

Delaware Supreme Court Reverses Court of Chancery's Ruling in *Moelis*

January 26, 2026

On January 20, 2026, the Delaware Supreme Court reversed the Delaware Court of Chancery's judgment in *W. Palm Beach Firefighters' Pension Fund v. Moelis & Co.* (Feb. 22, 2024) ("*Moelis*"), finding that the plaintiff's challenge to the stockholder agreement between Moelis & Company and Ken Moelis was time-barred under the equitable doctrine of laches because the plaintiff filed its complaint nearly 10 years after the signing of the stockholder agreement. Because the Supreme Court ruled on the basis of timeliness, it did not address whether the stockholder agreement provisions were facially valid. The Supreme Court also avoided substantively addressing the amendment to Section 122 of the Delaware General Corporation Law (the "DGCL") that was enacted in response to the Court of Chancery's decision because the amendment carved out then-pending litigation.

In *Moelis*, the Court of Chancery held that certain provisions of the stockholder agreement granting the stockholder approval rights over key corporate actions were void as an unauthorized delegation of the board's managerial powers under DGCL Section 141(a). Based on that ruling, the Court of Chancery held that equitable defenses, such as laches, were not available, because the provisions were void from inception. The Court of Chancery further held that, even if laches were an available defense, the plaintiff's challenge was not time-barred because the existence of the facially invalid stockholder agreement provisions constituted an ongoing statutory violation and a continuing wrong, so there was no unreasonable delay in bringing the suit.

In reversing, the Supreme Court held that the challenged stockholder agreement provisions were merely "voidable" rather than void because the company could have implemented substantially the same arrangements through its certificate of incorporation or other authorized mechanisms. In other words, the stockholder agreement provisions were not beyond the corporation's power altogether. As a result, the plaintiff's claim that the stockholder agreement provisions were facially invalid was subject to equitable defenses, including laches. This distinction proved dispositive, as it shifted the focus from the validity of the challenged provisions to the plaintiff's conduct in waiting nearly a decade to bring suit.

In finding that the defense of laches was available, the Supreme Court rejected the Court of Chancery's finding that the provisions effected a continuing wrong, holding instead that the purported wrongdoing was complete when the agreement was signed in 2014, and that the plaintiff's claim accrued at that time. In determining whether the plaintiff had delayed unreasonably in bringing its complaint in *Moelis*, the Supreme Court applied by analogy the three-year statute of limitations period of 10 *Del. C.* § 8106.

Finally, the Supreme Court found that *Moelis* would be prejudiced if forced to defend a lawsuit brought nearly 10 years after the agreement was signed when the plaintiff had plenty of opportunity to file within the three-year limitations period and had no adequate excuse for delay. In reaching this conclusion, the Supreme Court placed weight on the fact that the challenged stockholder agreement provisions were fully and repeatedly disclosed, including in the issuer's IPO prospectus and subsequent public filings. Because the provisions were publicly disclosed from the outset, the plaintiff had all the information necessary to bring a timely challenge.

Applying these principles, the Supreme Court concluded that the plaintiff's challenge was time-barred by laches. The plaintiff had knowledge of the challenged provisions in 2014, delayed unreasonably in asserting its claims, and *Moelis* would be prejudiced by having to defend a long-standing governance arrangement years after it was adopted and relied upon. The Supreme Court therefore reversed the Court of Chancery's judgment and vacated its orders.

On July 17, 2024, the governor of Delaware signed into law an amendment to Section 122 of the DGCL expressly allowing corporations to enter into the types of stockholder contracts that the Court of Chancery struck down as long as the provisions are not contrary to the certificate of incorporation or would not violate Delaware law if included in the charter. The amendment, effective as of August 1, 2024, applies retroactively to all contracts, whether or not made, approved or entered into prior to the effective date, with the important exception of any agreements — such as that at issue in *Moelis* — subject to pending litigation.



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