

# VEREIT to Pay \$8 Million to Settle SEC Investigation of Schorsch-Era Accounting Scandal

VEREIT, Inc. (NYSE: VER), a publicly traded REIT formerly known as American Realty Capital Properties (ARCP), has reached an agreement with the Securities Exchange Commission to settle charges stemming from the legacy company's highly publicized 2014 accounting scandal. The agreement includes paying an \$8 million civil penalty, which must be approved by the SEC's Commissioners.

ARCP was founded by Nicholas Schorsch and his partners at AR Global (formerly AR Capital), including Brian Block, William Kahane, Michael Weil, and Peter Budko.

Block and former chief accounting officer Lisa McAlister were previously convicted of fraudulently inflating ARCP's second quarter 2014 financials by \$13 million in a scandal that shook the industry. Block was sentenced to 18 months in federal prison for his role and is attempting to appeal his conviction, while McAlister cooperated with the prosecution.

After the accounting misdeed was revealed, ARCP's market value dropped by more than \$3 billion and Schorsch eventually resigned as executive chairman. ARCP then replaced its board members and senior management team and rebranded as Vereit – a blend of veritas, the Latin word meaning truth, and REIT.

Last month, the United States District Court for the Southern District of New York granted preliminary approval to settle two lawsuits involving the company, including *Witchko v. Schorsch* and a \$1 billion class action. The court scheduled a hearing on January 21, 2020 to consider final approval of both

settlements.

To settle the class action, Vereit has agreed to pay a total of \$738.5 million, while AR Global and its principals, ex-chief financial officer Brian Block, and former auditor Grant Thornton are responsible for an additional \$286.5 million.

Vereit has previously settled claims totaling \$254.4 million, brought by entities that hold approximately 35.3 percent of its stock, including Vanguard Specialized Funds, BlackRock ACS US Equity Tracker Fund, Clearline Capital Partners, among others.

Vereit shares closed at \$9.66 on Thursday.

VEREIT owns and manages one of the largest portfolios of single-tenant commercial properties in the U.S., with total real estate investments of nearly \$15 billion including approximately 3,900 properties and 90.7 million square feet.

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## **Court Grants Preliminary Approval to Settle \$1 Billion Vereit/ARCP Class Action**

Vereit Inc. (NYSE: VER), a publicly traded REIT formerly known as American Realty Capital Properties (ARCP), disclosed that during a hearing on Thursday, the United States District Court for the Southern District of New York granted preliminary approval to settle two lawsuits involving the company, including Witchko v. Schorsch and the \$1 billion class action stemming from the legacy company's highly publicized 2014

accounting scandal. The court scheduled a hearing on January 21, 2020 to consider final approval of both settlements.

ARCP was founded by Nicholas Schorsch and his partners at AR Global (formerly AR Capital), including Brian Block, William Kahane, Michael Weil, and Peter Budko.

Block and former chief accounting officer Lisa McAlister were convicted of fraudulently inflating ARCP's second quarter 2014 financials by \$13 million. Block was sentenced to 18 months in federal prison for his role in the scandal and is attempting to appeal his conviction, while McAlister cooperated with the prosecution.

Vereit has agreed to pay a total of \$738.5 million, while AR Global and its principals, ex-chief financial officer Brian Block, and former auditor Grant Thornton are responsible for an addition \$286.5 million to settle the class action.

After the accounting misdeed was revealed, ARCP's market value dropped by more than \$3 billion and Schorsch eventually resigned as executive chairman. ARCP then replaced its board members and senior management team and rebranded as Vereit – a blend of veritas, the Latin word meaning truth, and REIT.

If the court grants final approval, the \$1.025 billion class action settlement will resolve the claims by plaintiffs relating to the accounting disclosure made by ARCP in October 2014 and in March 2015 regarding the restatement of certain previously issued financials.

Vereit will pay \$738.5 million, while former external manager AR Global and its principals will pay \$225 million, former CFO Block is responsible for \$12.5 million, and the firm's auditor at the time of the scandal, Grant Thornton, is on the hook for \$49 million.

Three additional derivative actions remain pending in courts other than the Southern District of New York. The company

expects to seek dismissal of these actions based on the settlement of the derivative action *Witchko v. Schorsch*, which received preliminary approval by the SDNY court.

Vereit shares closed at \$9.97 on Thursday.

Vereit has previously settled claims totaling \$254.4 million, brought by entities that hold approximately 35.3 percent of its stock, including Vanguard Specialized Funds, BlackRock ACS US Equity Tracker Fund, Clearline Capital Partners, Eton Park Fund, HG Vora Special Opportunities Master Fund, Pentwater Equity Opportunities Master Fund, PIMCO Diversified Income Fund, Reliance Standard Life Insurance Co, and Twin Securities, Archer Capital Master Fund, Atlas Master Fund, Fir Tree Capital Opportunity Master Fund, and Cohen & Steers Institutional Realty Shares.

VEREIT owns and manages one of the largest portfolios of single-tenant commercial properties in the U.S., with total real estate investments of \$15 billion including approximately 4,000 properties and 90.6 million square feet.

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## **Vereit Settles Additional ARCP-Related Lawsuits**

Vereit Inc. (NYSE: VER), a publicly traded REIT formerly known as American Realty Capital Properties (ARCP), has entered into additional settlement agreements with shareholders stemming from the legacy company's highly publicized 2014 accounting scandal where executives inflated the company's quarterly financials by \$13 million. ARCP was founded by Nicholas

Schorsch and his partners at AR Global (formerly AR Capital).

The shareholders have decided not to participate as class members in the class action pending in the United States District Court for the Southern District of New York after the shareholders' counsel approached the company seeking a resolution of their potential claims.

The shareholders have agreed to release claims against Vereit related to the purchase or sale of the company's securities during the period at issue in the lawsuit in exchange for \$12.2 million. The settlement agreements do not contain any admission of liability, wrongdoing or responsibility by any of the parties.

Vereit has now settled claims to the tune of \$254.4 million, brought by entities that hold approximately 35.3 percent of its stock. The company reached settlement agreements with [Vanguard for \\$90 million](#) in June 2018, [eight plaintiffs for \\$85 million](#) in October 2018, and another [four plaintiffs for \\$42.5 million](#) in October 2018. Most recently in February 2019, Vereit settled with an undisclosed number of [shareholders](#) for \$15.7 million.

ARCP was founded by Nicholas Schorsch and his partners at AR Global (formerly AR Capital) including William Kahane, Brian Block, Michael Weil, and Peter Budko. Block and former chief accounting officer Lisa McAlister were convicted of fraudulently inflating ARCP's second quarter 2014 financials by \$13 million. Block was sentenced to 18 months in federal prison for his role in the scandal and is attempting to appeal his conviction, while McAlister cooperated with the prosecution.

After the accounting misdeed was revealed, ARCP's market value dropped by more than \$3 billion and Schorsch eventually resigned as executive chairman. ARCP then replaced its board members and senior management team and rebranded as Vereit – a

blend of veritas, the Latin word meaning truth, and REIT.

Multiple securities class action complaints were filed against the company and its officers in the United States District Court for the Southern District of New York.

Vereit previously settled with Vanguard Specialized Funds, BlackRock ACS US Equity Tracker Fund, Clearline Capital Partners, Eton Park Fund, HG Vora Special Opportunities Master Fund, Pentwater Equity Opportunities Master Fund, PIMCO Diversified Income Fund, Reliance Standard Life Insurance Co, and Twin Securities, Archer Capital Master Fund, Atlas Master Fund, Fir Tree Capital Opportunity Master Fund, and Cohen & Steers Institutional Realty Shares.

Vereit maintains the ability to pursue claims against third parties, including claims for contribution for amounts paid in the settlements.

Vereit shares opened at \$8.28 and closed at \$8.17 on Tuesday.

VEREIT is a full-service real estate operating company which owns and manages one of the largest portfolios of single-tenant commercial properties in the U.S. The company has total real estate investments of \$15.6 billion including approximately 4,000 properties and 95 million square feet.

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## **Vereit Reaches Settlement with Additional Shareholders**

Vereit Inc. (NYSE: VER), a publicly traded REIT formerly known as American Realty Capital Properties (ARCP), has agreed to

settle claims with additional shareholders stemming from the legacy company's highly publicized 2014 accounting scandal. ARCP was founded by Nicholas Schorsch and his partners at AR Global (formerly AR Capital).

The shareholders have decided not to participate as class members in the class action pending in the United States District Court for the Southern District of New York after the shareholders' counsel approached the company seeking a resolution of their potential claims.

The shareholders have agreed to release claims against Vereit related to the purchase or sale of the company's securities during the period at issue in the class action lawsuit in exchange for \$15.7 million. The settlement agreements do not contain any admission of liability, wrongdoing or responsibility by any of the parties.

Vereit has now settled claims to the tune of \$233.2 million, brought by entities that hold approximately 33.5 percent of its stock. The company reached settlement agreements with [Vanguard for \\$90 million](#) in June 2018, [eight plaintiffs for \\$85 million](#) in October 2018, and another [four plaintiffs for \\$42.5 million](#) in October 2018.

ARCP was founded by Nicholas Schorsch and his partners at AR Global (formerly AR Capital) including William Kahane, Brian Block, Michael Weil, and Peter Budko. Block and former chief accounting officer Lisa McAlister were convicted of fraudulently inflating ARCP's second quarter 2014 financials by \$13 million. Block was sentenced to 18 months in federal prison for his role in the scandal and is attempting to appeal his conviction, while McAlister cooperated with the prosecution.

After the accounting misdeed was revealed, ARCP's market value dropped by more than \$3 billion and Schorsch eventually resigned as executive chairman. ARCP then replaced its board



members and senior management team and rebranded as Vereit – a blend of veritas, the Latin word meaning truth, and REIT.

Multiple securities class action complaints were filed against the company and its officers in the United States District Court for the Southern District of New York.

Vereit previously settled with Vanguard Specialized Funds, BlackRock ACS US Equity Tracker Fund, Clearline Capital Partners, Eton Park Fund, HG Vora Special Opportunities Master Fund, Pentwater Equity Opportunities Master Fund, PIMCO Diversified Income Fund, Reliance Standard Life Insurance Co, and Twin Securities, Archer Capital Master Fund, Atlas Master Fund, Fir Tree Capital Opportunity Master Fund, and Cohen & Steers Institutional Realty Shares.

Vereit maintains the ability to pursue claims against third parties, including claims for contribution for amounts paid in the settlements.

Vereit shares opened at \$8.21 and closed at \$8.33 on Monday.

Vereit is a full-service real estate operating company which owns and manages one of the largest portfolios of single-tenant commercial properties in the U.S. The company has a total asset book value of \$14.1 billion including approximately 4,000 properties and 93.9 million square feet.

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## Vereit to Settle Four ARCP



# Lawsuits for \$42.5 Million

Vereit Inc. (NYSE: VER), a publicly traded REIT formerly known as American Realty Capital Properties (ARCP), has agreed to settle another batch of lawsuits for \$42.5 million which stem from the legacy company's highly publicized 2014 accounting scandal.

The four plaintiffs in the settlement include Archer Capital Master Fund, Atlas Master Fund, Fir Tree Capital Opportunity Master Fund, and Cohen & Steers Institutional Realty Shares.

Vereit has now settled claims to the tune of \$217.5 million, brought by entities that hold approximately 31 percent of its stock. The company reached a settlement agreement with [Vanguard for \\$90 million in June](#), and another earlier this month with [eight plaintiffs for \\$85 million](#).

ARCP was founded by Nicholas Schorsch and his partners at AR Global (formerly AR Capital) including William Kahane, Brian Block, Michael Weil, and Peter Budko. Block and former chief accounting officer Lisa McAlister were convicted of fraudulently inflating ARCP's second quarter 2014 financials by \$13 million. Block was sentenced to 18 months in federal prison for his role in the scandal and is attempting to appeal his conviction, while McAlister cooperated with the prosecution.

After the accounting misdeed was revealed, ARCP's market value dropped by more than \$3 billion and Schorsch eventually resigned as executive chairman. ARCP then replaced its board members and senior management team and rebranded as Vereit – a blend of veritas, the Latin word meaning truth, and REIT.

Multiple securities class action complaints were filed against the company and its officers in the United States District Court for the Southern District of New York.

In the latest tranche of settlements, the four plaintiffs agreed to dismiss all claims against Vereit and the other defendants with prejudice in exchange for \$42.5 million. The settlement agreements do not contain any admission of liability, wrongdoing or responsibility by any of the parties.

Vereit previously settled with Vanguard Specialized Funds, BlackRock ACS US Equity Tracker Fund, Clearline Capital Partners, Eton Park Fund, HG Vora Special Opportunities Master Fund, Pentwater Equity Opportunities Master Fund, PIMCO Diversified Income Fund, Reliance Standard Life Insurance Co, and Twin Securities.

Vereit's shares closed at \$7.37 on Monday.

Vereit is a full-service real estate operating company which owns and manages one of the largest portfolios of single-tenant commercial properties in the U.S. The company has a total asset book value of \$14.3 billion including approximately 4,000 properties and 94.6 million square feet.

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## **Vereit to Settle Eight ARCP Lawsuits for \$85 Million**

Publicly traded REIT Vereit Inc. (NYSE: VER) and its operating partnership have agreed to pay \$85 million to settle previously disclosed litigations stemming from an accounting scandal that occurred during the American Realty Capital Properties (ARCP) era.

ARCP was founded by Nicholas Schorsch and his partners at AR Global (formerly AR Capital) including William Kahane, Brian

Block, Michael Weil, and Peter Budko.

Block and former chief accounting officer Lisa McAlister were convicted of fraudulently inflating ARCP's second quarter 2014 financials by \$13 million to make it appear that it had met certain targets, which it had not.

Block was sentenced to 18 months in federal prison for his role in the scandal and is attempting to appeal his conviction, while McAlister cooperated with the prosecution.

More than \$3 billion of the company's market value was lost after the accounting scandal was made public, and triggered a wave of C-suite resignations, including Schorsch himself. Following the scandal, the company replaced its board members and senior management team and rebranded as Vereit – a blend of veritas, the Latin word meaning truth, and REIT.

Multiple securities class action complaints were subsequently filed against the company and its officers in the United States District Court for the Southern District of New York. Plaintiffs include BlackRock ACS US Equity Tracker Fund, Clearline Capital Partners, Eton Park Fund, HG Vora Special Opportunities Master Fund, Pentwater Equity Opportunities Master Fund, PIMCO Diversified Income Fund, Reliance Standard Life Insurance Co, and Twin Securities.

The plaintiffs agreed to dismiss all claims against Vereit and the other defendants with prejudice, and Vereit will pay \$85 million to settle the claims. The settlement agreements do not contain any admission of liability, wrongdoing or responsibility by any of the parties.

"Vereit is pleased to have brought the actions to a conclusion," the company said in a statement. "Including the previously announced settlement with Vanguard Specialized Funds and other Vanguard funds, the company has now settled claims brought by approximately 24 percent of Vereit's outstanding shares of common stock and swaps referencing

common stock held at the end of the period covered by the various pending shareholder actions for a total of \$175 million.”

Vereit’s shares closed at \$7.20 on Tuesday.

Vereit, which owns and manages one of the largest portfolios of single-tenant commercial properties in the U.S., has a total asset book value of \$14.3 billion including approximately 4,000 properties and 94.6 million square feet.

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