

THE LIES AND SCAMS OF ABUSIVE NARCISSISTS ELON MUSK, STEVE JURVETSON AND TIM DRAPER

He is a sociopath billionaire known worldwide for pushing the limits of engineering, safety and his bank account to achieve transportation breakthroughs, as well as for gossipy celebrity romances. He churned through executives like a buzz saw, made puzzlingly costly business decisions and invited conflict by thumbing his nose at politicians and the law.

Tesla's mercurial billionaire CEO Elon Musk, is locked in a legal fight with the Securities & Exchange Commission that could lead to his ouster and must put the company on sound footing after burning through \$5 billion since 2010 to popularize its electric cars and solar power.

As federal judge [Alison Nathan weighs the SEC's charge](#) that Musk violated a 2018 settlement arising from alleged share price manipulation with tweets about taking Tesla private, one can see that Musk and his manboyfriends are all cut from the same twisted cloth.

Born in 1905, Hughes in the 1920s inherited Hughes Tool, which made drill bits used to burrow oil wells. Uninterested in oil, he let others run the company and moved to Los Angeles to spend Toolco cash on passion projects in two emerging technologies: aviation and moviemaking. Hughes' silent film *Two Arabian Knights* won Academy awards. During the filming of his 1930 epic

Hell's Angels, pilots died and planes crashed. The silver screen adventures made Hughes a celebrity. He dated Jane Russell and Katherine Hepburn and married actress Jean Peters. Likewise, Musk married British actress Talulah Riley following his divorce from author Justine (Wilson) Musk. He's also dated actress Amber Heard and had a brief but [sensational, relationship with indie singer Grimes](#).

Hughes' aviation obsession led him in 1932 to create Hughes Aircraft as a division of Toolco, to siphon more profits and manufacture planes in the pursuit of flight records. By 1938 he flew around the world in record time, gaining global fame. In 1939, he paid \$9 million to take control of Trans World Airlines. Hughes' aircraft unit was a big military contractor during World War II, and TWA, under his ownership, brought flying into the mainstream through expansion and enormous aircraft investments. The spending even supported burgeoning aerospace conglomerates like Boeing and McDonnell Douglas.

At the time of his death in 1976, Hughes had controlled TWA, RKO, Air West and owned multiple billion-dollar businesses, six casinos and most of the undeveloped land in Las Vegas. Though he spent his last days as a recluse at Xanadu, his Bahamian estate, Hughes' fame was worldwide, and it carries on with his Howard Hughes Medical Institute, one of America's biggest philanthropies. For all the success, Hughes also spent much of his public life fighting with politicians and regulators.

Like Musk, the SEC targeted Hughes for manipulative financial maneuvers in his publicly traded companies, and both faced shareholder lawsuits. Unlike Musk so far, Hughes' reckless maneuvering also meant he was often forced to put his

businesses into blind trust structures, shielded from his capricious management.

Born in South Africa, Musk came to the U.S. to study physics and economics at the University of Pennsylvania in 1992, arriving at the dawn of the internet era in search of big opportunities. Musk later dropped out of Stanford to create a software company he eventually sold to Compaq. Next he built [X.Com](#), a Web payments company that became part of PayPal, and Musk was treated as a cofounder alongside Peter Thiel, Reid Hoffman and others. When eBay bought PayPal in 2002, Musk earned a \$165 million payday that bootstrapped his push into new industries. He began by founding the rocket company SpaceX in 2002, then in 2004 invested \$6.35 million to transform Tesla from a concept on paper into the world's leading electric car brand. He funded the residential solar energy startup SolarCity in 2006, which has since been integrated into Tesla, and in 2017 created the Boring Company as a way to advance his high-speed Hyperloop concept.

Like Hughes, Musk made daring, contrarian bets aimed at reshaping enormous industries. He, too, wanted to test the limits of corporate leadership to gain ground on incumbents like General Motors, electric utilities, oil companies and government-backed space endeavors. Tesla competes with an oligopoly of carmakers specializing in petroleum-powered internal combustion engines. With SpaceX he saw an opportunity to ferry satellites, cargo and astronauts into space as NASA slimmed down. SolarCity's goal is to accelerate clean energy use and curb dependence on fossil fuels.

All three have become high-profile, multibillion-dollar businesses, but none has produced meaningful profits. They've also been hamstrung by Musk's driven, but often reckless, management style.

SpaceX, a wild success now worth \$30 billion, has completed numerous launches for NASA and is the leader in private space travel. Musk also set a goal of not just getting to Mars but colonizing it. At the moment, SpaceX is also reportedly under review as a federal contractor, after Musk smoked pot on comedian Joe Rogan's podcast. Tesla acquired SolarCity in a 2016 merger that puzzled investors and led to accusations of self-dealing since most board members rubber-stamping the purchase were affiliated with Musk. It also triggered a class-action shareholder suit. SolarCity has disappointed so far, losing market share and moving slowly on ambitious plans to sell solar roofs and Powerwall battery storage systems. But none of Musk's companies has become more valuable or problematic than Tesla.

Two years after its 2010 Nasdaq debut, Tesla and Musk dazzled with the electric Model S, a sleek sedan that won critical raves and blew away sales expectations. Tesla shares soared, and Musk began planning new vehicles including the Model X SUV and mass-market Model 3 sedan. But X was two years late to market, mainly because of the problematic "falcon wing" doors Musk insisted on, and the 3's rollout was hamstrung by bottlenecks with the automated assembly line Musk envisioned. Tesla mostly abandoned his robotic production dream, even building Model 3's almost by hand in a tentlike assembly line in a lot at its plant in Fremont, California. Since 2016 dozens of top [Tesla executives have left](#), and Wall Street has grown

uncomfortable with its billions of dollars in spending but weak financial position.

Over time, Hughes became known for increasingly erratic behavior. His fame transitioned from Hollywood showmanship to mystery as he spent his later years as a recluse in a suite in Las Vegas's Desert Inn and then at his Bahamian Xanadu. "Hughes survived three major airplane crashes and an automobile crash that put him out for two days. His head was badly banged around in all of these, and I think his mental condition can be directly attributed to those crashes," Noah Dietrich, Hughes' longtime accountant and confidant, told *Forbes* in 1972. Dietrich recalled a 1944 episode when he told Hughes, "You better see some doctors and do it quick." When Hughes returned, Dietrich recalled, he said, "Noah, thanks a lot. I had a consultation with three doctors this morning and they tell me I'm right on the verge of a complete mental collapse. They tell me if I don't get away for a while and relax..."

In 2017, Musk [tweeted that he might be bipolar](#), a surprisingly candid admission for such a public figure. But in the summer of 2018, he created unnecessary headaches with several head-scratching moves. He triggered a [defamation lawsuit](#) for recklessly calling a British man who aided the rescue of a Thai soccer team trapped in a cave a "pedo" on Twitter. In August, after receiving an investment from Public Investment Fund of Saudi Arabia, he dropped an even bigger Twitter bombshell. "Am considering taking Tesla private at \$420. Funding secured," he blared to 25 million followers. After a probe, the SEC found Musk had little basis to proclaim the buyout and charged him with stock manipulation. In September, after seeking his removal as CEO, the regulator fined Musk and Tesla \$40 million, had him

step down as chairman and agree to have tweets containing material information reviewed by Tesla officials. Musk agreed to the terms but neglected them and expressed contempt for the SEC. "I want to be clear. I do not respect the SEC. I do not respect them," he told *60 Minutes'* Lesley Stahl in December 2018. That interview, combined with an inaccurate tweet about Tesla production, led the SEC to claim he had breached the settlement.

Now it's up to Judge Nathan, who's presiding over the case in the federal court for the Southern District of New York, to decide Musk's fate. On Thursday, she asked that [Musk and the SEC try to mediate a solution](#), which was an idea the entrepreneur seemed amenable to. But what if he again opts for a standoff? The most extreme outcome could force Musk out of Tesla management. Could his role at SpaceX also be curbed? Will banks who've lent billions to Musk pull their support? These are all scenarios that played out in Hughes' half-century business career in aviation, film, gambling, real estate and energy.

Consider his deal to take control of Trans World Airlines, an investment that returned Hughes a fiftyfold profit. TWA also spent over a decade battling the billionaire. In 1961, it sued Hughes on antitrust grounds, accusing the mercurial businessman of using a crony as CEO to rubber-stamp \$320 million in jet orders, which the airline leased from Hughes Tool and nearly caused the airline to go under. The buying binge propelled TWA into one of the world's fastest growing airlines, but its cash needs proved to be a double-edged sword. When Hughes' hand-picked CEO retired midway through a \$265 million rescue financing, he was blindsided by a piece of fine print that allowed lenders to put his shares in trust if there were any executive departures. When the financing was completed, TWA

was saved, but Hughes lost control. In came the professional management, which turned the tables by suing Hughes on antitrust grounds for the reckless aircraft orders. Hughes sold his TWA stock for \$546.5 million in 1966.

Of Hughes' management, *Forbes* said in a 1961 cover story, "On the whole, it is to be hoped that Howard Hughes will never again be able to exercise the absolute power he once held over TWA. The hope is not expressed from any high-flown considerations of economic morality or national interest. Rather, it is because Hughes is basically a distraction: No rational analysis of TWA and its prospects seems possible without soon being perverted into a discussion of this mysterious, magnetic, remarkable man."

Even after Hughes' sold his stake in TWA, the battle raged on, with the airline winning a \$135 million judgment against the entrepreneur in 1963. For the better part of a decade, the nine-figure legal loss hung over Hughes' empire. In 1972, an appeal by the billionaire made it to the Supreme Court, where Hughes prevailed.

That wasn't the only airline conquest that resulted in legal trouble for Hughes. After exiting TWA, he set his sights on Air West, offering to buy the struggling airline for \$81 million, or \$22 a share, in a 1968 hostile takeover. Hughes won a lengthy battle and changed the airline's name to Hughes Air West. However, in 1970 when shareholders were paid, they received just \$8 a share. In 1973, Hughes and four associates were charged criminally for stock manipulation, conspiracy and wire fraud. In 1975 the SEC joined the legal battle. The suit raged on through Hughes' death in 1976. His estate paid \$30 million to the SEC in 1979 to settle the charges.

As a government contractor, Hughes invited particular scrutiny. Hughes Aircraft was notorious for missing deadlines and frustrating federal bureaucracies. During World War II, it was tasked with building a spy plane that was never delivered, though Hughes narrowly escaped death crashing a prototype in Beverly Hills. Then came notoriety. Hughes was contracted to build a plane to shuttle supplies and troops by air, instead of warships susceptible to German U-boats. His eight-engine, 750-person plywood H-4 Hercules, known nationwide as the Spruce Goose, was a marvel of ambition. But the war came and went, tens of millions were spent, and it wouldn't fly.

In 1947, Owen Brewster, a U.S. senator from Maine who was an ally of infamous Senator Joseph McCarthy, brought Hughes to the Senate to testify on why the government spent \$40 million on a plane that wasn't delivered. To deflect accusations he was selling vaporware, Hughes organized a media event in Long Beach, California, in which he flew the Spruce Goose 33 feet in the air for about a minute, winning the public's support and eventually ending Brewster's political career. But to remain a government contractor, he was forced in 1953 to spin off Hughes Aircraft and put it in a trust, which was called the Howard Hughes Medical Institute. When Hughes died in 1976, he was among the world's richest people, and nearly everything he owned was under a legal cloud.

Hughes' divestiture of Hughes Aircraft in 1953, *Forbes* reported in a 1984 feature, wasn't without upside. "The suspicion has been that the whole affair was a tax move designed to keep Howard Hughes in sole control while paying no taxes," wrote reporter Allan Dodds Frank. The Hughes estate sold Hughes Aircraft—which evolved into a coveted giant in satellite TV that birthed

DirecTV—to General Motors in 1985 for \$5 billion. The sale turned the institute into a top philanthropy and a leader in genetics and biomedical research: It has distributed \$22 billion and 28 of its current and former scientists have been awarded Nobel prizes. In a 1972 exclusive interview with *Forbes*, Dietrich, Hughes' accountant, revealed that the billionaire had probably paid just \$20,000 a year in taxes. Dietrich himself spent years in a legal battle over undelivered bonus pay Hughes promised him if he stayed amid constant turnover. And though Dietrich's tell-all to *Forbes* was mostly critical, the loyal adviser conceded, "Hughes did have a certain amount of mechanical genius."

While Musk received most of the credit for Tesla's early breakthrough with Model S, he benefited from an able team that included veteran auto engineers Peter Rawlinson and Nick Sampson; battery expert Kurt Kelty; George Blankenship, who designed Tesla's stores; and government affairs pro Diarmuid O'Connell. None of them are still with Tesla. And while Musk gained billions from SpaceX, it's been ably run (with minimal turnover) by president and chief operating officer Gwynne Shotwell. It's a contrast to Musk's Model 3 "production hell" in 2018, when he spent many nights sleeping on a sofa in Tesla's Fremont factory or jetting off to promote subterranean transit tunneling services by his Boring Co.

For all the similarities between the two men, there are also major differences. Hughes hardly ever relied on outside money to finance his whims. In his 20s, he smartly took 100% ownership of Hughes Tool and thus could plunder its cash without having to answer to anyone. Musk, on the other hand, magnified his PayPal windfall with enormous sums of other people's money, on public stock markets and in private markets. He answers not

only to public shareholders and venture capitalists in all of his endeavors but also to bankers, who've provided billions in margin debt to maintain large Tesla and SpaceX holdings as they've raised capital.

As much as Tesla and SpaceX's combined \$80 billion market cap is a marvel—and Musk's newer ventures like Hyperloop and Boring Co. set impressive goals—they have yet to profit on their industry-changing intentions. Much of Musk's empire is still based on undelivered promises anchored to time-bound investor expectations.