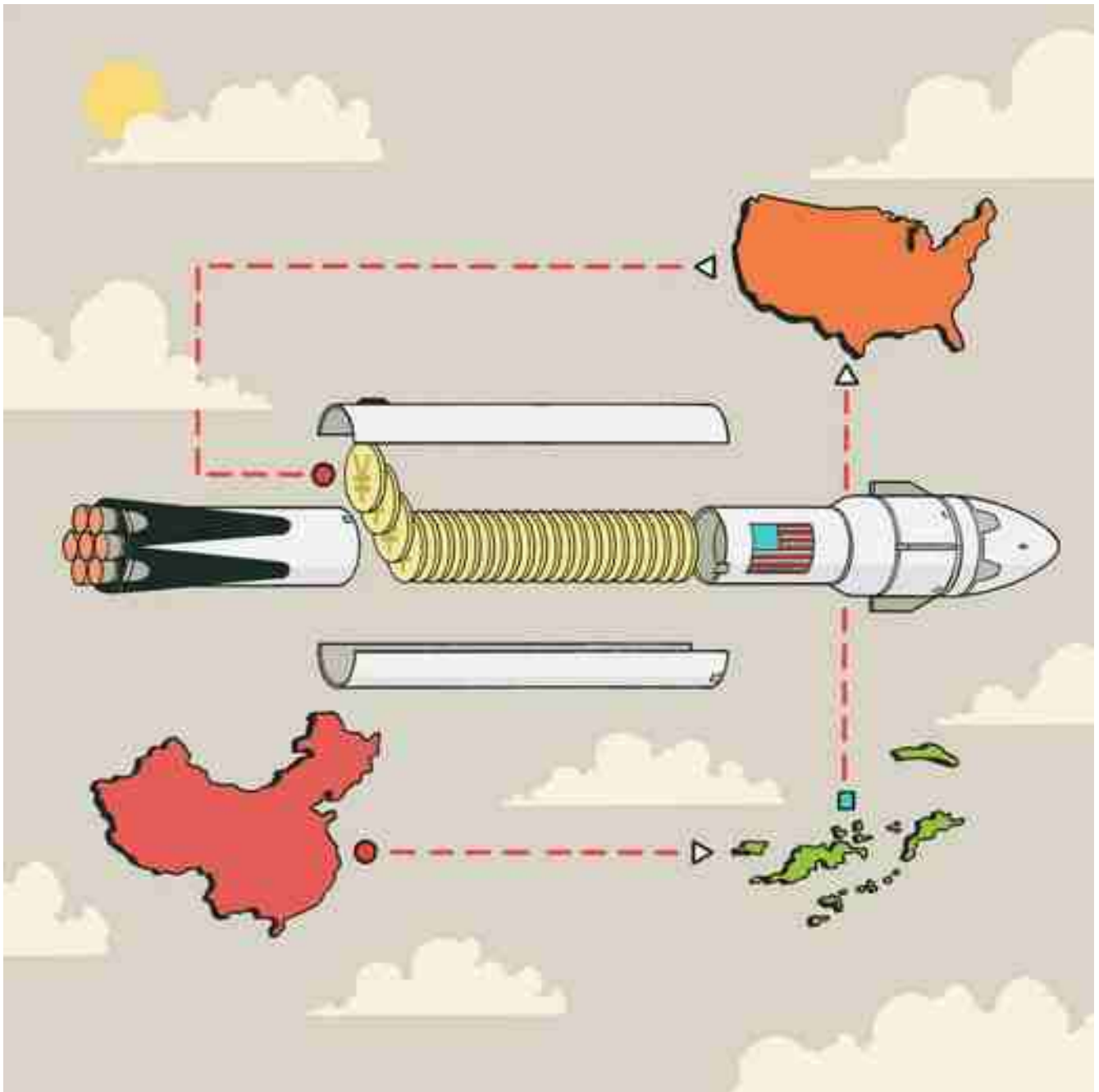


## HOW ELON MUSK LAUNDERS FOREIGN CASH

Elon Musk's aerospace giant SpaceX allows investors from China to buy stakes in the company as long as the funds are routed through the Cayman Islands or other offshore secrecy hubs, according to previously unreported court records.



The rare picture of SpaceX's approach recently emerged in an under-the-radar corporate dispute in Delaware. Both SpaceX's chief financial officer and Iqbaljit Kahlon, a major investor, were forced to testify in the case.

In December, Kahlon testified that SpaceX prefers to avoid investors from China because it is a defense contractor. There is a major exception though, he said: SpaceX finds it "acceptable" for Chinese investors to buy into the company through offshore vehicles.

"The primary mechanism is that those investors would come through intermediate entities that they would create or others would create," Kahlon said. "Typically they would set up BVI structures or Cayman structures or Hong Kong structures and various other ones," he added, using the acronym for the British Virgin Islands. Offshore vehicles are often used to keep investors anonymous.

Experts called SpaceX's approach unusual, saying they were troubled by the possibility that a defense contractor would take active steps to conceal foreign ownership interests.

Kahlon, who has long been close to the company's leadership, has said he owns billions of dollars of SpaceX stock. His investment firm also acts as a middleman, raising money from investors to buy highly sought SpaceX shares. He has routed money from China through the Caribbean to buy stakes in SpaceX multiple times, according to the court filings.

The legal dispute centers on an aborted 2021 deal, when SpaceX executives grew angry after news broke that a Chinese firm was going to buy \$50 million of the company's stock. SpaceX then had the purchase canceled. In separate testimony, the rocket company's CFO explained that the media coverage was "not helpful for our company as a government contractor." SpaceX's business is built on those contracts, with the U.S. government paying the company billions to handle sensitive work like building a classified spy satellite network.

## Get in Touch

Do you have any information we should know about Elon Musk's businesses? Josh Kaplan can be reached by email at [joshua.kaplan@propublica.org](mailto:joshua.kaplan@propublica.org) and by Signal or WhatsApp at 734-834-9383. Justin Elliott can be reached by email at [justin@propublica.org](mailto:justin@propublica.org) and by Signal or WhatsApp at 774-826-6240.

Company executives were concerned that coverage of the deal could lead to problems with national security regulators in the U.S., according to Kahlon's testimony and a filing from his attorneys.

SpaceX, which also launches rockets for NASA and sells satellite internet service, is perhaps the most important pillar of Musk's fortune. His [estimated 42% stake](#) in the company is valued at around \$150 billion. If he owned nothing else, he'd still be richer than Bill Gates.

Federal law gives regulators broad power to oversee foreign investments in tech companies and defense contractors. Companies only have to proactively report Chinese investments in limited circumstances, and there aren't hard and fast rules for how much is too much. However, the government can initiate investigations and then block or reverse transactions they deem a national security threat. That authority typically does not apply to purely passive investments in which a foreign investor is buying only a small slice of a company. But experts said that federal officials regularly ask companies to add up Chinese investments into an aggregate total.

The [U.S. government charges](#) that China has a systematic strategy of using even minority investments to secure leverage over companies in sensitive industries, as well as to gain privileged access to information about cutting-edge technology. U.S. regulators view even private investors in China as potential agents of the country's government, experts said.

The new materials do not contain allegations that the Chinese investments in SpaceX would violate the law or were directed by the Chinese government. The company did not respond to detailed questions from ProPublica. Kahlon declined to comment on the reasons for SpaceX's approach.

It's not uncommon for foreigners to buy U.S. stock through a vehicle in the Cayman Islands, often to save money on taxes. But experts said it was strange for the party on the other side of a deal — the U.S. company — to prefer such an arrangement.

ProPublica spoke to 13 national security lawyers, corporate attorneys and experts in Chinese finance about the SpaceX testimony. Twelve said they had never heard of a U.S. company with such a requirement and could not think of a purpose for it besides concealing Chinese ownership in SpaceX. The 13th said they had heard of companies adopting the practice as a way to hide foreign investment.

"It is certainly a policy of obfuscation," Andrew Verstein, a UCLA law professor who has studied defense contractors, said of the SpaceX testimony. "It hints at potentially serious problems. We count on companies to be forthright with the government about whether they've taken money from America's rivals."

The new material adds to the questions surrounding Musk's extensive ties with China, which have taken a new urgency since the world's richest man joined the Trump White House. Musk has regularly met with Communist Party officials in China to discuss his business interests in the country, which is where [about half](#) of Tesla cars are built.

Last week, [The New York Times reported](#) that Musk was scheduled to get a briefing on secret plans for potential war between China and the U.S. The Times later reported that the briefing was called off, and Trump denied it had ever been scheduled. The president told reporters it would be wrong to show the war plans to the businessman: "Elon has businesses in China, and he would be susceptible perhaps to that," Trump said.

The Delaware court records reveal SpaceX insiders' intense preoccupation with secrecy when it comes to China and detail a network of independent middlemen peddling SpaceX shares to eager Chinese investors. (Unlike a public company, SpaceX exercises significant control over who can buy into the company, with the ability to block sales even between outside parties.)

But the case leaves unanswered the question of exactly what percentage of SpaceX is owned by Chinese investors.

The [Financial Times recently reported](#) that Chinese investors had managed to acquire small amounts of SpaceX stock and that they were turning to offshore vehicles to do so. The deals were structured to limit the information investors receive, the outlet said. The Delaware records reveal additional, previously unreported Chinese investments in SpaceX but do not say how much they were worth. The

few Chinese investments in SpaceX where a dollar figure is publicly known total well under \$100 million.

The experts said the court testimony is puzzling enough that it raises the possibility that SpaceX has more substantial ties to China than are publicly known and is working to mask them from U.S. regulators. A more innocent explanation, they said, is that SpaceX is seeking to avoid scrutiny of perfectly legal investments by the media or Congress.

Once a welcome source of cash, [Chinese investment in Silicon Valley](#) has become the subject of intense debate in Washington as hostility between the two countries deepened in recent years. Corporate lawyers told ProPublica they'd counsel their clients against requiring the use of offshore vehicles because it could make it look like they are trying to hide something from the government.

Bret Johnsen, the SpaceX CFO, testified in the Delaware dispute that the company does not have a formal policy about accepting investments from countries deemed adversaries by the U.S. government. Rather, he said, SpaceX has "preferences that kind of feel like a policy." Sensitive to how such financial ties could make it "more challenging to win government contracts," Johnsen said that he asks fund managers to "stay away from Russian, Chinese, Iranian, North Korean ownership interest."

In the public portion of his deposition, Johnsen wasn't asked whether routing Chinese money offshore made such investments acceptable to SpaceX. But he lent credibility to Kahlon, the investor who said that was enough to get the green light. Johnsen said that he has a long-standing personal relationship with Kahlon and that he's discussed the company's approach to Chinese ownership with him. The CFO added that he trusts Kahlon to bring in only investors that the company approves of.

Over the years, Kahlon has personally helped Chinese investors buy stakes in SpaceX on "a number of occasions" through "proxies such as British Virgin Islands- or Cayman Islands-based entities," according to a filing from his lawyers. He also knows of "many" other Chinese investors who own SpaceX shares, the filing said. He learned about them through conversations with investors and brokers, as well "from having viewed investor lists."

Kahlon is a consummate SpaceX insider. He "has been with the company in one form or fashion longer than I have," said Johnsen, who's worked at SpaceX for 14 years. Early in his career, Kahlon worked for Peter Thiel at the same venture capital firm that once employed JD Vance, and he first met with SpaceX around 2007 a few years after it was founded.

Kahlon eventually opened his own firm called Tomales Bay Capital, becoming a major player among the middlemen who cater to would-be investors in SpaceX. He's helped people like former Education Secretary Betsy DeVos buy pieces of the rocket company. He also said he has served as a "back channel" between SpaceX and international regulators as the company sought to bring its satellite internet products to countries like India.

Kahlon and Johnsen were forced to testify after the deal with a Chinese firm fell apart in late 2021, sparking years of litigation. That year, Kahlon had the opportunity to buy more than half a billion dollars of SpaceX stock from a West Palm Beach private equity firm. Kahlon had already brought Chinese money into SpaceX before, he testified, and he again turned to China as he gathered funds to purchase the stake.

Kahlon soon connected with a Shanghai-based company called Leo Group, short for “Love Each Other.” As Kahlon made his pitch during their first call, Leo was told that “it would be best not to disclose the name of SpaceX,” an executive at the Chinese company later testified. “They deemed that information to be quite sensitive.”

Leo quickly sent Kahlon \$50 million. He then messaged another business associate in China: “Have any folks interested in spacex still?”

### **Elon Musk’s Demolition Crew**

Kahlon testified that he was planning to tell Johnsen about the Leo investment and expected the CFO to sign off on it. But the deal blew up after Leo mentioned SpaceX in a regulatory filing that generated widespread coverage in the Chinese business press. (Whether Leo had Kahlon’s permission to make the disclosure is a matter of dispute.) In a panic, Kahlon enlisted a Leo vice president to try to get the articles taken down. But when Johnsen and Tim Hughes, SpaceX’s top in-house lobbyist, spotted the stories, they grew alarmed.

“This is not helpful for our company as a government contractor,” the SpaceX CFO later testified regarding the press attention. “It, in essence, arms our competitors with something to use as a narrative against us.”

“In my entire professional career, this was literally the worst situation that I’ve been in,” Kahlon said. “I failed at what I thought was a core responsibility in the relationship we had.”

SpaceX ultimately decided to let Kahlon buy only a smaller portion of the stake, purchasing much of the half-billion dollar investment itself. According to contemporaneous messages and testimony from Kahlon, he was told that decision was made by Musk. However, Kahlon continued to have a strong relationship with SpaceX after the mishap, court records say, with the company allowing his firm to keep buying a large quantity of shares.

Musk’s business interests in China extend far beyond SpaceX’s ownership structure — a fact that has drawn criticism from Republican lawmakers over the years. In 2022, after Tesla opened a showroom in the Chinese region where the government runs Uyghur internment camps, then-Sen. Marco Rubio tweeted, “Nationless corporations are helping the Chinese Communist Party cover up genocide.”

In addition to Tesla’s sprawling factory in Shanghai, last year, almost 40% of Tesla’s sales were to Chinese customers. The company has also secured major tax breaks and regulatory victories in the country. In 2019, the Chinese premier offered Musk the country’s equivalent of a green card.

In recent years, the billionaire has offered sympathetic remarks about China’s desire to reclaim Taiwan and lavished praise on the government. “My experience with the government of China is that they actually are very responsive to the people,” Musk said toward the end of Trump’s first term. “In fact, possibly more responsive to the happiness of people than in the U.S.”

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[Alex Mierjeski](#) contributed research.

Saudis ‘second largest investors’ in Twitter after Musk takeover

*Kingdom Holding Company and the private office of Prince Alwaleed bin Talal will maintain their stake in Twitter after Musk took control of the social media company.*

Saudi Arabia’s Kingdom Holding Company (KHC), along with the private office of Prince Alwaleed bin Talal, will continue their ownership of Twitter shares valued at \$1.89bn after [Elon Musk’s takeover](#) of the social media company, making them jointly the second largest investors, according to a statement released by the [Saudi prince](#).

Bin Talal, who shared the statement on his Twitter account on Friday, and made reference to Musk as “Chief Twit”, stated that the deal was in line with the long-term strategy of KHC.

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[How Elon Musk financed his \\$44bn Twitter takeover](#)

The company was founded by bin Talal, and is 16.9 percent owned by the Saudi Arabian sovereign wealth fund.

As of January 2022, Saudi Arabia, with a population of 34.8 million, had the eighth most Twitter users of any country in the world, with more than 12 million users.

Musk, the richest person in the world, announced on Thursday that he had completed a [\\$44bn acquisition](#).

“The bird is freed,” Musk tweeted, referencing Twitter’s bird logo in an apparent nod to his desire to see the company have fewer limits on content that can be posted.

However, the CEO of the electric car maker Tesla Inc, and self-described free speech absolutist, has also said he wants to prevent the platform from becoming an echo chamber for hate and division.

Musk fired Twitter Chief Executive Parag Agrawal, Chief Financial Officer Ned Segal and legal affairs and policy chief Vijaya Gadde, according to people familiar with the matter. He had accused them of misleading him and Twitter investors over the number of fake accounts on the platform.

Agrawal and Segal were in Twitter’s San Francisco headquarters when the deal closed and were escorted out, the sources added.

Musk, who also runs rocket company SpaceX, plans to become Twitter’s interim CEO, according to a person familiar with the matter.

The acquisition marks the end of a long-running saga; Musk first offered to buy Twitter in April, before attempting to back out of the deal, and then eventually completing the purchase to take the social media company private.

In contrast to Friday's statement, bin Talal had initially rejected Musk's offer in April, saying it did not come close to the "intrinsic value" of Twitter.

At the time, Musk replied by asking what Saudi Arabia's views on journalistic free speech were.

Musk's purchase of Twitter was [secured with funding](#) from a number of investors, including Larry Ellison, the co-founder of software company Oracle, and Qatar Holding, which is controlled by Qatar's sovereign wealth fund.