



The SEC Is Intensifying Its Probe of Crooked Tesla

Matt Robinson Ben Bain Dana Hull

(Bloomberg) -- The U.S. Securities and Exchange Commission is intensifying its scrutiny of Tesla Inc.'s public statements in the wake of Elon Musk's provocative tweet Tuesday about taking the electric-car company private, according to two people familiar with the matter.

SEC enforcement attorneys in the San Francisco office were already gathering general information about Tesla's public pronouncements on manufacturing goals and sales targets, according to the people who asked not to be named because the review is private.

Now, attorneys from that office are also examining whether Musk's tweet about having funding secured to buy out the company was meant to be factual, according to one of the people.

The SEC inquiry is preliminary and won't necessarily lead to anything more formal. Tesla, which hasn't been accused of wrongdoing, declined to comment. Judith Burns, an SEC spokeswoman, also declined to comment.

Tesla stock fell 4.8 percent to \$352.45 in Thursday trading amid mounting doubts about Musk's ability to buy out shareholders at \$420, as he'd suggested in his Tuesday tweet. Declines over the past two days have erased the jump in the share price following his statement that he'd secured funding for taking the company private.

Musk has offered no evidence to back up the assertion, and there have been no public announcements that anyone is backing the plan.

"I don't really understand the idea of what was suggested in the potential for them to go private," Dick Weil, CEO of Janus Henderson Group, said in an interview with Bloomberg Television. "That's obviously an incredibly large valuation to somehow take into the private market."

[Can Elon Musk Tweet That? The SEC May Have an Opinion: QuickTake](#)

The SEC scrutiny adds to pressure on Musk, who [has a history](#) of setting sales targets that bulls consider to be aggressive and bears contend are unrealistic. The question for regulators is whether any of his public statements or the company's run afoul of federal securities laws. Generally, the SEC considers statements by executives to be material information that have to be true.

Speculation has been swirling around Tesla and Musk's disclosures amid the yearlong struggle the company had ramping up production of the Model 3 sedan, the first vehicle that the company has attempted to mass manufacture.

One analyst asked during an earnings call earlier this month whether Tesla had received a notice from a regulator that would prevent the company from raising capital. Musk, who's insisted



months that the company wouldn't need to seek more funding this year, replied: "I'm not sure what you're talking about, but there's no such notice from a regulator."

Reed Hastings

The SEC first ruled on the use of social media for disclosing material information after Netflix Inc. CEO Reed Hastings wrote in a July 2012 Facebook post that views on his company's video-streaming service had "exceeded 1 billion hours for the first time." The regulator later determined that Hastings wouldn't face enforcement action and declared most social media "perfectly suitable" for communicating company information as long as investors are alerted and access isn't restricted.

The SEC routinely makes inquiries about companies' activities. In cases where wrongdoing is suspected, an initial review might lead to a formal investigation that could result in companies or individuals being subjected to enforcement action.

Musk's initial post on a possible buyout probably wouldn't be enough to put him in legal jeopardy unless it proved to be false or inaccurate, according to securities lawyers.

Tesla hasn't disclosed any sources of financing for the deal and no one has stepped forward publicly to say they're backing a buyout. On Wednesday, less than 24 hours after Musk's initial tweets, company board members said they started discussing the idea with him last week.

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