

Elon Musk to resign as chair of Tesla board but remain CEO

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A fraud case had had piled fresh troubles on electric automaker Tesla and Elon Musk as the brash CEO, often praised as visionary, faces increased scrutiny over his volatile behavior

Elon Musk has reached a deal over fraud charges that will see him step down as electric automaker Tesla's chairman of the board and pay a \$20

million fine but stay on as CEO, US securities regulators said Saturday.

The agreement eases pressure on Tesla's embattled CEO, who faced potentially being barred from serving as an officer or board member of a publicly traded [company](#) as a result of the charges, which stemmed from a tweet by Musk about taking the company private.

"The settlements, which are subject to court approval, will result in comprehensive corporate governance and other reforms at Tesla—including Musk's removal as chairman of the Tesla board—and the payment by Musk and Tesla of financial penalties" of \$20 million each, the Securities and Exchange Commission said in a statement.

The SEC had charged Musk with securities fraud, alleging that he misled investors when he tweeted on August 7 that he had "funding secured" to privatize the electric automaker at \$420 a share.

That caused a brief spike in Tesla's share price, leading so-called short-sellers, who have been betting on the stock crashing for years, to lose millions.

The SEC said Musk's statements on Twitter were "false and misleading" and that he had never discussed the plans with company officials or potential funders.

Musk said he later decided against the plan.

"When companies and corporate insiders make statements, they must act responsibly," SEC Chairman Jay Clayton said.

Under the agreement—which Clayton said was "in the best interests of our markets and our investors, including the shareholders of Tesla"—Musk will be ineligible to serve as chairman of the board for a

period of three years and will be replaced by an "independent chairman," according to the SEC.



The Tesla Model 3 is a mass-market vehicle seen as a key to the electric automaker's future

'Prevent further market disruption'

Two "independent directors" will also be appointed by Tesla, and the company will set up a new committee of independent directors and "put in place additional controls and procedures to oversee Musk's communications," the SEC said.

The \$40 million in financial penalties "will be distributed to harmed investors under a court-approved process."

"The total package of remedies and relief announced today are specifically designed to address the misconduct at issue by strengthening Tesla's corporate governance and oversight in order to protect investors," said Stephanie Avakian, the SEC's co-director of enforcement.

"The resolution is intended to prevent further market disruption and harm to Tesla's shareholders," SEC co-director of enforcement Steven Peikin said.

Tesla's shares plummeted around 14 percent on Friday over concerns about the company's future after the announcement of the fraud charges against Musk, which were a fresh blow to the mercurial Silicon Valley entrepreneur and his company.

Musk has baffled investors with emotional and seemingly erratic media appearances, including one where he appeared to smoke marijuana, and a public battle with a rescuer who helped save a group of boys trapped in a cave in Thailand, whom he termed a "pedo guy."

Tesla is seeking to ramp up production of its Model 3, the mass-market vehicle seen as a key to the automaker's future.

It had struggled to overcome production bottlenecks in recent months for the Model 3, but now faces other logistical issues, according to Musk.

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