Risk Disclosure Lessons For AI Cos. From Dot-Com Era

By **Diana Connor, Adrienna Huffman and Bin Zhou** (March 13, 2026)

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The rapid expansion of artificial intelligence infrastructure has drawn frequent comparisons to the internet buildout of the dot-com era.[1] The aftermath of that earlier cycle brought significant regulatory scrutiny and private litigation over financial reporting practices across the telecommunications sector.

Those enforcement actions and subsequent legislative responses reshaped generally accepted accounting principles and U.S. Securities and Exchange Commission disclosure risks, shifting the focus from technical rule compliance to whether companies' disclosures faithfully conveyed material information about their underlying economic performance and risk.

Even at this early stage of the AI investment cycle, at least two securities class actions — Ohio Carpenters Pension Plan v. Oracle Corp., filed in the Supreme Court of the State of New York, County of New York, on Jan .14; and Barrows v. Oracle, filed in the U.S. District Court for the District of Delaware on Feb. 3 — have been brought against Oracle alleging misleading or omitted disclosures regarding AI infrastructure spending, future debt issuances, and associated expectations for revenue.[2]

Today's AI infrastructure ecosystem spans chipmakers (e.g., Advanced Micro Devices Inc., Nvidia Corp.); hyperscalers and data center operators (e.g., Amazon Web Services, CoreWeave Inc., Google LLC, Meta Platforms Inc., Microsoft Azure); and AI platform developers (e.g., Anthropic PBC, Google Gemini, OpenAI). As capital intensity rises and commercial arrangements grow more complex, similar disclosure tensions are beginning to emerge.

This article identifies the parallels between the AI and internet buildouts, and then examines three areas in which AI infrastructure companies may face heightened disclosure risks — (1) revenue and earnings before interest, taxes, depreciation and amortization metrics; (2) circular and complex financing structures; and (3) related-party and affiliated-entity relationships — drawing lessons from the prior internet boom-bust cycle.

Parallels in AI and Internet Buildouts

The current AI infrastructure buildout requires massive up-front investments in graphics processing units, buildouts of data centers, and electricity generation and grid connection before profitable business models for AI platform developers can be realized.[3] Projected capital expenditures and research and development spending often exceed hundreds of billions of dollars a year for the AI infrastructure companies.

This large funding requirement has driven the use of long-term contractual commitments and complex financing structures that tightly link chipmakers, hyperscalers, data centers and AI platforms.[4] Proponents argue that these arrangements enable rapid, parallel

scaling, while critics warn that capital intensity, fast-moving technology and unproven business models heighten execution and demand risks.[5]

These competing narratives around AI mirror the internet buildout of the late 1990s, when infrastructure investment surged ahead of realized demand and relied on a range of complex arrangements to sustain reported growth.

In the telecom sector, this included exchanging network capacity with other companies in reciprocal deals — using vendor financing — and other arrangements that, while sometimes technically compliant with accounting rules, were later alleged to mask the true level of demand and cash generation.[6] When growth assumptions later weakened, enforcement actions and private litigation focused on both the existence of these structures and whether disclosures adequately conveyed companies' economic realities.

The importance of these disclosure issues is illustrated by enforcement actions and class action litigation arising from the collapse of Global Crossing Ltd., one of the most prominent telecom companies of the period.

After rapidly expanding its global fiber network through long-term capacity arrangements, Global Crossing filed for bankruptcy in 2002. The SEC subsequently alleged that the company's public filings were misleading because they failed to adequately disclose that certain capacity transactions were "reciprocal in nature," and that reported results had become increasingly dependent on those arrangements.

As the SEC framed the issue, the problem was not merely technical compliance, but that "investors were denied material information … necessary for a fair understanding" of the company's financial condition in light of its pro forma and cash flow disclosures.[7] Several former executives faced criminal charges, and the company settled a securities class action — In re: Global Crossing, in the U.S. District Court for the Southern District of New York — for $325 million.[8]

The telecom experience ultimately prompted a regulatory emphasis on more transparent disclosure — particularly where reported performance, liquidity or non-GAAP measures depended on complex or reciprocal arrangements. That experience underscores a central lesson for the current AI infrastructure buildout: Financial reporting must reflect economic substance, not merely technical compliance.

The extent to which those lessons will shape financial reporting and disclosure in today's AI infrastructure buildout — rather than resurface in future litigation — remains an open question, one that will be borne out by time. For now, the more immediate task is to examine the financial reporting and disclosure issues that may shape that outcome.

Disclosures of Revenue and EBITDA Metrics

Public company disclosure regimes — including GAAP standards, SEC-reporting requirements such as management discussion and analysis obligations, and rules governing non-GAAP and forward-looking measures — are designed around realized revenue and historical performance.[9] The AI infrastructure buildout is straining those frameworks.

Large-scale AI deployments require heavy up-front capital investment well before demand or cash flows are observable, leading companies, analysts and investors to rely more on projections, backlog and adjusted profitability metrics. Although permitted, such measures can blur the distinction between contractual commitments and realizable earnings absent a

clear contextual explanation. As in the internet era, the core issue may be less technical compliance than whether disclosures accurately convey economic substance.

A frequently used revenue metric by AI infrastructure companies is remaining performance obligations, or RPOs.

RPOs do not constitute GAAP revenue. They reflect management's estimates of future revenue associated with existing but unfulfilled contracts, and depend on judgments about enforceability, collectability, duration and counterparty creditworthiness.[10] Because GAAP imposes no bright-line probability thresholds, investors must rely heavily on qualitative disclosures and management credibility.[11]

Recent market experience underscores the sensitivity of investor valuations to RPOs, particularly when RPO growth materially outpaces GAAP revenue.[12] In those circumstances, investors and analysts increasingly scrutinize management judgments regarding the probability and timing of future contract performance and the financial capacity of key counterparties.

AI infrastructure companies also routinely emphasize adjusted EBITDA, which excludes expenses such as stock-based compensation and acquisition-related costs.[13] While these adjustments are common and their reconciliations with GAAP measures are mandated, a focus on these pro forma profit metrics can materially alter the presentation of profitability in capital-intensive businesses that rely heavily on equity compensation and long-dated infrastructure commitments, potentially understating the economic cost of sustaining growth.

This dynamic echoes the internet dot-com era's reliance on pro forma revenues and other forward-looking measures during periods of rapid infrastructure expansion.[14] The dot-com experience demonstrates how such disclosure practices can give rise to regulatory scrutiny and litigation.

Disclosures of Circular and Complex Financing Structures

As discussed above, the rapid expansion of AI infrastructure has involved large-scale capital expenditures alongside increasingly complex and evolving commercial and financing arrangements. Across the AI ecosystem, capital, commitments and revenues are often intertwined through revenue-sharing arrangements, reciprocal commitments, equity investments and asset-backed financing linked to specific customer creditworthiness.

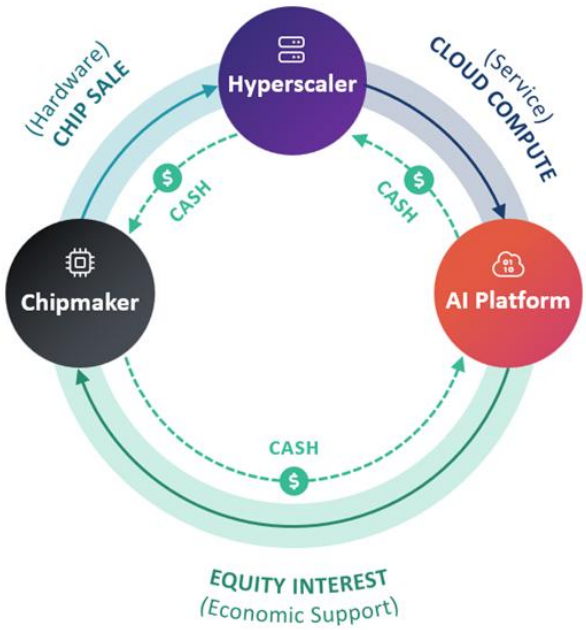
Unlike the largely bilateral reciprocal transactions that characterized the internet buildout, many AI-era arrangements involve three or more interdependent parties, with capital and obligations circulating across a relatively closed network of counterparties.

Figure 1 provides a stylized illustration: A chipmaker supplies hardware to a hyperscaler, which in turn provides hosting and cloud-computing services to an AI platform. At the same time, the chipmaker buys equity interest in the AI platform, effectively recycling cash to support the latter's research and development.

These overlapping relationships can blur the distinction between independently generated demand and growth enabled by interlocking financing structures. In addition to cash advances from related or strategically aligned counterparties, an AI infrastructure company with substantial up-front capital requirements can also use a myriad of financing options, such as unsecured borrowing, project financing, convertible debt and debt secured by GPU

equipment.[15]

Figure 1: Simplified Circular Transaction



These arrangements reflect important structural similarities to the reciprocal capacity transactions that proliferated during the internet buildout. In that earlier cycle, telecom carriers' reciprocal arrangements created a risk that reported accounting outcomes may not have fully reflected the underlying economic substance.[16]

A similar disclosure concern is emerging today. As reported growth increasingly reflects complex, multiparty arrangements designed to secure infrastructure capacity, disclosure adequacy turns on whether companies clearly communicate the economic dependencies embedded in those structures.

For AI hyperscalers and platforms, access to scalable, reliable energy illustrates this point. Management's assumptions regarding power availability, data center build timelines and contractual commitments can materially influence projected GAAP revenue, RPOs and adjusted EBITDA. Where such assumptions are critical to reported growth, investors may require more granular explanation than high-level contractual summaries alone.[17]

Disclosure of Related Party Information

Above and beyond the transactional circularity discussed in the prior section, AI companies also face risk from entity-level dependence arising from related parties and concentrated counterparties. One of the most significant accounting and disclosure challenges in the AI ecosystem is limited visibility into related-party relationships and economic dependence.[18]

A small number of private or quasi-private entities — most notably OpenAI — have become central nodes in the growth narratives of several large public companies. Across the sector,

future revenues are increasingly tied to a complex web of equity stakes in counterparties, long-term purchase commitments, revenue-sharing arrangements and financing support with counterparties whose financial condition is not publicly disclosed. Fragmented reporting of these relationships can make it difficult for investors to assess the full extent of exposure and dependency.

In some cases, AI companies account for major counterparties as equity-method investments while also conducting significant commercial transactions with them. Public disclosures often provide limited insight into how these overlapping relationships affect reported results or the extent to which the AI company depends on the counterparty's continued access to external financing.

As these counterparties become more central to public-company growth narratives, some observers argue that the gap between their strategic importance and the information available to investors has widened, heightening scrutiny of related-party disclosures.[19]

Concerns of this kind are not new. During the wave of early-2000s accounting scandals, regulators and courts confronted situations in which economically significant relationships and obligations were kept outside consolidated financial statements through technically compliant but opaque structures.[20]

While those arrangements often satisfied formal accounting requirements, enforcement actions emphasized that investors were not adequately informed about where risk ultimately resided or how reported growth depended on affiliated entities whose finances were not transparent.

The lesson was not that nonconsolidation was per se improper, but that incomplete disclosure of economically significant relationships could affect investor understanding.

Conclusion

Regulatory and standard-setting responses following the telecom dot-com collapse did not prohibit particular business models or financing structures. Instead, they reflected a consistent emphasis on whether public disclosures enabled investors to understand the economic reality underlying reported performance.

That same focus is likely to shape how AI infrastructure disclosures are evaluated if market expectations or operating conditions deteriorate.

In any subsequent regulatory inquiry or private litigation, scrutiny is likely to coalesce around three interrelated questions:

- Does the reported growth reflect independently generated customer demand, or is it materially supported by circular and/or interconnected arrangements among infrastructure providers, hardware vendors and AI developers?
- Do forward-looking metrics meaningfully map to realizable cash flows?
- Are economically critical counterparties and concentrations sufficiently visible to investors?

Taken together, these questions reflect a broader regulatory concern that has recurred

across prior boom-bust cycles: whether technically compliant disclosures obscure the drivers, dependencies and durability of reported growth.

For issuers, auditors and counterparties navigating the current AI infrastructure buildout, the central challenge is not avoiding scrutiny by adhering to formal rules, but ensuring that aggregated disclosures faithfully convey the economic substance of increasingly complex arrangements.

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[1] Internet buildout refers to the massive expansion of internet-related infrastructure and businesses in the late 1990s during the dot-com boom, including: telecommunications infrastructure (fiber-optic cable networks, data centers, broadband expansion); internet service providers; early e-commerce and online platforms; venture-backed "dot-com" startups; and heavy capital spending funded by equity markets and debt. During that period (roughly 1995–2000), companies invested aggressively in building the physical and digital backbone of the internet, fueled by high market valuations and investor enthusiasm.

[2] "Oracle Sued By Pension Plan Over AI-Linked Debt Disclosures," Law360, January 14, 2026, Oracle Sued By Pension Plan Over AI-Linked Debt Disclosures - Law360; and "Oracle Oversold AI Infrastructure Spending, Investor Says." Law360, January 14. "Oracle Oversold AI Infrastructure Spending, Investor Says.," Law360, February 4, 2026, https://www.law360.com/articles/2438215/oracle-oversold-ai-infrastructure-spending-investor-says. The first complaint alleges that Oracle's risk disclosure did not adequately warn potential investors about the significant amount of additional debt it was looking to raise. The second complaint also cites concerns about increased reliance on revenue from OpenAI.

[3] "Google CEO Sundar Pichai Says There Won't Be Just One Winner in the AI Race." Yahoo Finance, May 19, 2025, https://finance.yahoo.com/news/google-ceo-sundar-pichai-says-170052452.html.

[4] Morgan Stanley, "AI: Mapping Circularity," Oct. 8, 2025.

[5] See for example: Berber Jin, "Tech's Biggest Players Tether Futures to Altman and OpenAI," October 22, 2025, The Wall Street Journal; Jonathan Weil, "Circular AI Deals Spark Worries of a Bubble," October 23, 2025, The Wall Street Journal.

[6] See, for example, a list of "corporate accounting scandals" from 2002, "The Corporate Scandal Sheet," August 26, 2002, Forbes.com, https://www.forbes.com/2002/07/25/accountingtracker.html.

[7] Securities & Exchange Commission, Administrative Proceeding No. 3-11891, April 11, 2005, "In the Matter of Global Cross Ltd., Thomas J. Casey, Dan J. Cohrs, and Joseph P. Perrone," https://www.sec.gov/files/litigation/admin/34-51517.pdf.

[8] Simon Romero, "Global Crossing Settles Suit on Losses," New York Times, March 20, 2004, https://www.nytimes.com/2004/03/20/business/global-crossing-settles-suit-on-losses.html.

[9] FASB Accounting Standards Codification (ASC) 606-10-25 establishes the core revenue recognition principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers for the consideration it expects to be entitled. FASB ASC 606-10-50 requires companies to disclose information about contract balances, performance obligations, and the timing of revenue recognition, including remaining performance obligations and when revenue will be recognized.

[10] Under GAAP, RPOs represent the total value of future revenue from signed contracts that hasn't been recognized yet, combining deferred revenue (invoiced but unearned) and non-cancellable backlog (unbilled future revenue). Under ASC 606-10-50-13, companies must disclose RPOs, even though RPO itself isn't a GAAP line item but a required disclosure metric.

[11] Estimating RPOs under ASC 606-10-50-13 requires significant management judgment, especially in identifying distinct performance obligations, allocating the transaction price, determining when control transfers (point-in-time vs. over time), estimating variable consideration with its constraint, and selecting methods to measure progress, all needing detailed assessment of contract terms and business practices. Key areas of discretion include disaggregation, variable consideration, allocation, timing of recognition, and methods for measuring progress, requiring robust evidence and consistent application.

[12] See, for example, Jonathan Weil, "Oracle's Stock Hangs on a Squishy Number --- AI investors are scrutinizing a once-obscure metric related to future sales," December 18, 2025, The Wall Street Journal.

[13] The SEC regulates the use of non-GAAP financial measures such as backlog, adjusted profitability, or anticipated revenue – metrics often cited in periods of infrastructure-driven growth. Regulation G (17 CFR § 244.100) requires any public disclosure of non-GAAP financial measures to include the most directly comparable GAAP measure, and a reconciliation to that GAAP measure. Further, it requires that a non-GAAP measure must not be misleading. See https://www.sec.gov/rules-regulations/2003/03/conditions-use-non-gaap-financial-measures.

[14] Telecommunications companies frequently supplemented GAAP financial statements with pro forma or "cash revenue" measures that reflected entire upfront payments from long-term capacity arrangements, even though substantial portions of those payments related to future performance obligations.

[15] See, e.g., Coreweave, Inc., Form 424B4 (filed March 27, 2025).

[16] Audit standards identify revenue recognition as an area of heightened risk, instructing auditors to presume the possibility of fraud related to improper revenue recognition. One source of such risk is the existence of side agreements – arrangements or understandings outside the primary contract or its documented terms – which may call into question whether the written agreement reflects the full rights and obligations of the parties. See, e.g., Public Company Accounting Oversight Board (PCAOB). Auditing Standards: Audits of Financial Statements for Fiscal Years Beginning on or After December 15, 2025. https://assets.pcaobus.org/pcaob-dev/docs/default-

source/standards/documents/auditing_standards_audits_fybeginning_on_or_after_december_15_2025.pdf, §AS2110.68. Grant Thornton LLP, Revenue from Contracts with Customers, updated January 24, 2022, https://www.grantthornton.com/content/dam/grantthornton/website/assets/content-page-files/audit/pdfs/2022/revenue-from-contracts-with-customers-updated-220124.pdf, p. 18.

[17] Jinjoo Lee and Dan Gallagher, "Energy Risks Rise for Hands-on Tech Giants: Hyperscalers are getting involved in earlier stages of power development," January 17 – 18, 2026, The Wall Street Journal.

[18] FASB ASC-850 is the relevant GAAP standard governing related party disclosures. It requires disclosure of related-party relationships; transactions, terms, and amounts; and the nature of control or influence. The standard reflects a principle of transparency around influence and dependence.

[19] See, for example, Jonathan Weil, "Microsoft Needs to Open Up More About Its OpenAI Dealings; Company's disclosures on its OpenAI stake are scant. That is no longer tenable," October 27, 2025, The Wall Street Journal.

[20] Issued in 2003, FASB Interpretation No. 46 (FIN 46) – later revised as FIN 46(R) and now codified in ASC 810 (Consolidation) – addressed the widespread use of structured entities that kept economically significant debt and risk off the balance sheet by shifting consolidation analysis from formal voting control to economic exposure and control.