

Garabedian v. 5&2 Studios, Inc.

Corporate Governance

Role	BFA is the sole counsel representing Plaintiff Christopher Garabedian.
Background	On June 23, 2026, BFA filed a Verified Class Action complaint against 5&2 Studios, Inc. The complaint alleges that, in a going-private transaction that closed on March 30, 2026, the Company cashed out minority stockholders at an unfair price in violation of Delaware law.
Court	Delaware Court of Chancery
Case Number	C.A. No. 2026-0821-NAC
Status	Pending

BFA is the sole counsel representing Plaintiff Christopher Garabedian. On June 23, 2026, BFA filed a Verified Class Action complaint against 5&2 Studios, Inc. The complaint alleges that the Company violated its obligations under Section 155(2) of the Delaware General Corporation Law in connection with a take private transaction that closed on March 30, 2026. In the transaction, the Company cashed out 16,000 minority stockholders for \$3.75 per pre-split share. The complaint alleges that this price did not constitute fair value, and that 5&2 Studios therefore violated Section 155(2) by failing to pay fair value to these stockholders in lieu of fractional shares after the Reverse Split.

The complaint focuses on the fact that Company insiders originally sought to take the Company private through a sale to a third party, in which those insiders would sell part of their holdings and retain a role in the post-transaction entity. During that process, which spanned 2024 through 2025, the insiders were situated as sellers incentivized to maximize the Company's value. The Company received indications of interest that implied an enterprise value of approximately \$150

million. In late 2025, the insiders abruptly shifted their strategy to cashing out all minority stockholders through a reverse stock split, which positioned them as buyers incentivized to minimize the Company's value. The price per share that minority stockholders ultimately received implied an enterprise value of just \$52.9 million.

The complaint also highlights serious conflicts of interest, including conflicts among Company management who received millions of dollars in "Phantom Unit" payouts in the transaction and conflicts with Goldman Sachs, which the Company engaged to render a fairness opinion. In addition to the fact that Goldman's compensation structure created a conflict, the complaint highlights numerous flaws with Goldman's fairness analysis. The complaint alleges that after correcting for these flaws, Goldman's own analysis confirms that the Company's true value was significantly higher than \$3.75 per share that minority shareholders ultimately received.

The Company's motion to dismiss the complaint is due on August 28, 2026. BFA expects to file an answering brief in opposition by October 14, 2026.

The complaint has already garnered significant media attention, including from *The New York Times*, *Bloomberg Law*, and *Puck News*.