

## Case Background

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### ▶ The Civil Maps Asset

#### Sale

In 2022, Solfice Research, Inc. (d/b/a Civil Maps), an autonomous vehicle mapping technology company, sold substantially all of its assets to Luminar Technologies, Inc. through a transaction known as "Project Condor." The sale was approved by what appeared to be a 54% stockholder vote in favor of the transaction. However, according to the plaintiff's allegations, significant disclosure and process gaps may reduce the effective "cleansed" vote below the required 51% majority threshold, potentially affecting the transaction's validity under Delaware law.

### ▶ Transaction Structure & Key Decision

#### Makers

The transaction was structured as an asset sale from Solfice into Condor Acquisition Sub I and Condor Acquisition Sub II, entities associated with Luminar Technologies. Key decision makers included **Austin Russell** (Luminar's CEO and founder) and **Thomas Fennimore** (representing Luminar's interests in the transaction). On the Solfice side, the

board of directors oversaw the approval process, though plaintiffs allege no special committee was formed to independently evaluate the transaction for conflicts of interest.

## Compensation to Solrice



### Insiders

As part of the transaction, Luminar provided various forms of compensation to certain Solrice insiders, including:

- **Restricted Stock Units (RSUs)** in Luminar Technologies
- **Release Agreements** providing separation benefits
- **Employment agreements** and other compensation arrangements

*Key insiders who received compensation include Stefan Safko, Scott Harvey, and Satya Vakkaleri. Critically, both Stefan Safko and Scott Harvey served as board members with fiduciary duties to all stockholders. According to Section 7.2(e) of the Asset Purchase Agreement, the employment agreements for Scott Harvey and Stefan Safko were explicitly listed as closing conditions, demonstrating their compensation was integral to the transaction's completion.*

## Questions About Undisclosed

### Compensation

**Key Allegation:** Plaintiffs raise concerns that **Fabien Chraim**, a major common stockholder who held significant voting power, may have received undisclosed compensation in exchange for his affirmative vote. If true and if such compensation was not properly disclosed to all stockholders before the vote, this could constitute a material omission affecting the validity of the stockholder consent under Delaware law's disclosure requirements.

## Board

### Composition

The Solfice board of directors at the time of the transaction included Stefan Safko and Scott Harvey, both of whom had fiduciary duties to act in the best interests of all stockholders. The complaint alleges that no special committee of independent directors was formed to evaluate the transaction, despite the apparent conflicts of interest arising from board members receiving compensation tied to the deal's closing.

## Delaware Law

### ► Framework

This case involves several key provisions of Delaware corporate law:

#### **8 Del. C. § 271 - Sale of Assets:**

Requires approval by the board of directors and a majority of outstanding stockholder votes for a corporation to sell substantially all of its assets. This section establishes the fundamental requirement that asset sales of this magnitude must receive stockholder approval.

#### **8 Del. C. § 228(e) - Stockholder Consent:**

Permits stockholders to take action by written consent without a meeting, provided the consent is signed by holders of outstanding stock having the minimum votes required. However, proper notice and disclosure requirements still apply to ensure all stockholders can make informed decisions.

#### **8 Del. C. § 220(b) - Stockholder Inspection Rights:**

Grants stockholders the statutory right to inspect the corporation's books and records for any proper purpose reasonably related to their interest as stockholders. This right is particularly important when stockholders suspect wrongdoing, undisclosed conflicts, or improper conduct by management or the board.

#### **8 Del. C. § 220(d) - Form and Manner:**

Establishes the procedural requirements for stockholder demands, including making a demand under oath stating the purpose and that the purpose is reasonably related to their interest as a stockholder. This section governs how inspection rights are exercised.

## Key Legal Concepts: Corwin Cleansing, Disclosure, and Majority

### Vote

#### Corwin Cleansing:

*Under the Delaware Supreme Court's decision in Corwin v. KKR Financial Holdings LLC, when a transaction not subject to the entire fairness standard is approved by a fully informed, uncoerced majority of disinterested stockholders, the business judgment rule applies and the transaction is presumed valid. However, this "cleansing" effect only applies if: (1) the vote was fully informed with proper disclosure of all material facts, (2) the majority was truly disinterested and uncoerced, and (3) no fraud or illegality occurred.*

#### Disclosure Requirements:

*Delaware law requires that stockholders receive full and fair disclosure of all material facts before voting on significant transactions. Material facts include information that a reasonable stockholder would consider important in deciding how to vote, such as conflicts of interest, side compensation to insiders or key stockholders, financial*

*projections, valuation opinions, and the fairness of the consideration. Failure to disclose material facts can invalidate the stockholder vote and eliminate Corwin cleansing protection.*

#### **Majority Vote and "Disinterested" Shares:**

*For Corwin cleansing to apply, a majority of shares voting must be "disinterested" – meaning held by stockholders who received no side benefits or special consideration beyond their pro rata share of the transaction proceeds. If certain stockholders received undisclosed compensation, employment agreements, or other benefits tied to their affirmative votes, their shares may be deemed "interested" and excluded from the cleansing calculation. The plaintiff alleges that when properly excluding interested votes, the transaction may have failed to achieve the required majority approval.*

### **The §220 Books and Records**

#### **Demand**

**Purpose of This Litigation:** Unable to obtain clear answers through informal requests, plaintiff stockholders filed this §220 action seeking to inspect Solrice's books and records. The goal is to investigate: (1) what compensation was provided to insiders and key stockholders, (2) whether all material facts were disclosed before the stockholder vote, (3) whether conflicts of interest were properly addressed, and (4)

whether the transaction actually received approval from a majority of disinterested stockholders as required by Delaware law.