

Yellowstone Capital Settles Lawsuit with New York Attorney General

January 31, 2025 | [Eric D. Mulligan](#)

On January 16, 2025, Yellowstone Capital and other entities, along with Yellowstone officers Isaac Stern and Jeffrey Reece, settled claims by New York Attorney General Letitia James that Yellowstone and the other entities allegedly violated New York law by extending usurious loans to small business and disguising them as sales-based financing transactions (or "merchant cash advances," as the proposed settlement terms them). The settlement ends the Attorney General's case against most of the defendants in the lawsuit, leaving only two entities and eight individuals with claims against them.

The settling defendants did not admit or deny any of the Attorney General's allegations. Under the terms of the settlement, the defendants are permanently barred from the sales-based financing business. All outstanding debts owed to the defendants under financing agreements are cancelled, and the settling defendants represent that they have not assigned any of those debts to any third party. The settling defendants must dismiss all actions to collect outstanding debts and vacate all associated Uniform Commercial Code liens. For the cancelled debts, the defendants will receive about \$534 million worth of credit against a \$1.065 billion judgment. They also agreed to pay \$3.4 million directly to the Attorney General's office. Stern and Reece agreed to pay another \$12.7 million. With these credits and payments, the remaining unsatisfied judgment will be about \$514 million. The settlement does not indicate how the defendants will satisfy that part of the judgment. The money will go toward restitution, penalties, the Attorney General's costs of investigation, and the Attorney General's administrative costs.

The settling defendants also agreed to cooperate in the Attorney General's case against the remaining defendants and retain all relevant records for three years or until the conclusion of the case, whichever is longer. Stern guarantees the obligations of the settling entity defendants and will be subject to a \$30 million penalty if he fails to comply with the terms of the proposed settlement.

According to the Attorney General's [press release](#), the Attorney General will continue to pursue her case against the defendants who are not part of the settlement.

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