



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

JOEL ZALVIN, derivatively on behalf
of BRIDGEBIO PHARMA, INC.,

Plaintiff,

v.

C.A. No. _____

ERIC AGUIAR, JENNIFER E. COOK,
RONALD J. DANIELS, CHARLES
HOMCY, NEIL KUMAR, ANDREW
LO, JAMES C. MOMTAZEE, ALI
SATVAT, BRENTON L. SAUNDERS,
RICHARD H. SCHELLER, and
RANDAL W. SCOTT,

Defendants,

-and-

BRIDGEBIO PHARMA, INC., a
Delaware Corporation,

Nominal Defendant

VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT

On behalf of Nominal Defendant BridgeBio Pharma, Inc. (“BridgeBio” or the “Company”), Plaintiff Joel Zalvin (“Plaintiff”) asserts a claim for breach of fiduciary duty against the members of BridgeBio’s board of directors (the “Board”).¹

¹ Plaintiff’s allegations are made upon personal knowledge as to himself and his own acts, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, *inter alia*, a

NATURE AND SUMMARY OF THE ACTION

1. This is a stockholder derivative action brought on behalf of BridgeBio to recover the excessive and unfair compensation—nearly \$20 million in the last two years with another \$12 million to follow this year—that the Company’s directors have awarded to themselves in breach of their fiduciary duties.

2. The Board’s directors are responsible for setting their own compensation, a self-dealing arrangement involving an inherent conflict of interest. Despite this conflict, the Board’s directors have never asked BridgeBio’s stockholders to approve their compensation. Instead, the Board’s directors have abused their discretion by providing themselves with a compensation package that far exceeds a reasonable amount.

3. During the 2019 calendar year, the Board’s directors awarded themselves (other than the Company’s Chief Executive Officer (“CEO”) who does not get paid separately for Board service) stock options valued at \$7,199,946 in the aggregate for serving on the Board, or ***\$1,199,991 per director***. By comparison, the Company’s peers paid their directors an average per-director compensation package of ***\$399,443*** for Board service. The Board acknowledged that it chose not to utilize a peer group when granting the 2019 compensation package.

review of documents BridgeBio filed with the U.S. Securities and Exchange Commission (the “SEC”).

4. During the 2020 calendar year, the Board's directors awarded themselves (other than the CEO) cash and equity awards valued at \$12,422,772 in the aggregate for serving on the Board, an average of ***\$1,242,277 per director***. The most significant component of this compensation package consisted of an approximately \$1.2 million stock option award granted for each director. Meanwhile, the Company's peers, paid their directors an average per-director compensation package of ***\$426,429*** for Board service. The Board granted the lucrative compensation package even after conducting a peer analysis. Remarkably, while the Board chose to "target equity compensation" for the Company's executives "at or above the 50th percentile of equity compensation paid to executives" at the Company's compensation peer group, when it came time to enrich themselves, the Board turned a blind eye to the peer data and decided to use the peer data simply to "inform" their "evaluation" of the director compensation program.

5. Finally, the Board has also announced that it will make another \$1.2 million stock option award to each of its directors (other than the CEO) at the Company's upcoming Annual Meeting of Stockholders, scheduled for June 17, 2021.

THE PARTIES

6. Plaintiff Joel Zalvin has been a stockholder of BridgeBio since November 2019.

7. Nominal party BridgeBio is a Delaware corporation with its principal place of business in Palo Alto, California. According to its most recent Form 10-K Annual Report, BridgeBio is “working to create life-altering medicines that target well-characterized genetic diseases at their source.” BridgeBio’s common stock trades on the Nasdaq Global Select Market under the symbol “BBIO.”

8. Defendant Eric Aguiar (“Aguiar”) has served on the Board since March 2019.

9. Defendant Jennifer E. Cook (“Cook”) has served on the Board since December 2019. Cook also renders consulting services to the Company.

10. Defendant Ronald J. Daniels (“Daniels”) has served as a member of the Board since February 2020.

11. Defendant Charles Homcy (“Homcy”) has served on the Board since November 2018. Homcy has also served as the Company’s Chairman of Pharmaceuticals, an executive position, since February 2019 and as Lead Director since February 2020.

12. Defendant Neil Kumar (“Kumar”) co-founded the Company and has served as the Company’s CEO and a member of the Board since April 2015.

13. Defendant Andrew Lo (“Lo”) has served as a member of the Board since June 2020.

14. Defendant James C. Momtazee (“Momtazee”) has served on the Board since March 2016. Momtazee also served as a Senior Advisor to the Company from February 2020 until January 2021.

15. Defendant Ali Satvat (“Satvat”) has served on the Board since March 2016.

16. Defendant Brenton L. Saunders (“Saunders”) has served on the Board since June 2020.

17. Defendant Richard H. Scheller (“Scheller”) has served on the Board since January 2018. Scheller has also served as the Company’s Chairman of Research & Development (“R&D”), an executive position, since January 2019.

18. Defendant Randal W. Scott (“Scott”) has served on the Board since June 2020.

FURTHER SUBSTANTIVE ALLEGATIONS

19. The Company completed its initial public offering (the “IPO”) in July 2019. At the time of its IPO, the Board comprised the following six directors: (a) non-employee directors Aguiar, Momtazee, and Satvat; and (b) executives Kumar, Homcy, and Scheller. In December 2019, Cook joined the Board as a non-employee director. Daniels joined the Board as a non-employee director in February 2020. And

in June 2020, Lo, Saunders, and Scott joined as non-employee directors. These eleven directors currently comprise the Board. Aguiar and Satvat comprised the Board's Compensation Committee (the "Compensation Committee") in 2019 and 2020, with Momtazee also serving on the Compensation Committee until February 2020.

20. Five of the eleven Board members have (or had) additional roles with the Company for which they are (or were) paid compensation. Specifically:

- a. As CEO of the Company, Kumar has received over \$36 million in compensation since 2019;
- b. Homcy is employed by the Company as its Chairman of Pharmaceuticals and has received over \$5.38 million in compensation for this role since 2019;
- c. Scheller is party to an employment agreement with the Company since April 2019 pursuant to which he receives a base salary of \$500,000 and additional benefits for serving as Chairman of R&D;
- d. Cook has served as a consultant to the Company since October 2019 for which she has received \$133,333 in cash and \$422,715 in equity awards; and
- e. Momtazee received stock awards valued at \$587,853 for serving as a Senior Advisor to the Company between February 2020 and January 2021.

21. Following a recommendation from its Compensation Committee, the full Board is responsible for determining the compensation its members receive for service on the Board. As stated in the Company's Corporate Governance Guidelines:

The form and amount of director compensation will be reviewed periodically by the Compensation Committee, which shall make recommendations to the Board based on such review. The Board shall retain the ultimate authority to determine the form and amount of director compensation.

22. In December 2017, the Delaware Supreme Court decided *In re Investors Bancorp, Inc. S'holder Litig.*, 177 A.3d 1208 (Del. 2017), and held that director self-compensation decisions are subject to entire fairness review (as opposed to the director-friendly business judgment rule standard) unless (a) stockholders specifically approve the compensation in question, or (b) the compensation resulted from the operation of a self-executing stockholder-approved plan (one in which the directors have no discretion over their compensation). 177 A.3d 1208 (Del. 2017).

23. Despite this clear guidance, BridgeBio's directors chose to maintain discretion over their own pay. In connection with the Company's IPO, the Board adopted and BridgeBio's stockholders approved the 2019 Stock Option and Incentive Plan (the "Incentive Plan"). An amended and restated version of the Incentive Plan was approved by stockholders in 2020. The Incentive Plan is a company-wide equity plan administered by the Compensation Committee that reserves 14,000,000 shares of BridgeBio common stock for issuance as equity awards to the Company's approximately 400 employees, directors, and consultants. Notably, the terms of the Incentive Plan do not establish a self-executing formula

pursuant to which directors receive awards. Rather, the Incentive Plan provides the Board with discretion to determine how much compensation to award its non-employee directors, up to a maximum value of \$1,250,000 annually per director.

24. As described immediately below, during each of the past two years, the Board has exercised—and abused—its discretion, by granting its members grossly unfair compensation for Board service that cannot stand the test of entire fairness.

25. On December 12, 2019, the Board adopted a director compensation policy (the “Policy”) pursuant to which each of the Board’s directors (other than the Company’s CEO, i.e., Kumar) would be eligible to receive the following cash retainer and equity awards for serving on the Board: (a) a \$50,000 annual cash retainer for “general availability and participation in meetings and conference calls”; (b) a stock option grant valued at \$1,200,000 upon a Board member’s initial election to the Board; and (c) with respect to directors who did not receive an initial grant earlier that year, an annual stock option grant on the date of the Company’s annual meeting of stockholders valued at \$1,200,000.

26. When adopting the Policy, the Board did not evaluate the director compensation programs adopted by its peers. As described below, the Board first developed a peer group in early 2020.

27. The Board has never sought stockholder approval of the Policy. Likewise, the Board is not bound by the Policy and has the unilateral power to amend the Policy at any time.

28. Immediately upon adoption of the Policy, on December 12, 2019, the Board awarded stock options to purchase 82,878 shares of the Company's common stock to each eligible director (i.e., each director other than Kumar), namely Aguiar, Cook, Homcy, Momtazee, Satvat, and Scheller. The 82,878 stock options awarded to each director had a grant date fair value of \$1,199,991. The stock option awards had an exercise price of \$37.45 per share, vesting in three equal annual installments, and were granted under the Incentive Plan.

29. The stock option award represented the entire compensation each director received for service on the Board in 2019. Accordingly, each of Aguiar, Cook, Homcy, Momtazee, Satvat, and Scheller were awarded a compensation package valued at \$1,199,991 for their service on the Board in 2019.

30. On February 12, 2020, Daniels joined the Board. On that date, pursuant to the Policy, the Board granted Daniels stock options to purchase 91,554 shares of the Company's common stock. The stock options had an exercise price of \$34.65 per share, were scheduled to vest in three equal annual installments, and were granted under the Incentive Plan. The stock options had a grant date fair value of \$1,200,273.

31. On June 2, 2020, BridgeBio held its 2020 Annual Meeting of Stockholders. On that day, pursuant to the Policy, the Board granted directors Aguiar, Cook, Homcy, Momtazee, Satvat, and Scheller stock options to purchase 112,422 shares of the Company's common stock. The stock options had an exercise price of \$29.00 per share, were scheduled to vest in three equal annual installments, and were granted under the Incentive Plan. The 112,422 stock options awarded to each director had a grant date fair value of \$1,199,992.

32. On June 23, 2020, the Board appointed Lo, Saunders, and Scott to the Board. On that date, pursuant to the Policy, the Board granted each of Lo, Saunders, and Scott stock options to purchase 101,223 shares of the Company's common stock. The stock options had an exercise price of \$32.62 per share, were scheduled to vest in three equal annual installments, and were granted under the Incentive Plan. The 101,223 stock options awarded to each of Lo, Saunders, and Scott had a grant date fair value of \$1,199,999.

33. In addition to the stock option awards described above, during the 2020 calendar year, each non-employee director received, pursuant to the Policy, a cash retainer of \$50,000 for their service on the Board (pro-rated for the portion of the year served on the Board).

34. As disclosed in the Company's Schedule 14A Proxy Statement filed with the SEC on April 30, 2021 (the "2021 Proxy"), the following chart shows the

compensation received by each director (other than Kumar) for serving on the Board during 2020:

Name	Cash	Stock Options	Total
Aguiar	\$50,000	\$1,199,992	\$1,249,992
Cook	\$50,000	\$1,199,992	\$1,249,992
Daniels	\$44,253	\$1,200,273	\$1,244,526
Homcy	\$50,000	\$1,199,992	\$1,249,992
Lo	\$26,099	\$1,199,999	\$1,226,098
Momtazee	\$50,000	\$1,199,992	\$1,249,992
Satvat	\$50,000	\$1,199,992	\$1,249,992
Saunders	\$26,099	\$1,199,999	\$1,226,098
Scheller	\$50,000	\$1,199,992	\$1,249,992
Scott	\$26,099	\$1,199,999	\$1,226,098
<i>Average</i>			<i>\$1,242,277</i>

35. Accordingly, in 2020, the Company's directors (other than Kumar) received an average compensation package valued at \$1,242,277 for their Board service.

Defendants' 2019-2020 Board Compensation Package is Unfair and Excessive

36. The \$1,199,991 and \$1,242,277 in compensation that the Company's directors paid to themselves on average in 2019 and 2020, respectively, for Board service dwarfs the compensation received by directors at the Company's self-selected peer group.

37. As disclosed in the 2021 Proxy, in early 2020, the Compensation Committee developed a compensation peer group with the assistance of its compensation consultant, Radford. In selecting the peer group, the Compensation

Committee “reviewed similar companies with respect to sector, stage of development and market capitalization.” The Compensation Committee focused on publicly-traded pre-commercial or early-stage commercial biopharma companies that had a market capitalization between \$1 billion and \$13 billion and less than 450 employees.

38. Following this review, the Compensation Committee selected the following eighteen (18) companies to comprise the peer group: Acceleron Pharma Inc. (“Acceleron”), Aimmune Therapeutics, Inc. (“Aimmune”), Akcea Therapeutics, Inc. (“Akcea”), Axsome Therapeutics, Inc. (“Axsome”), bluebird bio, Inc. (“bluebird bio”), Blueprint Medicines Corporation (“Blueprint”), Deciphera Pharmaceuticals, Inc. (“Deciphera”), Dicerna Pharmaceuticals, Inc. (“Dicerna”), Epizyme, Inc. (“Epizyme”), FibroGen, Inc. (“Fibrogen”), Global Blood Therapeutics, Inc. (“Global Blood”), MyoKardia, Inc. (“MyoKardia”), Nektar Therapeutics (“Nektar”), Principia Biopharma Inc. (“Principia”), Ra Pharmaceuticals, Inc. (“Ra”), Sage Therapeutics, Inc. (“Sage”), Tricida, Inc. (“Tricida”), and Ultragenyx Pharmaceutical Inc. (“Ultragenyx”) (collectively, the “Peer Group”).

39. The following charts show the average compensation package paid by each Peer Group company to its directors for Board service during 2019 and 2020, as disclosed in each company's respective public filings:²

Company	Avg. 2019 Compensation
Sage	\$1,138,432
Global Blood	\$587,352
bluebird bio	\$515,978
Akcea	\$461,332
Blueprint	\$454,206
FibroGen	\$423,899
Ultragenyx	\$408,211
Nektar	\$369,136
MyoKardia	\$368,103
Dicerna	\$343,963
Aimmune	\$317,914
Tricida	\$292,583
Accelaron	\$283,589
Principia	\$266,463
Axsome	\$265,560
Ra	\$249,934
Deciphera	\$231,650
Epizyme	\$211,662
Average	\$399,443

Company	Avg. 2020 Compensation
Axsome	\$800,183
Tricida	\$543,919
Deciphera	\$506,846
Nektar	\$485,152
Global Blood	\$472,820
Ultragenyx	\$437,053
Blueprint	\$413,192
FibroGen	\$377,182
Accelaron	\$363,021
Dicerna	\$349,738
Sage	\$298,803
bluebird bio	\$292,479
Epizyme	\$203,194
Average	\$426,429

² Directors who served less than the full year are excluded. Likewise, directors who were not paid for Board service, most typically the CEO, were excluded. 2020 compensation data for Aimmune, Akcea, MyoKardia, Principia, and Ra are not available, as those companies were acquired in 2020.

40. As shown above, the compensation that the Board awarded its directors is literally off the charts. The average Peer Group company paid its directors an average of \$399,443 in compensation during 2019, and the median Peer Group Company (the midpoint between MyoKardia and Dicerna) paid its directors an average of \$356,033 in compensation during 2019. The \$1,199,991 in compensation that the Board awarded themselves for Board service during 2019 is a staggering 200% more than the average and 237% more than the median.

41. The average \$1,138,432 compensation package awarded by Sage to its directors during 2019 is the only compensation package that even comes close to the \$1,199,991 in compensation that the Board paid themselves in 2019. Notably, however, the following year Sage awarded its directors an average compensation package of just \$298,803. Meanwhile, BridgeBio followed its 2019 campaign with a \$1,242,277 average compensation package the following year.

42. In 2020, the average Peer Group company paid its directors an average of \$426,429 in compensation and the median Peer Group company, Blueprint, paid its directors an average of \$413,192 in compensation. The \$1,242,277 average compensation package that the Board paid themselves for Board service during 2020 is 191% more than the average and 200% more than the median.

43. The \$1,242,277 average compensation package is even 55.2% more than the high end of the Peer Group range, the \$800,183 average compensation

awarded by Axsome to its directors during 2020. But even Axsome is an outlier. Notably, in the prior year, Axsome awarded just \$265,560 to its directors.

44. Finally, there were 29 directors who joined the boards of the Peer Group companies during 2019 and 2020. The average value of the initial compensation package granted to these directors was \$579,421.³ Accordingly, the \$1,200,000 stock option award that is granted under BridgeBio's Policy when a new director joins the Board far exceeds a typical initial award.

45. As the peer comparisons show, the Board has no justification for awarding its members such a lucrative compensation package for serving on the Board. Indeed, when the Board adopted the Policy—establishing the \$50,000 annual retainer and \$1,200,000 annual equity award—the Board did not conduct a peer analysis in order to attempt to come up with a fair amount. To the contrary, the only “policy” determination that was made was to provide the Company's directors with the *absolute maximum* amount of compensation that the Board was legally authorized to award its members under the Incentive Plan—\$1,250,000 annually. Authority and fairness are not the same thing, but the Company's directors made no attempt to draw any distinction.

³ This calculation excludes two directors at Sage who received initial packages valued at over \$2.8 million, an extreme outlier.

46. And even after conducting a peer analysis in early 2020, the Board simply chose to ignore what was being waved in front of their eyes. As described in the 2021 Proxy, when it came time to establish the equity compensation for executive positions, the Compensation Committee “target[ed] equity compensation for [BridgeBio’s] executives at or above the 50th percentile of equity compensation paid to executives in [the Peer Group].” When it came time to enrich themselves, however, the Board chose not to target a certain compensation level of its peers. Instead, as disclosed in the 2021 Proxy, the Board used the Peer Group to “inform” their “evaluation” of director compensation. Of course, any reasonable “evaluation” reveals that the Board’s director compensation program is grossly unfair.

47. The unfairness of BridgeBio’s director compensation program is confirmed by other market-based studies. Frederic W. Cook & Co. (“F.W. Cook”), an executive and director compensation consulting firm publishes an annual study of compensation paid to non-employee directors and executives using 300 companies of various sizes and industries (including 100 “large-cap” companies whose market capitalization exceeds \$5 billion). In November 2020, F.W. Cook published its “2020 Director Compensation Report”. For “large-cap” companies, F.W. Cook found that the median, non-employee director compensation was \$290,000, and the 75th percentile was \$323,000. Similarly, Steven Hall & Partners (“Steven Hall”), an independent compensation consulting firm, specializing

exclusively in the areas of executive and director compensation, publishes an annual study of compensation to non-employee directors. Its “2020 Director Compensation Study” revealed that the median total compensation paid to non-employee directors at the 200 companies *with the largest revenues* in fiscal 2019 equaled just \$315,000. In other words, BridgeBio’s non-employee directors pay themselves substantially more than what many of the largest companies in the world pay their non-employee directors.

48. Finally, BridgeBio’s directors intend to award themselves a grossly unfair compensation package for a third straight year. As described in the 2021 Proxy, the Policy is still in place. Accordingly, at the 2021 Annual Meeting of Stockholders, scheduled for June 17, 2021, the Board will grant each of its directors (other than Kumar) a stock option award valued at \$1,200,000.

DEMAND FUTILITY ALLEGATIONS

49. Plaintiff brings this action derivatively on behalf of BridgeBio in order to redress injuries to the Company as a direct and proximate result of the Defendants’ misconduct and breaches of fiduciary duty. BridgeBio has been (and continues to be) exposed to injury and loss due to the wrongdoing complained of herein.

50. Plaintiff owns and has owned BridgeBio common stock during the time of the wrongful course of conduct alleged herein.

51. Plaintiff will adequately and fairly represent the Company's interests in enforcing and prosecuting its rights and has retained counsel with substantial experience in stockholder derivative litigation.

52. The Board currently has eleven directors: Aguiar, Cook, Daniels, Homcy, Kumar, Lo, Momtazee, Satvat, Scheller, Scott, and Saunders (the "Current Board"). Each member of the Current Board has been named a Defendant in this action.

53. Plaintiff did not make a demand on the Current Board prior to instituting this action because such a demand is futile and is therefore excused. More than half of the directors on the Board are incapable of making an independent and disinterested decision to institute and vigorously prosecute this action because they are financially interested in the outcome.

54. Specifically, each Current Board member other than Kumar received the compensation being challenged herein. Each Current Board member other than Kumar has a strong financial incentive to maintain the *status quo* by not authorizing any corrective action that would force them to disgorge the excessive compensation they granted themselves. Accordingly, each of the Current Board members other than Kumar is interested in this litigation and would not be able impartially to consider a demand. Because at least ten of the eleven Board members are interested in this litigation, demand is excused.

55. Defendant Kumar is incapable of considering demand in this action because he is not independent from the ten interested directors. As the Company's CEO, Kumar has received tens of millions of dollars in compensation from BridgeBio. During 2019 and 2020 alone, Kumar received over \$36 million in compensation. Kumar will not sue the ten interested directors, the very people responsible for determining and approving his compensation.

56. Similarly, Defendants Homcy, Scheller, Cook, and Momtazee also lack independence from the interested directors. Homcy and Scheller serve as executives at the Company, with Homcy serving as Chairman of Pharmaceuticals and Scheller serving as Chairman of R&D. During 2019 and 2020, Homcy received over \$5.38 million in compensation in this role. During 2020, Scheller received compensation valued at \$600,000 for serving as an executive. Cook has been paid over \$555,000 in cash and equity during 2019 and 2020 for consulting services rendered to the Company. And Momtazee received stock awards valued at \$587,853 for serving as a Senior Advisor to the Company between February 2020 and January 2021. The 2021 Proxy acknowledges that each of these directors lack independence under the rules of the The Nasdaq Stock Market.

COUNT I
Breach of Fiduciary Duty
(Against All Defendants)

57. Plaintiff repeats each allegation set forth above as if set forth fully herein.

58. Defendants, as directors of the Company, owe fiduciary duties to the Company and its stockholders.

59. Defendants violated their fiduciary duty of loyalty by adopting the Policy, and by granting themselves compensation (and in the case of Kumar, approving compensation to the other directors) for 2019 and 2020 in amounts that were excessive and unfair to the Company.

60. As a direct and proximate result of Defendants' breaches of fiduciary duties, BridgeBio has sustained, and will sustain, damages for which the Defendants are liable.

61. Plaintiff, on behalf of the Company, has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Rescinding and disgorging the excessive and unfair compensation that the Defendants awarded themselves during 2019 and 2020, plus pre-judgment and post-judgment interest;

B. Awarding restitution and damages, including rescissory damages, against all Defendants in favor of the Company as a result of Defendants' misconduct and breach of fiduciary duties, plus pre-judgment and post-judgment interest;

C. Rescinding the Policy;

D. Awarding Plaintiff the costs and disbursements of this action, including reasonable allowance of fees and costs for Plaintiff's attorneys, experts, and accountants; and

E. Granting Plaintiff such other and further relief as the Court may deem just and proper.

Dated: May 7, 2021

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