

# Law professor says Tesla threatened to fire law firm over Musk's huge payout

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A leading professor of corporate governance has accused Tesla of threatening to fire one of its law firms over his objections to Elon Musk's claim to a massive \$56bn compensation package. Retired professor Charles Elson of the University of Delaware alleged in a legal filing on Monday that Holland & Knight, a law firm that he has worked for over close to three decades, told him that Tesla threatened to end its relationship with the firm unless he dropped plans to submit a legal brief to a shareholder lawsuit opposing the controversial payout, the largest in US history. In the filing, Elson said Tesla's efforts to stop his opinion from being included in the action based on claims of a conflict of interest were "extraordinary and appalling" and "a fig leaf for Musk, acting through Tesla, to try to bully a law professor by making a serious economic threat to a law firm with which the professor had a consulting relationship". "This is not the first time that Tesla has threatened to fire a law firm for employing someone who annoyed Elon Musk by doing his job," Elson added. He said he had resigned from the company after he learned of Tesla's threat "to protect that firm from retaliation while upholding the important principle of academic freedom". Holland & Knight denied that it was pressured by Tesla and said it had "determined that Charles Elson's proposed course of action was inconsistent with the firm's obligations to its client" and denied it had been coerced or threatened by Tesla. The legal dispute is the latest to hit Tesla and Musk's efforts to push through his multi-billion pay package granted by Tesla's board, which a judge in Delaware has called "an unfathomable sum" that was unfair to shareholders. Last month, Delaware chancellor Kathaleen McCormick found that certain Tesla directors had a "lack of independence" from Musk, that stockholders were "not fully informed", the plan's approval resulted from "unfair dealing" and the amount of compensation under the plan was an "unfair price". Tesla then said it planned to hold a new shareholder vote to reinstitute Musk's compensation, which Elson argues is not permitted under Delaware law. His proposal to file a second opinion to the court then triggered, he alleges in the court filing, the threat from Tesla to drop the firm. The claim of a conflict of interest, he said, was not valid because he is not a lawyer at Holland & Knight but a consultant and was acting as a friend of the court. Musk's ongoing claim to \$56bn Tesla payout comes as the EV maker is struggling to maintain sales. Tesla posted record deliveries of more than 1.8m cars worldwide in 2023 but faces increased competition from other carmakers and declining demand for purely electric cars. The company said it delivered 386,810 vehicles in the first three months of 2024, nearly 9% fewer than it sold over the same period last year. Musk has threatened to move Tesla's corporate listing to Texas, where the company is now based, to get around the Delaware ruling, and threatened to build products outside Tesla unless the company comes up with a new compensation package. Wedbush Securities analyst Dan Ives has said that threat is "the elephant in the room" and a "massive overhang" over Tesla's stock price, which is down about one-third this year. Tesla chair Robyn

Denholm wrote to shareholders last month saying that Musk had delivered on the growth and met stock value and operational targets outlined in Tesla's shareholder-approved 2018 pay package agreement. Denholm said that the Delaware court had "second-guessed your decision" and that Musk has not been paid for any of his work for Tesla for the past six years. "That strikes us – and the many stockholders from whom we already have heard – as fundamentally unfair, and inconsistent with the will of the stockholders who voted for it," she added.