

Tesla, SolarCity shareholders prepare to vote on merger

November 17 2016, by Dee-Ann Durbin



In a Sept. 29, 2015, file photo, Elon Musk, CEO of Tesla Motors Inc., talks about the Model X car at the company's headquarters, in Fremont, Calif. Musk will learn Thursday, Nov. 17, 2016, if shareholders support his plan to merge with SolarCity Corp. after a lengthy debate over the merits of the deal. Shareholders of both companies are scheduled to vote Thursday afternoon at two separate meetings near the companies' California headquarters. (AP Photo/Marcio Jose Sanchez, File)

Tesla Motors CEO Elon Musk will learn Thursday if shareholders

support his plan to merge with SolarCity Corp. after a lengthy debate over the merits of the deal.

Musk says the combination will create a one-stop shop for solar panels and electric cars.

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The all-stock deal was worth \$2.6 billion when the companies approved it in August, but their shares have fallen since, so the value of the deal has dropped. The final terms will be determined by the value of Tesla shares on the day the merger goes into effect.

Musk has called the deal a "no brainer." He wants to combine SolarCity's installation network with Tesla's global stores to increase the customer base for [solar panels](#) and give Tesla vehicle owners a compelling option to power their cars. Last month, he unveiled what would be the combined companies' first product: Glass solar roof panels that look like traditional roof tiles.

Musk said earlier this month that SolarCity—the largest home solar panel installer in the U.S.—could add \$1 billion in revenue to the combined company next year and could add \$500 million in cash to Tesla's coffers over three years.

But the merger is controversial. Musk is chairman of both companies, and SolarCity is run by his cousins. Musk and two other Tesla directors who sit on SolarCity's board are recusing themselves from the vote, but that hasn't stopped some shareholders from suing. They claim the merger is an attempt to use one company to bail out another. Musk owns 26.5 percent of Tesla and 22 percent of SolarCity.

Neither company has achieved sustained profitability, and both operate in markets where demand is uncertain. Plug-in electric vehicles make up less than 1 percent of U.S. sales, and less than 1 percent of U.S. electricity generation comes from solar power, according to government data.

Tesla posted a net profit of \$22 million in the third quarter, its first quarterly profit in three years. SolarCity reported a third-quarter loss of \$225.3 million.

Tesla shares rose less than 1 percent to close at \$183.93 Wednesday. That's down from \$219.61 on June 21, the day before the merger was proposed. SolarCity shares rose a penny to \$19.83, down from \$26.40 in June.

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