

HOW ELON MUSK BRIBES HIS WAY OUT OF INVESTIGATIONS

By Mike Spector, Rachael Levy, Marisa Taylor and Chris Prentice

NEW YORK/WASHINGTON (Reuters) - Last month, in the waning days of the Biden administration, the SEC set a tight deadline of several days for demanding that Elon Musk pay a settlement or face civil charges relating to alleged securities violations during his \$44 billion takeover of Twitter in 2022.

Musk broke the news himself in a social-media post: “Oh Gary, how could you do this to me?” he wrote, referring to SEC Chair Gary Gensler.

He added a smiley-face emoji but attached a legal letter condemning the “improperly motivated” ultimatum: “We demand to know who directed these actions—whether it was you or the White House.”

An SEC spokesperson declined to comment on the incident. The White House did not respond to a request for comment.

The SEC is not the only investigative agency Musk has defied and accused of political harassment. The billionaire has long railed against government oversight, portraying himself as a victim of bureaucratic zealots stifling his companies’ potentially life-saving innovations.

The White House will soon be occupied by Donald Trump — whom Musk spent more than a quarter-billion dollars to help elect — rather than Joe Biden, who appointed Gensler. Trump has already named a new SEC chair to replace Gensler, who plans to resign when Trump is inaugurated.

Musk’s potential to have extraordinary clout with the new administration raises questions about the fate of federal investigations and regulatory actions affecting his business empire, of which at least 20 are ongoing, according to three sources familiar with SpaceX and Tesla operations and the companies’ interaction with the U.S. government, as well as five current and former officials who have direct knowledge of individual probes into Musk’s companies.

The inquiries include examinations of the alleged securities violations; questions over the safety of Tesla’s Autopilot and Full Self-Driving (FSD) systems; potential animal-welfare violations in Neuralink’s brain-chip experiments; and alleged pollution, hiring-discrimination and licensing problems at SpaceX.

Musk, Tesla, SpaceX and Neuralink did not respond to comment requests. Before the election, Musk posted: “I have never asked [Trump] for any favors, nor has he offered me any.”

A Trump-transition spokesperson called Musk a “brilliant” entrepreneur and said Trump’s administration would ensure law and order, “treating all Americans equally.”

The Musk-related cases could languish or be dropped by Trump-appointed agency and department heads, the current and former U.S. officials said.

Trump’s DOJ picks, for example, include lawyers who defended him in criminal and impeachment trials and a nominee for FBI chief whom Musk vocally supported and who has repeatedly vowed to pursue Trump’s enemies, one current and three former DOJ officials said.

Lower-level DOJ officials could also exercise prosecutorial discretion to avoid aggressively pursuing Musk companies in light of his relationship with Trump, said Barbara McQuade, a former U.S. attorney in Detroit during the Obama administration who also worked as a federal prosecutor during the George W. Bush and Clinton administrations. "To the extent they want to please the boss, I think they know how to do that."

Some legal experts downplayed the risk of political interference from Musk, noting that an investigation's lack of progress could signal insufficient evidence.

It's also possible that prosecutors who believe they have strong cases will push forward regardless of Musk's role, legal experts said.

"I don't think there's as much risk of Musk infiltrating to influence cases," said Robert Frenchman, a white-collar defense lawyer at Dynamis in New York. "Most prosecutors bring cases they think they can win."

Representatives of the DOJ and all departments and agencies with pending inquiries into Musk or his companies did not comment on the probes or their ability to enforce regulations against Trump allies during his second term. The EPA and National Highway Traffic Safety Administration (NHTSA) said they would continue fulfilling their legal and regulatory responsibilities.

'FIRST BUDDY'

Since the election, Musk has called himself Trump's "first buddy," frequented Trump's Florida Mar-a-Lago club, shared Thanksgiving with the president-elect's family and weighed in publicly on his cabinet appointments.

Trump appointed Musk to co-lead a new "Department of Government Efficiency," a private entity advising on slashing budgets and regulations. It remains unclear what authority the role will carry.

Musk has touted his newfound influence and given specific examples of how he might use it. Before the election, Musk said he would seek to use his efficiency-czar post to advance national driverless-vehicle regulations that would almost certainly benefit Tesla and eliminate "irrational" rules such as one resulting in a pollution fine against SpaceX.

NHTSA officials have repeatedly scrutinized Tesla for nearly a decade, at times enraging Musk. During one 2016 call, he screamed profanities at regulators launching the first of several investigations into Tesla's Autopilot driver-assistance system after a fatal crash, according to two people familiar with the matter. There are currently five ongoing and open NHTSA probes covering driver-assistance technology and other operations in Tesla vehicles.

Tesla has blamed Tesla drivers in defending itself against lawsuits and investigations over accidents involving FSD and Autopilot, saying it had warned drivers to pay attention.

A DOJ probe into whether Tesla and Musk exaggerated its vehicles' self-driving capabilities is among those where investigators have faced challenges. Prosecutors have grappled with demonstrating that Musk and Tesla crossed a line from legal salesmanship into knowingly making false claims that misled investors and harmed consumers. The probe had stalled before the election in part due to the legal hurdles, a person familiar with the investigation said.

Another probe, by the U.S. attorney's office in Manhattan, involves the driving range of Tesla vehicles and followed a Reuters investigation that found the automaker had rigged its in-dash displays to give drivers "rosy" projections about how many miles they could drive on battery power. It was unclear how far the probe has progressed.

"To our knowledge no government agency in any ongoing investigation has concluded that any wrongdoing occurred," Tesla said in quarterly SEC filings.

Reuters was the first to report some Trump auto-policy advisors have recommended killing a requirement that automakers report data on crashes involving automated-driving systems, a measure that could cripple NHTSA's ability to investigate and regulate the emerging technology's safety.

ROCKETS AND NASA

SpaceX already faces little regulatory scrutiny because the government has outsourced much of its space missions to Musk's rocket-and-satellite firm, according to two former SpaceX officials and a current government official familiar with the company's interactions with NASA, the EPA and the Federal Aviation Administration (FAA).

During a September summit, Musk labeled "insane" an EPA inquiry that resulted in SpaceX agreeing to a proposed \$148,378 fine for dumping pollutants, which Musk said were actually "drinking water."

The FAA separately in September proposed fining SpaceX \$633,000 for allegedly failing to follow license requirements and not getting approval for changes during two launches in 2023.

Musk called for FAA chief Mike Whitaker to resign in September, shortly after the FAA fined SpaceX and delayed one of its launches. Whitaker said last month he would step down before Trump's term.

The Wall Street Journal reported in October that Musk has been in regular contact with Russian President Vladimir Putin. Three sources familiar with SpaceX's government interactions said any scrutiny into Musk's contacts with a U.S. adversary would be unlikely under Trump, who has picked tech billionaire Jared Isaacman to run NASA. Isaacman has financed and joined two private space missions involving SpaceX.

NASA declined to comment and Isaacman and a media representative for Isaacman's company did not respond to a request for comment.

Musk did not respond to requests for comment regarding his reported contacts with Putin. In one instance, he responded with two laughing and crying emojis to a social-media post on X suggesting that Musk critics were attempting to portray him as a Russian agent.

(Reporting by Mike Spector and Chris Prentice in New York and Rachael Levy and Marisa Taylor in Washington. Additional reporting by Chris Kirkham in Los Angeles and David Shepardson in Washington; editing by Anna Driver and Brian Thevenot)