

Lawsuit accuses Tesla of trying to 'burn' short-sellers

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A lawsuit filed Thursday accuses Tesla chief Elon Musk of trying to

"burn" short-sellers by falsely tweeting that funding had been secured to take the electric car maker private.

The law firm of Labaton Sucharow said in a release that it filed a suit in US federal court in San Francisco on behalf of short seller Andrew Left and that it is asking for class action status to represent anyone who bought or sold Tesla shares between August 7 and August 17.

"This appears to be a textbook case of fraud," [law firm](#) partner Michael Canty said in the release.

"We believe Musk attempted to manipulate the price of Tesla securities with false and misleading tweets, in a directed effort to harm short-sellers."

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Musk met Tesla's board of directors "and let them know that I believe the better path is for Tesla to remain public. The Board indicated that they agree," he wrote on the company blog.

Musk surprised markets on August 7 by announcing on Twitter he wanted to take Tesla private at \$420 a share, causing the stock price to jump. Short-sellers bet on [share](#) prices dropping.

After the announcement the controversial entrepreneur came under extensive scrutiny over his Twitter statements related to the proposal, especially a claim that Tesla had "secured" [funding](#) for the move.

Tesla shares tumbled on reports that the US Securities and Exchange Commission has subpoenaed Musk to talk about the tweet.

Normally such a major announcement—taking a huge company private—would be explained in detail beforehand to regulators.

Musk has described the infamous privatization [tweet](#)—including his assurance that funding for going private was secured—as an attempt to be transparent.

The news shocked investors, market analysts and even Tesla board members.

Musk explained on the company blog that his much-scrutinized statements about financing were based on his conversations with Saudi Arabia's sovereign wealth fund and other investors.

The lawsuit listing the company and its chief as defendants contends that funding to take Tesla private was not in place, and that Musk's false tweets to the contrary were intended to "burn" short-sellers, whom he has taunted.

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