

New Tesla director Larry Ellison is a friend of Elon Musk. Will he stand up to the mercurial CEO?

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Big decisions at Tesla tend to spark controversy. That was the case Friday, when the company named Oracle's Larry Ellison to its board of directors.

Ellison was one of two "independent" directors required to be added to Tesla's board as part of a settlement with U.S. regulators who demanded more oversight of CEO Elon Musk. Also named was Kathleen Wilson-Thompson, who heads human resources at Walgreens Boots Alliance.

Musk got into trouble with the Securities and Exchange Commission in early August for tweeting he had "funding secured" to take the electric car company private at \$420 per share. Shares shot up 11%, then fell as it became clear the claim had no substance.

Charged with fraud, Musk settled with the SEC without admitting guilt. Tesla was required to name two new independent directors to its board as part of the deal, replace Musk as chairman, and oversee Musk's public communications. (Board member Robyn Denholm, an Australian telecommunications executive, was named chairman in November.)



Oracle CEO Larry Ellison, at Oracle OpenWorld in San Francisco in 2012, is now on the Tesla board. (Eric Risberg / Associated Press)

The 74-year-old Ellison is one of Musk's most vocal supporters and described him as a "very close friend" at a financial analyst meeting in October, leading some observers to wonder whether he'd be willing to challenge Musk.

At the same meeting, Bloomberg reported, Ellison criticized those who complained about Musk's pot smoking on live Internet TV and his controversial behavior on Twitter.

"This guy is landing rockets," Ellison said. "You know, he's landing rockets on robot drone rafts in the ocean. And you're say-

ing he doesn't know what he's doing. Well, who else is landing rockets? You ever land a rocket on a robot drone? Who are you?"

A Silicon Valley legend, Ellison built Oracle into a global powerhouse from scratch. The company's famously aggressive sales force turned Oracle into the world's biggest provider of corporate databases and other essential back-office software and services. (Recently, the company's been criticized for moving late into cloud computing.)

With a fortune of \$58 billion, ranking tenth on Forbes' list of world billionaires, Ellison carries a Hollywood-style glamour unusual in Silicon Valley. He owns several mansions along the beach in Malibu, races sailing yachts, owns motor yachts, drives exotic automobiles, and owns practically all the land on Lanai, one of the Hawaiian islands. According to Tesla, Ellison holds 3 million Tesla shares, about 1.7% of the company, worth about \$1 billion.

Musk ranks 54th of the Forbes list, with an estimated net worth of about \$20 billion. His primary residence is a mansion in Bel-Air.

Despite Ellison's very-close-friend comment, a Tesla spokesman told The Times that the pair's in-person interactions were rare.

had picked the kind of of people the SEC probably envisioned."

Erik Gordon, a business professor at the University of Michigan, was also critical: "Tesla has managed to comply with the letter of the SEC settlement without even attempting to comply with the spirit of the settlement."

But whatever the SEC might have envisioned, "independent" is a legal term in this case, and under the settlement "being friends does not make one not independent," said Jay Dubow, an attorney at the Pepper Hamilton law firm who worked in the SEC's enforcement division early in his career.

There is nothing unusual about a chief executive choosing a friend or close acquaintance to their board of directors, Dubow said.

been the puppet master," he said. "I think they will want to stand tall here."

Although Ellison and Musk have formed a "mutual admiration society," Greif said, that could change.

"Right now, it's kumbaya," he said. "But both are strong, free-thinking entrepreneurs and at some point they could clash" if Ellison sees his Tesla stake under threat.

Ellison is not without his blind spots. He was an investor and advisor in Theranos, the fraudulent blood-testing company led by young entrepreneur Elizabeth Holmes and chronicled in the best-selling book "Bad Blood." Holmes was so close to Ellison, according to author John Carreyrou, that she called him "Uncle Larry."

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Ellison's chumminess with Musk causes some corporate governance experts to wonder how much oversight investors can expect.

"You'd want someone in that role who is not a friend or an adversary, you'd want someone who could stand up to him as a counterweight to his authority on the board," said Charles Elson, an expert in corporate governance at the University of Delaware.

But Elson said he's not surprised at Musk's choice of new board members. "This is the same fellow who continued to [criticize] the SEC after the settlement. I would have been surprised if he

"Most people usually pick people they know to serve on their boards."

Just because Ellison considers himself a Musk buddy doesn't mean he won't challenge Musk, said Lloyd Greif, head of Los Angeles investment banking firm Greif & Co.

"Larry is a smart guy, a strong guy, he's not going to be anybody's patsy," Greif said. "And he's going to be paying attention for all kinds of reasons, including his own wallet."

Both Ellison and Wilson-Thompson have their reputations on the line, according to Greif. "This has been Elon's board, he's

The Theranos connection shows "Ellison is attracted to big, bold personalities," Gordon said. "It doesn't show that his due diligence is always thorough."

Through Walgreens, Wilson-Thompson has her own Theranos connection. Walgreens was a Theranos investor and, at one point, had installed Theranos testing devices in some of its stores.