verdict.

Traber also found no evidence that Beasley Allen obtained or used confidential information in a way that would affect the case. Even if misconduct had occurred, she wrote, disqualification would be inappropriate without a showing of continuing impact and would be punitive under California law.

As homeowners sue over leaking pipes, judges find arbitration agreements don't hold water

 [reuters.com/legal/government/homeowners-sue-over-leaking-pipes-judges-find-arbitration-agreements-dont-hold-2026-04-14](https://www.reuters.com/legal/government/homeowners-sue-over-leaking-pipes-judges-find-arbitration-agreements-dont-hold-2026-04-14)

Jenna Greene

April 14, 2026

An empty courtroom is seen at the New York State Supreme Court in Manhattan, New York City, U.S., August 21, 2020. REUTERS/Andrew Kelly [Purchase Licensing Rights](#)  , [opens new tab](#)

April 14 (Reuters) - For homeowners, it was the stuff of nightmares: water pipes hidden inside the walls sprung leaks not long after they were installed, soaking floors, ceilings, drywall and insulation.

Predictably, there has been a wave of [class actions](#)  , [opens new tab](#) seeking to represent thousands of homeowners against Minnesota-based Uponor, which made the allegedly defective "PEX" plastic pipes between 2010 and 2021. Less predictably, efforts by the company to force those claims into arbitration are washing out in court.

Uponor, which was acquired by Swiss industrial group Georg Fischer in 2023, denies wrongdoing in court papers, calling the allegations "false and unfounded." A spokesperson said that the company does not comment on the specifics of pending cases, but that its products are "rigorously tested and certified," and that independent experts "have concluded there is no systemic issue with our PEX pipe."

Regardless of the merits, Uponor argues that plaintiffs must arbitrate under a provision in its warranty agreement published on the company's website, which directs disputes to the American Arbitration Association.

Arbitration agreements are common. Corporations often favor them as a means to thwart class actions by requiring claims to be arbitrated individually.

A recurring question for courts is how aware consumers must be of an arbitration clause for it to be enforceable — an issue at the forefront of the Uponor litigation.

"If you're going to ask someone to give up their right to go to court and have a jury trial, you should be clear about that," said plaintiffs' lawyer Mike Myers of Alavi Anaipakos in Houston, who filed a class action against Uponor last year.

Uponor's arbitration agreement feels like "a gotcha," Myers said. Along with co-counsel James Hodges in Tulsa, he's suing on behalf of an Oklahoma couple who allege the company's defective water pipes caused multiple leaks in their home.

It is one of at least six pending proposed classes against Uponor on behalf of homeowners with the PEX pipes installed in their homes. Less expensive and more

flexible than copper, such pipes have become increasingly popular for residential use.

The plaintiffs say the pipes were expected to last decades but instead began leaking within a few years due to a faulty manufacturing process. They want Uponor to pay repair costs that in some instances have topped \$50,000 per house, plus punitive and other damages.

Most of the plaintiffs haven't attempted to seek restitution under the warranty, instead opting to sue for torts including strict product liability, negligence and fraudulent concealment.

Plaintiffs' lawyers from four firms including Berger Montague did not respond to requests for comment, and San Francisco-based Girard Sharp declined comment. Uponor and its lawyers from Troutman Pepper Locke scored an early win in a case involving a Brentwood, California, couple. The plaintiffs filed a class action after allegedly discovering an Uponor PEX pipe leaking above the master bedroom of their newly built home.

A federal judge in San Francisco [ruled](#)  [opens new tab](#) in 2022 that the homeowners were bound to arbitrate. The reason, U.S. District Judge Phyllis Hamilton said, was that they'd signed an agreement with the builder expressly assigning them any manufacturer warranties, placing their claims within the scope of Uponor's arbitration agreement.

But in subsequent cases with slightly different facts, federal judges in California, Oklahoma and Tennessee have held that Uponor's arbitration clause is not binding.

One key is that the provision is contained in the pipes' warranty — and warranties are different from contracts, noted U.S. District Judge Edward Chen in San Francisco in a [ruling late last month](#)  [opens new tab](#).

Contracts create binding obligations on both sides, Chen wrote, but warranties typically involve only unilateral promises by the seller.

In Uponor's case, Chen wrote, the plaintiffs — homeowners and a condominium association — said they didn't know Uponor pipes were used in their properties until after the leaks occurred.

None of plaintiffs "were reasonably on notice" that the Uponor warranty existed, Chen wrote, and even if they had been, they'd have had no reason to think it included an arbitration agreement.

As for the connection between the current owners and the builders or plumbers who installed the pipes and might have been aware of the warranty, Chen held that the relationship was too attenuated to impute their knowledge to the property owners.

Likewise, a federal judge in Oklahoma in September allowed Myers' case to go forward. The homeowners "could not have had actual or constructive knowledge of the arbitration agreement and could not consent to its terms," U.S. Magistrate Judge Gerald Jackson [found](#)  [, opens new tab](#).

Still, defeating motions to compel arbitration is only the first hurdle in what's likely to be challenging class action litigation.

It's unclear if or where the six suits will ultimately be consolidated. Plaintiffs' lawyers in Tennessee recently [moved to transfer](#)  [, opens new tab](#) their case to Minnesota, where Uponor is headquartered and two other class actions are pending. The judge there has not yet ruled on whether Uponor's arbitration provision is binding.

Uponor is already arguing that factors including water pressure, temperature and installation conditions must be evaluated individually as potential causes of pipe leaks—inquiries the company says would preclude class certification.

"This is not your typical case in terms of certification," Chen said at a status conference hearing last week. "I can already tell this is going to be an interesting case."

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Jenna Greene writes about legal business and culture, taking a broad look at trends in the profession, faces behind the cases, and quirky courtroom dramas. A longtime chronicler of the legal industry and high-profile litigation, she lives in Northern California. Reach Greene at jenna.greene@thomsonreuters.com

Analysis | **Lawyer Rates and Arrangements**

Anthropic GC Joins Chorus of Lawyers Predicting Demise of Billable Hour

"Now we've got a technology that's going to eliminate the sorts of things that allow people to become wealthy off of tedious work," said Jeff Bleich, general counsel of Anthropic.

April 13, 2026 at 02:21 PM By  **Trudy Knockless**



Jeff Bleich has been both a general counsel and a law firm partner. Photo: Jason Doiy/ALM

Artificial intelligence may be pushing the legal industry toward a long-anticipated turning point, according to Anthropic's top lawyer, who says the technology is undermining the economic logic behind the billable hour.

Speaking at last month's American Bar Association White Collar Crime Institute in San Diego, Anthropic general counsel Jeff Bleich said AI tools are eliminating the need for large teams of lawyers to perform the kinds of routine tasks that have long fueled billable-hour revenue.

"I don't think the billable hour is the solution, and we've known it for a long time," Bleich said during a panel alongside top leaders from Google, IBM and Liberty Mutual.

AI tools, he argued, are removing large amounts of routine work that once generated significant revenue for law firms.

"Now we've got a technology that's going to eliminate the sorts of things that allow people to become wealthy off of tedious work," he said. "That was not what lawyers are trained to do, and not what we ultimately look to lawyers for."

For decades, the billable hour offered clients a way to track what they were paying for. Lawyers record their work in increments—often six minutes at a time—and firms charge based on those hours.

Bleich in July 2025 became Anthropic's GC, his second legal chief post. From 2020 to 2023, he was chief legal and policy officer of the self-driving car company Cruise.

However, Bleich, who's practiced law for more than 30 years, spent the first part of his career at law firms. So he's experienced hourly billing from both sides of the table. He was formerly a partner at Munger, Tolles & Olson and at Dentons.

For legal departments, the tension is not new. Under the traditional billing model, companies want legal problems resolved quickly, while law firms are paid more when matters linger.

"Clients want you to solve the problem as efficiently as possible and with as little drama as possible," Bleich said. "And if you're a company, the bigger the case gets, and the more dramatic it gets, and the more complicated it gets, and the more work that has to be done, the more lucrative it is."

Other in-house leaders on the panel echoed that sentiment. "The value is no longer you putting in time. The value is your strategy, your results," Damon Hart, Liberty Mutual's top lawyer, said.

Anne Robinson, IBM's general counsel, told the audience she is open to experimenting with new pricing approaches with outside counsel.

"I'm open to firms coming and saying, 'I'd really like to work with you on this matter or this type of work, I get that the billable hour model is not one of aligned incentives, and so let's sit down and talk about what you expect as far as outcomes and how we can both get there in a way that reflects your pressures and your priorities,'" Robinson said.

The conversation is also gaining traction among in-house leaders on social media. In a recent LinkedIn post that drew more than 230 reactions and dozens of comments from lawyers across

the industry, Michael Sosso, executive vice president and group general counsel of BP, argued that the profession is nearing a tipping point.

“The billable hour has had a good run. But its time is up,” Sosso wrote.

For Sosso, the fundamental issue is how incentives are structured. In-house lawyers are measured by the business value they deliver and the risks they manage, not the number of hours they log, he wrote.

The rapid evolution of legal technology is accelerating the debate. Generative AI and contract life cycle management platforms can now compress work that once took hours into minutes. Sosso pointed to the resulting contradiction in the traditional billing model: when technology allows lawyers to complete a task faster, hourly billing effectively punishes efficiency.

“When a task that once took an associate 10 hours now takes that same associate 30 minutes with the use of AI, the billable hour loses its logic,” he wrote.

In its place, many in-house leaders are increasingly exploring alternative fee arrangements, particularly fixed-fee engagements that price legal services around outcomes rather than time spent.

Sosso argues those arrangements offer several advantages for legal departments. Fixed fees create greater budget predictability. They also encourage both in-house teams and outside counsel to embrace efficiency tools rather than avoiding them.

“Under a fixed-fee model, the law firm and the in-house team share a common goal: effective resolution in the shortest time possible,” Sosso wrote.

The idea is not to push down law firm revenue but to realign incentives. Bleich made a similar point in San Diego, telling law firms that corporate clients are not looking to underpay their advisers.

“We're not going to sort of cheap out and starve you,” he said. “On the other hand, you have to have an economic model that works. And the firms that adapt to that faster and better will be leapfrogging other firms, because they'll be more attractive to work with.”

At the same time, data suggests the current model is already under strain. According to the 2026 BigHand Annual Law Firm Finance Report, 74% of firms still rely on billable hours or billable targets as the primary performance metric for lawyers. Yet 64% reported a decrease in billable hours over the past year, even as 99% of firms increased billable-hour targets and plan to raise them again.

The same report found that nearly one-third of firms—31%—identify enhancing pricing transparency as a top strategic focus as clients demand clearer links between cost and value.

That dynamic has created what the report describes as a growing tension in law firm economics. Firms are under pressure to adopt technology that speeds up work, while still measuring performance largely by hours billed.

Even as momentum builds behind alternative pricing, few expect the billable hour to disappear overnight. Many lawyers argue the model remains deeply embedded in the profession and would be difficult to replace entirely.

Barry Cameron, a former Transocean general counsel who's now Baker Hughes' head counsel for Australia, New Zealand and Papua New Guinea at Baker Hughes, predicted on LinkedIn that the shift will be gradual.

“While I agree with the principle that billable hours are dying a slow death, it is going to take time for it to die,” he said in response to Sosso’s post.

“As long as this prioritization prevails within the client base, the death of the billable hour will be by a thousand cuts rather than a step change,” he added.

Others point to structural barriers within the legal industry itself. Alex Cook, a commercial and property litigation solicitor at Helix Law, argued that large firms have little incentive to abandon a model that has long driven revenue.

“I don’t think big law will change unless pushed (by clients),” Cook wrote.

Legal operations professionals, meanwhile, say the real breakthrough may come from better data and matter management tools that allow legal departments and firms to scope work more precisely.

Sarah Edinger-Gomez, who works in legal operations for The Clorox Co., wrote that the key is combining technology with new pricing approaches.

“The real unlock isn’t just moving away from the billable hour—it’s pairing data, technology, and better matter scoping so legal teams and law firms can actually price work around outcomes instead of effort,” she wrote.

Others emphasize that the real issue is not just pricing but how legal services are valued. John Ferreira, an employee benefits partner at Morgan, Lewis & Bockius, noted that the billable hour emerged in part because clients demanded transparency about the effort behind legal work.

“Getting rid of the billable hour will require a fundamental change in the way clients assess the value of what they're being provided by their firms and what it's worth,” Ferreira wrote.

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State Bar charges 3 attorneys over AI-generated fake citations

DJ [dailyjournal.com/articles/390838-state-bar-charges-3-attorneys-over-ai-generated-fake-citations](https://www.dailyjournal.com/articles/390838-state-bar-charges-3-attorneys-over-ai-generated-fake-citations)

George Cardona, State Bar Chief Trial Counsel

The State Bar has charged three attorneys with misconduct for submitting court filings containing fabricated legal citations generated by artificial intelligence, underscoring that lawyers remain responsible for verifying their work.

The bar issued disciplinary charges against two attorneys and reached a stipulation with a third, all stemming from filings that included nonexistent or inaccurate AI-generated citations submitted without adequate review.

"Whether relying on traditional research methods or emerging technologies like generative AI, attorneys remain fully responsible for verifying the accuracy of their work," State Bar Chief Trial Counsel George Cardona said in a news release.

"Courts and clients must be able to trust that the filings attorneys submit are accurate, supported, and compliant with professional standards."

The bar entered into a disciplinary stipulation with Sepideh Ardestani, formerly of Crosner Legal in Beverly Hills, on April 6. She admitted to filing a federal motion containing nonexistent and inaccurate citations that misled the court. The stipulation recommends a one-year stayed suspension, a 30-day actual suspension, and 10 hours of technology-focused continuing legal education addressing AI risks.

Ardestani did not respond to requests for comment.

The stipulation accompanies disciplinary charges against Omid E. Khalifeh of Omni Legal Group in Los Angeles and Steven T. Romeyn of Enara Law PLLC in Scottsdale, Arizona.

Khalifeh faces six counts of professional misconduct for allegedly submitting a nonexistent case citation in a federal trademark matter and falsely certifying that he had verified it.

Romeyn is accused of filing a personal injury pleading containing numerous fabricated legal authorities generated by AI and faces counts for failing to act with reasonable diligence and misrepresenting the filing's accuracy.

Legal ethics experts said the cases reflect established professional standards rather than a new rule specific to AI.

"At this point, given the potential for inaccuracies among certain AI tools, an attorney likely violates the standard of competence by not verifying citations generated by AI," said Merri A. Baldwin of Rogers Joseph O'Donnell PC.

Others said the issue ultimately comes down to basic diligence.

"You need to be able to vet AI just like you would vet a witness at a deposition prior to trial," said Shawn Shaffie of Parker Shaffie LLP. "You don't go to trial not knowing how a witness is going to testify 95% of the time, and the same thing goes with these citations."

Cassandra L. Gaedt-Sheckter of Gibson, Dunn & Crutcher LLP said partial verification of AI-generated work may be harder to defend as awareness of so-called "hallucinations" becomes widespread.

Attorneys also said the discipline signals that regulators expect lawyers to apply existing ethical duties to new tools.

"Lawyers are responsible for knowing the rules of the courts in which they are appearing," said Sharon R. Klein of Blank Rome LLP.

Dylan Ruga of Stalwart Law Group said generative AI can be misused by attorneys looking to cut corners. "In each example, the attorneys have acted irresponsibly and unethically," he said.

Some attorneys differed on whether the discipline was too lenient or too harsh. Ruga described the penalties as "relatively light," predicting stricter enforcement as familiarity with AI grows.

Randall A. Miller of Miller Waxler LLP called the stipulation "particularly aggressive," but said efforts to curb misuse are appropriate.

Experts said expectations around AI use in legal practice are likely to evolve quickly. Vincent Joralemon, an AI law expert at UC Berkeley Law, said attorneys who fail to adopt such tools may eventually face scrutiny as well.

"At some point, the general acceptance in the field will be that it is better to use these tools than to not use them," Joralemon said.

#390838

News | **Artificial Intelligence**

Two Attorneys Face Disciplinary Charges, Third Agrees to License Suspension for AI Misuse

The three California-barred attorneys are accused of using fake or nonrelevant, AI-generated case citations in state and federal filings.

April 13, 2026 at 08:10 PM By  **Cheryl Miller**



Credit: InfiniteFlow/Adobe Stock

California's state bar over the last two weeks has filed disciplinary charges against two lawyers—and reached a settlement with a third—accused of submitting false, AI-generated content in court filings.

The bar announced Monday that State Bar Court Hearing Judge Yvette Roland on April 6 approved a stipulation with Sepideh Ardestani after a federal judge in Sacramento found last year that the Beverly Hills class-action litigator cited nonexistent decisions as well as actual cases that did not include attributed language. Ardestani had been representing plaintiffs in a wage-and-hour lawsuit,

Tercero v. Sacramento Logistics, when the defendant's counsel alerted the court to the fake citations.

U.S. District Judge Dena Coggins of California's Eastern District [sanctioned](#) Ardestani \$1,500 and chastised her for "conduct [that] has led to a waste of limited time and judicial resources in a district that has labored under a long-standing caseload crisis."

Ardestani and state bar prosecutors have agreed that her license should be suspended for 30 days and that she be required to complete one year of probation. If the California Supreme Court approves the agreement, she will also be forced to complete 10 hours of coursework on technology that includes five hours of instruction on the risks and benefits of using AI in legal work.

Ardestani had blamed her actions in part on the stress of caring for a frail, elderly parent. Her attorney, Artak Barsegryan of Pansky Markle Attorneys at Law, did not immediately respond to a message seeking comment.

"Whether relying on traditional research methods or emerging technologies like generative AI, attorneys remain fully responsible for verifying the accuracy of their work," the bar's chief trial counsel, George Cardona, said in a prepared statement. "Courts and clients must be able to trust that the filings attorneys submit are accurate, supported, and compliant with professional standards."

The stipulation with Ardestani follows another discipline agreement reached this year between the bar and Pacific Palisades attorney Amir Mostafavi. Last September, the Fourth District Court of Appeal sanctioned Mostafavi \$10,000 for including nonexistent, AI-generated quotes and case citations in his opening and reply briefs.

Mostafavi, who said he did not know that generative AI could hallucinate, agreed to a year of professional probation plus a continuing education requirement focused on legal technology.

The state bar announced Monday that prosecutors are pursuing related charges against two additional attorneys.

Steven Romeyn, an attorney at Enara Law, submitted a pleading last fall in an Orange County Superior Court personal injury case that included fake quotations and citations as well as cases that did not stand for the holdings cited, according to the state bar. Responding to the court's inquiry, a declaration by Romeyn said he used an AI drafting tool but did not verify the accuracy of every citation.

Romeyn did not immediately respond to a request for comment.

On April 1, the state bar also issued a notice of disciplinary charges against Omid Emile Khalifeh, a Los Angeles patent attorney, for allegedly including in a federal court filing a case citation that does not exist and two case citations that do not match the arguments for which they were cited.

State bar prosecutors said Khalifeh did not disclose his use of generative AI when drafting the trademark case filing and “further misled the court” by telling the judge he reviewed and verified the accuracy of the citations.

Khalifeh did not immediately return a message sent to his workplace email.

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California Brief

Finance Executives Set High Bar as Outside Auditors Turn to AI

April 14, 2026, 5:05 AM PDT

Finance leaders expect their auditors, now armed with increasingly complex artificial intelligence tools, to dig deeper into business risks and better translate how they reach their findings, a new survey suggests.

Executives are split over whether they are benefiting from earlier technology upgrades that US accounting firms have rolled out, according to a survey the Financial Education and Research Foundation released Tuesday.

Half of surveyed leaders said that the use of AI improved the quality of their latest financial statement audit, according to the report reflecting 2024 financial statement audits. Executives also noted productivity gains as auditors have adopted newer generations of AI.

The largest audit firms have invested billions of dollars into building new tools that leverage AI to handle routine testing for transactions and to help auditors identify high risk areas. KPMG and Ernst & Young this month said they were launching advanced AI tools that rely on autonomous agents to pull and analyze data and draft internal workpapers for auditors.

Finance leaders who see the tools as improving the value of an audit have expectations beyond time-savings for new tools, however, including “clearer articulation of key risks, deeper insight into areas involving significant judgment,” and “greater transparency around audit conclusions,” according to the report.

One executive told the surveyors that AI tools should free up auditors to spend more time challenging managers on their decisions and to better understand the company’s business.

The survey included 95 responses from accounting professionals working for private and public companies, along with nonprofits and government agencies.

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What to expect as Ohio utility corruption trial heads for a do-over

 yahoo.com/news/articles/expect-ohio-utility-corruption-trial-073000138.html

Kathiann M. Kowalski

April 14, 2026



The historic criminal trial of two former FirstEnergy executives ended with a deadlocked jury and [mistrial](#). Now, they're set to stand trial for a second time on the same state criminal charges related to Ohio's [House Bill 6](#) utility corruption scandal.

It's the latest twist in the largest corruption scandal in state history, in which FirstEnergy's executives allegedly bribed officials to pass and protect HB 6, a 2019 law to bail out uncompetitive coal and nuclear plants and to [gut](#) the state's clean energy standards. Judge Susan Baker Ross plans to begin the new trial on Sept. 28.

The effects of the scandal are visible to this day: Ohioans have less solar and wind power, pay [higher energy bills](#), and continue to have more pollution as a result of HB 6.

The state's criminal case has focused on allegations that the former executives paid a \$4.3 million bribe to a company owned by the late Sam Randazzo, weeks before he became Ohio's top utility regulator. Other claims include fraud, money laundering, records tampering, racketeering, and conspiracy.

The defendants, FirstEnergy's former CEO Chuck Jones and its former senior vice president for external affairs Mik Dowling, have pleaded not guilty in the state case and in a pending federal criminal case against them.

FirstEnergy [admitted](#) in 2021 that it and its subsidiaries had paid approximately [\\$60 million](#) to [dark money groups](#), which then funneled the funds to an organization controlled by former Ohio House Speaker [Larry Householder](#). Householder was convicted in 2023 on charges under the federal Racketeer Influenced and Corrupt Organizations Act.

State prosecutors did not include charges about Householder in their indictment, so Baker Ross kept that evidence out of the state case. She also excluded statements by FirstEnergy lawyers that [fingered](#) Jones and Dowling as the individuals who made the payments.

The judge's rulings also kept jurors from learning about FirstEnergy's admission in a [deferred prosecution agreement](#) that it paid the \$4.3 million to Randazzo's company shortly before he became chair of the Public Utilities Commission of Ohio. In return, FirstEnergy expected Randazzo to pass HB 6 and otherwise further the company's priorities "as requested and as opportunities arose," the company admitted in the agreement.

The two-month trial ended on March 31 when jurors made it clear they could not reach a unanimous verdict.

Minimizing confusion at the retrial

Ashley Brown, a former public utilities regulator for Ohio, said confusion could have led to the hung jury.

"The prosecutor failed to provide a full context of the legal ethics and regulatory aspects of the case," Brown said.

Even when Dennis Deters, a current public utilities commissioner, was on the stand, the state's lawyers did not ask him to explain some basic issues that are obscure for most of the public, Brown noted.

In the state's retrial, a better grounding could help guide jurors when testimony again gets into the weeds.

Additional context could have helped rebut suggestions in testimony by other former FirstEnergy executives that money payments under secret side agreements were common and somehow acceptable in regulatory cases. In fact, regulators fined FirstEnergy [nearly \\$19 million](#) for that violation last fall.

Similarly, the first trial included multiple instances in which cross-examination by defense lawyers mixed up different aspects of utility regulation. The defense at one point treated money that FirstEnergy earned as compensation or incentives for [offering energy-efficiency programs](#) as equivalent to a charge it could collect under HB 6 for basically doing nothing.

"Most people don't understand how that all works," said Michael Benza, a professor at Case Western Reserve University School of Law who teaches criminal law and procedure. "So corruption can kind of hide in plain view because nobody understands what's happening in the first place."

The defense's cross-examination also suggested that Randazzo couldn't have been acting on FirstEnergy's behalf, because ending the energy-efficiency standard cut off some of the fees the company had collected, and because Randazzo already wanted to get rid of the standard. On retrial, the prosecution might include evidence that FirstEnergy tried to [put the brakes](#) on Ohio's energy efficiency standard as early as 2012. And, of course, one can still be paid unlawfully for something they otherwise want to do.

Brown also pointed out a question that the jurors sent the judge last month, asking for clarification about whether a bribe can happen before someone formally submits their application for a public appointment. From Brown's perspective, the question was a legal one, to which the judge should have answered yes.

Trials' timing may matter

The federal case against Jones and Dowling does not yet have a trial date, although one could be set next month.

As a general rule, what happens in the state criminal case should not affect what happens in the federal case, Benza said. Nonetheless, if the defense ultimately gets a verdict of not guilty in the state case, it could change how federal prosecutors approach their trial.

Because the federal case [alleges violations](#) of Ohio law in order to prove there was a [pattern of corrupt activity](#) under the Racketeer Influenced and Corrupt Organizations Act, however, the state case might well influence the federal one. A not-guilty verdict on charges related to bribing Randazzo could block that part of the case dealing with allegations about him, suggested David DeVillers, a former

U.S. attorney for the Southern District of Ohio who is now in private practice with Barnes & Thornburg in Columbus. The federal government could still move ahead on the allegations relating to Householder.

For now, both the prosecution and defense will hope that the jury comes back with a unanimous verdict in their favor the next time around. But, Benza stressed, a "not guilty" verdict is not an acquittal.

"'Not guilty' does not mean you're innocent," he said. "The jury by saying 'not guilty,' at best, is saying that the prosecution failed to prove an element or elements of its case."

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Securities

Manage Newsletters

Matt Levine's Money Stuff: Banks Aren't Worried About BDCs

April 14, 2026, 11:13 AM PDT

Banks and private credit

It is bank earnings week, and people are worried about private credit. You could imagine banks gloating. "People are worried about the credit quality of private-credit loans," they might say, "and are rushing to take money out of retail private credit funds. We, meanwhile, never got caught up in the private credit hype cycle, and we have a fortress balance sheet and access to lots of cheap funding. This is a great opportunity for us: As private credit cools down and retreats from making aggressive loans, pricing will get more favorable and we will gain market share."

That is: One model of private credit is that it is a source of credit that *competes* with banks, and bad news for private credit is good news for its competitor, banks.

In fact, though, there are a lot of stories [like this](#) :

Wells Fargo & Co. said its exposure to private-credit firms was roughly \$36.2 billion in the first quarter, offering details on a category closely watched by investors.

Companies in the business services, software and health-care industries make up about half of the total value of the collateral, with software companies accounting for 17%.

For more than 98% of those transactions, Wells Fargo can adjust the margin if the credit performance of the underlying assets worsens. The securitized loans would have a roughly 40% cushion, meaning the funds the bank lends to would absorb about 40% of losses before they are recognized by Wells Fargo, according to an investor presentation Tuesday.

Or [this](#) :

Wall Street banks reported at least \$100 billion of exposure to private-credit firms, offering a glimpse at what has become a closely watched industry with many investors on edge over credit quality and the growing impact of artificial intelligence.

Wells Fargo & Co. said its exposure to private-credit firms was roughly \$36.2 billion in the first quarter, while Citigroup Inc. reported \$22 billion of such loans in the fourth quarter, noting that it's had zero losses over the life of the portfolio.

JPMorgan Chase & Co. put the figure at \$50 billion, with Chief Executive Officer Jamie Dimon saying on a call with analysts that he wasn't "particularly concerned about it."

"You have to have very large losses in private credit before at least it looks like banks are going to get hit," Dimon said. "It doesn't mean you won't feel some stress and strain and you might have to do something about it. But I'm not particularly worried about it."

That is, the story of private credit in 2026 is not so much that private credit and banks are distinct sources of credit, but rather that " [banks are re-tranching](#) ": Private credit firms make loans to companies, funded in part with their own investors' money and in part – 60%, in Wells Fargo's portfolio – with [money that they borrow](#) from banks. Companies borrow money, the loans are pooled in private credit funds, and if the loans default, the private credit investors take the first 40% (give or take) of losses and banks take the next 60%.

Broadly speaking, that should make the financial system safer. Banks are highly leveraged and funded with demand deposits; if people get nervous there might be a run on the bank. Private credit funds are less leveraged (60%?), and the whole point is that their investors *can't* take their money back. So there are no real runs on private credit, no real fire sales of loans, no real drying up of credit due to investor fickleness. "BlackRock Sees Private Credit Tumult as Way to Take Market Share," [Bloomberg reports today](#) , even though many investors in BlackRock's retail private credit fund asked for their money back this quarter. [BlackRock just said no](#) ! Problem solved.

So Jamie Dimon is more or less right to be sanguine. Still, you could imagine two problems with this sort of re-tranching:

1. *Sloppiness*. If your model is "instead of lending \$60 to businesses, banks lend \$60 to private credit funds, which then lend \$100 to businesses," then this re-tranching of banking creates *more loans* than the banks would have made on their own. How does the system make more loans? [Maybe by making worse loans](#) : loans to riskier companies, or loans at higher leverage ratios that make companies riskier, or loans to frauds. A senior claim on worse loans might be worse than full exposure to better loans.
2. *Correlation*. What are the chances that all the private credit loans will default at once, leaving private credit funds with losses of more than 40% and thus causing losses at the banks? I mean, normally, quite low: These are pools of loans to lots of different companies, the economy is mostly fine, and you wouldn't normally expect losses greater than 40% absent widespread economic devastation. Unless the loans are in some functional sense all the same: If every private credit loan is fundamentally "we loaned a lot of money to finance a leveraged buyout of an enterprise software-as-a-service company," and if modern AI models render [all of enterprise SaaS worthless](#) , then, yes, all those private credit loans could go to zero and the banks could lose money. This seems in several ways sort of an unlikely scenario, but surprising correlations do cause financial crises, and I suppose that's why Wells Fargo takes pains to explain that only 17% of its private credit loans are in software.

BDC matching engine

The private credit thing is an annoying market failure. What is happening is, roughly:

1. A lot of private credit funds take the form of permanent non-traded business development companies (BDCs). Investors (largely individuals) bought shares from a BDC, and the BDC used their money to make loans. The shares do not trade anywhere. The only way for investors to get their money back is that, once a quarter, the BDC offers to buy back up to 5% of the shares, at net asset value. If holders of more than 5% of the shares want to redeem, tough luck; they only get back 5%.
2. Holders of more than 5% of most of the BDCs (except [one Goldman Sachs one](#) !) have asked to redeem this quarter.
3. That might be a matter of generic nervousness, but a [simple explanation](#) is that the investors do not trust the BDCs' [net asset values](#) . A BDC might tell its investors "all our loans are doing great and they're worth 100 cents on the dollar," but investors might not believe that; they might think that some of the loans will default and they're only really worth 80 cents on the dollar. (Other private credit funds, *traded* BDCs, trade at market prices that often reflect 20% discounts to NAV.) If you think that your fund is worth 80, but the fund will cash you out at 100, you should cash out at 100, so people do.
4. Meanwhile a lot of people – the BDC managers, [Boaz Weinstein](#) , some institutional investors – think that all of these concerns are overblown, that private credit is doing great, and that now is a great time to buy low. But *they can't buy low*. Non-traded BDCs can generally only transact at net asset value. (And net asset values have not fallen much.) This means that (1) the BDCs themselves [cannot cash out redeeming holders](#) at 80 cents on the dollar, even if a lot of BDC investors would take that deal, and also (2) other investors [can't put money in](#) at 80 cents on the dollar: If they want to put money in, they have to pay 100 cents on the dollar. Some of them do that! These private BDCs continue to get inflows. But the inflows are usually smaller than the outflows, because obviously [the market-clearing price](#) is something less than 100 cents on the dollar.
5. The obvious solution here is to have some sort of secondary market where people who want out of BDCs can match with people who want in at a discount. People who want a private-credit bargain can bid 80 cents on the dollar for BDC shares, and existing shareholders of that BDC who want out – and who can't get all of their money back from the normal 5% tender – can sell to the bargain-hunters.

This is approximately what Boaz Weinstein is [up to](#) , tendering for a Blue Owl BDC at about 65 cents on the dollar. But he's just one buyer. There is not a more general two-sided market matching buyers and sellers of discounted non-traded BDCs, because those BDCs are non-traded. That's their whole thing. There are *publicly traded* BDCs where anyone can buy and anyone can sell, and those really do trade at discounts to NAV, but they're different. The non-traded BDCs don't trade.

But what if they did? On Friday, Bloomberg's [Natasha Voase and Claudia Cohen reported](#) :

As a growing number of French property funds freeze withdrawals in the face of a client exodus that's overwhelmed their cash buffers, the true cost of liquidity is becoming clearer.

After halting redemptions earlier this year, a fund managed by Praemia REIM France has begun allowing investors to offer their shares on a secondary market, matching buyers and sellers. The initial trades show the high price some shareholders are willing to pay to get their money back.

An investor in Praemia's Priompierre vehicle swallowed a discount of 60% to the fund's last subscription price in the initial secondary market transaction that took place in the last week of March, the company's data show. The only buy order so far for clients attempting to extricate themselves from Perial Asset Management's Perial O2 fund is at a 70% discount.

Praemia's secondary market offering is in its infancy and transaction volumes are low, a spokesperson said in an emailed statement.

"The price resulting from this first session should be interpreted with caution, as it primarily reflects a one-off match between a small number of buy and sell orders, rather than the underlying value" of the portfolio, they wrote.

Obviously French property funds are not US private credit funds, but the basic idea applies. If you run a non-traded fund, and it has an official net asset value, and at that value more people want out than want in, why not let the people who want out sell – at market-clearing prices – to the people who want in? You know who wants out (they are pestering you), and you probably know who wants in (you are pestering them); you are best situated to set up your own informal two-sided secondary market to match buyers and sellers. And then, obviously, you send out a statement saying that the market-clearing price does not reflect the underlying value of the portfolio.

Carbon

You could have a model of carbon removal credits that is like:

1. Each ton of carbon that is added to the atmosphere will make humanity worse off by \$X.
2. Microsoft Corp. has many human customers, employees and shareholders, and it has offices and data centers in places that will be affected by climate change. Therefore, each ton of carbon will make Microsoft worse off by \$Y.
3. There are people who will remove carbon from the atmosphere if you pay them \$Z per ton.
4. If \$Y is greater than \$Z, Microsoft should pay those people to remove carbon.
5. Even if it isn't, maybe there's some sort of collective-action dynamic where Microsoft and 100 other big companies will each pay to remove some carbon, and the collective benefit to those companies from removing all that carbon will be greater than the amount they collectively pay. Of course other companies that don't participate will also benefit, but a big important company like Microsoft can't free-ride like that; Microsoft's participation helps encourage others to participate and is thus valuable to Microsoft.

Something like that; Step 5 is crucial (nobody thinks the *benefit per ton to Microsoft* is greater than the cost per ton) but pretty fuzzy. But this model seems pretty conventional.

You could have another model:

1. It is good public relations for a big US company to say "we are carbon neutral."
2. Therefore, there is some benefit to Microsoft in adding up its carbon emissions and paying some people \$Z per ton to remove that much carbon: Then Microsoft can say "we are carbon neutral."
3. If the public relations benefit of saying "we are carbon neutral" is greater than \$Z times the number of tons of carbon Microsoft emits, it should do this.

This model is also a little fuzzy (it's hard to quantify the PR benefit), and I suppose it is additive to the previous model (you get the PR benefit *and* the substantive climate-change benefit). But if you think that this second model *primarily* explains how US companies think about carbon emissions, then you might make the following predictions:

1. As Microsoft's own carbon emissions go up, it might be less likely to pay for carbon removal. The cost of saying "we are carbon neutral" is the cost per ton of carbon removal *times* the number of tons of carbon Microsoft emits on its own. If Microsoft is a software company – some people in an office typing on computers – its own emissions will be fairly small, and it can get the PR benefits of being carbon-neutral without a huge expense. If Microsoft is a vast network of power-hungry data centers used to build AI, it has a lot of emissions to offset, which is expensive. And the PR benefit of saying "we offset 60% of the carbon we emit" is, probably, not 60% of the benefit of saying "we are carbon neutral."
2. As the PR benefit of saying "we are carbon neutral" goes down, so does the amount Microsoft should pay for carbon removal. The PR benefit, in the current US political environment, could be negative. If you are carbon neutral these days, you might keep that to yourself. I [wrote a few weeks ago](#) : "In 2026, if you did find a cheap clean renewable way to produce limitless fuel from algae, you'd keep quiet about it. 'We made this fuel by burning coal in a new way that emits extra carbon, promise!'"

Anyway Bloomberg's [Alastair Marsh reports](#) :

Staff at Microsoft Corp. have told some developers of carbon removal credits that the company is pausing what is currently the world's biggest program for financing the extraction of CO₂ from the atmosphere.

Employees at the software giant have called a number of carbon project developers in recent days to say Microsoft is putting purchases on hold, according to two people familiar with the matter who asked not to be identified disclosing confidential information. In one instance, Microsoft employees said the decision was motivated by financial considerations, one of the people said.

Microsoft is by far the largest investor in removal credits, having set an ambitious goal to be carbon negative by 2030. The company is engaged in deals across a variety of technologies, with BloombergNEF estimating that its purchases in 2025 accounted for 96% of the entire market. ...

While Microsoft has [previously] expanded its carbon removals program, the company's greenhouse gas emissions have increased significantly on the back of its investment in data centers needed to power artificial intelligence.

Right I mean if you keep spending more money on carbon removal and your net carbon emissions keep going up, that does seem like an expense you could cut?

Mention market correlation models

I [wrote yesterday](#) about a difference between prediction markets and regular financial markets, which is that regular financial markets are all correlated with one another and prediction markets aren't:

Financial assets tend to move together based on underlying economic factors; baseball games do not. There is no obvious reason that the result of the Mets game would tell you anything about the result of the Yankees game.

In a footnote, I added that "if you're trading a factor model of sports bets please be in touch." Someone emailed to point out that the result of the Mets game would tell you a lot about the result of the Yankees game *if they played each other*, which was not really my point.

Still, there are probably many domains where a bunch of prediction-market event contracts will all be correlated with one another, or maybe even with underlying economic factors. There are "mention markets" on what words Jerome Powell will say at a press conference, and I suppose you could build a macroeconomic model that predicts, like, Treasury bond prices and also Powell's word choices. Or here's a Wall Street Journal article about whatever this is:

On the day of President Trump's State of the Union address, Foster McCoy sat himself in front of two glowing screens to "monitor the situation." ...

McCoy, 28, was using all of these inputs to place a bet: that Trump's youngest son, Barron, would show up in the audience.

"The only way people found out that Barron Trump was going was through Eric Trump's Instagram Story," the Minneapolis resident said. "If you followed him on Instagram, you found that he had posted a selfie with all of Trump's children in one picture, all wearing suits, preparing for the State of the Union."

That one appearance, McCoy said, would set off a domino effect on other related markets, like whether Trump would shout out his kids during his speech, or use other specific words traders could bet on him using. His combined bets netted him about \$10,000, he said.

Obviously not a fundamental economic model or anything but, sure, I guess the point is that a lot of prediction-market bets are correlated to the factor "Barron Trump is on Eric Trump's Instagram story." It's not that all events are correlated to the same fundamental factors, but every event that you can bet on is correlated to like 10 other events you can also bet on, so you need at least some intuitive model of how to trade related markets. Modern finance is so good.

Elsewhere, here's a 2004 paper by Steven Levitt titled "Why Are Gambling Markets Organised So Differently from Financial Markets?" From the abstract:

In sports betting, bookmakers announce a price, after which adjustments are small and infrequent. Bookmakers do not play the traditional role of market makers matching buyers and sellers but, rather, take large positions with respect to the outcome of game. Using a unique data set, I demonstrate that this peculiar price-setting mechanism allows bookmakers to achieve substantially higher profits. Bookmakers are more skilled at predicting the outcomes of games than bettors and systematically exploit bettor biases by choosing prices that deviate from the market clearing price.

As we discussed yesterday, this is all a matter of degree: Financial market makers sometimes take positions, and sports bookmakers sometimes try to balance bets, but, yes, to the extent that prediction markets are essentially sports betting markets, their market makers will have to take directional positions.

Things happen

[JPMorgan](#) Traders Blow Past Expectations With Record Haul. [Citi](#) Logs Best Returns in Five Years as Revamp Takes Hold. [Wells Fargo](#) Misses Loan, Fee Estimates Amid Lower Interest Rates. [BlackRock](#) Pulls In \$130 Billion of Client Cash as Fees Boom. OpenAI investors question \$852bn valuation as strategy shifts. Amazon to Buy Satellite Operator [Globalstar](#) for \$90 a Share in Cash or Stock. United CEO Has Pitched [Possible Tie-Up](#) With Rival American. Meta Expected to Unseat Google as World's Largest Digital-Ad Player. PwC plans overhaul of global consulting business. Young trader who made \$250mn on Russian crude sets sights on Guyana. China Starts Bankruptcy Liquidation of Shadow Bank [Zhongzhi](#) . Fed Chair Nominee [Warsh](#) Discloses Assets Worth Over \$190 Million. TCW Private Credit Fund Slashes [Red Lobster Equity Value](#) by 98%. AI chatbots misdiagnose in over 80% of early medical cases, study finds. [Trump Jr.-Linked Cage-Fighters](#) Make Pitch to Train US Military. Frozen yogurt fraud.

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Matt Levine's Money Stuff: Prediction Market Making Is Hard

April 13, 2026, 11:04 AM PDT

Prediction market microstructure

I write about sports gambling around here more than I used to, because sports gambling has become pretty closely integrated with postmodern financial markets. Sometimes, when I write about sports gambling, I get emails from readers explaining that sportsbooks set their betting lines to balance bets on each side: A sportsbook sets the odds or point spread of a game so that it will pay the same amount of money regardless of which team wins. The book will collect, say, \$100 of bets on the favorite and \$50 of bets on the underdog, and it will set its odds to pay out \$140 if the favorite wins and \$140 if the underdog wins, keeping \$10 — the “vig” — for itself in either case.

This is a popular view of sports betting, but it is wrong. It's not *entirely* wrong: Sensible sportsbooks will manage risk and try to keep the action somewhat balanced. But in fact many sportsbooks regularly make directional bets on outcomes: They have some view of the likely result, and they set their odds to, in effect, bet on the more likely outcome. And then sometimes they lose money on a game, and other times they win money on a game, but if their models are good they win more than they lose and are more profitable than they would be if they always balanced bets exactly. Intuitively, the general public is *systematically wrong* — people tend to irrationally bet on their home teams, underdogs, etc. — and taking the other sides of those bets is generally profitable. The sportsbook might stay “close to home” (not too much risk either way), but it doesn't have to be “flat” (*no* risk either way). It is not looking to take *no* risk; it's looking to take the *right* risk.

Loosely speaking, the role of bookies in the stock market is played by electronic proprietary trading firms. If a retail investor wants to buy a stock, she will probably buy it from Citadel Securities or Hudson River Trading or Virtu or Jane Street or someone like that. Those trading firms will sell some stock to one retail investor one second, and buy some stock from a different retail investor a second later.

You could imagine the trading firms working more like the popular perception of bookies, or more like actual bookies. That is:

1. Trading firms might buy 100 shares of Stock A one second and sell 100 shares of Stock A the next second. Over a second or two, they might be long or short Stock A. But over the long run, they try very hard to stay “close to home,” and every night they “go home flat,” with no net positions in any stocks. They make money *only* by capturing bid/ask spreads in short-term trading.
2. Trading firms might have some fundamental model of value, and if people want to sell Stock A below its fair value they will keep buying. If a firm accumulates 10,000 shares of Stock A during the course of the day, that’s fine. If it holds those shares overnight, or for days at a time, that’s fine. The point is not to be *flat*, but to be *right*. If the trading firm is systematically long stocks that go up and short stocks that go down, then that’s much more profitable than staying flat.

As with actual bookies, the truth is mostly somewhere in between. A lot of proprietary trading firms will have some model view of value, and will try to buy stocks below their value and sell above their value. They will have other constraints — risk limits, capital, etc. — that tend to push them to be close to home. The result will be a trading book that has much *less* directional risk than, you know, Bill Ackman’s portfolio. If an electronic trading firm had large long positions in 12 stocks and held them for months, that would be odd. But there can be *some* directional risk: If a trading firm ends each day with zero net position in every stock, it is leaving some money on the table.

Things are a bit easier for stock trading firms than they are for sportsbooks, in that financial markets have a lot of correlated instruments that can hedge each other. If a firm is long \$100 of Stock A and short \$100 of Stock B, that might be less risky than either position on its own: If Stocks A and B are correlated, their moves will mostly offset each other, and the firm is unlikely to lose anything close to the full \$200. Or an *options* trading firm can hedge its options position with the underlying stock — long call options on 100 shares of Stock A, short 60 shares of Stock A to hedge — and won’t make or lose much money whichever way the stock moves. A stock market maker can have a lot of long positions and a lot of short positions and still feel, on balance, close to home.

This is harder for a sportsbook: We have talked around here about sportsbook correlation models, but they have limited applicability (same-game parlays); as far as I know it is hard to hedge a bet on the Yankees with a bet on the Mets, or on the Masters for that matter. Financial assets tend to move together based on underlying economic factors; baseball games do not. There is no obvious reason that the result of the Mets game would tell you anything about the result of the Yankees game.

Really, there is a range of these electronic proprietary trading firms: Some take very little directional risk and try to go home flat in everything most days; others have more complex hedging models that allow them to take lots of individual risks while keeping overall risk low; others will make unhedged billion-dollar directional bets if the expected value is good enough.

Anyway, one reason I write a lot about sports gambling now is because I write a lot about *prediction markets*, which are sort of legally financial markets (in the US, they are commodity futures markets regulated by the Commodity Futures Trading Commission) but practically sportsbooks (79% of volume on Kalshi is sports bets). One frequently remarked difference between a prediction market and a traditional sportsbook is that, at a sportsbook, customers are betting against the sportsbook, while in a prediction market they are betting against each other.

I tend to be unimpressed by that difference, because it is also true of the stock market: Anyone can buy stock, and anyone can sell stock, so when you buy a share of stock you might theoretically be buying it from some other investor who wants to sell. But in practice you are almost certainly buying it from an electronic trading firm, because those are the firms that make markets on the stock exchange (and, more relevantly, for your retail brokerage). They are posting orders to buy and orders to sell, and if you want to sell or buy you will probably trade with their orders.

Similarly, in prediction markets, in the long run, it seems entirely plausible that customers will mostly trade with market makers: Professional electronic trading firms will post bids and offers on the prediction markets, and if you want to buy a contract you will in most cases buy from a trading firm that sells it. If the contract you want to buy is "Mets win tonight," you will buy it from a trading firm that is in effect betting on the Mets losing. And then if someone else wants to buy "Mets lose," they will also buy it from that trading firm, which will be trading on both sides of the market.

But:

We're not there yet: There are some professional prediction-market traders who provide liquidity, but they do not yet seem to dominate volumes on the big prediction markets.

Who will these market makers be? There are some reasons to think that they will be the same prop trading firms that trade stocks and options and futures: Those firms are good at trading regulated financial assets, and prediction markets are regulated financial assets. But there are also some reasons to think that they will be the same sports market makers that make odds for sportsbooks: Those firms are good at trading sports bets, and prediction markets are sports bets. (Of course there is overlap; Susquehanna famously does both.)

If the market makers are traditional prop trading firms, they will have some difficulties adapting to prediction markets, because the traditional correlation and hedging math of financial markets might not work as well in sports or other events.

So Bloomberg's Bernard Goyder reports on prediction markets:

There are numerous reasons why institutional traders have not joined in, including the lack of regulatory clarity and the relatively light volumes compared with the other areas where they operate.

But a new academic paper points to another potential reason: Some of the basic tools that sophisticated traders use to manage risk in other markets aren't available in event-based bets.

At the most basic level, most market makers offset their risk in one type of trading by hedging with other related assets — for options markets, they can do this in the underlying stock market. That is much less easy when the bet is on a celebrity wedding or an election, according to the paper published by Nick Palumbo, a former product manager at the sports betting site DraftKings Inc.

Here is Palumbo's paper, "A Microstructure Perspective on Prediction Markets," finding that market makers on prediction markets don't really earn bid/ask spreads so much as they make directional bets on events:

Passive liquidity providers systematically absorb residual demand imbalances and retain outcome-dependent exposure through contract resolution. Profitability appears to depend less on classical bid-ask spread capture and more on managing terminal risk associated with dynamic supply creation. These findings suggest that liquidity provision in event-contract markets shares structural similarities with underwriting rather than traditional inventory-neutral intermediation.

I guess my point would be that neither sports bookmaking nor stock prop trading is entirely "traditional inventory-neutral intermediation"; Jane Street does not just earn a bid/ask spread on all of its trades. From his findings:

Across the full NFL season:

Passive liquidity providers accumulated net exposure in the direction of realized outcomes in the majority of markets

In most cases, they had a terminal asset on one outcome and a terminal liability on the other

Aggregate profitability was positive (approximately \$29 million)

On average, the sum of terminal assets was greater than the sum of terminal liabilities

Weekly P&L exhibited significant volatility, with pronounced drawdowns during adverse weeks

LPs [*liquidity providers*] are winning on average, but are not without weeks of significant losses

Yeah I mean seems fine? The job is to make markets where you have a positive expectation, and to win more than you lose.

Elsewhere:



Right, see, that's (one-sided) model-based positive-expected-value passive liquidity provision.

Prediction market resolution

In general, event contracts on prediction markets pay \$1 if an event happens and \$0 if it doesn't. But how do you know, in general, if an event has happened? Or rather, how does the *prediction market* know: How does it decide whether to pay out the Yes contracts or the No contracts?

There are some events that have official results. Major League Baseball has a mechanism for deciding the winner of the Mets game, and a sportsbook or prediction market will probably defer to the official mechanism. The Oscars have official results. US elections, so far, have had official results. But most events in the world do not have official results. There is no official objective arbiter of whether US ground troops have entered Iran. The people who might know — the US military, the Iranian military — might not want to tell you. Or — as we discussed last week — you might know all the facts, but still not be sure whether those facts mean that “US ground troops have entered Iran” in the relevant sense.

So who decides, and how? The most straightforward answer would be something like:

1. The prediction market is a regulated financial exchange with a lot of lawyers.
2. The prediction market appoints a committee of lawyers and philosophers to decide whether events have occurred.
3. They try to do a good job.
4. If they do a bad job, the prediction market loses customers, or regulators step in.
5. The committee evolves a code of ethics: Committee members aren't allowed to trade themselves, or take bribes, etc.
6. The committee evolves a set of *rules* to make the substantive decisions. Each time some event contract has a difficult and controversial determination, the committee changes the rules for future event contracts to make the resolution easier and less controversial. If the “Cardi B performs at the Super Bowl” contract settles ambiguously because Cardi B danced and mouthed words but might not have been singing, you write future “_____ performs at _____” contracts to avoid that ambiguity. You do this over and over again, incrementally fixing rough patches, so that, in 10 years, prediction markets resolve as consistently and unsurprisingly as, you know, credit-default swaps or bank contingent capital securities. Which is to say: *not* perfectly consistently or unsurprisingly. But hopefully good enough for institutional use.

I think that, at a high level, this is roughly the approach of Kalshi, one of the two big prediction markets and the one that leans most into being a regulated US commodities futures exchange. I mean, we are in very early innings. I don't think there's necessarily a committee of philosophers and lawyers yet. But there are both regulatory and commercial pressures to get this stuff more or less right.

Meanwhile Polymarket, the other big prediction market, started out crypto-y, so it takes a crypto-y approach to resolving events. Crypto things love to be decentralized and do stuff with tokens, and Polymarket's resolution mechanism is decentralized and tokenized. As the Wall Street Journal describes it:

Polymarket doesn't resolve disputes itself. Instead, it relies on a service called UMA that runs a crowdsourced, crypto-based arbitration process for prediction markets. When a dispute arises, holders of UMA's digital tokens debate the situation in forums on the social-media platform Discord, then vote on the outcome. UMA "governs this process to ensure fairness and transparency," Polymarket says on its website.

Still, UMA has been a lightning rod for controversy in previous resolution disputes. Some traders have complained that the process is ripe for manipulation by anonymous UMA "whales" whose holdings of the token gives them outsize voting power.

And the Guardian notes:

Different individuals hold different amounts of UMA, and therefore have different voting power.

It isn't known who the largest UMA holders are, or what might affect how they vote. It is entirely possible that the people who finally settle a bet on UMA have large amounts of money staked on it.

"It's the protocol that you should vote the right way," said Ben Yorke, formerly a researcher at Cointelegraph. "But [UMA] gets it wrong all the time. And there have been cases where votes are decided by, like, one or two very large UMA holders."

And here is a Substack post on "How To Rig a Disputed Election's Prediction Markets for \$10 Million or Less," arguing that you could manipulate Polymarket resolutions by buying up some UMA tokens, or manipulate Kalshi resolutions by bribing Kalshi. I suppose the Polymarket approach is a little bit like the resolution mechanism for credit default swaps, which does involve a vote of a committee of big CDS traders. But Polymarket's is considerably more crypto-y.

We keep talking about this: about whether US ground troops entered Iran, whether Cardi B performed at the Super Bowl, whether Iranian missiles landed in Israel, whether Ali Khamenei "left office" as Supreme Leader of Iran. There keep being disputes and ambiguities and confusion. Why? I think there are two possibilities:

1. Because prediction markets are just little babies, in some practical sense barely one year old; they are learning on the job and there are lots of problems to be worked out. Check back in 10 years and everything will run as smoothly as any other financial market. (Which, again, is not perfectly smoothly!)
2. Because prediction markets are fundamentally different from other financial markets. Other financial markets pay \$X if the trading price of Y is above \$Z; the range of possibilities is narrow and susceptible to objective measurement. Prediction markets pay \$1 if any possible event in the world occurs, and there will always be new sorts of events and new complications. The philosophers will stay busy, and in 10 years there will be currently unimaginable ambiguities still making resolutions controversial. "How can you say the aliens have landed when in fact they hover," people will object in the comments, but the committee has to make a decision.

Mythos risk

Okay I've got a business model for Dario Amodei. Here's what you do. You build an incredibly powerful artificial intelligence system that "is capable of identifying and then exploiting vulnerabilities in every major operating system and web browser when directed by a user to do so." Then you hack into all the banks and steal all of their money. "It may be difficult to know what role money will play in a post-artificial general intelligence world," you cackle, surrounded by bags of loot with dollar signs on them.

Obviously this is not legal advice and there are flaws in this business plan, though you shouldn't overstate them. (When the police come to arrest you, you hack into their computers too and send them to the wrong address, etc.) It turns out that, so far, "artificial intelligence" seems to be better at computer programming than at most other domains of human intelligence. But being really good at computer programming is, in our modern world, pretty useful.

Anyway Bloomberg News reported last week:

Treasury Secretary Scott Bessent and Federal Reserve Chair Jerome Powell summoned Wall Street leaders to an urgent meeting on concerns that the latest artificial intelligence model from Anthropic PBC will usher in an era of greater cyber risk. ...

Anthropic's Mythos is a more powerful system that the AI firm has said is capable of identifying and then exploiting vulnerabilities in every major operating system and web browser when directed by a user to do so.

Regulators' caution about the power of the model in hackers' hands echoes Anthropic's own prudence. Anthropic has limited the release of it to just a few major technology and finance firms at first. Those companies, which include Amazon.com Inc. and Apple Inc. as well as JPMorgan Chase & Co., are part of "Project Glasswing," which will work to secure the most important systems before other similar AI models become available.

Right right fine in the actual world Anthropic is working *with* the banks to secure their systems against other similar models, because its actual business model is mostly being an enterprise AI company. But, you know, on a blank slate you might say "well if we could send ourselves all the money that would be good."

Robinhood Platinum

I feel like the simple model is:

1. What young people want, in a stock brokerage or any other service, is a well-designed app on their phone that allows them to get things done without ever talking to a human.
2. What old people want, in a stock brokerage or any other service, is a person they can talk to directly to get things done without ever messing around with an app.

I say this as someone who was once young and is now old. A lot of people are in my situation, though; it is in the nature of humanity that we start young and become old. If you are a brokerage, or any other service provider, you gotta keep up. Bloomberg's Charlie Wells and Paulina Cachero report:

Robinhood, eToro, Revolut and Public.com are often associated with twentysomethings in their parents' basements. Now those brokerage firms are offering investors access to airport lounges, gala dinners and Formula One races. They're rolling out \$695 premium credit-cards made of precious metals, creating elite concierge services exclusively for customers with million-dollar balances and pushing into complex tax planning, wealth management and even trust accounts in a bid to compete with more established rivals.

...

Revolut, a London-based fintech company, has been making strides into private banking and is planning more products targeting high-balance consumers. Revolut has also sought to hire multi-lingual private bankers to on-board high-net-worth individuals, cross-sell and give financial advice.

The pitch from Public's chief operating officer, Stephen Sikes, is that better data, content and AI tools are making people more comfortable managing even tens of millions of dollars themselves. His firm has hired concierges to talk trading with high-value customers, build rapport with potential members and improve their experience.

Right sure you're comfortable managing tens of millions of dollars yourself, but if you call your broker you want someone to answer.

"How can they tell?"

The basic push/pull with artificial intelligence and white-collar jobs is that, if you can get an AI to do 90% of your job, you will be more productive and have more leisure time, but if your boss notices, you might get fired and replaced by the AI. There are various, like, online quizzes to help you figure out if you are more likely to benefit from this dynamic or get fired, but one simple heuristic is: If you are the chief executive officer and controlling shareholder of a trillion-dollar company, you're probably safe. Go ahead and automate yourself. No one is going to fire you, because nobody *can* fire you.

The Financial Times reports:

Meta is building an artificial intelligence version of Mark Zuckerberg that can engage with employees in his stead, as part of a broader push to remake the Big Tech company around AI.

The \$1.6tn group has been working on developing photorealistic, AI-powered 3D characters that users can interact with in real time, according to four people familiar with the matter.

The company recently began prioritising a Zuckerberg AI character, three of the people said.

The Meta chief is personally involved in training and testing his animated AI, which could offer conversation and feedback to employees, according to one person.

They added that the character was being trained on the billionaire's mannerisms, tone and publicly available statements, as well as his own recent thinking on company strategies, so that employees might feel more connected to the founder through interactions with it.

I hope he will have his robot 1-on-1s in the metaverse, ha ha ha ha ha, remember the metaverse? I do think that "feel more personally connected to Mark Zuckerberg by interacting with an animated AI clone of him" is really the culmination of everything Facebook/Meta has worked for since its founding. In the future, most of everyone's friends will be AI Mark Zuckerberg.

Things happen

Ackman Starts Marketing Pershing IPO to Raise up to \$10 Billion. Goldman Shares Fall as Bond Trading Miss Outweighs Equity Record. Commodity traders lost 'billions' in early days of Iran war. Wrong-Way Bets on Oil Had a Star Trader Hundreds of Millions in the Hole. Energy Trader Vitol Reorganizes Derivatives Team After Losses. SpaceX Deal Lines Up \$3 Billion in Tax Savings for EchoStar CEO. America's New Tax Mantra: 'The IRS Isn't Going to Catch Me.' Hollywood Heavyweights Sign Letter Opposing Paramount's Deal for Warner Bros. Perella Weinberg to buy London advisory boutique Gleacher Shacklock. Surge in Hedge Fund Money Transforms an Old Insurance Market. BISTRO, CDO, SRT. Anxious Parents Are Spending Upwards of \$50,000 to Land Their Kid a Job. Molotov cocktail thrown at home of OpenAI chief executive Sam Altman. When Bill Ackman Vented Over \$2 Million, Fellow Billionaires Rushed to Commiserate. After Criticizing Pope, Trump Posts Image of Himself as a Jesus-Like Figure.

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1. See "The Logic of Sports Betting" by Ed Miller and Matthew Davidow, particularly the chapter on "Market Making." See also this Las Vegas Review-Journal column from 2022, and discussions at Altenar and Pinnacle. There is some simplification here, and e.g. Nate Silver (following Miller and Davidow) distinguishes market-making books (which take more risk and don't focus on balance) from retail books (which limit bettors more and try harder to be balanced).
2. This is perhaps most obvious in parlays, the big money-maker for modern sportsbooks. A parlay is, like, if some menu of 12 events happens in a basketball game, your \$10 bet pays off \$10,000, but if any of the events fails to occur you lose your \$10. Obviously the sportsbook is not balancing your \$10 parlay bet against 1,000 other bettors betting \$10 to win \$0.001 if any one event fails to occur: The sportsbook is taking that risk itself.
3. "Prop trading firm" is sort of a generic name for these firms, though "market maker" or "dealer" will also sometimes be used to describe this liquidity-providing function. And there are prop trading firms that don't do any market making and just make directional bets.
4. It would be cool to be wrong about this, and if you're trading a factor model of sports bets please be in touch.

5. There are a number of ways to read Jane Street's Indian options trade, but one is perhaps "Jane Street liked to make large directional bets against Indian retail options traders, because Indian retail options traders were systematically wrong." Again: There are other ways to read it.

6. Not investing advice! "Many things can and will go wrong if you run this bot unmodified," notes Crispin.

7. Or, like, multiple committees, one for sports, one for entertainment, one for elections, one for war, etc., with relevant domain expertise.

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World Liberty investor Justin Sun claims Trump crypto venture 'secretly' installed tool to freeze user holdings

 [reuters.com/legal/government/world-liberty-investor-justin-sun-claims-trump-crypto-venture-secretly-installed-2026-04-13](https://www.reuters.com/legal/government/world-liberty-investor-justin-sun-claims-trump-crypto-venture-secretly-installed-2026-04-13)

Tom Wilson

April 13, 2026

Justin Sun, founder of Tron, speaks during an press conference in Hong Kong, China April 3, 2025. REUTERS/Tyrone Siu/File Photo [Purchase Licensing Rights](#) , [opens new tab](#)

- Sun claims World Liberty embedded 'backdoor blacklisting function'
- Does not offer evidence for allegation, cites freezing of his World Liberty tokens
- World Liberty posts on X in response: 'We have the truth. See you in court'

LONDON, April 13 (Reuters) - A major investor in U.S. President Donald Trump's World Liberty Financial crypto venture has claimed that the firm "secretly" implemented a tool to unilaterally freeze and restrict private holdings of its WLFI token.

In posts on social media platform X on Sunday, crypto entrepreneur Justin Sun said, without offering evidence, that World Liberty had embedded what he described as a "backdoor blacklisting function" in the blockchain-based contracts used for the tokens.

The move, Sun wrote, gave World Liberty "unilateral power" to "freeze, restrict, and effectively confiscate the property rights" of any token holder, without cause and without recourse.

Reuters was unable to establish if World Liberty has such a tool or is using it. The news agency was also unable to ascertain any specifics about Sun's trading activities.

The official World Liberty account on X posted a reply to Sun's allegations on Sunday: "We have the contracts. We have the evidence. We have the truth. See you in court pal."

Contacted for comment, a spokesperson for the company directed Reuters to its posts on X. Sun did not respond to a message from Reuters on Telegram and a spokesperson for him did not reply to a Reuters request for comment.

World Liberty is the most prominent of several lucrative crypto businesses co-founded by the Trump family. At its 2024 launch, the crypto company said it would

give power over financial flows to small investors via a "decentralised finance" app, which remains unlaunched.

It generated more than \$460 million in income for the Trump family during the first half of 2025, [according to a Reuters analysis](#) published last year.

Sun in late 2024 became the largest publicly known investor in the then-fledgling World Liberty, spending tens of millions of dollars on the WLF token and being named as an adviser to the firm. He later upped his holdings to at least \$75 million of the tokens, according to his social media posts from January 2025.

In 2024, Sun told a New York Times reporter his investment was a [vote of confidence](#) , [opens new tab](#) in what he called the Trump family's "excellent project".

In March, the Securities and Exchange Commission [settled a 2023 lawsuit against Sun](#) for \$10 million. The lawsuit had alleged fraud, selling unregistered crypto securities and hiding payments to celebrities to promote his products. Sun made no admission of wrongdoing.

World Liberty's risk disclosures state that the company can block and freeze wallet addresses and associated tokens that it determines are associated with illegality or activity that violates its terms.

Other crypto companies, such as Tether, issuer of the world's largest stablecoin, also have the ability to freeze users' tokens. The firm generally does so where it suspects illegal usage, or after requests from law enforcement, according to previous statements by Tether.

The SEC declined to comment on U.S. rules surrounding such freezes. Crypto remains a regulatory grey area in the United States, with the SEC lacking overarching jurisdiction over the sector.

In Sunday's post on X, Sun claimed he was the "first and single largest victim" of the alleged World Liberty tool, pointing to the [freezing of his holdings](#) of the token in September. At the time, World Liberty said it did not seek to blacklist anyone, and that it responded to "malicious or high-risk activity that could harm community members".

On Monday, Sun on X cited unspecified blockchain records that he said showed how his digital wallet was "blacklisted" by a single account with special administrative powers.

Sun claimed this was evidence that "one person — one single individual" at World Liberty had the power to freeze any token holder's assets. "Who is that person?" he wrote.

Reuters was unable to review the records, which Sun did not share.

Reporting by Tom Wilson in London; Editing by Tom Lasseter, Catherine Evans and Lisa Shumaker

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Tom Wilson covers investigative stories across finance and business. He previously led Reuters' coverage of cryptocurrencies, and was the news agency's Reporter of the Year 2022 for his series on the Binance exchange. In a decade at Reuters, he worked in Tokyo for four years, uncovering abuses in Japan's immigration system and covering the tobacco giant Philip Morris. His work has won prizes from the Gerald Loeb Awards, the Overseas Press Club and the Society for Advancing Business Editing and Writing.

Securities

Hedge Funds Citron, Anson Sued Over Report on Biotech Company

April 13, 2026, 12:26 PM PDT

Two hedge funds allegedly schemed to manipulate the stock prices of dozens of companies including biotechnology developer PolarityTE, according to a lawsuit brought by a PolarityTE investor.

Short-seller Andrew Left's Citron Capital LLC and another firm, Anson Funds Management LP, disparaged PolarityTE and engaged in additional wrongdoing by making false claims about its patent application and other issues, Barry Honig said. The Florida investor sued along with his company, as a 401(k) plan administrator, and his family trust—together, a group that allegedly owned almost 10% of PolarityTE—on April 10 in the US District Court for the Northern District of Texas.

Left, who is currently facing criminal charges in the Central District of California for market manipulation, isn't a defendant in Honig's suit. Separately, he and Citron sued Anson for allegedly lying to Securities and Exchange investigators about his role. An outside spokesman for Anson said when that suit was filed in October that its leaders testified truthfully under oath.

Honig and his firm, GRQ Consultants Inc., were previously in hot water with the SEC for allegedly participating in a penny stock pump-and-dump scheme. In July 2019, the SEC obtained partial consent judgments in which Honig and GRQ neither admitted nor denied the allegations.

Honig alleges Citron and Anson attacked PolarityTE, a developer of regenerative tissue for wound care and surgical reconstruction, twice within four months in 2018 in short-seller reports published on Citron's website and other channels. They "exploited retail investors' unfamiliarity with the terminology of the patent application process," including the term "final rejection," in the false reports, he said. The US Patent and Trademark Office ultimately approved the patent at issue in February 2021, according to the complaint.

But meanwhile, the company's stock price cratered in the face of the attacks, leading to its declaration of bankruptcy in 2023, Honig said.

The company, also known as PolarityBio, announced a step toward the commercialization of its flagship biologic product in January.

Citron and Anson, and attorneys representing them in Left and Citron's suit against Anson, didn't immediately respond to emailed requests for comment.

Honig and his related entities, who aren't seeking to represent a proposed class, assert claims for business disparagement, tortious interference, negligence, gross negligence, and conspiracy. They seek several forms of compensatory damages as well as punitive damages.

Sheppard Mullin Richter & Hampton LLP represents Honig, GRQ, and the trust.

The case is Honig v. Anson Funds Management LP , N.D. Tex., No. 3:26-cv-01167, complaint 4/10/26 .

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Litigation

Manage Newsletters

Two of 'ComEd Four' Point to Changed Legal Landscape at Argument

April 14, 2026, 10:23 AM PDT

Summary by Bloomberg AI

AI Generated



- Seismic changes in the white-collar legal landscape dealt fatal blows to the “ComEd Four” case, seasoned litigator Paul Clement argued at the Seventh Circuit on behalf of ex-utility CEO Anne Pramaggiore.
- Appellate judges grappled with the effects of *Snyder* and another recent white-collar case, 2025’s *Thompson v. United States*, on the remaining conspiracy count and books-and-records counts under the Foreign Corrupt Practices Act.
- Judges seemed amenable to Clement’s argument that the remaining counts have to fall without the 18 USC § 666 bribery convictions, and also seemed skeptical of the *Thompson* argument made by Joel Bertocchi on behalf of ex-lobbyist Michael McClain.

Seismic changes in the white-collar legal landscape dealt fatal blows to the “ComEd Four” case, seasoned litigator Paul Clement argued at the Seventh Circuit on behalf of ex-utility CEO Anne Pramaggiore.

A Chicago federal judge last year threw out the 18 USC § 666 bribery convictions against Pramaggiore and her co-defendants in light of the US Supreme Court’s decision in *Snyder v. United States*. And without those, the remaining conspiracy count and books-and-records counts under the Foreign Corrupt Practices Act have to fall, Clement said Tuesday.

“Everybody acknowledges that the 666 counts were the dog and the books-and-records counts were the tail,” said Clement of Clement & Murphy PLLC.

Three years ago, jurors returned a sweeping verdict in the “ComEd Four” trial, finding four utility insiders guilty of conspiracy, bribery, and falsifying records in a scheme to influence powerful Illinois House Speaker Michael Madigan (D). Two of the four—Pramaggiore and ex-lobbyist Michael McClain—appealed.

At oral arguments on behalf of both defendants Tuesday, appellate judges grappled with the effects of *Snyder* and another recent white-collar case, 2025’s *Thompson v. United States*.

Judges Thomas Kirsch II and Joshua Kolar of the US Court of Appeals for the Seventh Circuit seemed amenable to Clement's argument. Both asked whether there's any way to know if the jurors who found Pramaggiore and McClain guilty of conspiracy did so because they found evidence of FCPA violations or solely due to evidence of the now-vacated bribery.

"When you charge the case and try the case as a bribery case, what's to say the jury didn't just consider the illegal bribery object of the conspiracy and stop right there?" Kirsch asked, a question Kolar echoed later in the arguments.

In response, Assistant US Attorney Irene Hickey Sullivan noted that jurors also found McClain and Pramaggiore guilty of FCPA violations in the standalone books-and-records counts, which alleged their paperwork covered up the real purpose of ComEd's payments to Madigan allies.

"The defendants knew they were funneling payments to Madigan cronies through no-show subcontractor positions," she said, describing Pramaggiore and McClain as "key players" and saying the paperwork was "critical to hiding the true nature of the payments."

Thompson **Question**

Arguing for McClain, Joel Bertocchi of Akerman LLP highlighted the Supreme Court's 2025 decision in *Thompson*, which dealt with a different statute but found that "false" statements aren't necessarily the same as "misleading" ones.

The relevant ComEd records didn't mention the subcontractors—but that paperwork "didn't prove falsity, the evidence proved omission," Bertocchi said, arguing that's not enough to prove books-and-records violations under *Thompson*.

"We can't make the omission of subcontractors the linchpin of a false statement," Bertocchi said.

Judges seemed more skeptical of the *Thompson* argument.

At a potential retrial, the evidence might show ComEd didn't want the subcontractors mentioned in their records "in the same way I don't want you to say 'let's buy cocaine,'" Kolar said.

It would certainly have set off red flags at ComEd if someone had come to them and said "here's the money I spent on cocaine," Bertocchi answered.

In response, Judge David Hamilton said he recalled testimony that if the records "had made clear services were being provided, not to ComEd, but to the benefit of Speaker Madigan, that would have raised red flags, a la cocaine."

Pramaggiore and McClain were charged in 2020 alongside two other ComEd insiders: consultant Jay Doherty and lobbyist John Hooker. Together, the "ComEd Four" were accused of bribing Madigan for years, giving his allies phony subcontracts to do little work in exchange for Madigan looking favorably on their legislative agenda.

After *Snyder*, a Chicago federal judge threw out the bribery convictions for all four defendants, but left their conspiracy and FCPA counts intact. Judge Manish Shah of the US District Court for the Northern District of Illinois also rejected an effort to undo the FCPA convictions in light of *Thompson*.

Pramaggiore, 67, and McClain, 78, were both sentenced to two-year prison terms last summer. Pramaggiore is serving time at a facility in the Florida panhandle and McClain is in custody in Kentucky, records show.

Doherty was sentenced to about a year in prison and Hooker was sentenced to 18 months.

Madigan, meanwhile, was convicted at a separate trial on multiple public corruption-related counts, including charges related to the ComEd scheme. He was sentenced to seven and a half years in prison. A different Seventh Circuit panel heard arguments in his appeal last week.

Pramaggiore is also represented by Sidley Austin LLP.

The case is *United States v. Pramaggiore et al*, 7th Cir., Nos. 25-2349, 25-2350 (cons.), oral arguments 4/14/26 .

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Robbins Geller To Lead Investor Suit Despite Filing Glitch

By **Katryna Perera**

Law360 (April 13, 2026, 4:11 PM EDT) -- A New York federal judge has appointed Robbins Geller Rudman & Dowd LLP as lead counsel in a proposed class action against BellRing Brands, the owner of Premier Protein and other supplement brands, after finding a lead counsel bid that was filed six minutes past the deadline due to a technical glitch was excusable.

U.S. District Judge Jed S. Rakoff issued a memorandum **order** Friday granting the lead plaintiff and counsel bid from the Indiana Public Retirement System.

According to the order, the court held a hearing last week that focused on whether the pension fund's motion to serve as lead plaintiff should be rejected since the motion was filed six minutes after the statutorily required deadline.

All lead plaintiff bids in the action were required to be filed by midnight March 23, but INPR filed its motion a few minutes after midnight March 24. The retirement system blamed the delay on technical failures with the court's electronic filing system and asked the court to excuse the late filing.

Judge Rakoff noted Friday that under the Southern District of New York's rules, "if a technical failure prevents [a party] from filing electronically," they are directed to "electronically file as soon as the system is restored."

And if a party misses the filing deadline due to a technical failure, they must attach a statement to their filing explaining how the failure prevented them from meeting the deadline.

According to the order, INPR complied with both requirements. After a paralegal from Robbins Geller attempted to file the lead plaintiff motion at around 11:30 p.m. March 23 and received an error message, the firm's staff and attorneys continued attempting to file the motion until they were able to successfully upload it a few minutes after midnight.

The firm also attached an affidavit to the motion explaining the delay, the order noted.

Judge Rakoff asked during the hearing why the firm waited until a half-hour before the deadline to file the lead plaintiff motion, and he was informed that competing class counsel normally wait until just before the deadline to file "in an effort to stave off competitors from making artificial adjustments to appear as more suitable lead plaintiffs."

According to the order, counsel representing the competing plaintiff, The Trustees of the IWA-Forest Industry Pension, also waited until after 10 p.m. March 23 to file their lead plaintiff motion.

Judge Rakoff also said the court received confirmation from its electronic filing expert that the system had experienced connectivity issues March 23.

The judge said that because Robbins Geller complied with the directives for when there is a platform issue, and because the delay was "de minimus" and caused no harm to them or any other party, the delay was excusable.

He added that INPR was the most adequate plaintiff to represent the proposed class, and that TWA-Forest Trustees agreed.

According to the order, INPR has reported the greatest financial loss stemming from the misconduct described in the lawsuit, it has a prima facie showing of adequacy, and there are no apparent issues that would cause conflicts between INPR and class members.

The judge also approved INPR's choice of Robbins Geller as lead counsel, stating the firm is "well-qualified."

However, Judge Rakoff also said he believes Robbins Geller can handle the entire case without retaining other firms to assist, which would reduce the ultimate recovery for class members. Therefore, his appointment of the firm as lead counsel is conditioned on Robbins Geller handling the case without retaining any other firms, except in special circumstances.

The suit, filed in January, asserts that BellRing and its executives misrepresented the company's strength, stability, sales growth and the impact of competition on the demand for its products.

According to the complaint, BellRing develops, markets and sells "convenient nutrition" products, such as ready-to-drink protein shakes, primarily under the brand name Premier Protein.

Investors say that during the proposed class period, the company failed to disclose that its key customers were stockpiling inventory, that competition was intensifying and that once customers reduced their inventory by selling through existing products, they were cutting back on new orders.

Once the truth came to light, the investors alleged, accompanied by reports of disappointing net sales growth and other financial results, BellRing's stock price fell twice, once by 19% and then by nearly 33%.

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

INPR is represented by Mathew Andrews, Samuel H. Rudman, David A. Rosenfeld, Danielle S. Myers, Michael Albert and Kenneth P. Dolitsky of Robbins Geller Rudman & Dowd LLP.

TWA-Forest Trustees is represented by Jeffrey P. Campisi, Frederic S. Fox, Donald R. Hall and Pamela A. Mayer of Kaplan Fox & Kilsheimer LLP.

BellRing and the other defendants are represented by Peter E. Kazanoff and Patrick K. Barry of Simpson Thacher & Bartlett LLP.

The case is Denha v. BellRing Brands Inc. et al., case number 1:26-cv-00575, in the U.S. District Court for the Southern District of New York.

--Editing by Covey Son.

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How Securities Litigation Risks Materialized In The 1st Quarter

By **Nessim Mezrahi and Stephen Sigrist** (April 13, 2026, 4:20 PM EDT)

Geopolitical risks are fomenting U.S. stock market volatility across multiple sectors and having a measurable impact on the securities litigation risk of both U.S. and non-U.S. issuers that trade in American stock exchanges.[1]

Investor relations practices and corporate disclosure controllership are becoming increasingly complex while securities litigation risk deterioration persists.[2] As a result of these dynamics, it is not surprising that private litigants have deployed resources to investigate and pursue more fraud-on-the-market claims at the start of 2026.

Defendant issuers are well served by maximizing data-driven legal defenses early on to minimize — if not eliminate — potential settlement losses by disqualifying alleged fraud-revealing stock drops that demonstrate glaring econometric deficiencies of back-end price impact and loss causation. After all, our data indicate that approximately 20% of the alleged stock drops claimed by investor plaintiffs to be fraud-revealing against U.S. issuer defendants during the first quarter do not exhibit any abnormal single-day returns in response to company-specific information at the 95% confidence standard.

Insurance underwriters face a challenging and complex risk management environment to protect U.S. public companies. They're employing greater underwriting scrutiny — particularly around corporate disclosure practices — to mitigate high-severity securities litigation risks.

Claim teams are instituting more robust technical claim evaluation procedures to mitigate potential unfavorable loss reserve developments that may manifest from the overwhelming increase in potential loss severity on active, newer vintage U.S. Securities and Exchange Commission Rule 10b-5 claims.

Unprecedented geopolitical risks, demonstrable U.S. equity market volatility, persistent securities litigation risk deterioration, increased Rule 10b-5 filings with remarkably higher exposure and rising average settlement values during the preceding 12 months have placed insurance carriers on high alert in the first quarter of 2026.

A Remarkable Increase in Rule 10b-5 Litigation Exposure During the First Quarter of 2026

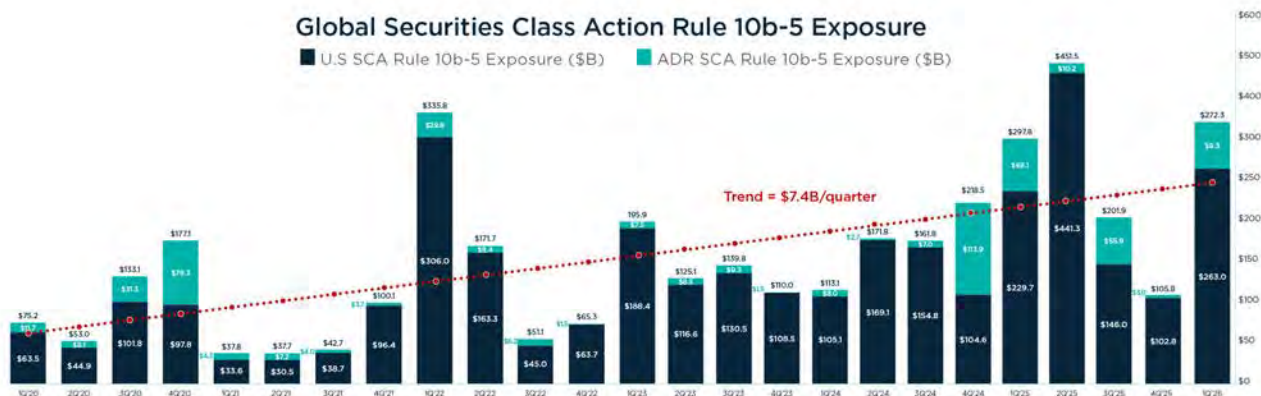
Filing data for the first quarter of 2026 indicates that investor plaintiffs' alleged market capitalization losses stemming from private Rule 10b-5 filings corroborate the materialization of securities litigation risks, yielding a remarkable increase in exposure for directors and officers of U.S.-listed companies. [3]



Nessim Mezrahi



Stephen Sigrist



Alleged market capitalization losses that are accounted for only on alleged stock drops claimed against U.S.-listed corporations that exhibit statistically significant residual stock price returns amounted to \$272.3 billion in the first quarter of 2026, a 157.6% increase relative to the prior quarter's global exposure of \$105.7 billion.[4] The remarkable increase in securities class action exposure, through market capitalization losses, is driven by three main factors.

First, observed filing frequency is up. During the first quarter of 2026, we identified a total of 62 fraud-on-the-market claims against U.S.-listed companies and analyzed 55. We excluded seven claims due to insufficient data or novel theories arising from new pump-and-dump actions.[5]

The increase in filings propelled the increase in the number of alleged corrective disclosures, which increased by 97.9% relative to the fourth quarter of 2025.[6] This makes sense given the notable increase in adverse corporate events that have materialized between the fourth quarter of 2025 and the first quarter of 2026.

Second, exposure per alleged corrective disclosure claimed in the first quarter of 2026 increased significantly. For U.S. issuer defendants, the average market capitalization loss per alleged stock drop amounted to about \$3 billion, an increase of 26.6% relative to the fourth quarter of 2025.[7] For non-U.S. issuer defendants, the average market capitalization loss per alleged stock drop amounted to about \$2.3 billion, an increase of 133.6% relative to the fourth quarter of 2025.[8]

Third, the alleged exposure in the case of Barrows v. Oracle Corp. amounts to \$142.4 billion in market capitalization losses, which is 54% of the total Rule 10b-5 exposure claimed against U.S. issuer defendants.[9] This claim, **brought** on Feb. 3 in the U.S. District Court for the District of Delaware, had a material impact on the aggregate estimate of market capitalization losses.

Excluding the impact from this claim, exposure against U.S. issuers amounts to \$120.7 billion, which is still an increase of 17.4% relative to the fourth quarter of 2025.[10]

Trailing 12-Month Increase in Frequency and Average Settlement Values

Over the preceding 12-month period, fraud-on-the-market settlements that exclude Securities Act allegations have increased in both frequency and average settlement values. According to Rule 10b-5 claims that we tracked and analyzed, average settlements increased by 7.8%, from \$28.8 million to \$31.1 million.[11]

Our empirical settlement data indicate that the greatest number of Rule 10b-5 settlements relates to claims where the estimates of maximum potentially available aggregate damages range between more than \$100 million and up to \$300 million. Over the past eight years, we have tracked 60 claims that have settled in this range of aggregate damages, leading to a median settlement rate of approximately 6.81%.[12]

The fastest growing cohort of settled Rule 10b-5 claims is those where the maximum potentially available aggregate damages range between more than \$500 million and up to \$1 billion. Over the past eight years, we have tracked 30 claims that have settled in this range of aggregate damages, leading to a median settlement rate of approximately 4.39%.[13]

SCA Rule 10b-5 Empirical Settlement Rates

Rule 10b-5 Severity Band Rank	No. of Rule 10b-5 Settlements within Severity Band Rank	Est. Max. Potentially Available Rule 10b-5 Aggregate Damages	Median Settlement to Est. Max. Potentially Available Rule 10b-5 Aggregate Damages
1	46	\$10,000,000	65.45%
2	43	50,000,000	13.50%
3	30	100,000,000	8.58%
4	60	300,000,000	6.81%
5	28	500,000,000	5.95%
6	30	1,000,000,000	4.39%
7	39	Max	2.77%

Source: SAR SCA Database as of March 31, 2026

Maximum potentially available Rule 10b-5 aggregate damages are the single best predictor of settlement values, according to our estimates, explaining over 60% of the variation in settlement values in a simple univariate regression.[14]

Econometric Claim Deficiencies During First Quarter Reach 12-Month High

Event study analyses on first-filed Rule 10b-5 securities class action complaints during the first quarter of 2026 indicate a notable sample of econometrically deficient alleged stock drops claimed against U.S. issuer defendants.

Out of the 89 alleged stock drops that were tested for statistical significance on the corresponding single-day trading session, about 20%, or 18, fail to demonstrate back-end price impact on company-specific information, thereby invalidating their inclusion in a potential class of shareholders should the claim survive the motion to dismiss. These alleged stock drops also run afoul of the heightened pleading standards of loss causation, and may not contribute to monetary recompense for authorized claimants.[15]

According to the U.S. Department of Justice in 2021, which represented the interests of the U.S. and supported neither party in an amicus brief at the U.S. Supreme Court ahead of the justices' June 2021 **decision** in Goldman Sachs Group Inc. v. Arkansas Retirement System: "When event studies reveal no statistically significant movement in a company's stock price at either the time that an alleged misstatement was made or the time when it was corrected, it is relatively straightforward to conclude that the alleged misstatement had no price impact." [16]

Conclusion

The confluence of a plethora of negative factors affecting issuers and their insurance partners at the start of 2026 is significant.

Issuers and their risk management advisers will need to focus on enacting robust disclosure controllership and thoughtful investor relations to assuage disclosure complexity and mitigate the potential materialization of adverse corporate events that can lead to costly securities litigation.

Defendants and their insurance partners will need to aggressively deploy data-driven legal defenses, particularly at the motion to dismiss and class certification stages, to limit increasingly expensive settlements with investor plaintiffs.

In a securities litigation landscape being shaped by higher filing frequency and increased litigation exposure with rising average settlement values, loss reserve management decisions require data-driven, claim-specific loss severity evaluation throughout the class action litigation life cycle to avoid

costly capital allocations.

Nessim Mezrahi is the co-founder and CEO at SAR LLC.

Stephen Sigrist is senior vice president of data science at the firm.

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[1] "Geopolitical Whiplash and the Shifting Ground of D&O Liability," Sarah Abrams, The D&O Diary, March 9, 2026. <https://www.dandodiary.com/2026/03/articles/geopolitical-risk/geopolitical-whiplash-and-the-shifting-ground-of-do-liability/>.

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"U.S. Securities Litigation Risk Trends — February 2026," Securities Analytics Research (SAR), March 10, 2026. <https://isu.pub/z1sWyCu>.

[3] "SCA Rule 10b-5 Exposure Report 1Q 2026," SAR, April 10, 2026. <https://isu.pub/n8frGUB>.

[4] *Id.*, see pg. 4.

[5] *Id.*, see Appendix-1.

[6] *Id.*, see Table 2, pg. 6.

[7] *Id.*, see pg. 6.

[8] *Id.*, see pg. 12.

[9] *Id.*, see pg. 5.

[10] SAR SCA Database.

[11] "SCA Rule 10b-5 Exposure Report 1Q 2026," SAR, April 10, 2026, see pg. 4.

[12] *Id.*, see Table 9, pg. 14.

[13] *Id.*

[14] *Id.*, see pg. 13.

[15] *Id.*, see Table 2, pg. 6.

[16] Brief for United States as Amicus Curiae Supporting Neither Party *In re Goldman Sachs Group, Inc. v. Arkansas Retirement System* , Case No. 20-222.



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United Homes Faces Investor Suit Over Discounted Sale Plan

By **Emilie Ruscoe**

Law360 (April 13, 2026, 6:55 PM EDT) -- Homebuilder United Homes Group Inc. faces a proposed investor class action alleging the company hid that its former CEO schemed to devalue the company as he gunned to sell it off, leading to a proposed sale that caused significant shareholder losses by cutting the company's valuation in half.

In a **complaint filed Friday** in Manhattan federal court, United Homes investor Ramesh Kadiyam claimed the company's trading prices slid over several months amid a struggle between its board and its founder and former CEO Michael Nieri, who then held a controlling stake in the company with his family.

Eventually, "Nieri leveraged his controlling interest" in United Homes to force the company into a plan to sell itself at an over 50% discount to Stanley Martin Homes LLC, the lawsuit says.

"Nieri was not acting in the best interests of the company and public investors," says the complaint, which also names the former CEO as a defendant.

Kadiyam claimed that trading prices for United Homes' shares were artificially inflated between May 19, 2025, when the company announced plans to review its strategic alternatives, including a potential sale, and Feb. 22, 2026, when the company disclosed the Stanley Martin deal, which would cash out its shareholders at a rate of less than half of its share price from the previous day.

According to the investor, the proposed sale, which is slated to close in the second quarter of 2026, would cash out the company's existing shareholders at \$1.18 per share. The day before the deal was announced, United Homes shares closed at \$2.38. Following the announcement of the deal, United Homes shares fell to \$1.15, the suit says.

Kadiyam's suit also points to two other alleged share price declines during the proposed class period.

The first was in October, when United Homes shares fell over 50%, from over \$4 to just above \$2, after the company announced a sale wasn't in shareholders' best interest, and that all the company's board members except Nieri had resigned after Nieri refused to step down as chairman.

The company's share price declined by another 11 cents in November, after it disclosed a year-over-year revenue decline as it struggled to replace its directors and avoid defaulting on its debts, the suit says.

Alongside United Homes and Nieri, the suit names the company's current CEO John G. Micenko Jr. and its Chief Financial Officer Keith Feldman.

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

Ramesh Kadiyam is represented by Rebecca Dawson, Robert V. Prongay and Charles H. Linehan of Glancy Prongay Wolke & Rotter LLP and Frank R. Cruz of the Law Offices Of Frank R. Cruz.

Counsel information for the defendants wasn't immediately available Monday.

The case is Kadiyam v. United Homes Group Inc. et al., case number 1:26-cv-02989, in the U.S.

District Court for the Southern District of New York.

--Editing by Michael Watanabe.

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Investors Seek Class Cert. In Aramark, Vestis Spinoff Suit

By **Sydney Price**

Law360 (April 13, 2026, 5:22 PM EDT) -- A group of institutional investors has asked a Georgia federal judge to certify a class in their proposed securities class action accusing uniform supplier Vestis Corp. and food and facilities services giant Aramark of making misleading statements about Vestis' operations and customer relationships prior to its 2023 spinoff from Aramark.

The five appointed lead plaintiffs, which are all public workers' retirement funds, on Friday **requested in a motion** to be appointed class representatives, with Saxena White PA as their counsel.

"Plaintiffs are adequate class representatives, as they are precisely the type of sophisticated institutional investors that Congress sought to lead securities class actions when enacting the Private Securities Litigation Reform Act of 1995," the investors' group said.

The suit, launched nearly two years ago, alleges Vestis' share prices fell nearly 50% following the company's disclosure on May 2, 2024, that its quarterly revenues were \$705 million, a 0.9% increase year-over-year. The company also disclosed that day that it expected its business to shrink in 2024, with expected "growth" in the range of -1% to 0%, according to the suit.

The investors alleged the defendants, including Vestis' former CEO Kimberly Scott and former Chief Financial Officer Rick Dillon, downplayed severe underinvestment in Vestis' uniform division. They also claimed several common issues of law and fact link the proposed class, including whether the defendants' alleged misrepresentations and omissions caused class members' economic losses.

The retirement funds also noted they have already **"largely succeeded"** in defeating the defendants' motions to dismiss.

Vestis and Aramark sought dismissal last year, with Vestis arguing, among other things, that where the complaint isn't reliant on "on omissions or non-actionable accurate statements of historic facts, plaintiffs piece together and misconstrue innocuous public statements in an attempt to convince the court that the defendants intentionally deceived the investing public."

In October, U.S. District Judge Steven D. Grimberg mostly denied the pair of dismissal bids, finding, among other things, that certain statements made by the defendants ahead of the spinoff were clearly material to investors and couldn't be considered "inactionable puffery."

Despite keeping the suit largely intact, Judge Grimberg dismissed certain fraud claims against Aramark's CEO John Zillmer, finding "the allegations, on balance, do not raise a compelling reason to impute Vestis's knowledge to Zillmer, and thus fail to raise the requisite strong inference of the latter's scienter."

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

Lead plaintiffs the City of Atlanta Firefighters' Pension Fund, the City of Atlanta General Employees' Pension Fund, the City of Atlanta Police Officers' Pension Fund, the Employees' Retirement System of the City of Baltimore and the Norfolk County Retirement System are represented by Lester R. Hooker, Dianne M. Pitre, Jonathan D. Lamet, Steven B. Singer and Sara DiLeo of Saxena White PA, and W. Thomas Lacy Jr. of Lindsey & Lacy PC.

Aramark and Zillmer are represented by Christopher S. Turner of Latham & Watkins LLP.

Vestis, Scott and Dillon are represented by Joseph De Simone, Michelle J. Annunziata and Max W. Hirsch of Mayer Brown LLP.

The case is Plumbers, Pipefitters and Apprentices Local No. 112 Pension Fund v. Vestis Corp. et al., case number 1:24-cv-02175, in the U.S. District Court for the Northern District of Georgia.

--Additional reporting by Emilie Ruscoe. Editing by Lakshna Mehta.

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Tesla Wins Chancery Suit Dismissal After Move To Texas

By Sarah Jarvis

Law360 (April 13, 2026, 7:43 PM EDT) -- A consolidated Delaware Chancery Court suit leveling breach of fiduciary duty claims against Elon Musk and Tesla Inc. directors belongs in Texas, a vice chancellor said Monday, finding that a forum selection bylaw applies retroactively even though the conduct at issue occurred before the company reincorporated in the Lone Star State.

Vice Chancellor Bonnie W. David **granted** dismissal bids filed by Musk and Tesla directors, finding that if any situation supports allowing a later bylaw to apply to preexisting litigation, "these facts do."

"I will not second-guess Tesla stockholders' chosen forum by purporting to weigh the advantages and disadvantages of Texas law and procedure relative to our own," Vice Chancellor David said. "The owners of the corporation voted to require that derivative litigation be filed in a Texas forum. On the present facts, it is not inequitable to enforce their decision."

Counsel for the parties didn't immediately respond to requests for comment Monday.

Among other claims, the shareholders alleged in their suits that Tesla CEO Musk breached his fiduciary duties to the company by selling Tesla stock based on material nonpublic information, hiring Tesla employees to work for his other company xAI, and diverting microchips from Tesla to xAI and Twitter, now known as X.

The plaintiffs also alleged Tesla's directors breached their fiduciary duties by failing to maintain adequate insider trading internal controls and failing to exercise oversight over Musk's conduct.

The plaintiffs in the instant suit are the Employees' Retirement System of Rhode Island, the Cleveland Bakers and Teamsters Pension Fund and Tesla stockholders Daniel Hazen, Michael Giampietro and Michael Perry. The three suits were **consolidated** in November 2024.

The largest of the suits, led by the Employees' Retirement System of Rhode Island, **accused** Musk of concealing his true intent to sell \$16 billion worth of Tesla stock as his Twitter takeover took shape, allegedly allowing the shares to sell for inflated prices to buyers kept in the dark about the coming transaction.

The suits were filed in Delaware Chancery Court after Tesla's 2024 announcement that it would ask shareholders to reincorporate the company in Texas, but before the reincorporation was finalized. The official reincorporation in Texas came with a bylaw designating Texas courts as the exclusive forum for shareholder derivative lawsuits, Vice Chancellor David noted.

The shareholder plaintiffs had argued the Chancery Court should enforce the previous Delaware forum selection bylaw because it was in effect when the lawsuits were filed. But Vice Chancellor David said courts "sometimes look to later points in time when determining venue, such as when the defendant appears or at the time a movant seeks transfer."

"Other courts faced with the same issue have applied Delaware law to enforce a later-adopted forum selection bylaw," Vice Chancellor David said. "And the argument for enforcement here is even stronger than in those other cases because the Texas Forum Bylaw was publicly announced before litigation was initiated and became effective just days later, before defendants entered appearances such that no meaningful litigation occurred between filing and the bylaw's adoption."

Among other things, Vice Chancellor David disagreed with the shareholders' argument that enforcing the Texas bylaw violates the Delaware General Corporation Law. She also said the shareholders haven't shown that the Texas bylaw is unreasonable or unjust as applied.

The consolidated case was transferred to Vice Chancellor David on April 2 by Chancellor Kathaleen St. J. McCormick, the top judge of the Delaware Chancery Court, who **denied Musk's motion** seeking her recusal from the instant matter and two other high-profile cases involving stockholders and Tesla in March. Musk's recusal bid concerned alleged bias tied to activity on Chancellor McCormick's LinkedIn account, and though the chancellor found there was no basis to question her impartiality, she reassigned the litigation anyway.

Plaintiff Employees' Retirement System of Rhode Island is represented by Bruce E. Jameson, Marcus E. Montejo, Kevin H. Davenport and John G. Day of Prickett Jones & Elliott PA; and Daniel P. Chiplock, John T. Nicolaou, Sean A. Petterson, Miranda K. Litwak, Richard M. Heimann, Katherine Lubin Benson and Bruce W. Leppla of Lieff Cabraser Heimann & Bernstein LLP.

Plaintiffs Cleveland Bakers and Teamsters Pension Fund, Daniel Hazen and Michael Giampietro are represented by Christine M. Mackintosh, Vivek Upadhya and William G. Passannante II of Grant & Eisenhofer PA; Thomas Curry, David J. Schwartz, David L. Wales and Adam D. Warden of Saxena White PA; Brian Schall of Schall Law Firm; and Ned Weinberger, John Vielandi and Joshua M. Glasser of Labaton Keller Sucharow LLP.

Plaintiff Michael Perry is represented by P. Bradford deLeeuw of deLeeuw Law LLC, Olimpio Lee Squitieri of Squitieri & Fearon LLP and Fletcher Moore of Moore Law PLLC.

Defendant Elon Musk is represented by Michael A. Barlow, Shannon M. Doughty, Hayden J. Driscoll, Alex B. Spiro, Christopher D. Kercher and Jonathan E. Feder of Quinn Emanuel Urquhart & Sullivan LLP.

Defendant Tesla Inc. is represented by John L. Reed, Ronald N. Brown, III, Caleb G. Johnson and Daniel P. Klusman of DLA Piper LLP (US); Rudolf Koch, Kevin M. Gallagher and Andrew L. Milam of Richards Layton & Finger PA; and Brian T. Frawley, Matthew A. Schwartz and Michael T. Lemanski of Sullivan & Cromwell LLP.

The Tesla director defendants are represented by David E. Ross and Garrett B. Moritz of Ross Aronstam & Moritz LLP and Boris Feldman, Doru Gabril, Rebecca Lockert and J. Mia Tsui of Freshfields US LLP.

The case is In Re: Tesla Inc. Derivative Litigation, case number 2024-0631, in the Court of Chancery of the State of Delaware.

--Additional reporting by Elliot Weld, Jeff Montgomery and Jarek Rutz. Editing by Alanna Weissman.



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State Meta Verdicts May Offer Clues For 1st Federal Bellwether

By **Cara Salvatore**

Law360 (April 13, 2026, 9:32 PM EDT) -- Meta's recent state jury losses in suits over social media's harms to mental health provide clues as to what will happen this summer when a school district's suit against social platforms goes to trial in the first federal bellwether — and down the road in appeals some believe will reach the nation's high court.

New Mexico's attorney general persuaded a state jury to award \$375 million in statutory penalties **in March** over the design of the Facebook and Instagram platforms. The same month, a California state **jury awarded** \$2.1 million against Meta and \$900,000 against Google, plus \$3 million in total punitive damages, in a suit alleging they harmed the mental health of a woman who says she became addicted to their social media platforms as a child.

In the federal bellwether, starting July 17, the rural Kentucky Breathitt County School District will go to trial against Meta, Snap, TikTok and YouTube owner Google in California federal court before U.S. District Judge Yvonne Gonzalez Rogers.

Two school principals' testimony in New Mexico — about crises that erupt when students have phones confiscated, create accounts to post videos of student fights or experience bullying or sexual exploitation via social platforms — could be a preview for the bellwether, said Joseph McNally of McNicholas & McNicholas LLP.

Breathitt's "theory of the case is there's an entire school generation at these schools whose learning has been impacted, and that's resulted in substantially increased costs and resource [usage] to the school," McNally said.

A preliminary witness list filed in the Breathitt case names an elementary principal and a high school guidance counselor and principal from the district, as well as its director of finance, director of technology, director of special education and superintendent as people who could take the stand.

Issues likely to be argued include the degree to which social media companies have or have not designed platforms to be addictive and have or have not responded to community concerns.

The New Mexico trial included defense evidence from Meta about a relatively new program giving school districts a special channel for reporting issues to the company. However, the tool was created within the last few years, and evidence about it would not apply to claims that, in Breathitt's case, date back as much as 10 years.

The Breathitt jury will likely see expert testimony that the companies design their apps to be addictive and assign dollar values to users linked to predicted ad revenue, and that children's brains are especially vulnerable to social media's psychological levers.

Breathitt also wants to call numerous people from the companies it's suing, like YouTube Engineering Vice President Cristos Goodrow, YouTube CEO Neal Mohan, Snap founder and CEO Evan Spiegel, Instagram head Adam Mosseri and Meta founder and CEO Mark Zuckerberg, as well as deposition video from former TikTok employee Reagan Maher about alleged exploitation.

On the defense side, many of Meta's live witnesses are likely to be its own executives and managers, as was the case in the New Mexico trial. It has listed its global head of safety, vice president of

content policy, director of research, and Mosseri as witnesses. Snap said it will call two different employees to testify about safety efforts, and TikTok has listed a trust and safety specialist, as well as two people whose expertise is partnering with third parties to promote safety. YouTube plans to call at least one witness about platform design and a handful regarding youth safety.

Experts for the defense will likely include a psychiatrist who has said teen mental health issues do not arise from social networks and media and communication experts who will say the platforms are safe.

Litigator Jess Nall of Withers, who defends tech founders and watched the Los Angeles trial closely, said one consideration for Breathitt is that it will "need to have sort of the sympathetic testimony that we had in the Los Angeles case," which in that trial arose from the individual plaintiff's own testimony.

Nall said that because Breathitt is an institutional plaintiff, the trial has a strong potential of being "more expert-heavy."

Experts are expected to be critical to make the school district's damages case, at a minimum. Filings preview testimony from a statistician, Robert Klein, who surveyed Breathitt teachers regarding "the amount of instruction time diverted due to student use of defendants' social media platforms." Building on that, economist Bryce Ward is expected to discuss the monetary value of that time.

Also in the damages bucket, psychologist Sharon Hoover is expected to present a 15-year "comprehensive strategic plan" to help the school district recover from the alleged scourge of social media, and economist Douglas Leslie is expected to discuss the plan's cost.

The damages evidence will not come without a fight, McNally said. The idea of foreseeability is a key prerequisite to damages, and one argument "that Meta has advanced in motions to dismiss in other litigation is that the school district is not a foreseeable plaintiff; they're not the users" of the platforms, he said.

However, company discussions of school-day usage could be relevant there. A summary judgment order in the Breathitt case discusses evidence that Facebook actually strategized about school-day usage, with one internal chat reading: "One of the things we need to optimize for is sneaking a look at your phone under your desk in the middle of Chemistry :)."

Meanwhile, the Breathitt trial could also bring other platforms onto the trial stage in an unprecedented way. TikTok and Snapchat are two co-defendants in the Breathitt trial that had chosen to settle in the prior two social media cases and so have not yet tested mental health defenses before juries. Similarly, although Google went to trial in Los Angeles and was found liable, it was not part of the New Mexico trial.

TikTok has left hints it will embrace some of the same defenses as Meta, however. In state litigation in New York, its counsel recently argued that the way TikTok compiles content is protected expression, pointing to the U.S. Supreme Court's 2024 decision in **Moody v. NetChoice LLC**  and a finding that a content compilation is "expressive activity of its own."

TikTok, like Meta, has also cited the First Amendment and Section 230 of the Communications Decency Act, which shields online platforms from liability created by third parties, like from users' posts.

Many judges have found that aspects of the platforms' design are not protected by Section 230, however — an issue that has already arisen in the Breathitt case.

Judge Rogers found some claims barred by Section 230 but laid out a list of those that were not, including platforms' lack of age verification, lack of parental controls and notifications, lack of opt-in usage time restrictions, and their making account deletion difficult.

Nikolas Guggenberger, an assistant professor at the University of Houston Law Center, said the Section 230 issue could go all the way to the U.S. Supreme Court, calling it an "unresolved legal question" that is "ripe" to be decided.

"You also need parties to be willing to litigate this all the way, and I see that on both sides. This would be a major setback for Meta and the other companies, frankly, if all of a sudden they were liable for causing mental distress and addiction" under Section 230, Guggenberger said.

Nall agreed, saying tech companies have a plausible argument that the design of the platforms can't cause harm by itself without the compelling third-party content that's carried within that design.

The design theory of liability "works for juries, but I think courts are going to really have to dig in on that," Nall said. "It's going to have to go up to the Supreme Court eventually to be sorted out."

--Editing by Amy French.

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Symetra Inks \$44.4M Deal With AME Church Employees

By Kellie Mejdrich

Law360 (April 13, 2026, 3:10 PM EDT) -- Symetra Life Insurance Co. will pay \$44.4 million to end multidistrict litigation from a class of African Methodist Episcopal Church workers who alleged that mismanagement of their annuity retirement plan allowed a rogue employee to embezzle \$90 million, according to filings in Tennessee federal court.

The certified class of AME Church retirement plan participants on Friday entered a **motion for preliminary approval** of class action settlement with Symetra, along with a **supporting memorandum** and other documents including the **executed settlement agreement** between the parties.

Current and former AME Church employees filed suit in 2022 in Tennessee, saying the church and its financial service providers, Newport Group Inc. and Symetra, failed to prevent an employee's embezzlement. The suit brought allegations including state law claims for breach of fiduciary duty and negligence and claims under the Employee Retirement Income Security Act. It later was consolidated into multidistrict litigation.

In their memorandum in support of the motion for settlement, the class of church retirement plan participants said the \$44.4 million deal would bring total recoveries in the case so far to just over \$106 million. An earlier \$60 million settlement with the church and Newport Group, the third-party administrator of the church employees' retirement plan, won final court approval in August.

The class said the distribution plan for the Symetra funds would be identical to what was approved in the settlement with the AME Church and Newport, with a pro rata allocation going to settlement class members, based on a ratio of their account balance to the total value of all account balances.

Before the church employees reached settlements in the class action, ERISA claims were cut from the case in 2023 after U.S. District Judge S. Thomas Anderson concluded that federal benefits law didn't apply to the plan under an explicit statutory exemption for what are known as church plans. ERISA can sometimes apply when a church plan elects to be governed by the law.

Retirees won class certification in January and **reached a deal** to settle with Symetra in February.

Under the earlier-reached \$60 million deal between Newport and the AME Church, which was **submitted for initial court approval** in March 2025, Newport agreed to pay the retirees \$40 million while the church paid \$20 million. The church also agreed to implement significant changes to its employee retirement plan, including by agreeing to shut down its retirement services department, transfer plan assets to a qualified trust and govern its plan by the principles set forth in ERISA.

Matt Lee and Greg Francis, co-lead counsel for the class of church retirement plan participants, said in a joint statement, "We are pleased with the settlement with Symetra and proud of what we've been able to accomplish after over four years of hard-fought litigation. This settlement, if approved, would bring the total recovery to almost \$106 million, which should return most of the money that the AME Church pastors were told that they had in their accounts in June 2021."

They added, "We still have defendants who are fighting, and we have more work to do, but this is a major step forward in this litigation."

Representatives of the AME Church, Symetra and Newport Group didn't immediately respond Monday to requests for comment.

The AME Church retirement plan participants are represented by Matthew E. Lee of Lee Segui PLLC, Gregorio A. Francis of Osborne Francis & Pettis PLLC, J. Gerard Stranch IV of Stranch Jennings & Garvey PLLC, Kenneth S. Byrd of Lieff Cabraser Heimann & Bernstein LLP, Susan Meter of Kantor & Kantor LLP, Dhamian Blue of Blue LLP, Julie Nepveu of AARP Foundation and Richard Schulte of Wright & Schulte LLC.

Symetra is represented by Benjamin M. Stoll, Markham R. Leventhal, Scott M. Abeles and Rachel A. Oostendorp of Carlton Fields PA.

The AME Church is represented by Bruce A. McMullen, Mary Wu Tullis and Jennie V. Silk of Baker Donelson Bearman Caldwell & Berkowitz PC.

Newport Group is represented by Lars C. Golumbic, Mark C. Nielsen, Edward J. Meehan, Shaun A. Gates and Larry M. Blocho Jr. of Groom Law Group Chtd.

The consolidated case is In re: AME Church Employee Retirement Fund Litigation, case number 1:22-md-03035, in the U.S. District Court for the Western District of Tennessee.

--Editing by Emma Brauer.

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Citron's 'Shadowy Gang' Sued Over Short Selling Campaign

By **Katryna Perera**

Law360 (April 13, 2026, 10:29 PM EDT) -- Shareholders of PolarityTE have alleged in a new suit that "members of a shadowy gang of short sellers" conspired to short the biotechnology company's stock through targeted negative media attacks with Citron Research to enrich themselves at the expense of the shareholders, and that they ultimately caused the company's bankruptcy.

Three PolarityTE shareholders who were formerly the second-largest shareholders of the company, collectively owning just under 10% of PolarityTE, filed a **complaint** on Friday against Anson Advisors Inc., two of its principals, and hedge fund Citron Capital, which is associated with activist short seller Andrew Left and the Citron Research website.

According to the complaint, short selling stock is one of Anson's "principal investment strategies," and defendants Moez Kassam and Sunny Puri, as principals of the firm, coordinated Anson's investing activities with activist short publishers who released reports presenting "bearish information" about target companies.

"Kassam was the ringleader of the scheme. Through his company, Anson, he entered into both formal and informal agreements with short publishers to, depending upon the particular campaign, target public companies ... for a short sale campaign and/or pay other short report publishers to publish information about target companies that was drafted in whole or in part by Anson," the complaint states.

The activist short publishers with whom Anson, Kassam and Puri worked include defendants Ryan Choi and Citron Capital, according to the complaint. Choi co-founded Citron Capital with short seller Left in 2018. Left is not a party to the current action.

The shareholder plaintiffs allege that the defendants launched their first attack against PolarityTE in June 2018 through a short seller report by Citron Research, which recommended that investors immediately sell their PolarityTE shares because the company was a "fraud." Citron Research is not named in the suit.

The report allegedly claimed that PolarityTE's patent application for its leading product, "SkinTE," which is intended to repurpose a patient's own skin to heal damaged or lost skin tissue, was "dead on arrival."

The complaint states that PolarityTE had received a "final rejection" for its patent application for SkinTE by the U.S. Patent Office, but that the short seller report misrepresented the true meaning of a "final rejection" from the USPTO.

"The word 'final' as used in the patent application process is a term of art, and an unfortunate misnomer. In the patent world, 'final' does not really mean 'final' or 'the end,' but rather just denotes a milestone in the application process," the complaint states.

"Receiving a 'final' rejection does not mean that a patent application has been completely and forever rejected by the USPTO and cannot be saved; quite the contrary. After receiving a 'final' office action, the patent process continues," the complaint further states. "In the vast majority of instances where a 'final rejection' issues but the applicant continues to pursue its claim, a patent is issued."

According to the complaint, PolarityTE was eventually granted a patent for SkinTE in 2021. But in 2018, the short seller report claimed that the odds of PolarityTE receiving a patent after the final rejection were "in the low single digits."

The shareholder plaintiffs say that not only did the report make false claims about PolarityTE's patent prospects, but the report also failed to disclose that Anson was paying Citron to coordinate the attack and that the defendants planned to cover their short positions of PolarityTE stock within a few hours or days of the report's publication.

As a result of the alleged attack, the complaint states that PolarityTE's stock crashed by over 33% in one day and nearly 50% within a week, wiping out hundreds of millions of dollars in shareholder value and prompting a **class action** suit. PolarityTE prevailed in that suit.

The second alleged attack occurred nearly four months later when another report repeated the same claims about PolarityTE's patent application and misrepresented "the significance of a letter that PolarityTE had received from the U.S. Food and Drug Administration following its perfunctory inspection of a new PolarityTE manufacturing facility," according to the complaint.

Following this report, PolarityTE's stock dropped another 17%, the shareholders say, and the fallout didn't stop there.

The shareholders say the alleged false reports "scared away" PolarityTE's institutional investors, and the company had difficulty raising further capital. In 2023, PolarityTE's inability to raise funds forced it to declare bankruptcy, and the market value of its shares fell to zero, according to the complaint.

The shareholders say PolarityTE was not the only company targeted by the defendants. Their so-called "short-and-distort" scheme came to light in 2024 when short seller Left, Citron Research's founder and most public-facing member of the "shadowy gang of short sellers," was **indicted** by a grand jury for one count of securities fraud, 17 counts of fraud in connection with the purchase and sale of securities, and one count for false statements to a government agency.

According to prosecutors, Left used his platform to manipulate stock prices and earn \$16 million through securities fraud by exploiting rapid price fluctuations that occurred shortly after he published reports on those same companies via Citron Research. The case is **ongoing**. Left, in a bid to trim the case that was ultimately rejected, contended that the indictment was an attempt to criminalize legitimate market conduct.

Choi settled with the U.S. Securities and Exchange Commission in 2024 **for \$1.8 million** to resolve allegations that he negligently took part in a scheme to defraud readers through two trading recommendations.

According to the SEC, after Left published the two recommendations on the social platform X, Choi quickly traded on price increases following Citron Research's tweets but negligently failed to ensure his trading activity was adequately disclosed. As a result, Choi made more than \$1.6 million in profits, the SEC said.

Citron Capital and Left are also facing an SEC suit alleging they made \$20 million in ill-gotten profits based on reports and tweets published between 2018 and 2020. Last year, a judge **declined to toss** the suit.

Additionally, Anson agreed in 2024 to pay \$2.25 million **to end an SEC investigation** into its allegedly hidden relationship with an unnamed activist investment firm, believed to be Citron Research, that shorted a pair of cannabis stocks.

The shareholder plaintiffs in the current suit say that all prior enforcement actions and lawsuits brought against the defendants, and the millions of dollars in fines and disgorgement they have paid, have amounted to nothing more than "slaps on the wrist."

"The federal government gave them leniency in exchange for their ongoing cooperation in the prosecution of Left. And the wrongdoers' payments did not help the innocent shareholders victimized by the scheme," the complaint states. "This action is intended to bring the behind-the-scenes bad

actors out of the shadows, into the light, and make them pay a portion of the damages they caused to innocent shareholders."

In a statement to Law360 on Monday, Robert Weber of Sheppard Mullin Richter & Hampton LLP, counsel for the shareholders, said: "Our clients lost \$50 million as a result of the scheme alleged in the complaint, and this lawsuit is an effort to recover some of those damages."

The defendants did not immediately respond to requests for comment on Monday.

The shareholders are represented by Constantine Z. Pamphilis, Robert D. Weber and Christina C. Koenig of Sheppard Mullin Richter & Hampton LLP.

Counsel information for the defendants was not immediately available.

The case is Honig et al. v. Anson Funds Management LP et al., case number 3:26-cv-01167, in the U.S. District Court for the Northern District of Texas.

--Editing by Michael Watanabe.