

Founder of truck maker Nikola resigns after fraud allegations

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Nikola was set up to develop trucks and pick-ups powered by electric batteries or hydrogen fuel cells

Shares of embattled auto startup Nikola tumbled again Monday following the sudden resignation of company founder Trevor Milton in

the wake of fraud allegations.

The Phoenix-based company said in a statement late Sunday it had accepted Milton's resignation and he would be replaced immediately by Stephen Girsky, a Nikola board member and former vice-chairman at General Motors.

The resignation of Milton, who served as executive chairman, was the latest twist in a heady two-week period that saw the company soar after scoring an alliance with GM, and then reel as it was hit by fraud allegations that put the company on the defensive.

Shares of Nikola fell nearly 20 percent to \$27.58.

Milton launched the company in 2015 to develop trucks and pick-ups powered by electric batteries or hydrogen fuel cells, and though Nikola has not yet built anything, it caught attention by signing strategic partnerships with such renowned groups as GM and German engineering giant Bosch.

The announcement of the GM partnership on September 8 caused shares to leap 41 percent on the New York Stock Exchange amid hopes that the Arizona company would be the next Tesla.

But two days later, investment company Hindenburg Research published a report accusing the startup of "intricate fraud" based on multiple lies by Milton, who it said "misled partners into signing agreements by falsely claiming to have extensive proprietary technology."

That announcement triggered a plummet in share value, with stock diving 36 percent in three days.

It also sparked investigations by the Securities and Exchange

Commission and Department of Justice, according to The Wall Street Journal.

'In motion'

Milton hotly denied the charges and said he would refute them, and in the statement announcing his resignation, he said: "The focus should be on the company and its world-changing mission, not me. I intend to defend myself against false allegations leveled against me by outside detractors."

Nikola also rejected most of the claims in the Hindenburg report. But it did not deny that it staged a 2017 video of one of its prototypes apparently in action.

According to Hindenburg, "Nikola had the truck towed to the top of a hill on a remote stretch of road and simply filmed it rolling down the hill."

Nikola responded that it "never stated its truck was driving under its own propulsion in the video" simply saying that it was "in motion."

On Monday, Milton described Girsky as "the right leader to guide our vision at the board level."

Girsky, who worked in senior roles at GM from 2009 through 2014 and served on the board when the auto giant emerged from bankruptcy after the 2008 financial crisis, thanked Milton for his leadership.

"Trevor saw the possibility of creating an end-to-end zero-emission transportation system when the industry was still in its nascent stages and took action to build the Nikola of today, with world-class partnerships, groundbreaking R&D and a revolutionary business model," Girsky said.

Nikola Chief Executive Mark Russell said company leaders are "laser-focused on executing our strategic initiatives and laying the groundwork to become a vertically integrated zero-emission transportation solutions provider."

GM sticks with Nikola

Daniel Ives, analyst at Wedbush, called Milton's exit "shocking," but said the company could still succeed.

"Nikola has a strong bench and now it's all about execution going forward with the GM partnership a linchpin to its success," Ives said. "In a nutshell, Nikola is still a 'prove me' stock."

GM reiterated Monday that it stood by a deal that it has touted as a component of its shift to expand the scope of its electric auto offerings. Under the transaction, GM will receive an 11 percent stake and a seat on the board of Nikola, which plans to start producing the Badger pickup truck by the end of 2022.

"We acknowledge Trevor Milton's departure from Nikola and the decision of the Nikola Board to move forward," GM said. "We will work with Nikola to close the transaction we announced nearly two weeks ago to seize the growth opportunities in broader markets with our Hydrotec fuel cell and Ultium battery systems, and to engineer and build the Nikola Badger."

Shares of GM fell 4.8 percent to \$30.

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