

Limits Set in Equity Plans Yield Less Stringent Standard of Review

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In a recent Delaware Court of Chancery case, stockholders brought suit against a company's directors alleging breach of fiduciary duty for awarding themselves "grossly excessive compensation." The excessive compensation in question included equity grants issued pursuant to the company's equity incentive plan. The terms of the stockholder-approved plan provided limits on the number of shares that the company could issue as stock options, restricted stock, and restricted stock units and on the number of shares the company could award to employees and directors. The court held that the specific equity awards could be reviewed pursuant to the business judgment rule, which is the standard used to review executive compensation approved by a disinterested committee rather than a more stringent standard required for "self-dealing." In applying the business judgment rule, the court found that it was critical that the director-specific limits set forth in the plan differed from the limits that applied to awards to employees and concluded that the "fully informed stockholder vote that approved the plan extended to the awards themselves, which fell within the limits set by the plan." View [the opinion](#) in *In re Investors Bancorp, Inc. Stockholder Litigation*.