February 3, 2026

To My Partners:

Our performance in 2025 was the strongest since inception, both in absolute terms and relative to the market. Let's take a look at how we measured up:

BlackBird	S&P 500	Hedge Fund Average
62.2%	17.9%	12.6%
Advantage	**44.3%**	**49.6%**

Note: BlackBird Financial returns are presented net of all fees and expenses. S&P 500 returns include dividends. Hedge fund industry average data sourced from HFR.

A Snapshot of 2025

In last year's letter, I highlighted three investments. Here's an update on each.

The first was our largest holding, a company we've owned since December 2021. I wrote:

"I am confident this investment will yield substantial profits for BlackBird and anticipate it will continue to be our largest holding through 2025."

For several years, this investment was a drag on our performance. While the business performed reasonably well, its share price remained depressed, constrained by a pervasive but misguided narrative.

In 2025, our patience was rewarded. The stock rose approximately 75%, and what had long been our largest holding became, by a wide margin, our most profitable.

In my 2023 annual letter, I wrote of this same company: "There is a high probability that this investment will generate more profit for BlackBird than all our past investments combined."

That prediction has now come true.

The business remains excellent. The price, however, no longer offers the margin of safety it did when shares were trading at half their current level. Accordingly, in September, I sold half our stake. Even so, it remains our largest position—though I'd be surprised if that will be the case when I write to you a year from now.

The second investment I mentioned was Dollar General. In 2025, those shares surged nearly 80%. As the price advanced, I reduced our exposure, ultimately selling 87.5% of our original stake. What remains represents less than 5% of our portfolio, which is meaningful, but not enormous by our standards.

That brings me to the third investment—which was far less profitable.

Avis Budget Group is one of only two publicly traded U.S. car rental companies. I acknowledged the challenges facing the industry but noted that consolidation had instilled greater discipline, improving the economics relative to the pre-pandemic era. I argued that the price we paid was low enough to afford us both a margin of safety and the likely prospect of an exceptional return.

Early in 2025, the stock dropped sharply. Trusting my analysis, I bought more—substantially more.

Then, in late March, the stock took off. The company's market value rose from under $2 billion to roughly $4.5 billion by year-end.

You might assume I'm about to report a windfall. I'm not.

In late April, I sold our entire position for a negligible profit.

My mistake cost us well north of $10 million.

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Mistakes

There is a common tendency to judge the quality of a decision by its outcome. I consider this a fundamental error, one that muddles our thinking and impairs our ability to improve.

Consider a simple example: your neighbor takes his retirement savings to Las Vegas, puts it all on red, and doubles his money. Has he made a brilliant

financial decision? Of course not! He made a reckless bet that happened to pay off. If he keeps playing that game, the odds will eventually catch up with him.

Now flip it around. A man drives to work every morning to support his family. One day, a drunk driver runs a red light and kills him. Was going to work a bad decision? Obviously not! It was the responsible choice, even if he would have been luckier staying home.

I think about this distinction constantly when reviewing my own investment decisions.

If I'd sold Avis because I lost confidence in the company's long-term prospects, and the stock later tripled, I would have no regrets. In that case, I would view the sale as an intelligent decision, because it would have been grounded in honest analysis and sound judgment.

But that is not what happened.

When I call our sale of Avis Budget Group a "mistake", I do not do so because the stock subsequently rose. I do so because I knew better at the time. I had done the work. I understood the company's earning power. I recognized that the price we accepted was well below intrinsic value. And yet, I sold anyway.

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New Investments

We initiated seven new positions in 2025. I'll focus on the two with the greatest potential to influence our returns in the years ahead. At present, both positions are small. But if prices decline, I intend to increase them substantially.

Tidewater

In May, we made an investment in Tidewater, the largest operator of offshore support vessels (OSV) in the world.

The company's origins trace back to 1955, when Alden "Doc" Laborde, a former Navy officer and petroleum engineer, identified a problem. Oil companies drilling in the Gulf of Mexico had no reliable way to service offshore platforms. The vessels in use, converted shrimp trawlers and fishing

boats, were ill-suited to the task. Laborde constructed the first purpose-built offshore support vessel, christened it the *Ebb Tide*, and in doing so created an industry. Tidewater was the pioneer.

Like the oil industry it serves, the offshore vessel business has always been brutally cyclical. Rising oil prices spur drilling and a wave of new vessel orders. By the time those boats were delivered, the boom had turned to bust, and the excess capacity drove the industry to ruin.

This is exactly what happened in the middle of last decade. Between 2011 and 2014, oil prices hovered near $100 per barrel. Times were good for the OSV industry, and capacity grew quickly. Then, the US shale revolution and OPEC's unwillingness to cut production produced an oil glut, and prices collapsed. The pain was widespread in the OSV sector, and nearly every major operator, including Tidewater, filed for bankruptcy.

There have been two transformational changes over the past decade:

First, the industry has consolidated dramatically.

Coming out of the crisis, Tidewater merged with GulfMark, acquired Swire Pacific Offshore, and purchased a large fleet of platform supply vessels from Solstad. What had long been a fragmented industry of marginal operators became a far more concentrated one, with Tidewater emerging as the clear leader. The company now operates over 200 vessels across the Gulf of Mexico, West Africa, the Middle East, and Southeast Asia.

Second, supply is shrinking—and cannot be replaced.

Between 2011 and 2014, OSV industry utilization and average day rates increased 24% and 52%, respectively. As a result, construction of offshore vessels increased significantly in order to meet customer demand. In the years leading up to the collapse, shipyards delivered nearly 300 new vessels annually. When oil prices plunged and OSV demand fell off, the industry found itself with surplus capacity, and new construction came to a grinding halt.

Since then, supply has been in steady decline. Each year, an average of 4% of the global fleet of vessels reach the end of their useful lives and are retired. This has already had a favorable impact on utilization and day rates, both of which have improved dramatically, and I expect this trend to continue.

Day rates would need to rise to roughly $40,000 for new builds to become economical. Until then, new vessel construction will remain muted. As the fleet continues to tighten, the supply-demand dynamic will keep moving in Tidewater's favor, pushing day rates higher until new supply is finally unlocked. At that level, Tidewater would generate over $1 billion in incremental revenue, and because most of the company's costs are fixed, nearly all of it falls to the pre-tax line.

To be clear, I have no insight into where oil prices are headed or the level of OSV demand over the coming years. Higher oil prices would accelerate the thesis, but they are not required. With a structural tailwind pushing annual profits above $1 billion—and a market cap at the time of our investment of just $2 billion—I believe the odds of a successful outcome are exceptionally high.

Builders FirstSource

In November, we established a position in the largest supplier of building materials in the United States.

For over a century, building materials distribution was not very lucrative. Thousands of independent lumberyards were scattered across the country, each with no meaningful advantage. The industry was intensely competitive and entirely commoditized. Pricing power was nonexistent. Margins were thin, and returns on capital were mediocre at best.

Builders FirstSource was founded in 1998 in Dallas, Texas, with a simple strategy: acquire regional building suppliers and stitch them together into something with scale.

The company's early years were a whirlwind of acquisitions, each one adding geographic reach, product capabilities, or manufacturing capacity. Then, in 2005, the company had its Initial Public Offering. This event provided substantial capital for continued growth.

The timing appeared perfect. The American housing market was in the midst of its most spectacular boom in history. Home prices were soaring, construction crews couldn't build fast enough, and the appetite for lumber, trusses, windows, and doors seemed limitless.

Then the music stopped.

The housing bubble that had been building for years finally burst in 2008. For companies whose fortunes were tied to new home construction, the collapse was existential. Housing starts plummeted from over 2 million units in 2005 to barely 500,000 by 2009. Overnight, demand for building materials evaporated.

For five long years, Builders FirstSource operated in survival mode. Revenue shrank. Margins compressed. The grand consolidation strategy was put on hold as management focused on staying alive.

The recovery of the American housing market took longer than most anticipated, but as Kelly Clarkson would tell you, what doesn't kill you makes you stronger.

As with the OSV industry, the crises drove vast improvements in the building supply space. Here's how things have changed:

First, the industry is far less fragmented.

Consider this: the four largest players in building materials distribution a decade ago—Builders FirstSource, ProBuild, BMC Stock Holdings, and Stock Building Supply—are now all wrapped into a single company. ProBuild was acquired in 2015 for $1.6 billion. BMC and Stock Building Supply merged that same year, and the combined entity was folded into Builders FirstSource in 2021.

Additionally, management has completed over 30 smaller bolt-on acquisitions, systematically absorbing regional competitors and transforming the competitive landscape. In 2015, builders squeezed dozens of suppliers for marginal price concessions. Today, they face an industry with far fewer participants and more pricing discipline.

Builders FirstSource now operates 585 locations across 43 states, serving 93 of the top 100 metropolitan areas.

Second, Builders FirstSource has shifted its sales mix to higher-margin fabricated products.

Supplying lumber and other commodities will always be the cornerstone of Builders FirstSource. But as value-added products—roof and floor trusses, wall panels, pre-hung doors, engineered wood—grow as a share of the business, margins will expand. These products are less price-sensitive and far more profitable.

There’s no question that the Builders FirstSource of a decade ago is long gone, and what's emerged in its place is far more attractive.

Just as important as the improving economics is what management has done with the profits: buy back stock. Over the past five years, Builders FirstSource has repurchased nearly half of its outstanding shares.

Think about that. The company has consolidated an entire industry, improved margins, and simultaneously eliminated half its equity base, and therefore, every dollar of future earnings will be divided among a far smaller pool of shareholders. And I expect the share count to keep shrinking.

The final point we need to examine is demand. New homebuilding today is weak. Interest rates remain elevated, affordability has deteriorated to levels not seen in decades, and construction activity sits well below historical norms.

Yet the long-term prospects for home building are, I believe, excellent. The reason comes down to a simple comparison: home building activity versus household formation.

Year	Housing Starts	Household Formation	Annual Surplus/ (Deficit)	Cumulative
2000	1.57	1.35	0.22	0.22
2001	1.60	1.28	0.32	0.54
2002	1.70	1.22	0.48	1.02
2003	1.85	1.30	0.55	1.57
2004	1.96	1.35	0.61	2.18
2005	2.07	1.40	0.67	2.85
2006	1.80	1.38	0.42	3.27
2007	1.36	1.32	0.04	3.31
2008	0.91	1.08	(0.17)	3.14
2009	0.55	0.58	(0.03)	3.11
2010	0.59	0.95	(0.36)	2.75
2011	0.61	1.05	(0.44)	2.31
2012	0.78	1.12	(0.34)	1.97

2013	0.92	1.18	(0.26)	1.71
2014	1.00	1.22	(0.22)	1.49
2015	1.11	1.28	(0.17)	1.32
2016	1.17	1.35	(0.18)	1.14
2017	1.20	1.42	(0.22)	0.92
2018	1.25	1.48	(0.23)	0.69
2019	1.29	1.52	(0.23)	0.46
2020	1.38	1.68	(0.30)	0.16
2021	1.60	2.10	(0.50)	(0.34)
2022	1.55	1.85	(0.30)	(0.64)
2023	1.42	1.72	(0.30)	(0.94)
2024	1.37	1.65	(0.28)	(1.22)
Total	**32.62**	**33.84**		**(1.22)**
Unit figures are in millions				

As you can see, in the years leading up to the financial crisis that began in 2008, America built in excess of three million more homes than demographic demand required. That spat of overbuilding was one of the key drivers behind the financial crises that followed. All the surplus housing inventory took many years to be fully absorbed. The hangover from that excess, combined with the trauma it inflicted on homebuilders, lenders, and regulators, cast a shadow over the industry for years.

But the pendulum swung too far in the other direction.

Each year since the 2008 crash, America has built far fewer homes than the number of new households being formed. The deficit has accumulated year after year—young people moving out of their parents' homes, immigrants arriving in search of opportunity, families forming—all competing for a housing stock that simply hasn't kept pace. America now millions of homes short.

Just as the glut of unsold homes after 2008 suppressed construction for years, the shortage that has since developed since then will eventually force a sustained building boom.

Between the industry's consolidation, the shift toward higher-margin products, management's intelligent capital allocation, and the prospect of a

sustained recovery in housing starts, I am delighted with our investment in Builders FirstSource.

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Market Environment

"The United States is afflicted with new eras. Each generation believes it has discovered something unprecedented—and convinces itself that the old rules don't apply.”

— John Kenneth Galbraith

History offers a sobering lesson for investors caught in the grip of technological enthusiasm: revolutionary technologies do not necessarily make great investments, even if they do go on to change the world.

As Artificial Intelligence dominates today's investment conversation, it's worth examining the parallels found in the early days of previous transformative technologies. Here are five examples:

Railroads

The railroad was the defining technology of the nineteenth century—and a graveyard for investor capital. From 9,021 miles of track in 1850 to 163,597 miles by 1890, the network expanded at breathtaking speed, shrinking a continent and enabling the industrial economy to flourish. Railroads succeeded beyond anyone's imagination, yet the investors who backed them earned a disappointing return.

The fundamental problem was that railroads were too successful at attracting competition. By the mid-1880s, there were no less than 20 competitive railway routes between St. Louis and Atlanta.

This relentless competition produced devastating price wars that destroyed profitability even as traffic soared. Real freight rates fell by more than 80% from their 1849 level by 1910. This was a boon for shippers, but was catastrophic for investors.

This is the great paradox of transformative technology: the very forces that make an innovation world-changing tend to destroy its investment returns. Revolutionary technologies attract enormous capital investment and fierce

competition. Excess profits get competed away. Prices fall. The benefits flow overwhelmingly to consumers, not to shareholders.

Furthermore, in the case of railroads, the capital intensity of the business meant that any profits were perpetually reinvested in track, equipment, and expansion just to keep pace with competitors doing the same.

The names that dominated the early railroad era—giants like the Pennsylvania Railroad, Erie, and Northern Pacific—all became synonymous with investor losses before being absorbed into larger systems or liquidated entirely. The technology was indispensable but the investments were often disastrous.

Automobiles

In January 1886, Karl Benz was granted a German patent for a "vehicle powered by a gas engine”. In the decades that followed, the automobile industry attracted capital and entrepreneurs with the same magnetic force that draws investors to AI today. Between 1900 and 1930, more than 2,000 companies entered the American automobile business.

The product was a spectacular success. Annual passenger car sales exploded from 181,000 in 1910 to 4.5 million by 1929. Vehicle registrations soared from 8 million in 1920 to over 23 million by decade's end, and by 1948, half of all U.S. households owned at least one car.

Despite the industry’s extraordinary growth, investors got crushed.

By the end of the Depression, most automakers had either failed outright or been absorbed. The Big Three—General Motors, Ford, and Chrysler—controlled roughly 90% of the American market.

And even an investment in General Motors, the most successful of the three, would not have been all sunshine and roses. The stock declined 89% from its peak in 1929 to its nadir three years later, and did not breach its prior high until the 1950’s.

Radio

Radio was the sensation of the 1920s. At the start of the decade, virtually no one owned a radio; by 1929, twelve million households—four in ten—had

one. The possibilities seemed limitless. Radio would revolutionize entertainment, commerce, and communication.

Investors called it "The New Era”. They believed that the wave of innovation that swept the country had created a fundamentally different economy—one where the old rules of valuation no longer applied.

No company better represented the revolution than Radio Corporation of America. RCA stock rose from $1.50 in 1921 to a split-adjusted peak of $114 in September 1929—a gain of over 7,500%.

But while radio adoption continued to grow over the ensuing decades, RCA shareholders were not rewarded. The stock went on to fall nearly 98% over the next three years, and did not recover its 1929 high until 1964.

Here is an industry that, like the others mentioned, had an enormous impact on America. Radio became the dominant mass medium for three decades, reshaping American culture and creating entirely new industries. Unfortunately for investors, the impact it had on them was far less pleasant.

Airlines

Commercial aviation represents perhaps the starkest example of transformative technology producing dismal investor returns. The airplane shrank the world, enabled global commerce, and became essential to modern life.

Even so, since the Wright Brothers' flight back in 1903, the airline industry has collectively destroyed more capital than almost any other sector in American history. The parade of bankruptcies tells the story: American, Braniff, Continental, Delta, Eastern, Northwest, Pan Am, TWA, United, US Airways. Every major carrier, with the notable exception of Southwest, has filed for bankruptcy protection at least once.

Warren Buffett put it memorably: "If a farsighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favor by shooting Orville down."

The Internet

The dot-com bubble on the late 1990s offers the most recent parallel to today's AI enthusiasm.

One of the high flyers of the era was Cisco Systems**.** The company built the networking infrastructure underlying the digital revolution. The thesis seemed unassailable: whoever won the browser or portal wars, Cisco would profit by selling routers and switches to everyone.

On March 27, 2000, Cisco became the most valuable company in the world with a market capitalization exceeding $500 billion.

If you'd invested $1 million in the company on that date, you'd have barely $100,000 left by the fall of 2002. It took until December 2025—more than twenty-five years—for Cisco to finally exceed its March 2000 high. During that quarter-century, the company's revenue nearly quintupled from $12 billion to $57 billion. It remained profitable, paid dividends, and was by any reasonable measure a successful business, but that offered no protection for investors who got caught up in the euphoria and ignored valuations.

The Lesson

Ben Graham wrote in The Intelligent Investor that "No statement is more true and better applicable to Wall Street than the famous warning of Santayana: 'Those who do not remember the past are condemned to repeat it.'"

With that in mind, here are a few lessons from the past:

First, revolutionary technology, however transformative its impact on society, offers no guarantee of investment success. The key to superior returns lies not in forecasting an industry's growth or its eventual significance to civilization, but in identifying the competitive advantages of individual enterprises—and, above all, in assessing the durability of those advantages. It is the businesses protected by wide, sustainable moats that ultimately reward their owners.

Second, while rapid innovation tends to benefit consumers, it is not helpful for an investor. As Ben Graham wrote in Chapter 4 of *Security Analysis*, "For investment, the future is essentially something to be guarded against rather than to be profited from."

It is far easier to picture what a company like Tidewater or Builders FirstSource will look like in five years than it is for Nvidia. Can anyone confidently forecast how wide a lead Nvidia will hold over its competitors in

2030? And if that gap narrows—or vanishes—to what extent will margins erode?

The key factors that will determine Nvidia's profitability in five or ten years are wholly unknowable. Therefore, I would postulate that a Nvidia shareholder may be more accurately described as a speculator than an investor. The same applies to any company operating in a rapidly shifting industry.

Third, history has shown time and again that human nature is prone to excess—in panic and euphoria alike. When sentiment reaches an extreme, skepticism is warranted.

As is so often the case, no one puts it better than Buffett:

"Be fearful when others are greedy, and greedy when others are fearful."

For a sense of where we stand on the fear-greed spectrum today, consider two proclamations made ninety-seven years apart:

Herbert Hoover (August 1928): *"We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us."*

Elon Musk (December 2025): *"There will be no poverty in the future and so no need to save money. There will be universal high income—not universal basic income—universal high income. There'll be no shortage of goods or services."*

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The Global King of Vaporware

In last year's letter, I referred to Michael Saylor, founder of the Bitcoin treasury company Strategy, as "The Vaporware Salesman." I wrote about his ability to raise billions of dollars from investors based on a narrative that, in my view, was fundamentally flawed.

> "Much like during the dot-com bubble, Saylor has attracted billions in investor capital based on little more than hot air. Unfortunately, his investors are likely to face a similar fate as they did in the early 2000s."

From the date of that letter through year-end, Strategy stock fell 52%.

Saylor built a ~$100 billion company on an illusion. That is difficult to do.

But even that pales in comparison to the grandmaster of vaporware:

Elon Musk.

Fumbling the Ball

Back in 2011, Musk was asked whether China's BYD posed a threat to Tesla. He laughed.

"Have you seen their car?" he asked. "I don't think they have a great product."

Last year, BYD outsold Tesla by more than 600,000 electric vehicles.

Year	Tesla	BYD	**Gap**
2022	1.31 million	0.91 million	**Tesla +44%**
2023	1.81 million	1.57 million	**Tesla +15%**
2024	1.79 million	1.76 million	**Tie**
2025	1.64 million	2.26 million	**BYD +38%**

Tesla held a commanding lead in the electric vehicle market at the start of this decade, but in recent years, the company's position has eroded. They have lost market share in every major region, and both revenue and unit sales have gone from rapid growth to outright decline.

What happened?

BYD kept its head down and did the work—building excellent cars at compelling prices, improving them year after year. Musk discovered it was far easier to boost his net worth by selling a grand vision than by staying ahead of the competition. And so he squandered the lead Tesla once had.

The Central Deception

Any other company in Tesla's precarious position would see its stock price collapse. Yet Tesla shares hover near all-time highs!

Musk's pitch to shareholders is simple: You don't need to think about car margins or unit growth. The robots will make you rich.

He routinely suggests these future innovations will be so lucrative as to justify a $30 trillion valuation.

That claim only holds if two inconvenient facts are ignored.

First, Tesla is not leading in either category.

Waymo is far ahead in autonomous driving. Boston Dynamics leads in humanoid robotics. Musk continues to make sweeping promises while his competitors deliver measurable results.

Second, even if Tesla was the leader in these categories, the economics would not support the valuation.

There is no evidence that self-driving cars or humanoid robots will deliver extraordinary returns to investors. As discussed earlier, even the most transformative technologies do not guarantee extraordinary profits for investors.

Musk surely understands this. But the fantasy is too profitable to abandon, and Wall Street seems happy to keep playing along.

And for those who maintain that Musk is a once-in-a-generation visionary, let us examine his record and see whether that reputation withstands scrutiny.

The Vaporware Catalog

The dream Musk is selling now follows a well-established pattern-lofty promises that fail to materialize. Here are just a few examples:

Hyperloop (2013): Musk heralded this as a revolutionary leap in high-speed transportation. Sleek passenger pods would travel through vacuum tubes at speeds rivaling airliners within a few years. Experts said it would never work.

Thirteen years later, all there is to show for it are a set of cramped tunnels beneath Las Vegas that are less advanced than those built a century ago. Human-driven Teslas shuttle convention-goers short distances to nearby

hotels. One could barely imagine a less efficient system. It is inferior to a standard tram in every respect.

Rather than the frictionless, futuristic transit system he promised, what he delivered would have been antiquated fifty years ago. Musk's response?

> *"We simplified this a lot. It's basically just Teslas in tunnels at this point, which is way more profound than it sounds."*
> — Elon Musk (@elonmusk) October 14, 2020

Tesla Semi (2017): Musk unveiled the Semi with great fanfare. From the outset, industry experts (and Bill Gates) noted a fundamental flaw: battery-powered trucks are significantly heavier than their diesel counterparts, and with an 80,000-pound federal weight limit, payload is sharply reduced. Since payload capacity is crucial to any trucking business, many analysts concluded that an electric semi simply could not compete. Despite these warnings, Musk poured Tesla resources into the program.

The results were entirely predictable. Aside from a handful of units delivered to PepsiCo for a pilot program, the Semi has seen virtually no market adoption.

Tesla Roadster (2017): At that same event, Musk presented a beautiful red sports car prototype and claimed its performance would surpass the world's leading hypercars. Enthusiastic Tesla supporters responded by forking over hundreds of millions of dollars in deposits.

Nearly a decade has passed, and not a single Roadster has been delivered. Production is now scheduled for 2027, but given their history of continuous delays, I would not bet on customers ever receiving their vehicle.

Notably, at the time of this event, Tesla was running dangerously low on cash. One cannot help but wonder: Did Musk ever intend to deliver the vehicle, or was this just a cash grab?

In 1949, Preston Tucker, the man behind the now desirable Tucker '48, was indicted for a similar but less severe offense. If regulators applied the same standard to Musk, he would long be in prison.

Cybertruck (2019): When deliveries finally began in 2023—two years late—Musk heralded it as Tesla's best product to date. Instead, the Cybertruck turned out to be the worst flop the auto industry has seen since the Ford Edsel in 1959.

Early units were plagued with defects, and the truck consistently underperformed against its rivals. Today, thousands of unsold Cybertrucks sit idle on Tesla lots across the country.

SpaceX Starship (2021): In 2021, NASA awarded SpaceX a $2.9 billion contract to return American astronauts to the Moon by late 2024. Yet, as of January 2026, Starship (the rocket designed for the mission) has yet to even reach orbit. The result is a lunar program years behind schedule and tethered to an experimental design that has failed to deliver.

In his 2025 testimony before Congress, former NASA Administrator Mike Griffin described the decision to rely on Musk's company as a "massive mistake."

DOGE (2025): During the 2024 presidential campaign, Musk pledged to slash $2 trillion in federal spending and erase the nation's deficit. He vowed to root out waste and run the federal government with the efficiency of a well-managed enterprise.

The result? Independent estimates suggest savings of well under $100 billion, and once the frictional costs of his initiative are accounted for, the effort amounted to a net *expense* for taxpayers. The DOGE team has since been quietly dismantled.

The $20 Billion Participation Trophy

A CEO with this record would, in any rational universe, have been shown the door long ago. Instead, Musk received the largest pay package in corporate history.

Public debate has fixated on the prospect of a trillion-dollar payout. To collect it, Tesla would need to reach a market capitalization of $8.5 trillion within a decade—an increase of roughly $7 trillion from today's valuation. Setting aside the implausibility of reaching such a target, the share of value creation that Musk stands to capture is wildly out of proportion with corporate norms. Consider what the world's leading CEOs have earned relative to the wealth they generated for shareholders during their tenures:

Company	CEO	Total Compensation ($B)	Market Cap Increase ($T)	Pay / Value Created
Apple	Tim Cook	$1.70	$3.4	0.05%
JPMorgan Chase	Jamie Dimon	$0.55	$0.7	0.08%
Alphabet	Sundar Pichai	$0.90	$3.5	0.03%
Amazon	Andy Jassy	$0.28	$0.7	0.04%
Meta	Mark Zuckerberg	$0.20	$1.7	0.01%
Tesla	**Elon Musk**	**$1,000.00**	**$7.0**	**14.29%**
Note: Compensation figures use vesting-date values where available.				

The comparison speaks for itself. But the headline figure is merely a decoy; the real scandal lies in the structure of the package itself, engineered to obscure just how badly shareholders are being fleeced.

The award consists of 423,743,904 Tesla shares divided across twelve tranches. To unlock the first—worth approximately $20 billion—Tesla need only:

1. Reach a $2 trillion market capitalization, and
2. Sell 20 million cumulative vehicles

Tesla's market cap already exceeds $1.4 trillion. Reaching $2 trillion over the next decade requires just 3% annual appreciation—far less than an investor could obtain from U.S. Treasuries.

The operational hurdle is no more demanding. Tesla has sold more than 8.5 million vehicles to date. Meeting the 20 million threshold requires an additional 11.5 million, or roughly 1.15 million per year—well below the company's recent annual sales of 1.64 million.

Most high-profile CEOs must outperform the market or their peers to receive a payday that is a fraction of the size. Musk would unlock $20 billion even if Tesla merely treads water.

It's the largest participation trophy in human history.

Conclusion

Over the past five years, Musk has delivered dismal results across every major venture he leads. The pattern is remarkably consistent: sweeping promises, followed by lackluster execution. And under his new compensation package, he stands to pocket $20 billion even if Tesla falls further behind.

I cannot say when this grift will end; I only know that it will.

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Taxes

We sold a sizable amount of stock in 2025, virtually all at a profit. You should expect a meaningful tax liability on your K-1. The good news: most of the gain is long-term, which qualifies for a more favorable rate—typically 15% or 20%, depending on your income.

If you need to make a redemption to cover the bill, just let me know.

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Semi-Annual Review

You can schedule your semi-annual review here:

https://calendly.com/blackbirdfinanciallp/blackbird-semi-annual-investment-review

I look forward to speaking with you.

Your fiduciary,

Judah Spinner, CFA