

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

Ryan Shulman, individually and on behalf of all others similarly
situated v. Bradley M. Weston and Todd E. Vogensen

Shulman · No. Civil Action No. 23-04121 (JXN)(CF) · Decided December 29, 2025

SUMMARY

The United States District Court for the District of New Jersey denied Defendants Bradley M. Weston and Todd E. Vogenson’s motion to dismiss an amended securities class action complaint. The claims arise under Section 10(b) and Rule 10b-5 and Section 20(a) of the Securities Exchange Act, based on alleged misrepresentations and omissions concerning Party City Holdco Inc.’s liquidity, going-concern status, financial statements, and internal controls.

CASE DETAILS

COURT	United States District Court for the District of New Jersey
WRITING FOR THE COURT	Julien Xavier Neals
JURISDICTION	United States District Court for the District of New Jersey
DECIDED	December 29, 2025
DOCKET	Civil Action No. 23-04121 (JXN)(CF)
DISPOSITION	dismissed
PROCEDURAL POSTURE	Defendants moved to dismiss an amended securities-fraud class-action complaint under Federal Rules of Civil Procedure 9(b) and 12(b)(6) and the PSLRA. The court denied the motion.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, draws reasonable inferences in the plaintiff's favor, disregards legal conclusions and unsupported accusations, and determines whether the complaint states a facially plausible claim. Securities-fraud allegations are also subject to Rule 9(b) and the PSLRA's heightened particularity and scienter requirements.
PRECEDENTIAL VALUE	unpublished district court opinion; persuasive value only

TOPICS

- securities fraud
- motions to dismiss
- pleadings
- commercial litigation
- civil procedure

PRACTICE AREAS

securities litigation

commercial litigation

civil procedure

QUESTIONS PRESENTED

1. Whether the amended complaint adequately pleaded materially misleading statements or omissions under Section 10(b) and Rule 10b-5.
2. Whether the amended complaint adequately pleaded scienter against each defendant under the PSLRA.
3. Whether the alleged statements were protected by the PSLRA safe harbor, constituted nonactionable opinions or puffery, or were otherwise not actionable.
4. Whether the amended complaint adequately pleaded loss causation.
5. Whether the amended complaint adequately pleaded a control-person claim under Section 20(a) of the Exchange Act.

HOLDINGS

1. The amended complaint plausibly alleged that statements concerning Party City's liquidity, borrowing capacity, financial condition, going-concern status, goodwill, losses, and internal controls were materially misleading when made.
2. The challenged liquidity and borrowing-capacity statements were not entitled to dismissal under the PSLRA's safe-harbor provision at the pleading stage.
3. The alleged goodwill misstatement was not necessarily an unactionable opinion and was sufficiently pleaded to survive dismissal.
4. The alleged statements were not, at the pleading stage, merely vague corporate optimism or puffery.
5. The amended complaint adequately pleaded a strong inference of scienter as to both Weston and Vogenson.
6. The amended complaint adequately pleaded loss causation.
7. The amended complaint adequately pleaded a Section 20(a) control-person claim against Weston and Vogenson.

KEY QUOTATIONS

“For the reasons set forth above, Defendants’ motion to dismiss (ECF No. 33) is DENIED.” (Section V)

“The inference that the defendant acted with scienter need not be irrefutable, i.e., of the ‘smoking-gun’ genre, or even the most plausible of competing inferences.” (Section IV.A.ii)

FACTUAL BACKGROUND

Plaintiff alleged that Party City Holdco Inc.'s former CEO Bradley M. Weston and former CFO Todd E. Vogensen made materially misleading statements and omissions in the company's 2022 quarterly filings concerning liquidity, borrowing capacity, going-concern risks, bankruptcy preparations, goodwill, net losses, and internal controls. Party City filed for bankruptcy approximately ten weeks after its third-quarter 2022 Form 10-

Q, and later disclosures and a restated filing acknowledged a going-concern issue, a \$155 million goodwill overstatement, a \$148 million understatement of net loss, and material weaknesses in internal controls. Plaintiff alleged that Party City's stock price declined after the bankruptcy filing and subsequent corrective disclosures.

PROCEDURAL HISTORY

The action was filed on August 1, 2023. Craig Wigand was appointed lead plaintiff on April 30, 2024, and Plaintiff filed an amended complaint on June 14, 2024, asserting claims under Section 10(b) and Rule 10b-5 of the Securities Exchange Act and Section 20(a). Defendants moved to dismiss on August 30, 2024. The court determined that the amended complaint adequately pleaded actionable misstatements and omissions, scienter, loss causation, and a derivative control-person claim, and denied the motion.

DISPOSITION

dismissed

CASES CITED

- Fowler v. UPMC Shadyside, 578 F.3d 203, 210-11 (3d Cir. 2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 570 (2007)
- Conley v. Gibson, 355 U.S. 41, 47 (1957)
- Ashcroft v. Iqbal, 556 U.S. 662, 678-79 (2009)
- Malleus v. George, 641 F.3d 560, 563 (3d Cir. 2011)
- Mayer v. Belichick, 605 F.3d 223, 230 (3d Cir. 2010)
- Hedges v. United States, 404 F.3d 744, 750 (3d Cir. 2005)
- Kehr Packages, Inc. v. Fidelcor, Inc., 926 F.2d 1406, 1409 (3d Cir. 1991)
- Winer Fam. Tr. v. Queen, 503 F.3d 319, 327, 337 (3d Cir. 2007)
- Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 U.S. 308, 313-14, 322-24 (2007)
- In re Suprema Specialties, Inc. Sec. Litig., 438 F.3d 256, 276-77, 284 (3d Cir. 2006)
- Frederico v. Home Depot, 507 F.3d 188, 200-02 (3d Cir. 2007)
- Lum v. Bank of Am., 261 F.3d 217, 223-24 (3d Cir. 2001)
- Institutional Invs. Grp. v. Avaya, Inc., 564 F.3d 242, 252-53, 255, 267 (3d Cir. 2009)
- City of Edinburgh Council v. Pfizer, Inc., 754 F.3d 159, 167, 170, 174 (3d Cir. 2014)
- In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1417, 1425-28 (3d Cir. 1997)
- Gold v. Ford Motor Co., 577 F. App'x 120, 122 (3d Cir. 2014)
- Dura Pharmaceuticals, Inc. v. Broudo, 544 U.S. 336, 341-42, 347 (2005)
- In re Westinghouse Sec. Litig., 90 F.3d 696, 714 (3d Cir. 1996)
- Shapiro v. UJB Fin. Corp., 964 F.2d 272, 280 n.11 (3d Cir. 1992)
- In re NAHC, Inc. Sec. Litig., 306 F.3d 1314, 1330-31 (3d Cir. 2002)
- In re Nice Sys., Ltd. Sec. Litig., 135 F. Supp. 2d 551, 586 (D.N.J. 2001)

- Williams v. Globus Medical, Inc., 869 F.3d 235, 245 (3d Cir. 2017)
- Makor Issues & Rights, Ltd. v. Tellabs Inc. (Tellabs II), 513 F.3d 702, 708 (7th Cir. 2008)
- In re Aetna, Inc. Sec. Litig., 617 F.3d 272, 278-85 (3d Cir. 2010)
- In re Majesco Sec. Litig., 2006 WL 2846281, at *4 (D.N.J. Sept. 29, 2006)
- In re MobileMedia Sec. Litig., 28 F. Supp. 2d 901, 930 (D.N.J. 1998)
- In re Coinbase Glob., Inc. Secs. Litig., 2024 WL 4053009, at *13 n.19 (D.N.J. Sept. 5, 2024)
- In re Innocoll Holdings Pub. Ltd. Co. Sec. Litig., 2020 WL 1479128, at *17 (E.D. Pa. Mar. 25, 2020)
- Kline v. First W. Gov't Sec., Inc., 24 F.3d 480, 489 (3d Cir. 1994)
- City of Warren Police & Fire Ret. Sys. v. Prudential Fin., Inc., 70 F.4th 668, 686 (3d Cir. 2023)
- In re Advanta Corp. Sec. Litig., 180 F.3d 525, 534-35, 538 (3d Cir. 1999)
- Ernst & Ernst v. Hochfelder, 425 U.S. 185, 193 (1976)
- Matrixx Initiatives, Inc. v. Siracusano, 563 U.S. 27, 48 (2011)
- In re Ikon Office Solutions, Inc., 277 F.3d 658, 667 (3d Cir. 2002)
- SEC v. Infinity Group Co., 212 F.3d 180, 192 (3d Cir. 2000)
- McLean v. Alexander, 599 F.2d 1190, 1197 (3d Cir. 1979)
- Roofer's Pension Fund v. Papa, 687 F. Supp. 3d 604, 617 (D.N.J. 2023)
- GSC Partners CDO Fund v. Washington, 368 F.3d 228, 237 (3d Cir. 2004)
- Novak v. Kasaks, 216 F.3d 300, 308 (2d Cir. 2000)
- In re Bio-Tech. Gen. Corp. Sec. Litig., 380 F. Supp. 2d 574, 586-87 (D.N.J. 2005)
- In re Toronto-Dominion Bank Sec. Litig., 2018 WL 6381882, at *5 (D.N.J. Dec. 6, 2018)
- Wilson v. Bernstock, 195 F. Supp. 2d 619, 633, 635, 642 (D.N.J. 2002)
- In re Urban Outfitters, Inc. Sec. Litig., 103 F. Supp. 3d 635, 654 (E.D. Pa. 2015)
- In re Par Pharm. Sec. Litig., 2009 WL 3234273, at *10 (D.N.J. Sept. 30, 2009)
- City of Warwick Ret. Sys. v. Catalent, Inc., 2024 WL 3219616, at *15 (D.N.J. June 28, 2024)
- Berkeley Inv. Grp., Ltd. v. Colkitt, 455 F.3d 195, 222 (3d Cir. 2006)
- In re DVI, Inc. Sec. Litig., 2010 WL 3522090, at *5 (E.D. Pa. Sept. 3, 2010)
- In re Bradley Pharms., Inc., 421 F. Supp. 2d 822, 828 (D.N.J. 2006)
- Dudley v. Haub, 2013 WL 1845519, at *18 (D.N.J. Apr. 30, 2013)
- EP MedSystems, Inc. v. EchoCath, Inc., 235 F.3d 865, 884 (3d Cir. 2000)
- National Junior Baseball League v. PharmaNet Development Group Inc., 720 F. Supp. 2d 517, 558 (D.N.J. 2010)
- In re Party City Sec. Litig., 147 F. Supp. 2d 282, 317 (D.N.J. 2001)
- In re Merck & Co., Inc. Vytarin/Zetia Sec. Litig., 2009 WL 2855601, at *5 (D.N.J. Sept. 2, 2009)
- Slack Technologies, LLC v. Pirani, 598 U.S. 759, 763 (2023)