



## U.S. Markets

2 minute read · December 5, 2022 7:03 PM EST · Last Updated 3 hours ago

# U.S. drops insider trading case against two Florida men

By Nate Raymond



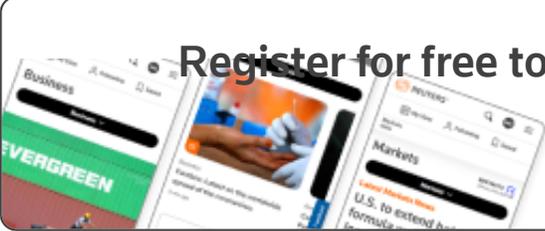
BOSTON, Dec 5 (Reuters) - U.S. prosecutors on Monday moved to dismiss insider trading charges against a hedge fund manager and a Florida entrepreneur after their star witness withdrew from an agreement to cooperate with authorities and decided not to testify against one of them.

Federal prosecutors in Boston last year accused Kris Bortnovsky and Ryan Shapiro of placing illegal trades based on tips they received from a friend whose family has held investments and leadership roles in retailers like DSW Inc.

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That friend was David Schottenstein, the founder of a designer sunglasses company who in February pleaded guilty after agreeing to cooperate against the two Florida men. [read more](#)

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But Schottenstein last week withdrew from his cooperation agreement, saying psychologists and a therapist advised him that testifying against his friend Shapiro at his May 2023 trial would "exacerbate" his mental health issues.

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**Prosecutors on Monday said** the "unexpected" development warranted dismissing the case against Bortnovsky, the co-founder of Sakal Capital Management, and Shapiro, who founded inmate money transfer service provider JPay.

Prosecutors left open the possibility of renewing the charges, saying their investigation was ongoing.

Martin Weinberg, Shapiro's lawyer, said his client "will, now that this ordeal of being a federal criminal defendant is over, do great things in his professional and personal life."

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Lawyers for Bortnovsky and Schottenstein declined to comment.

Prosecutors said Schottenstein made more than \$600,000 trading in 2017 and 2018 on inside information he gleaned from a relative about merger and earnings announcements involving DSW, now called Designer Brands Inc; Aphria Inc; and Rite Aid Corp.

The relative sat on the boards of DSW and Green Growth Brands, which pursued a failed bid to acquire Aphria, and a Schottenstein family business was involved in a failed merger involving Rite Aid.

Prosecutors and the U.S. Securities and Exchange Commission said Schottenstein in turn tipped his friends to the expected corporate news, allowing Bortnovsky and his fund to make more than \$4 million and Shapiro to reap \$121,000.

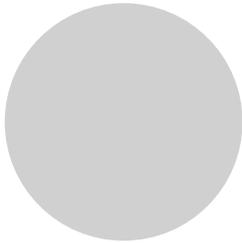
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Reporting by Nate Raymond in Boston; Editing by Stephen Coates



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**Nate Raymond**

Thomson Reuters

Nate Raymond reports on the federal judiciary and litigation. He can be reached at [nate.raymond@thomsonreuters.com](mailto:nate.raymond@thomsonreuters.com).



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