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BETWEEN THE DISTRICTS

SDNY & EDNY Enforcement at the Crossroads of Markets, Money, and Sport



AGENDA

1. Private Credit
2. Sports
3. Prediction Markets



01

PRIVATE CREDIT

TRICOLOR – SDNY

U.S. V. DANIEL CHU AND DAVID GOODGAME; U.S. V. JEROME KOLLAR; U.S. V. AMERYN SEIBOLD

- **Facts:** Founder/CEO Daniel Chu allegedly ran subprime auto lender Tricolor "through systematic fraud" (2018–2025), double-pledging collateral and manipulating loan data
  - By Aug. 2025: ~$2.2B pledged vs. ~$1.4B of real collateral (~$800M bogus); Chapter 7 filed Sept. 10, 2025, with lenders owed $900M+
  - Chu allegedly collected $6.25M in bonus payments weeks before the collapse and bought a Beverly Hills property
  - Recorded calls demonstrate Chu attempting to hide the fraud and blame the banks
    - ***"Enron obviously has a nice ring to it, right?"*** – Chu
- **Charges:**
  - **Continuing Financial Crimes Enterprise** (against Chu only)
  - Conspiracy to commit bank fraud and wire fraud affecting a financial institution
  - Bank fraud
  - Wire fraud affecting a financial institution
- SDNY has revived the rarely-used "financial kingpin" statute (18 U.S.C. § 225)
  - ***"New Yorkers and all Americans want continuing criminal enterprises shut down and their leaders brought to justice whether they are on our streets or in our markets"*** – U.S. Attorney Jay Clayton

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FIRST BRANDS – SDNY

U.S. V. PATRICK JAMES AND EDWARD JAMES

- **Facts:** Founder/CEO Patrick James and brother Edward (SVP) allegedly committed fraud through their auto-parts supply business, First Brands
  - Fake and inflated invoices, double- and triple-pledged collateral, falsified financials, and hidden off-balance-sheet debt through James-controlled entities
  - Filed Chapter 11 bankruptcy (Sept. 2025) with ~$12M in cash and $9B+ in liabilities though the company had reported $5B net annual sales worldwide
  - Self-payments were internally called "round trips" or "corporate initiatives"
- **Charges: Continuing Financial Crimes Enterprise** (Patrick only); conspiracy to commit wire and bank fraud; wire fraud; bank fraud; money laundering conspiracy
- ***"Individuals who lie about the financial health of their company for the purposes of greed create shockwaves across the business sector that endanger the economic wellbeing of others"*** – U.S. Attorney David M. Toepfer (N.D. Ohio; place of arrest and First Brands' HQ)

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DOJ'S CARROT-AND-STICK APPROACH

- In March 2026, the DOJ released a Department-wide Corporate Enforcement Policy
  - This policy is intended to incentivize companies to voluntarily report misconduct and focuses on holding individual wrongdoers accountable
  - ***"Having helped craft the Department-wide policy, our prosecutors will continue to reward good corporate behavior, seek individual accountability, and root out criminal conduct in our mission to protect the American people."*** – Assistant Attorney General A. Tysen Duva (Criminal Division)
- Key provisions:
  - **Declination prosecution:** for companies that voluntarily disclose, cooperate, and remediate
  - **"Near miss":** NPA fewer than three years, no monitor, and a 50–75% reduction off the low end of the Guidelines fine range
- In light of DOJ's carrot-and-stick approach through the revival of the financial kingpin statute and the Corporate Enforcement Policy, how may the white-collar enforcement space change?

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02

SPORTS

NBA: BRIBERY TO FIX GAME PERFORMANCE – EDNY

U.S. V. MALIK BEASLEY ET AL.

- **Facts:** Former NBA players Malik Beasley and Ed Davis, NBA agent Paolo Zamorano, and three others allegedly fixed Beasley's stat lines (then with the Bucks) in games for prop bets
  - Davis, Beasley's "gatekeeper," relayed his plans; bribes typically reduced or paid off Beasley's gambling debts to Davis
- **Charges:** wire fraud conspiracy; bribery in sporting contests; honest services wire fraud conspiracy; money laundering conspiracy
- ***"Bribery and insider betting schemes like this one involving former NBA players and a current NBA player agent who exploited inside NBA information for profit erode the integrity of American sports and victimize the sports-watching public."*** – U.S. Attorney Joseph Nocella Jr.

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NBA: INSIDER BETTING SCHEME – EDNY

U.S. V. ERIC EARNEST ET AL.

- **Facts:** EDNY indictment alleging a scheme to sell nonpublic NBA information to bettors
  - Sold pre-release medical information and information regarding players' intent to alter their performance at certain games and for certain metrics
  - Terry Rozier allegedly said he would leave a March 2023 Hornets game early; a friend placed lucrative wagers based on the tip
- **Charges:** wire fraud conspiracy, among others; prosecutors moved to add sports bribery and honest services fraud charges
- ***"Using private information and positions of power to rig sports gambling outcomes is not only illegal, but destroys the integrity of the game and will never be tolerated."*** – FBI Director Kash Patel

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NBA AND ORGANIZED CRIME: ILLEGAL GAMBLING – EDNY
U.S. V. AIELLO ET AL.

- **Facts:** 31 defendants, including members and associates of the Bonanno, Gambino, and Genovese families, were arrested in 11 states for rigging illegal high-stakes poker games since 2019
  - **Sports Connection:** Chauncey Billups (then Trail Blazers head coach) and Damon Jones allegedly served as "Face Cards" to lure victims
  - Victims lost at least $7M
- **Charges:** seven-count indictment, including wire fraud conspiracy, illegal gambling, money laundering, robbery, and extortion
  - ***"Today's indictment and arrests sounds the final buzzer for these cheaters."*** – U.S. Attorney Joseph Nocella Jr.

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FEDERAL INVESTIGATION INTO LA CLIPPERS – EDNY

- EDNY has opened a federal investigation into the LA Clippers regarding allegations that the team circumvented the NBA's salary cap to compensate Kawhi Leonard
  - This investigation is still in early stages, but at least one subpoena has reportedly been issued
- The federal investigation follows the NBA's investigation conducted by Wachtell
  - Wachtell ***"found a pattern of misconduct and multiple significant rules violations by the Clipper organization, a prior offender of the salary cap circumvention rules."***
- The NBA punished the Clippers for the violation, including a $30 million fine, the loss of five first-round draft picks, and a yearlong suspension of the team's owner
  - Leanard must personally pay a $700,000 fine
- Separately, scoreboard maker Daktronics says it has received inquiries from the SEC about its dealings with Leonard

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BASEBALL: SPORTS BETTING & MONEY LAUNDERING – EDNY

U.S. V. EMMANUEL CLASE DE LA CRUZ AND LUIS LEONARDO ORTIZ RIBERA

- **Facts:** Two Cleveland Guardians baseball players allegedly rigged pitches to receive bribes and kickbacks from sports betters
  - Agreed to throw specific pitches to manipulate proposition bets
- **Charges:** Wire fraud conspiracy, honest services wire fraud conspiracy, conspiracy to influence sporting contests by bribery, money laundering conspiracy
- ***"[T]hey betrayed America's pastime. Integrity, honesty and fair play are part of the DNA of professional sports. When corruption infiltrates the sport, it brings disgrace not only to the participants but damages the public trust in an institution that is vital and dear to all of us."*** – FBI Assistant Director in Charge (NY Field Office) Christopher G. Raia

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SPORTS AND POKEMON: COUNTERFEIT CARDS – SDNY

U.S. V. CURCIO

- **Facts:** Anthony Curcio sold sports and Pokémon cards with forged PSA grades (2022 – May 2024), using co-defendant Iosif Bondarchuk as a front man; attempted $2M in fraudulent sales
  - Cleaned real PSA labels and printed fake 9 or 10 grades and serial numbers, focusing on Michael Jordan rookie cards and Pokémon cards
  - Tried to sell one Jordan rookie card three times, each with a different forged grade; used aliases "Brendan Wooley" and "John Steel"
  - Curcio previously served prison time for a 2008 armored-car robbery involving decoys recruited on Craigslist and an inner-tube getaway
- **Charges:** conspiracy to commit wire fraud; wire fraud
- **Resolution:** Convicted by a jury (Jan. 28, 2026) after a 2½-week trial before Judge Abrams
  - ***"[H]is conviction is a cautionary tale for those who would abuse the collectibles markets."*** – U.S. Attorney Jay Clayton

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THEMES AND TAKEAWAYS

- **Thematic takeaways**
  - **Prop bets create single points of failure:** one rebound, one pitch, or one early exit can be fixed by one player
  - **Leagues as gatekeepers:** MLB alerted law enforcement; the NBA's Wachtell probe preceded EDNY's inquiry
  - **Fraud follows trust:** celebrity "face cards," culture around sports integrity
- Should leagues and sportsbooks limit player-specific prop and micro-bet markets?
- Do internal league investigations become a roadmap for prosecutors?
- Does American culture regarding sports integrity impact approach to these cases?

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03

PREDICTION MARKETS

GOOGLE EMPLOYEE: POLYMARKET TRADING – SDNY

U.S. V. MICHELE SPAGNUOLO

- **Facts:** Google software engineer Michele Spagnuolo (a/k/a "AlphaRaccoon") allegedly used confidential "Year in Search 2025" data to trade Google-related Polymarket contracts
  - Purchased shares on at least 23 of the 2025 Year in Search List contracts with near-perfect accuracy
  - Risked ~$2.75M and profited ~$1.2M
- **Charges:** commodities fraud (CEA); wire fraud; money laundering
- There is a parallel CFTC complaint against Spagnuolo seeking restitution, disgorgement, civil monetary penalties, trading and registration bans, and a permanent injunction

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ARMY SOLDIER: POLYMARKET TRADING – SDNY

U.S. V. GANNON KEN VAN DYKE

- **Facts:** Master Sgt. Gannon Ken Van Dyke, an Army Special Forces soldier, allegedly used classified information about "Operation Absolute Resolve" (the Jan. 3, 2026, capture of Nicolás Maduro) to bet on Polymarket
  - ~13 "YES" bets totaling ~$34K; profits of $400K+
  - Allegedly routed proceeds through a foreign crypto vault and asked Polymarket to delete his account
- **Charges:** three CEA counts (including misuse of nonpublic government information), wire fraud, and an unlawful monetary transaction
- There is also a parallel CFTC complaint
- ***"Widespread access to prediction markets is a relatively new phenomenon, but federal laws protecting national security information fully apply."*** – Acting Attorney General Todd Blanche

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THEMES AND TAKEAWAYS

- **Thematic takeaways**
  - **Old doctrine, new venue:** SDNY and the CFTC are applying the misappropriation theory to event contracts
  - **Parallel tracks:** each criminal case came with a CFTC civil action
  - **Anything can be material:** search rankings and military timing became tradable inside information
- Will legal doctrine evolve to account for its application to new technologies?

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