SpaceX's Launch Into Public Markets Comes With Governance Concerns

June 15, 2026

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SpaceX's entry into the public markets is unprecedented in many ways, with investors witnessing the largest initial public offering (IPO), the largest valuation, and largest capital raise of any single deal in history. For investors, these historic market events also come with a governance risk that is equally unprecedented.

In that vein, our investment-focused examination of SpaceX's registration statement filed with the Securities and Exchange Commission (SEC) immediately raises concerns, due to the extraordinary corporate governance structure that essentially grants founder and CEO, Elon Musk, unilateral control over all corporate matters.[1] This leaves shareholders, institutional and retail alike, with very few protections and no levers of accountability. We've highlighted in this update some key aspects of SpaceX's unique governance profile and the potential impact it could have on shareholders.

What is Unique About Shareholder Rights at SpaceX?

SpaceX combines several different structures and provisions that, when taken together, nullify the voice and rights of shareholders. These structures and provisions include the following:

- **Dual-Purpose, Dual-Class Stock**. SpaceX has two different shares of stock: Class A stock, available to the public, and Class B stock, entirely held by, or reserved for, Elon Musk. Notably, SpaceX attaches two separate, unequal voting structures to these two share classes. First, while each share of Class A stock is entitled to one vote per share, each share of Class B stock is entitled to *ten votes*, giving Mr. Musk approximately 82% of the voting power.[2] Additionally, his Class B shares grant him the ability to unilaterally elect the Class B directors, which make up a majority of board directors.
- **Only Musk Can Unseat Musk**. Because Mr. Musk's super-voting Class B shares give him overwhelming control, no external shareholder coalition can override his decisions, meaning only he could effectively displace his own control.
- **High Hurdles for Litigation**. SpaceX, through its incorporation in Texas, opted into a provision that limits derivative lawsuits only to those shareholders who own 3% of the company's outstanding shares. With a valuation of over US $2.9 trillion, only shareholders owning at least US $87 billion in stock could even consider filing suit.[3] Furthermore, Texas's codified business judgement rule requires plaintiffs to rebut the rule's presumption of good faith while also demonstrating a director's intentional misconduct, fraud or knowing violation of the law. Texas corporate law also allows a board to deny requests for internal communication material (which is often needed to overcome the business judgement rule

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[1] The full registration can be found here: Space Exploration Technologies - S-1.
[2] A portion of the Class B shares reserved for Mr. Musk will only be granted to him upon reaching significant financial and operational milestones (including the construction of a colony on Mars). However, he is currently able to vote these shares.
[3] Market valuation is as of June 16, 2026.

standards) if the board believes that such requests are in connection with current or *potential* derivative suits.

- **Shareholder Proposals Have Similar Hurdles**. SpaceX also opted into a Texas provision restricting the filing of shareholder proposals to the same 3% ownership threshold. Additionally, the proposal could not be voted on unless the shareholder solicits a supermajority (67%) of outstanding shares.[4] These are significant hurdles for shareholder proposals, which are important accountability mechanisms that allow shareholders, as owners of companies, to challenge the board on strategy, long-term value creation, risk management, and corporate governance.
- **Mandatory Arbitration**. A group of shareholders seeking to sue for financial losses cannot bring their claims together as a class. Instead, they are forced to rely on mandatory arbitration, which often limits access to discovery, restricts procedural protections, reduces transparency, and can disadvantage claimants through constrained appeal rights and potential structural biases in the selection of arbitrators. Furthermore, SpaceX stipulates that if there are more than three claims for the same reason, only the first claim can be arbitrated, while the rest are paused (or “stayed”), adding additional barriers against litigation.

It’s important to note that these provisions are not novel and exist in other publicly traded companies. The combination of provisions, however, is unprecedented. In totality, they concentrate corporate control among a single person while also effectively removing any mechanisms for accountability.

Is SpaceX an Indicator for Other Large IPOs Expected this Year?

SpaceX will likely not be the only blockbuster IPO this year, with Anthropic and OpenAI having both filed their own registration statements with the SEC.[5] At this point in time, investors can only speculate as to what corporate governance will look like at these companies, but a look at other publicly traded technology firms may provide an indication. These firms, more so than the broader market, tend to have mechanisms in place to protect founders, enable rapid decision-making and innovation, and ward off potential interventions by activist shareholders. These mechanisms often include dual-class stock structures (where founders retain a high proportion of the more powerful stock), and classified boards (where only a portion of the board stands for re-election at each shareholder meeting).[6]

We expect that Anthropic and OpenAI will follow the trend of other companies in its sector by adopting one or both mechanisms. Whether they add more entrenching mechanisms or reduce the legal protections for shareholders remains to be seen. So far, both companies remain incorporated in Delaware, a state seen as less deferential to corporate management than states like Texas, and this may be an indicator that they will be relatively more shareholder friendly than SpaceX. In any situation, we will continue to monitor public filings, as they will likely have wide-ranging implications for all investors.[7]

Will Space X be held in my portfolio?

SpaceX is likely to be added to many index families in the months following its IPO. As a large index and rules-based asset manager whose products and funds track common indices, NTAM will hold SpaceX shares, with exposure expected to align closely with the company’s index weight in order to match the risk and return

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[4] The SEC sets minimum holding amounts required to file a shareholder proposal but it allows the states where companies are incorporated to impose stricter limitations. The SEC currently has ownership thresholds that are much lower than in Texas, and there are no requirements for solicitation.

[5] Currently, these registration statements are confidential and so investors do not yet know their contents.

[6] For more information, see: [2024 Corporate Governance Practices and Trends in Silicon Valley and at Large Companies Nationwide]()

[7] Notably, Anthropic is registered as a Public Benefit Corporation as opposed to the more standard for-profit corporation. Anthropic also established a Long-Term Benefit Trust to help facilitate its public benefit mission. More information can be found here: [The Long-Term Benefit Trust \ Anthropic]().

characteristics of those indices.[8] Therefore, investors globally will likely get exposure to SpaceX in large cap index portfolios.

We have noted a few high-profile examples of investor opposition around the SpaceX IPO. Three of the largest pension fund systems in the US with combined assets of over US $1 trillion recently signed an open letter to the company expressing their deep concern over SpaceX's governance profile while acknowledging that they would inevitably be exposed to the stock.[9] So far, at least one pension fund, Danish fund Akademiker Pension, has announced that it will not invest in the company over governance and valuation concerns.[10] Despite these examples, though, interest in SpaceX remains exceptionally high.

How Does NTAM Plan to Categorize SpaceX Within Our Stewardship Approach?

We believe that SpaceX's high degree of entrenchment effectively creates a "key person" risk without any formal methods of enforcing accountability. The success and failure of SpaceX — and the financial outcomes of its shareholders — rests solely upon Mr. Musk. If the company succeeds, some investors may be willing to overlook its weak governance profile. But as an investor representing near-permanent capital, we believe there are potential long-term risks that are worth considering. If SpaceX fails to live up to the ambitious goals that investors (and SpaceX itself) have set, then this represents significant risk. What could the impact be if Mr. Musk proves unable to lead the company? What if leadership engages in related-party transactions that destroy shareholder value rather than create it? In these cases, shareholders are left with no formal avenues for course correction, outside of selling their stake in the company, which is limited for an index-based investor

The role of investment stewardship therefore becomes more important, not less. NTAM does not alter its engagement or proxy voting procedures for controlled companies or those with weak governance. We will seek to engage with the board and management on critical aspects of strategy, risk management, and corporate governance.

Despite our highlighted concerns, our goal is for the company to succeed and generate long-term sustainable value. This is the same aim we have for all the companies in which we hold securities. The degree to which SpaceX will be open for constructive dialogue is unclear at this stage; however, NTAM shall seek to communicate our concerns, collaborate with management, and advocate for the best financial interests of our clients.

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[8] NTAM recently prepared a research insight paper that provides a comprehensive overview of the implications of mega-cap IPOs for index investors. A copy of the report can be furnished upon a request sent to our Equity Client Portfolio Management group at Equity_CPM_Team@ntrs.com.
[9] A copy of the letter can be found here: spacex-ipo-letter.pdf.
[10] For more information, see here: Danish pension fund excludes SpaceX citing governance and valuation | Reuters.

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