

Gibson Dunn, Sullivan & Cromwell Lead SpaceX, XAI Merger

By **Lauren Berg**

Law360 (February 2, 2026, 10:46 PM EST) -- Elon Musk announced Monday that SpaceX, represented by Gibson Dunn & Crutcher LLP, has acquired his artificial intelligence startup xAI, advised by Sullivan & Cromwell LLP, in a bid to launch space-based data centers, amid plans for an initial public offering that would value the aerospace company at more than \$1 trillion.

In a statement posted by SpaceX, Musk said the combined company — with assets including rockets, satellites, social media platform X and xAI's Grok chatbot — will launch thousands of data-center satellites powered by solar energy to support AI and communications infrastructure, which could eventually serve human settlements on the moon and Mars.

Musk called the merger "the most ambitious, vertically-integrated innovation engine on (and off) Earth, with AI, rockets, space-based internet, direct-to-mobile device communications, and the world's foremost real-time information and free speech platform."

"Current advances in AI are dependent on large terrestrial data centers, which require immense amounts of power and cooling," he added. "Global electricity demand for AI simply cannot be met with terrestrial solutions, even in the near term, without imposing hardship on communities and the environment."

According to Musk, the cost-efficiency of using satellite data centers will allow tech companies to train their AI models and process data "at unprecedented speeds and scales, accelerating breakthroughs in our understanding of physics and invention of technologies to benefit humanity."

Beyond launching satellites, Musk said SpaceX's Starship launch vehicle will be able to land large amounts of cargo on the Moon, with the hopes of establishing a permanent scientific and manufacturing presence.

The announcement comes days after it was rumored that SpaceX is considering a June initial public offering that would value the company at more than \$1 trillion, and help it raise as much as \$50 billion.

It also follows a landmark vote in November that turned corporate governance on its head as Tesla shareholders thumbed their noses at both the Delaware Chancery Court and top proxy advisers by awarding Musk an estimated \$1 trillion compensation package.

Musk and Tesla's board had campaigned hard for the all-stock pay deal, with the CEO threatening to

leave the company or cut back his ambitious plans for its future if the vote failed at the annual meeting.

But that didn't happen. General counsel Brandon Ehrhart, who led the meeting, announced preliminary results in which 75% of shareholders voted to support the unprecedented compensation.

The Chancery Court in 2024 criticized Tesla's previous general counsel, Todd Maron, for being too "intertwined" with Musk in shaping his \$56 billion pay package initially granted in 2018. The court blocked that pay package as excessive.

Meanwhile, xAI is facing criticism over the "avalanche" of nonconsensual sexually explicit materials, including "deepfake" images used to harass women online, that are reportedly being produced by Grok.

Influencer Ashley St. Clair, the mother of one of Musk's children, sued xAI last month, claiming she was depicted in sexually explicit imagery generated by Grok without her consent and that xAI has "chosen to willfully turn a blind eye and even celebrate" similar sexual exploitation.

States are also taking action against the AI company, including California Attorney General Rob Bonta demanding that xAI immediately stop the creation and distribution of nonconsensual, sexualized deepfakes.

The Gibson Dunn team representing SpaceX includes George Sampas, Robert Little, Chris Trester, Evan D'Amico, Hillary Holmes, Harrison Tucker, Doug Horowitz, Eric Sloan, Michael Cannon, Krista Hanvey, Gina Hancock, Matthew Axelrod, Adam M. Smith, Lindsay Paulin, Stephen Weissman, Joshua Lipton, Attila Borsos, Claire Shepherd, Alana Tinkler, Paul Lee, Owen Alderson, Stephen Huie, Jessica Egbebike, Carli Zimelman, Doug Bresnick, Austin Morris, Spencer Bankhead, Chris Mullen, Sarah-Jane Lorenzo, Alexander Merritt and Aakarsh Narula.

The Sullivan & Cromwell team representing xAI includes Mike Ringler, Peter Jones, Isaac J. Wheeler, Heather L. Coleman, Alan J. Fishman, Renata B. Hesse, Juan Rodriguez, Kyle W. Mach, Eric J. Kadel Jr., Ralston W. Turbeville Jr., Misha M. Patel, Ari B. Blaut, Daniel R. Loeser, Taylor M. Apodaca, Alex Bourdeau, Jean Shen, Daniel Lim, Jarrett T. Prchal, Gregg M. Rader, Jackson M. Mariotti and Rebecca M. Rabinowitz.

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