

Tesla, SolarCity shareholders to vote on merger next month

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Tesla Motors CEO Elon Musk faces a referendum next month, as shareholders decide whether to support his vision and combine Tesla with solar panel company SolarCity Corp.

Tesla and SolarCity announced Wednesday that shareholders will vote on the controversial proposal Nov. 17.

SolarCity shareholders will receive 0.11 share of Tesla for each SolarCity share. As of Oct. 10, the deal values SolarCity shares at \$22.10, for a total value of \$2.45 billion. Those values could change—the final terms will be determined by the value of Tesla shares on the day the merger goes into effect.

It's a proposal that would unite two companies on shaky financial ground as they plow into relatively new markets. One makes electric cars, the other installs solar panels. Neither is profitable.

Last week, Goldman Sachs downgraded Palo Alto-based Tesla's shares from "buy" to "neutral" and lowered its price target, saying the potential merger could delay the release of Tesla's next vehicle, the Model 3. The car is due out at the end of next year.

The value of the deal has fallen by around \$350 million since Musk first proposed it in June as share prices at Tesla and SolarCity have tumbled.

On Wednesday, Tesla shares rose 1 percent to \$201.78 in midday

trading. That's down from \$219.61 on June 21, the day before the merger was proposed. SolarCity shares were up 1.5 percent to \$19.68, still down from \$26.40 back in June.

Even more troubling to some shareholders is that Musk is the chairman of San Mateo-based SolarCity, which is run by his cousins, Lyndon and Peter Rive. Several lawsuits have been filed challenging the deal on the grounds that it is a conflict of interest for Musk.

Musk has called the deal a "no brainer." He says SolarCity's installation network and Tesla's global stores could provide customers with a one-stop shop for sustainable energy and transportation. The companies plan to unveil a new solar roof product on Oct. 28, and Tesla said it will provide additional financial details on Nov. 1.

If the deal goes through, SolarCity will adopt Tesla's name and sell its solar panels alongside Tesla's power-storing batteries. Musk reasons many of the people who want to drive electric vehicles will have an inherent interest in setting up cleaner energy systems in their homes and offices. Although he said he didn't know for certain, Musk has estimated that one-fourth of Tesla owners currently have solar energy panels.

Musk and two other Tesla directors who sit on SolarCity's board, Antonio Gracias and JB Straubel, are recusing themselves from the vote on the deal.

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