

Material Issues & Legal Liabilities

Overview: The Project Condor asset acquisition presents multiple material legal issues that may render the transaction void or voidable under Delaware law. This section analyzes potential liabilities arising from disclosure deficiencies, vote manipulation, fiduciary breaches, and contested asset ownership.

Core Legal Problem: A Delaware corporation's sale of substantially all assets requires valid stockholder approval under 8 Del. C. §271. If the stockholder vote was procured through undisclosed inducements, material omissions, or vote buying, the transaction may be rescinded, with all assets reverting to original stockholders and potentially exposing parties to liability for securities fraud.

1. Invalid Stockholder Vote Under Delaware Law (8 Del. C. §271)

Delaware General Corporation Law Section 271 requires that the sale of "all or substantially all" of a corporation's assets be approved by a majority of outstanding shares entitled to vote. The Project Condor transaction raises serious questions about whether valid stockholder approval was obtained.

8 Del. C. §271 (a): "Every corporation may at any meeting of its board of directors or governing body sell, lease or exchange all or substantially all of its property and assets... when and as authorized by a resolution adopted by the holders of a majority of the outstanding stock of the corporation entitled to vote thereon."

Critical Vote Validity Issues

- **Written Consent Process Used Instead of Meeting:** No formal stockholder meeting was held; instead, Solfice relied on written consent under 8 Del. C. §228
- **Over 40% of Stockholders Received No Disclosure:** Common stockholders representing 48.64% of the fully diluted cap table received no Asset Purchase Agreement or compensation schedules before "voting"
- **Conflicted Votes:** Scott Harvey and Fabien Chraim (approximately 20% of Common Stock by share value) voted in favor despite receiving \$0, while receiving undisclosed inducements from the buyer

- **Post Hoc Board Consents:** Multiple board consents were executed after the transaction closed, raising questions about proper authorization

Delaware Chancery Court Case Pending: C.A. No. 2024-1296-SEM is a books and records action (8 Del. C. §220) seeking documents to establish vote manipulation and breach of fiduciary duty. If successful, this may lead to a derivative or direct action to rescind the transaction.

Legal Consequences of Invalid Vote

Rescission Risk: If the stockholder vote is deemed invalid, the entire transaction may be subject to rescission. This would require:

- Return of all intellectual property and assets to Solstice stockholders
 - Unwinding of all employment agreements and equity grants
 - Return of consideration paid by Luminar
 - Potential damages for use and exploitation of assets during the period
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2. Vote Taint and Inducement

Schemes

Delaware law strictly prohibits vote buying and the use of undisclosed inducements to secure stockholder approval. Multiple pieces of evidence suggest a systematic scheme to manipulate the stockholder vote through selective financial incentives.

A. The \$800,000 Sravan Puttagunta Inducement Offer

Evidence of Vote Buying: Sravan Puttagunta (44% Common Stock holder) was offered **\$800,000** in exchange for providing a proxy vote approving the asset sale. Puttagunta **REFUSED** this offer and documented it.

This offer is significant for several reasons:

- **Vote Buying Under Delaware Law:** Offering payment in exchange for a vote constitutes vote buying, which taints the entire stockholder consent process
- **Pattern Evidence:** If management made this offer to Puttagunta, how many other stockholders received similar inducements?

- **Systematic Manipulation:** The \$800K offer suggests a deliberate strategy to secure votes through financial incentives rather than on the merits
- **Failure to Disclose:** Other stockholders were never told that Puttagunta (or others) were offered substantial payments for their votes

Critical Question: Who else was offered money for their vote? This is a central focus of the Delaware §220 books and records demand.

B. Management Employment Inducements

Three members of Solrice management received employment offers from Luminar Technologies as part of the transaction. This created a structural conflict of interest where management's economic incentives were aligned with the buyer rather than with Solrice stockholders.

Name	Role at Solrice	Stockholdings	Inducement Received
Scott Harvey	Director/ Officer	660,000 Common shares = \$0 value	Luminar employment + undisclosed compensation
Stefan Safko	CEO	Unknown Common holdings	Luminar employment + undisclosed compensation

Satyanarayan
Vakkaleri

COO

Unknown Common holdings

Luminar employment + undisclosed
compensation

The Conflict: Scott Harvey held 660,000 shares of Common Stock with a liquidation value of **\$0**, yet voted YES to approve the transaction. His economic incentive was **employment with the buyer**, NOT maximizing stockholder value. This violates DGCL §144 (Interested Director Transactions).

C. Management Total Compensation (Undisclosed)

The total value of management's compensation packages with Luminar has NEVER been disclosed to stockholders or in any SEC filing. This includes:

Completely Undisclosed Management Compensation:

- Base salaries and bonuses
- Equity grants (RSUs, stock options)
- Signing bonuses and other incentives
- Total value of employment contracts

All amounts remain undisclosed despite closing condition requirement in APA §7.2(e)

Stockholders were never informed of the total compensation management would receive from the buyer, making it impossible to evaluate the full cost of the transaction or assess management's conflicts of interest.

3. Disclosure Deficiencies and Material



Omissions

Delaware law requires complete and accurate disclosure to stockholders when seeking their approval for a material transaction. The Project Condor stockholder materials contained multiple material omissions that rendered the vote invalid.

What Was NOT Disclosed to Stockholders

Management Compensation

COMPLETELY UNDISCLOSED:

- Base salaries and bonuses
- Equity grants (RSUs, options)
- Signing bonuses and incentives
- Total employment contract values

Management Conflicts

Management's financial interests in transaction never disclosed to stockholders

Impossible to assess conflicts of interest without compensation disclosure

Selective Disclosure

Only Scott Harvey and Fabien Chraim (~20% of Common Stock) voted in favor despite receiving **\$0** in the transaction

No evidence Common stockholders received full APA or compensation schedules

Vote Buying Evidence

\$800,000 inducement offer to Puttagunta never disclosed to other stockholders

Unknown how many others received similar offers

Delaware Legal Standard: Complete and Accurate Disclosure

Delaware Common Law: "The duty of disclosure requires the directors to provide stockholders with accurate and complete information material to a transaction or other corporate event that is being presented for stockholder action."

Stroud v. Grace, 606 A.2d 75, 84 (Del. 1992)

The omission of management's employment contract values and the failure to disclose the \$800K vote buying attempt constitute material omissions under Delaware law. A reasonable stockholder would want to know:

- The value of management's compensation packages from the buyer
- That management's economic interests were aligned with the buyer, not stockholders
- That other stockholders were being offered cash payments for their votes
- The full extent of management's financial conflicts of interest

Legal Impact: A stockholder vote procured through materially incomplete disclosure is invalid and provides no cleansing effect under *Corwin v. KKR Financial Holdings LLC*, 125 A.3d 304 (Del. 2015).

4. Fiduciary Duty

Breaches

Delaware corporate law imposes fiduciary duties of loyalty and care on directors and officers. When directors have a financial interest in a transaction, they must navigate heightened disclosure obligations and procedural safeguards.

A. Breach of Duty of Loyalty

Self-Dealing Transaction: Management negotiated their own compensation packages while controlling the board that approved the transaction. This creates a classic conflict of interest requiring entire fairness review.

Evidence of loyalty breach:

- Management negotiated undisclosed compensation packages with Luminar as part of the transaction
- Management received employment contracts and benefits from the buyer while controlling the board approval process
- Management "zeroed out" Common Stock holders (including themselves as stockholders) while enriching themselves through side deals with the buyer
- No independent committee evaluated the fairness of management compensation
- No competitive bidding process to establish market-based valuation

B. Entire Fairness Standard Applies

8 Del. C. §144(a): "No contract or transaction between a corporation and 1 or more of its directors or officers... shall be void or voidable solely for this reason... if: (1) The material

facts as to the director's or officer's relationship or interest... are disclosed or are known to the board of directors... and the board in good faith authorizes the contract or transaction..."

When §144's procedural protections are not satisfied (as here, due to lack of disclosure and interested board approval), Delaware courts apply the "entire fairness" standard. Under this standard, defendants must prove both:

- **Fair Dealing:** The transaction was negotiated at arm's length with proper process
- **Fair Price:** The consideration was fair to the corporation and stockholders

C. Self-Dealing and the "Double-Dip" Problem

Management's compensation structure created a "double-dip" scenario that is facially unfair:

Step 1: Management votes to approve sale of company assets for \$10.595M

Step 2: Management receives undisclosed compensation/severance from transaction

Step 3: Management immediately joins Luminar with undisclosed employment contracts

Step 4: Investors distributed proceeds (many taking substantial losses)

Result: Management's total compensation remains undisclosed while stockholders took massive losses

D. Failure to Maximize Stockholder Value

There is no evidence that management attempted to:

- Seek alternative buyers or conduct a market check
- Negotiate better terms for Common Stock holders
- Create a special committee of independent directors
- Obtain a fairness opinion from an independent financial advisor
- Structure the transaction to protect minority stockholders

Revlon Duties: When a Delaware corporation is being sold, directors have enhanced duties under *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, 506 A.2d 173 (Del. 1986) to seek the best available transaction for stockholders. Management's self-interested conduct suggests they prioritized their own employment over stockholder value.

5. Asset Title Disputes and Ownership

Claims

If the underlying stockholder vote and transaction are found to be invalid, Luminar Technologies may not have valid legal title to the Solfice Research intellectual property and software assets.

Equitable Remedies Available

Contested Ownership: Former Solfice stockholders have asserted equitable claims to the Project Condor assets, arguing that Luminar's title is "tainted" by the invalid stockholder vote and fiduciary breaches.

Legal theories supporting contested ownership:

- **Constructive Trust:** A court may impose a constructive trust requiring Luminar to hold assets in trust for rightful stockholders
- **Rescission:** The transaction may be unwound entirely, with all consideration returned to respective parties
- **Rescissory Damages:** If physical return is impossible, monetary equivalent may be ordered
- **Disgorgement:** Luminar may be required to return any profits derived from the disputed assets

- **Unjust Enrichment:** Luminar's continued use may constitute unlawful possession requiring compensation

Impact on Future Transactions

Disclosure Obligations: Luminar must disclose the disputed title status to any prospective acquirers.

Failure to disclose contested ownership constitutes:

- Securities fraud under SEC Rule 10b-5
- Negligent misrepresentation under state law
- Breach of fiduciary duty to the acquirer
- Potential criminal referral for fraud

Any sale, transfer, or assignment of Project Condor assets (including through bankruptcy §363 sale) is subject to:

- Formal legal objection by former Solrice stockholders
- Claims for constructive trust and superior equitable rights
- Potential clawback actions if sale proceeds without notice
- Injunctive relief to prevent transfer of contested assets

Standing to Challenge Asset Transfers

Multiple parties have standing to challenge any future transfer of Project Condor assets:

Party	Basis for Standing
Sravan Puttagunta	44% Common Stock holder; former director; creditor with equitable interest
Anuj Gupta	14.0% Common Stock holder
Jason Creadore	5.3% Common Stock holder

6. SEC Compliance Issues and Regulatory

▶ Scrutiny

A. SEC Subpoenas to Luminar Technologies

Reported SEC Activity:

- SEC has reportedly issued subpoenas to Luminar Technologies
- Whether subpoenas relate to the Project Condor transaction is unclear

- Luminar CFO resigned around the time of reported SEC activity
- Luminar's 10-Q filings may provide additional clarity on scope and subject matter

B. Potential Securities Law Violations

SEC Rule 10b-5 (17 CFR §240.10b-5) :

It shall be unlawful for any person...

- (a)** To employ any device, scheme, or artifice to defraud,
- (b)** To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- (c)** To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person

Potential 10b-5 violations in the Project Condor transaction:

- **§10b-5(a):** Vote buying scheme and management inducement structure
- **§10b-5(b):** Omission of management employment contract values in stockholder materials
- **§10b-5(c):** Selective disclosure to preferred stockholders; withholding APA from common stockholders

Important Note: SEC Rule 10b-5 applies to private company transactions when interstate commerce is involved, which is satisfied here through wire transfers, electronic communications, and multi-state parties.

C. Ongoing Disclosure Obligations

Luminar Technologies now faces continuing disclosure obligations regarding:

- Pending Delaware Chancery Court litigation (C.A. No. 2024-1296-SEM)
 - Reported SEC subpoenas (scope and subject matter to be clarified in 10-Q filings)
 - Contested ownership claims to Project Condor assets
 - Potential rescission or clawback liability
 - Any bankruptcy or restructuring proceedings
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7. Bankruptcy and Fraudulent Transfer

Issues

If Luminar Technologies enters bankruptcy or restructuring, the Project Condor transaction may be subject to scrutiny under U.S. Bankruptcy Code fraudulent transfer provisions.

A. Initial Fraudulent Transfer (2022 Transaction)

11 U.S.C. §548(a) (1) (B) - Constructive Fraud:

The trustee may avoid any transfer of an interest of the debtor in property... that was made... within 2 years before the date of the filing of the petition, if the debtor... received less than a reasonably equivalent value in exchange for such transfer... and was insolvent on the date that such transfer was made.

Elements potentially satisfied:

- **Management extracted undisclosed compensation:** Payment made to insiders as part of transaction
- **Not reasonably equivalent value:** Management received undisclosed compensation from buyer while stockholders took massive losses
- **Preferential payment:** Insiders (management) benefited before equity holders

B. Bankruptcy Code Section 363 Sale Challenges

If Luminar attempts to sell Project Condor assets in bankruptcy, objections may be filed asserting:

§363(f) - Sale Free and Clear of Interests:

- Cannot sell assets "free and clear" when title is disputed
- Former Solrice stockholders have asserted superior equitable claims
- Bankruptcy protection cannot be used to "launder ill-gotten assets"
- Court must determine ownership rights before authorizing sale

11 U.S.C. §363(b) (1) : "The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate."

Issue: Are the Project Condor assets actually "property of the estate" if the underlying acquisition was invalid?

C. Creditor Rights and Objections

Former Solrice stockholders and creditors have preserved rights to:

- Object to any §363 bankruptcy sale of Project Condor assets
- Seek constructive trust over disputed assets
- Pursue rescissory damages if assets already sold or transferred
- Demand equitable subordination of management claims
- Request noticing for all restructuring activities involving contested assets

8. Notice and Preservation

Requirements

Multiple parties have been put on notice of the contested transaction and disputed asset ownership.

Parties on Notice

October 31, 2025: Formal notice sent to Luminar counsel regarding tainted asset title

November 1, 2025: Formal notice of disputed ownership sent to Luminar board

November 4, 2025: Notice sent to U.S. Trustee offices regarding anticipated bankruptcy sale

November 9, 2025: Material dispute notice sent regarding Chancery Court docket C.A. No. 2024-1296-SEM

Document Preservation Obligations

Luminar Technologies and related parties are obligated to preserve:

- All board consents and stockholder notices from May-June 2022
 - Employment agreements and offer letters for Harvey, Safko, and Vakkaleri
 - RSU grant schedules and equity compensation documentation
 - All communications regarding the \$800K offer to Puttagunta
 - Any other inducement offers or side agreements with stockholders
 - Asset Purchase Agreement amendments and side letters
 - Management bonus plan and severance documentation
 - Individual management release agreements
 - Buyer due diligence materials and valuation analyses
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9. Summary of Material

Risks

1. Invalid Corporate Vote

Transaction may be void due to insufficient stockholder approval and vote manipulation

2. Vote Buying Scheme

\$800K inducement offer evidences systematic vote manipulation

3. Management Self-Dealing

Officers received undisclosed compensation while stockholders received \$0 or took massive losses

4. Disclosure Fraud

Material facts concealed from 40%+ of voting stockholders

5. Contested Asset Title

Luminar may not own the IP it claims to have acquired

6. Reported SEC Subpoenas

Subpoenas reportedly issued to Luminar; connection to Project Condor unclear

7. Fiduciary Breaches

Directors violated duties of loyalty and care

8. Fraudulent Transfer

Management received undisclosed benefits as part of transaction

9. Bankruptcy Risk

Future asset sales subject to clawback and rescission claims

10. Securities Fraud

Multiple violations of SEC Rule 10b-5

Pending Litigation: Delaware Court of Chancery Case No. 2024-1296-SEM (Books and Records Action) seeks to uncover the full extent of vote manipulation, undisclosed compensation, and fiduciary breaches. Success in this action may lead to derivative or direct litigation to rescind the transaction and recover damages.

Key Takeaway: The Project Condor transaction presents multiple overlapping legal issues that collectively create substantial risk of rescission, clawback, securities fraud liability, and contested asset ownership. The combination of vote buying, undisclosed management compensation, and fiduciary breaches makes this a high-risk transaction with significant potential for unwinding.