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NYC Comptroller Brad Lander Moves to Pursue Securities Litigation Against Tesla Board of Directors

April 1, 2025

Today, New York City Comptroller Brad Lander urged the New York City Law Department to pursue securities litigation against Tesla on behalf of the the New York City pension systems.

The basis of the potential litigation are the material misstatements from Tesla claiming that CEO Elon Musk spends significant time on the company and is highly active in its management, despite his helming the Trump Administration's DOGE initiative, spending little of his time actually managing Tesla, and promoting policies that are actively harmful to Tesla's business.

"Ever since Elon Musk took over DOGE and became best-friend-in-chief with President Trump, Tesla—where Musk is supposed to be CEO—has suffered financially, causing enormous losses for Tesla shareholders," said **Comptroller Brad Lander**. "In less than three months, Tesla stock has lost nearly 40% of its value, with losses over \$300 million for the New York City pension systems. We have long expressed concerns that the Tesla board has failed to provide independent oversight, or to require that Musk – or someone else – serve as a full-time CEO. Now, it appears that material misstatements from Tesla misled investors about his role at the company. That's why I'm calling on the Law Department to file securities litigation: because Elon Musk is so distracted that he's driving Tesla off a financial cliff and taking down shareholder value with it."

Despite stating in Tesla's December 2024 SEC filing that "We are highly dependent on the services of Elon Musk, Technoking of Tesla and our Chief Executive Officer" and claiming that he "spends significant time with Tesla," Musk has clearly abandoned Tesla in favor of DOGE and President Trump's MAGA mission. By wreaking havoc on the Inflation Reduction Act, he is taking actions that are harmful to the market for electric vehicles. In addition, he alienated Tesla's consumer base, causing Tesla's vehicle sales to severely decline. Since 2017, the New York City pension systems have put the Tesla Board of Directors on notice over concerns regarding corporate governance and leadership, including the lack of a full-time CEO.

While Tesla saw substantial growth from 2019 through 2023, with increasing revenue, improving profitability, and expansion in vehicle production, these leadership and governance concerns remained.

On May 12, 2024, on behalf of the New York City pension systems and in partnership with seven other investors, Comptroller Lander submitted a [Notice of Exempt Solicitation](https://www.sec.gov/Archives/edgar/data/1517047/000121465924009655/z520241px14a6g.htm) (<https://www.sec.gov/Archives/edgar/data/1517047/000121465924009655/z520241px14a6g.htm>), calling for Tesla shareholders to reject a proposed pay package for Tesla CEO Elon Musk and the renomination of Kimbal Musk—Elon’s brother—and James Murdoch to the board of directors. In addition, the Comptroller also expressed concern in particular that the Board failed to address when Elon Musk was dramatically overcommitted, given that he was also running X (formerly Twitter), SpaceX, xAI, Neuralink, and The Boring Company.

“Problems remain unchecked and further indications that investors must act to protect shareholder value have emerged,” Comptroller Lander wrote in the May 2024 Notice of Exempt Solicitation. “Even as Tesla’s performance is floundering, the Board has yet to ensure that Tesla has a full-time CEO who is adequately focused on the long-term sustainable success of our Company.”

In this letter to the New York City Law Department, which is authorized by the New York City Charter as the legal representative for the pension funds, Comptroller Lander proposed that they commence a 10b-5 shareholder lawsuit against Tesla, on behalf of the New York City pension systems, for their material misrepresentations regarding the leadership of the company. Rule 10b-5, part of the Securities Exchange Act of 1934, protects investors from misleading statements, material omissions, and fraudulent or manipulative practices.

In September 2023, the five New York City pension systems—represented by the New York City Law Department as well as counsel at Cohen Milstein Sellers & Toll PLLC, Friedlander & Gorris and Lief Cabraser Heimann & Bernstein—filed a shareholder derivative lawsuit against the board of directors and certain officers of Fox Corporation, the parent company of Fox News Network, for breach of fiduciary duty.

The complaint alleged that the Board knew that Fox News’s promotion of political narratives without regard for whether the underlying factual assertions were true created defamation risk. Fox’s business model of broadcasting stories that appealed to their viewers regardless of the truth or factual basis for those claims meant that Fox’s Board needed to be particularly attuned to the risk of defamation litigation. Instead, the complaint laid out that the company undertook no good-faith efforts to monitor for or mitigate defamation risk and therefore liable for the harm to Fox that has resulted from their breaches of fiduciary duty, including Fox’s \$787.5 million settlement with Dominion.

By filing litigation against Tesla’s Board of Directors, New York City pension systems can pursue financial damages to cover losses and also seek governance changes, including a full-time CEO. Comptroller Lander believes these outcomes would be preferable to divestment, since they could restore some of pension systems’ losses, address Tesla’s governance weaknesses, and improve Tesla’s long-term value as an electric vehicle company.

“Shareholder litigation could force the changes in governance and leadership that Tesla needs, and help recover some of our pension systems’ losses,” **continued Comptroller Lander**. “Otherwise, we may need to consider divestment.”

The five NYC public pension systems hold over 3 million shares of Tesla. These shares were worth \$1.26 billion on December 31, 2024, and shrunk to \$831 million as of March 28, 2025.

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