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Alto Neuroscience Execs Sued Over Rosy Drug Claims

By **Lauren Berg**

Law360 (October 7, 2025, 10:53 PM EDT) -- An Alto Neuroscience investor claims CEO Amit Etkin and other directors overstated the efficacy of the psychiatric biotech company's lead drug candidate for treating major depressive disorder, according to a lawsuit filed Tuesday in California federal court that alleges the company's stock price plummeted when the truth came out.

From the time of Alto's \$120 million **initial public offering** in February 2024, the company's officers issued false and misleading statements about its drug candidate, ALTO-100, by overstating its commercial prospects and its efficacy for the treatment of mood disorders, according to the derivative **complaint** filed by Charles Knipper.

But following the drug's Phase 2b clinical trial for the treatment of major depressive disorder, or MDD, the truth emerged that ALTO-100 "did not meet its primary endpoint, assessed by a change from baseline in Montgomery-Åsberg Depression Rating Scale (MADRS), compared to placebo," the suit states.

On that news, Alto's stock price dropped almost 70%, from a close of \$14.53 per share on Oct. 22, 2024, to a close of \$4.36 per share on Oct. 23, 2024, according to the complaint.

"As a direct and proximate result of the misconduct detailed herein, the company has incurred significant financial losses, including the cost of defending itself and, potentially, incurring class-wide damages in the securities class action, as well as additional losses in market capitalization, reputational harm and the loss of goodwill," Knipper said.

Alto and its officers are already facing a **proposed securities class action** over the stock drop. That July California federal suit alleges the company "touted ALTO-100 as 'novel small molecule that has shown evidence of a pro-neurogenesis/neuroplasticity mechanism of action'" and that "the company 'believes binds a receptor not targeted by other [central nervous system] therapeutics, which would make it first-in-class if approved.'"

The company's offering documents "contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading," the shareholder suit states.

For instance, the documents failed to disclose that ALTO-100 "was less effective in treating MDD than defendants had led investors to believe," and they overstated the clinical, regulatory and commercial prospects of the drug, according to the complaint.

In his lawsuit Tuesday, Knipper claims that Alto's directors and officers need to be held accountable for these false statements and omissions that are now harming the company, including potential liability from the shareholder suit.

Knipper's suit asserts claims for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust enrichment, waste of

corporate assets, and contribution to violations of the Securities Exchange Act.

It seeks damages, litigation costs, attorney fees, and an order directing Alto to improve its corporate governance by strengthening the board's supervision of operations, strengthening the company's internal reporting and financial disclosure controls, and implementing procedures for more stockholder input into the board's policies, among other things.

Counsel for Knipper and a representative for Alto Neuroscience did not immediately respond to requests for comment Tuesday.

Knipper is represented by Gina M. Serra and Samir Aougab of Rigrotsky Law PA and Joshua H. Grabar of Grabar Law Office.

Counsel information for the defendants was not immediately available.

The instant case is Charles Knipper v. Amit Etkin et al., case number 5:25-cv-08555, in the U.S. District Court for the Northern District of California. The securities class action is Nathan Feldman v. Alto Neuroscience Inc. et al., case number 5:25-cv-06105, in the U.S. District Court for the Northern District of California.

--Additional reporting by Yeji Jesse Lee. Editing by Michael Watanabe.

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