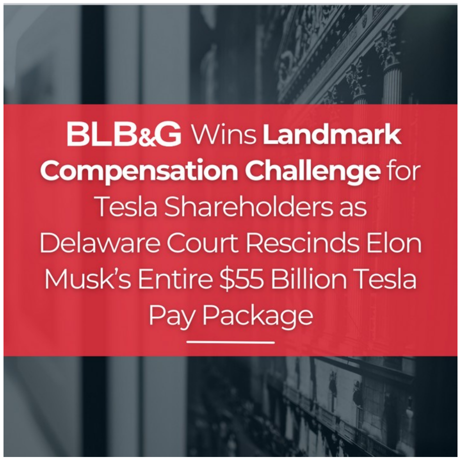
BLB&G Wins Landmark Compensation Challenge for Tesla Shareholders as Delaware Court Rescinds Elon Musk's Entire $55 Billion Tesla Pay Package

January 31, 2024



In a historic corporate governance decision on behalf of shareholders, the Delaware Court of Chancery has nullified Elon Musk's entire $55 billion compensation package at the request of a Tesla stockholder.

Shareholders of Tesla had challenged the 12-tranche package of stock options awarded to the company's CEO in 2018, totaling up to approximately $55 billion, by far the largest executive pay package in history.

During a full trial on the merits, Tesla shareholders alleged that they had proved that a number of key milestones in the compensation plan that Musk and the board described in proxy disclosures as very difficult to achieve were, in fact, expected based on Tesla's confidential projections shared with banks and rating agencies.

Shareholders also claimed that the proxy wrongly characterized the compensation committee and the board as "independent" when they were not, and that the proxy misrepresented the genesis of the plan, since the specifics originated with Musk himself rather than the board's compensation committee.

The court agreed. In her decision issued on January 30, Chancellor Kathaleen McCormick found that Tesla's board of directors had breached their fiduciary duty in structuring Musk's multi-tranched compensation. As a consequence, she ordered that the entire pay package be rescinded, thereby setting aside approximately $55 billion in compensation and the dilution to Tesla stockholders that came with it.

"Put simply, neither the Compensation Committee nor the Board acted in the best interests of the Company when negotiating Musk's compensation plan," Chancellor McCormick writes in her 200-page decision.

Colorfully referencing one of Tesla's most vaunted features, she adds, "In the final analysis, Musk launched a self-driving process, recalibrating the speed and direction along the way as he saw fit. The process arrived at an unfair price."

Tesla shareholders are represented by a team of attorneys at Bernstein Litowitz Berger & Grossmann LLP, led by partners Greg Varallo and Jeroen van Kwawegen and associates Glenn McGillivray and Meg Sanborn-Lowing. The law firms of Andrews & Springer and Friedman Oster & Tejtel acted as co-counsel.

"We are enormously grateful for the Court's thorough and extraordinarily well-reasoned decision in turning back the Tesla board's absurdly outsized pay package for Musk," said BLB&G partner Greg Varallo. "The Court's hard work will redound directly to the benefit of Tesla investors, who will see the dilution from this gargantuan pay package erased."

"I am proud to be a member of the team that has achieved this exceptional result," said BLB&G partner Jeroen van Kwawegen. "This decision once again demonstrates the commitment of our firm to represent its clients vigorously all the way through trial when necessary, which is crucial to protect stockholder interests from corporate self-dealing, issuance of misleading information, and those who knowingly participate in such business torts."

Case is captioned *Richard Tornetta v. Elon Musk et. al and Tesla, Inc.*