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THE WALL STREET JOURNAL.

U.S. Banks Back Out of Some Chinese IPOs

By Dave Sebastian
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International investors have soured so much on Chinese initial public offerings that investment banks are backing out of potential listings and even small deals have become a tough sell.

Goldman Sachs Group has given up several mandates for IPOs in Hong Kong this year, including deals for a dermatology company and an online marketplace for pharmaceutical products, according to filings with the city's stock exchange. Bank of America has left its role in the coming IPO of Growatt **Technology**, which makes inverters for solar panels.

Banks seldom relinquish IPO mandates after receiving them. The moves reflect how difficult the market is for Chinese companies that want to go public on international stock exchanges. Nearly 90 companies have active listing applications for the Hong Kong exchange's main board, according to official figures as of May 31. But falling stock prices, heightened political tensions between Washington and Beijing and China's sputtering economic recovery have been turnoffs for many global investors.

New and secondary listings in Hong Kong have raised $2.05 billion this year, down 12% from a year earlier, a far cry from the city's IPO volumes in years past. The average deal size so far in 2023 has been about $80 million, according to Dealogic data.

Hong Kong's Hang Seng Index rallied in January, after investors bet on a rapid economic recovery following the end of China's strict zero-Covid policies. But the index, which includes many of China's largest companies, has fallen more than 14% since closing at its highest level this year on Jan. 27.

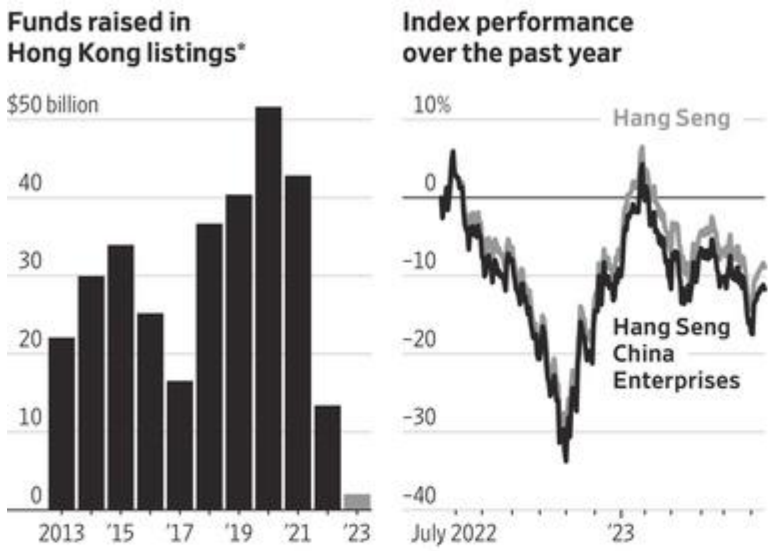
Even small listings with an obvious sales pitch have faltered recently. Star Plus Legend Holdings, which makes a type of diet coffee, postponed its $101.8 million Hong Kong IPO last week after launching its stock sale. The company was co-founded by the mother of Taiwanese pop star Jay Chou and owns intellectual-property rights to a reality show he stars in, as well as other events and content centered around him.

Goldman chose to back away from the IPOs of YSB, a Chinese company that operates a pharmaceutical marketplace for businesses, and Shanghai-based Cutia Therapeutics, which specializes in skin treatments. The New York bank viewed the current market demand to be too weak for the listings to do well, according to people familiar with the matter. In April, Goldman stepped back from its role as an overall coordinator in the IPO of Beijing Fourth Paradigm **Technology**, an artificial-intelligence company that was added to an export blacklist by the U.S. Commerce Department in March.

Goldman advised YSB and Cutia to wait until market conditions improve, the people said, but the companies ultimately chose to push ahead. Cutia raised $59.4 million from a Hong Kong listing that priced last week. It came in near the bottom of its price range. YSB is planning to launch a deal this week.

Shenzhen-based Growatt **Technology**, the solar-products company, last year postponed its listing plans and is planning to relaunch its IPO. Bank of America Merrill Lynch had been coordinating Growatt's listing attempt, but is no longer involved in the deal.

Many deal makers have a gloomy outlook for the IPO market this year, after starting 2023 with a sense of optimism following the end of zero-Covid. They say policy stimulus from China, a continued rise in stock prices elsewhere and more clarity about U.S. interest rates are among the prerequisites for deals to return.



*Includes primary and secondary listings, 2023 data is through June 14.
Sources: Dealogic (funds); FactSet (performance)

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THE WALL STREET JOURNAL.

Apple Customers Complain About Goldman Accounts

By AnnaMaria Andriotis
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Apple's savings account, a partnership with Goldman Sachs, launched in April to great fanfare. Some customers say it has been hard to get their money out.

Nathan Thacker, who lives outside Atlanta, had been trying to transfer $1,700 from his Apple account to JPMorgan Chase since May 15. Each time he called Goldman's customer service department, he said, he was told to give it a few more days.

The money arrived in his Chase account Thursday morning, he said, after The Wall Street Journal contacted Goldman about his and other customers' experiences.

Others said they also had trouble transferring money from their new Apple accounts. Customer-service representatives at Goldman, which holds the deposits, sometimes gave differing responses about what to do, they said. Sometimes, their money appeared to have simply vanished, not showing up in their Apple account or in the account they were trying to move it to.

Goldman said it couldn't comment on specific customers but added that "we take our obligation to protect our customers' deposits very seriously."

"The customer response to the new savings account for Apple Card users has been excellent and beyond our expectations," the bank said in a statement. "While the vast majority of customers see no delays in transferring their funds, in a limited number of cases, a user may experience a delayed transfer due to processes in place designed to help protect their accounts."

An Apple spokeswoman declined to comment.

On brand-new accounts, like Apple's, transfers that make up a large share of the overall balance can trigger **anti**-**money**-**laundering** alerts or other security concerns that require additional review, according to people in the **AML** field. Those delays usually last five or so days, they said.

It can also be a red flag when a customer tries to transfer a large amount of money from a newly opened savings account into an account that is different from the one where the money originally came from.

Min-Jae Lee was curious to try out the Apple account and intrigued by its high interest rate. She deposited $100,000 in April but soon decided she would rather have her money elsewhere. On May 1, she tried to transfer it out.

It took more than three weeks for her to get it.

Lee, a lawyer, said Goldman told her to contact JPMorgan Chase, where she was trying to move the money. Then, on Goldman's advice, she tried sending the money to her Vanguard account. The $100,000 moved there before going back to Apple the same day, she said.

Goldman then called her, she said, and told her that the money could be transferred only to the account from where she had sent it. She initiated a transfer to Ally on May 16.

A few days later, Goldman told her that her account was under a security review.

Her Apple account showed a zero balance, but the money wasn't in her Ally account either. It finally showed up there on May 25. She isn't entirely sure why.

It is reasonable that a bank would delay a transfer to do enhanced due diligence, but the length of the delay in these cases is surprising, said Dennis Lormel, who worked on financial crimes for the U.S. government for three decades and now is a bank consultant.

"A two- to four-week delay definitely seems long," he said. "As someone who deals with banks on a frequent basis, to me that seems unreasonable."

The Apple savings account has attracted people searching for the same thing: yield. It pays a 4.15% interest rate, riches compared with the current savings-account average of 0.25%, according to Bankrate.com.

Goldman also issues Apple's credit card, and consumers who want to open the savings accounts have to first sign up for the credit card.

For Apple, the new account is a way to expand the iPhone further into people's daily financial interactions, keeping customers linked to its ecosystem. For Goldman, it is a way to build deposits.

The Wall Street titan has encountered challenges, including regulatory probes, when dealing with the mundane tasks of servicing Main Street consumers. Goldman has been cutting back on its consumer lending and earlier this year said it is "considering strategic alternatives" for the unit that includes its credit-card partnership with Apple.

The long delays have forced some customers to make financial decisions they hadn't planned on.

Antonio Sanchez had to borrow money from his mother-in-law after a $100,000 transfer from his Apple account got stuck. Sanchez needed the money for a deposit so that he and his wife could go into contract on a home they are buying.

He eventually got the money -- a day after the deposit was due. The experience left him unsettled. "Every person I talked to [gave] me a slightly different story," said Sanchez.

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Powell McCormick Leaves Goldman

By Miriam Gottfried and AnnaMaria Andriotis
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Dina Powell McCormick, one of the most senior women on Wall Street and a former U.S. government official, is leaving Goldman Sachs Group to join an investment and advisory firm run by former partners at the Wall Street giant.

Powell McCormick will assume the newly created roles of vice chairman and president of global client services at BDT & MSD Partners, the merchant bank run by former star Goldman bankers Byron Trott and Gregg Lemkau, firm executives said. She will work with the firm's existing clients, consisting primarily of company founders and wealthy families, and aim to expand its relationships with sovereign-wealth funds and other institutional investors.

At Goldman, Powell McCormick most recently served as global head of the sovereign business, where she focused on strengthening the investment bank's ties with government-backed funds. She was also in charge of Goldman's sustainability efforts, advising clients on climate-finance investments, and served on Goldman's management and client and business standards committees.

Born in Egypt, Powell McCormick, 49, spent more than a dozen years during the early part of her career working in various U.S. government roles. She joined Goldman in 2007 but left in 2017 to become deputy national security adviser for strategy under President Donald Trump. She rejoined Goldman in 2018.

Her husband, David McCormick, was undersecretary of the Treasury for international affairs during the George W. Bush administration and later served a stint as chief executive of hedge-fund firm Bridgewater Associates. Last year, he mounted a failed bid for the Republican nomination for a U.S. Senate seat in Pennsylvania.

"Dina is world class in terms of her relationship skills," said Lemkau, who left Goldman at the end of 2020 to head MSD and became co-CEO of BDT & MSD after the two firms said they were merging last fall. "She has an amazing ability to pull groups together."

BDT & MSD have together deployed more than $50 billion across their investment strategies. Trott, the firm's other co-CEO, founded BDT in 2009 after a quarter-century at Goldman. Before the merger, BDT specialized in advising founder- and family-owned businesses on matters including deals, succession and estate planning and invested in such deals through its funds.

MSD was also founded in 2009 when the investors running the family office of billionaire Michael Dell decided to give outsiders the opportunity to invest alongside the **technology** executive. The firm brought to the merger deep ties to Silicon Valley as well as credit and real-estate businesses.

Lemkau said BDT & MSD will continue to focus on its core client base of business-owning families for its flagship private-equity business, but expects institutions such as sovereign-wealth funds to play a bigger role as it expands further into credit and real-estate investing. The firm already has about $11 billion in credit assets under management.

She is the latest in a number of high-profile exits from Goldman under CEO David Solomon.

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THE WALL STREET JOURNAL.

Epstein's Private Calendar Reveals Prominent Names

By Khadeeja Safdar and David Benoit
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The nation's spy chief, a longtime college president and top women in finance. The circle of people who associated with Jeffrey Epstein years after he was a convicted sex offender is wider than previously reported, according to a trove of documents that include his schedules.

William Burns, director of the Central Intelligence Agency since 2021, had three meetings scheduled with Epstein in 2014, when he was deputy secretary of state, the documents show. They first met in Washington and then Mr. Burns visited Epstein's townhouse in Manhattan.

Kathryn Ruemmler, a White House counsel under President Barack Obama, had dozens of meetings with Epstein in the years after her White House service and before she became a top lawyer at Goldman Sachs Group Inc. in 2020. He also planned for her to join a 2015 trip to Paris and a 2017 visit to Epstein's private island in the Caribbean.

Leon Botstein, the president of Bard College, invited Epstein, who brought a group of young female guests, to the campus. Noam Chomsky, a professor, author and political activist, was scheduled to fly with Epstein to have dinner at Epstein's Manhattan townhouse in 2015.

None of their names appear in Epstein's now-public "black book" of contacts or in the public flight logs of passengers who traveled on his private jet. The documents show that Epstein arranged multiple meetings with each of them after he had served jail time in 2008 for a sex crime involving a teenage girl and was registered as a sex offender. The documents, which include thousands of pages of emails and schedules from 2013 to 2017, haven't been previously reported.

The documents don't reveal the purpose of most of the meetings. The Wall Street Journal couldn't verify whether every scheduled meeting took place.

Most of those people told the Journal they visited Epstein for reasons related to his wealth and connections. Several said they thought he had served his time and had rehabilitated himself. Mr. Botstein said he was trying to get Epstein to donate to his school. Mr. Chomsky said he and Epstein discussed political and academic topics.

Mr. Burns met with Epstein about a decade ago as he was preparing to leave government service, said CIA spokeswoman Tammy Kupperman Thorp. "The director did not know anything about him, other than that he was introduced as an expert in the financial services sector and offered general advice on transition to the private sector," she said. "They had no relationship."

Ms. Ruemmler had a professional relationship with Epstein in connection with her role at law firm Latham & Watkins LLP and didn't travel with him, a Goldman Sachs spokesman said. Epstein introduced her to potential legal clients, such as Microsoft Corp. co-founder Bill Gates, the spokesman said."I regret ever knowing Jeffrey Epstein," Ms. Ruemmler said.

A spokeswoman for Latham & Watkins said Epstein wasn't a client of the firm.

In 2006, Epstein was publicly accused of sexually abusing girls in Florida who were as young as 14 years old. The Federal Bureau of Investigation and police investigated, and Epstein reached a deal with prosecutors in 2008. He avoided federal charges and pleaded guilty to soliciting and procuring a minor for prostitution. He registered as a sex offender and served about 13 months in a work-release program.

Epstein's case generated waves of media coverage at the time, with publications in the U.S. and abroad reporting on accusations from underage girls and young women. In 2006, several politicians returned donations from Epstein. Some associates moved to distance themselves from him. His biggest known client, retail billionaire Leslie Wexner, later said he cut ties in 2007. His bank, JPMorgan Chase & Co., later said it closed his accounts in 2013, though some bankers continued to meet with him for years after.

In 2015, Virginia Giuffre publicly accused Epstein of sexually abusing and trafficking her when she was a teen and forcing her to have sex with influential people, including Prince Andrew. Prince Andrew has denied the allegations and last year settled a sex-abuse lawsuit by Ms. Giuffre.

Despite the negative press, Epstein's days were filled from morning to night with meetings with prominent people, the documents show. There were dinners at New York restaurants, meetings at luxury hotels and gatherings in the offices of prominent law firms. Many appointments were held at Epstein's townhouse in Manhattan.

Prosecutors alleged in 2019 that the townhouse is where Epstein sexually abused female victims for years, many underage, and that he paid some of them to recruit their friends to engage in sexual activity.

After the Miami Herald reported that dozens of women said they were abused, prosecutors charged Epstein in 2019 with a sex trafficking conspiracy. He died that year in a New York jail while awaiting trial in what the city's medical examiner said was a suicide.

Mr. Burns, 67 years old, a career diplomat and former ambassador to Russia, had meetings with Epstein in 2014 when Mr. Burns was deputy secretary of state.

A lunch was planned that August at the office of law firm Steptoe & Johnson in Washington. Epstein scheduled two evening appointments that September with Mr. Burns at his townhouse, the documents show. After one of the scheduled meetings, Epstein planned for his driver to take Mr. Burns to the airport.

Mr. Burns recalls being introduced in Washington by a mutual friend, and meeting Epstein once briefly in New York, said Ms. Thorp. "The director does not recall any further contact, including receiving a ride to the airport," she said.

The following month, October 2014, Mr. Burns stepped down from his role at the State Department to serve as president of the Carnegie Endowment for International Peace, a think tank. He ran the Carnegie Endowment until he was nominated in early 2021 by President Biden to serve as CIA director.

The documents show that Epstein appeared to know some of his guests well. He asked for avocado sushi rolls to be on hand when meeting with Ms. Ruemmler, according to the documents. He visited apartments she was considering buying. In October 2014, Epstein knew her travel plans and told an assistant to look into her flight. "See if there is a first class seat," he wrote, "if so upgrade her."

In 2014, Epstein called Ms. Ruemmler within weeks of her leaving the Obama White House. Epstein planned a lunch in August 2014 at his townhouse, followed by a series of meetings to introduce her to a wider circle of his acquaintances.

Ms. Ruemmler first met Epstein after he called her to ask if she would be interested in representing Mr. Gates and the Bill & Melinda Gates Foundation, the Goldman Sachs spokesman said.

A spokeswoman for Mr. Gates said Epstein never worked for Mr. Gates, misrepresented their relationship, and that Mr. Gates regrets ever meeting with him.

Epstein and his staff discussed whether Ms. Ruemmler, now 52, would be uncomfortable with the presence of young women who worked as assistants and staffers at the townhouse, the documents show. Women emailed Epstein on two occasions to ask if they should avoid the home while Ms. Ruemmler was there. Epstein told one of the women he didn't want her around, and another that it wasn't a problem, the documents show.

Ms. Ruemmler didn't see anything that would lead her to be concerned at the townhouse and didn't express any concern, the Goldman spokesman said.

Several people who visited Epstein during this time period said they noticed young women at his townhouse. One of the visitors, Helen Fisher, an anthropologist who studies romantic love and attachment, had lunch with Epstein in January 2016 to discuss her work.

Dr. Fisher said that after the lunch, Epstein invited her to speak with his staff. "And then, in filed, I would say, six young women," she said. "All of them good looking. All of them young."

Dr. Fisher said Epstein never funded her work, they weren't friends and they didn't stay in touch. "I didn't have anything to do with Jeffrey Epstein," she said. "But I remembered it because of his spectacular house and because of the six young women."

Over the next few years, Ms. Ruemmler, then a partner specializing in white-collar defense at Latham & Watkins, had more than three dozen appointments with Epstein, including for lunches and dinners.

"In the normal course, Epstein also invited her to meetings and social gatherings, introduced her to other business contacts and made referrals," the Goldman spokesman said. "It was the same kinds of contacts and engagements she had with other contacts and clients."

In 2015, she was scheduled to fly with Epstein to Paris and in 2017 he planned to stop in St. Lucia to take her to his island home in the U.S. Virgin Islands for the day, according to the documents.

Ms. Ruemmler never visited his island and "never accepted an invitation or an opportunity to fly with Jeffrey Epstein anywhere," the Goldman spokesman said.

In addition to her current role as general counsel at Goldman Sachs, Ms. Ruemmler is co-chair of its reputational risk committee, which monitors business and client decisions for potential damage to the bank's image.

Epstein also connected Ms. Ruemmler with Ariane de Rothschild, who is now chief executive of the Swiss private bank Edmond de Rothschild Group. The bank hired Ms. Ruemmler's law firm, Latham & Watkins, after the introduction to help with U.S. regulatory matters, according to the bank and the Goldman spokesman.

Mrs. de Rothschild, who married into the famous banking family, had more than a dozen meetings with Epstein. He sought her help with staffing and furnishings as well as discussed business deals with her, according to the documents.

In September 2013, Epstein asked Mrs. de Rothschild in an email for help finding a new assistant, "female. . .multilingual, organized."

"I'll ask around," Mrs. de Rothschild emailed back.

She bought nearly $1 million worth of auction items on Epstein's behalf in 2014 and 2015, the documents show.

Mrs. de Rothschild was named chairwoman of the bank in January 2015. That October, she and Epstein negotiated a $25 million contract for Epstein's Southern Trust Co. to provide "risk analysis and the application and use of certain algorithms" for the bank, according to a proposal reviewed by the Journal.

In 2019, after Epstein was arrested, the bank said that Mrs. de Rothschild never met with Epstein and it had no business links with him.

The bank acknowledged to the Journal that its earlier statement wasn't accurate. It said Mrs. de Rothschild met with Epstein as part of her normal duties at the bank between 2013 and 2019, and Epstein introduced the bank to U.S. finance leaders, recommended law firms and provided tax and risk consulting.

"In parallel to that, Epstein solicited her personally on a couple occasions for advice and services on estate management," the bank said.

Mrs. de Rothschild had no knowledge of any legal proceedings against Epstein and "was similarly unaware of any questions regarding his personal conduct," the bank said. After later learning of his behavior, the bank said, "she feels for and supports the victims."

One of Epstein's scheduled meetings with Mrs. de Rothschild, in January 2014, included another of his regular guests: Joshua Cooper Ramo, then co-chief executive of Henry Kissinger's corporate consulting firm.

Epstein scheduled more than a dozen meetings from 2013 to 2017 with Mr. Ramo, who at the time served on the boards of Starbucks Corp. and FedEx Corp., the documents show. Epstein had special snacks on hand because he believed Mr. Ramo was vegetarian, the documents indicate.

Many of Mr. Ramo's appointments with Epstein were in the evenings, typically after 5 p.m., at the townhouse. Mr. Ramo also was invited to a breakfast at the townhouse in September 2013 with former Israeli Prime Minister Ehud Barak, another regular guest, the documents show.

Mr. Ramo, who still sits on the board of FedEx and recently stepped down from the Starbucks board, didn't respond to requests for comment. A spokeswoman for Mr. Kissinger said he wasn't aware that Mr. Ramo was meeting with Epstein.

Mr. Barak also met Epstein in 2015 with Mr. Chomsky, now 94, a linguistics professor and political activist who has been critical of capitalism and U.S. foreign policy.

Mr. Chomsky said Epstein arranged the meeting with Mr. Barak for them to discuss "Israel's policies with regard to Palestinian issues and the international arena."

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Mr. Barak said he often met with Epstein on trips to New York and was introduced to people such as Mr. Ramo and Mr. Chomsky to discuss geopolitics or other topics. "He often brought other interesting persons, from art or culture, law or science, finance, diplomacy or philanthropy," Mr. Barak said.

Epstein arranged several meetings in 2015 and 2016 with Mr. Chomsky, while he was a professor at the Massachusetts Institute of **Technology**.

When asked about his relationship with Epstein, Mr. Chomsky replied in an email: "First response is that it is none of your business. Or anyone's. Second is that I knew him and we met occasionally."

In March 2015, Epstein scheduled a gathering with Mr. Chomsky and Harvard University professor Martin Nowak and other academics, according to the documents. Mr. Chomsky said they had several meetings at Mr. Nowak's research institute to discuss neuroscience and other topics.

Two months later, Epstein planned to fly with Mr. Chomsky and his wife to have dinner with them and movie director Woody Allen and his wife, Soon-Yi Previn, the documents show.

"If there was a flight, which I doubt, it would have been from Boston to New York, 30 minutes," Mr. Chomsky said. "I'm unaware of the principle that requires that I inform you about an evening spent with a great artist."

Epstein donated at least $850,000 to MIT between 2002 and 2017, and more than $9.1 million to Harvard from 1998 to 2008, the schools have said. In 2021, Harvard said it was sanctioning Mr. Nowak for violating university policies in his dealings with Epstein, and was shutting a research center he ran that Epstein had funded. MIT said it was inappropriate to accept Epstein's gifts, and that it later donated $850,000 to nonprofits supporting survivors of sexual abuse.

In a 2020 interview with the "dunc tank" podcast, Mr. Chomsky said that people he considered worse than Epstein had donated to MIT. He didn't mention any of his meetings with Epstein.

Mr. Chomsky told the Journal that at the time of his meetings "what was known about Jeffrey Epstein was that he had been convicted of a crime and had served his sentence. According to U.S. laws and norms, that yields a clean slate."

MIT said lawyers investigating its ties to Epstein didn't find that Mr. Chomsky met with Epstein on its campus or received funding from him. Harvard declined to comment beyond the report it published on its Epstein ties in 2020. Mr. Nowak has said he regretted his role in fostering a connection between Epstein and Harvard. He didn't respond to requests for comment.

Mr. Botstein, 76, president of Bard College since 1975, had about two dozen meetings scheduled with Epstein over about four years, which were mostly visits to the townhouse.

"I was an unsuccessful fundraiser and actually the object of a little bit of sadism on his part in dangling philanthropic support," said Mr. Botstein. "That was my relationship with him."

Mr. Botstein said he first visited Epstein's townhouse in 2012 to thank him for unsolicited donations to Bard's high schools, then he returned over several years in an attempt to get more donations. In 2015, Epstein donated 66 laptops, the documents show.

"We looked him up, and he was a convicted felon for a sex crime," he said. Bard has a large program providing education to prisoners, he said. "We believe in rehabilitation."

Mr. Botstein, also the longtime music director for the American Symphony Orchestra, invited Epstein to an opera at Bard in 2013, then a concert at the college in 2016, the documents indicate. Epstein planned each time to bring some of his young female assistants and arrive by helicopter.

Mr. Botstein said he was expecting Epstein to support classical music causes and that the school took precautions when he visited. "Because of his previous record, we had security ready," he said. "He did not have any free access to anybody."

At Epstein's home, Mr. Botstein was led to a dining room where they discussed classical music and other causes, he said. "He presented himself as a billionaire, a really, really rich person," he said. "I found him odd and arrogant. And what I finally came to believe, which is why we stopped contact with him, is that he was simply stringing us along."

Despite all his meetings, Mr. Botstein said, Epstein never made another donation to Bard. "It was a blessing in disguise," he said, "that we never got any [more] money."

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Rob Barry contributed to this article.

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Banking & Finance: Apple Launches Savings Account

By Julia Carpenter and Will Feuer
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Apple Inc. joined the competition for bank deposits on Monday with the launch of a high-yield savings account that pays an annual percentage yield of 4.15%.

The high-yield savings accounts, available in conjunction with Apple's credit card, are the **technology** company's latest step into the financial-services space, which include an option to allow customers to "**buy now**, **pay later**" on certain of its hardware products.

The company teamed up with Goldman Sachs Group to offer consumers those options, part of Apple's effort to transform the iPhone into a digital wallet that can help keep consumers linked to the software ecosystem behind its devices.

The savings accounts require no minimum deposit and are protected by the Federal Deposit Insurance Corp. There is a maximum balance of $250,000.

Apple Pay is a dominant competitor in digital payment, but Apple has more competition when it comes to savings accounts. Money can't be spent directly from the Apple savings account, but would first need to be transferred to a checking account or Apple Cash.

Though the 4.15% APY rate is higher than that of the standard savings account, a handful of online banks offer rates as high as 5% APY, according to Bankrate. But popular high-yield savings products from Ally Bank or Goldman's own Marcus offer lower rates than Apple's new accounts: 3.75% and 3.9%, respectively.

The favorable rate, combined with Apple's brand recognition, could be especially attractive to new customers given concerns about the stability of the banking industry after the collapse of Silicon Valley Bank, said Yiming Ma, assistant professor of finance at Columbia University.

"I think what is special in this case is Apple is Apple," Prof. Ma said.

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Ex-Executives of Outcome Health Found Guilty of Fraud at Medical-Ad Startup

By Rolfe Winkler, John Keilman and Patrick Thomas
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CHICAGO -- A federal jury convicted three former executives of the once-highflying startup Outcome Health on several charges that they ran a billion-dollar scheme that defrauded customers including major pharmaceutical companies such as Novo Nordisk A/S as well as investors including Goldman Sachs Group Inc.

The verdict caps the fall of an executive team led by Rishi Shah, who was close to Illinois Gov. J.B. Pritzker and a budding star in Democratic circles before fraud was revealed in a Wall Street Journal article in 2017. Chicago's then-Mayor Rahm Emanuel had declared at a company news conference "as Outcome goes, so goes Chicago."

Mr. Shah, Outcome's former chief executive and co-founder, along with former President Shradha Agarwal and former Chief Financial Officer Brad Purdy didn't testify during the weekslong trial.

"Today's verdict deeply saddens Mr. Shah, and he will exhaust every avenue to overturn this result," a spokesman for Mr. Shah said. A representative for Ms. Agarwal said her defense is reviewing the verdict. Mr. Purdy's lawyer said he is disappointed in the jury's verdict.

Their defense team argued that a former executive who pleaded guilty to fraud, and who was the government's star witness at trial, was responsible for the criminal conduct at the company. Two other employees who reported to that executive, Ashik Desai, each pleaded guilty to conspiracy to commit wire fraud.

Mr. Desai struck a deal with the government for a reduced sentence in exchange for testifying against his former bosses.

Mr. Shah was convicted on 19 of 22 criminal counts of wire, mail and bank fraud, while Ms. Agarwal was convicted on 15 of 17 counts and Mr. Purdy was convicted on 13 of 15 counts. The defendants could face years in prison as a result of the convictions. It is likely that they will appeal the verdict.

Separately, the Securities and Exchange Commission has charged the three former executives and Mr. Desai with fraud and has obtained a partial consent judgment against Mr. Desai in that case, which is pending. Outcome itself admitted that its former executives and employees defrauded clients and agreed to pay them $70 million as part of a 2019 deal to resolve federal fraud charges.

Outcome, which merged in 2021 with rival PatientPoint, operated a business installing video screens in doctors' offices and charging pharmaceutical companies to run drug ads on the devices, which were targeted at patients sitting in the waiting room.

Such advertising wasn't a new business, but Outcome's fast growth attracted a roughly $500 million equity investment in May 2017 at a $5.5 billion valuation from investors including Goldman, Google parent Alphabet Inc., Pritzker Group Venture Capital and the investment firm of Laurene Powell Jobs.

Unlike most startup investments, a large amount was earmarked as a dividend for Mr. Shah and Ms. Agarwal: $225 million.

Investors sued the company after the Journal revealed the fraud, and the case was settled when Mr. Shah and Ms. Agarwal agreed to leave their executive roles and give back $159 million of the money they received from the investment.

The company had also raised nearly $500 million in loans, $38 million of which went to Mr. Shah and Ms. Agarwal, according to a pretrial filing from prosecutors.

The government had alleged that Messrs. Shah and Purdy and Ms. Agarwal participated in a joint criminal venture to charge pharmaceutical company clients for running ads on more screens than Outcome had installed in medical offices and to conceal from clients, auditors, lenders and investors the extent to which they didn't deliver the promised ad space.

The government also alleged that the company manipulated third-party reports to inflate the effectiveness of its advertising.

Following the widely publicized prosecution of Theranos Inc. founder Elizabeth Holmes, the Outcome Health trial was another example of the government taking on what prosecutors in the trial called the **technology** world's "fake-it-till-you-make-it" culture.

"It was a company built on a lie," said prosecutor William Johnston during the government's closing arguments.

The government made the case to the jury that fraud at Outcome predated Mr. Desai's arrival at the company.

Defense lawyers said that before Mr. Desai arrived at the company, Outcome had been experiencing honest and steady growth and that the government failed to prove that executives taught Mr. Desai how to commit fraud at the company.

In video interviews posted online, Mr. Shah and Ms. Agarwal had described how they bootstrapped their business, negotiating upfront payments from advertisers to generate the cash necessary to install the screens where ads would run.

In one 2016 interview, Mr. Shah described the strategy as bringing "from the future what we need to fuel the future in the present, which is a concept we've recycled."

The risk of that strategy, which Mr. Shah described in both a 2012 and 2016 interview, was that Outcome needed to execute with military precision.

"It required you to sell an idea to both" doctors and advertisers, he said in 2016, "and then you couldn't mistime it, because you know, that would be fraud, right? If you sell something that doesn't exist."

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