



**TESLA MOTORS, INC.**  
3500 Deer Creek Road  
Palo Alto, California, USA

**TESLA MOTORS, INC.**  
**2010 EMPLOYEE STOCK PURCHASE PLAN**  
(As Amended and Restated Effective August 3, 2011)  
(“ESPP”)

**Prospectus for the employees of certain European Economic Area (“EEA”) subsidiaries of  
Tesla Motors, Inc., subject to the applicable legislation in each country**

This prospectus has been drafted and submitted for approval to the Autoriteit Financiële Markten (the “**AFM**”) in accordance with section 5(2) and further of the Dutch Financial Supervision Act, (*Wet op het financieel toezicht*).

This prospectus will be made available to employees of the EEA subsidiaries of Tesla Motors, Inc. based in countries in which offerings under the plan listed above are considered public offerings, subject to the applicable legislation in each country, at their respective head offices of their employers. In addition, this prospectus along with summary translations will be posted on Tesla Motors, Inc.’s intranet and free copies will be available to the employees upon request by contacting the human resources departments of their employers. This prospectus will also be available on the website of the AFM, [www.afm.nl](http://www.afm.nl).

The date of this prospectus is 20 August 2015.

## NOTE TO THE PROSPECTUS

This prospectus, which contains material information concerning Tesla Motors, Inc. was established in accordance with section 5(2) and further of the Dutch Financial Supervision (*Wet op het financieel toezicht*). Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 as amended by Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012, No 862/2912 of 4 June 2012 and No 759/2013 of 30 April 2013 (the “Prospectus Regulation”), this prospectus is composed of the following parts in the following order:

- (1) a table of contents,
- (2) the summary provided for in Article 5(2) of Directive 2003/71/EC of the European Parliament and of the European Council of 4 November 2003, as amended by Directive 2010/73/EU and Directive 2014/51/EU (the “Prospectus Directive”) (Part I constitutes the prospectus summary),
- (3) the risk factors linked to the issuer and the type of security covered by the issue, and
- (4) excerpts from Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 of the Prospectus Regulation and question 71 of the European Securities and Markets Authority (“ESMA”) Q&A,<sup>1</sup> are required for this offering of equity securities to employees of Tesla Motors, Inc. and its affiliates.

This prospectus contains in Section B, Part II supplemental information concerning Tesla Motors, Inc. and the Tesla Motors, Inc. 2010 Employee Stock Purchase Plan, as well as the following documents (Exhibits):

- Tesla Motors, Inc. 2010 Employee Stock Purchase Plan
- Sub-Plan of the Tesla Motors, Inc. 2010 Employee Stock Purchase Plan, as Amended and Restated

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<sup>1</sup> Frequently asked questions regarding prospectuses: Common positions agreed by ESMA Members, 22th Updated Version - October 2014 (Ref. ESMA/79).

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## PART I - PROSPECTUS SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1 - E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

### SECTION A - INTRODUCTION AND WARNINGS

A.1	<b>Warning to the reader</b>	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Union or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have presented the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	<b>Consent to use of the prospectus</b>	Not applicable. There is no subsequent resale or final placement of securities by financial intermediaries.

### SECTION B - ISSUER

B.1	<b>Legal and commercial name of the issuer</b>	Tesla Motors, Inc. (the "Company").  In this prospectus, the terms "Tesla Motors", "we", "us", or "our" mean Tesla Motors, Inc. and its subsidiaries.
B.2	<b>Domicile and legal form of Tesla Motors, Inc., the legislation under which it operates and its country of</b>	Tesla Motors, Inc. is a corporation incorporated under the laws of the state of Delaware having its principal offices located at 3500 Deer Creek Road, Palo Alto, California, 94304, U.S.A.

	<b>incorporation</b>	
B.3	<b>Description of the nature of Tesla Motors, Inc.'s current operations and its principal activities</b>	<p>Tesla Motors, Inc. was incorporated in the state of Delaware on July 1, 2003. We design, manufacture, sell and/or service our vehicles develop, manufacture and sell high-performance fully electric vehicles, advanced electric vehicle powertrain components, and energy storage applications. We have wholly-owned subsidiaries in North America, Europe and Asia. The primary purpose of these subsidiaries is to provide sales and services.</p>
B.4a	<b>Recent trends</b>	<p>We are currently producing and selling our second vehicle, the Model S sedan. Model S is a four door, five-passenger premium sedan that offers exceptional performance, functionality and attractive styling. We commenced deliveries of Model S in June 2012 and have delivered over 78,000 Model S vehicles through June 30, 2015. In 2014, we announced the availability of our All-Wheel Drive Model S and began delivery, starting with a performance-optimized version, in December 2014. Since then, we announced a 70 kWh Model S both with All-Wheel Drive and rear wheel drive options and an upgrade to a 90 kWh battery pack, and we discontinued the 60 kWh Model S. In addition, we recently announced the next generation of our energy storage products, the 7 kWh and 10 kWh Powerwall for residential applications and the 100 kWh Powerpack for commercial and industrial applications. We expect to begin production and deliveries of these products, which we will market under the Tesla Energy brand, later this year.</p> <p>We are continuing to develop our Model X crossover vehicle and intend to commence customer deliveries late in the third quarter of 2015. After the Model X, our goal is to begin deliveries of Model 3, a lower priced sedan designed for the mass market, in late 2017.</p> <p>Our primary source of revenue is from the sale of our vehicles. During the three months ended June 30, 2015, we recognized total revenues of \$955.0 million, an increase of \$185.7 million over total revenues of \$769.3 million for the three months ended June 30, 2014, primarily driven by growth of Model S deliveries worldwide.</p> <p>Gross margin for the three months ended June 30, 2015 was 22.3%, a decrease from 27.7% for the three months ended June 30, 2014.</p> <p>We continue to increase our sales and service footprint worldwide and expand our Supercharging network. With the continued global expansion of our customer support and Supercharger infrastructure, selling, general and administrative expenses were \$201.8 million for the three months ended June 30, 2015, compared to \$134.0 million for the three months ended June 30, 2014.</p> <p>Our capital expenditures and operating expenses have significantly increased in the past year. As we continue to invest in the long term growth of Tesla, capital spending and operating expenses will continue to increase, but at a more moderate pace than in 2014. During 2015, capital expenditures are expected to be about \$1.5 billion as we expand production capacity, complete Model X development, and continue to build the Gigafactory; expand our stores and service centers, expand our Supercharger network, and continue other product development programs, including Model 3.</p> <p>Our operating expenses are expected to grow by 45% to 50% in 2015 as compared to 2014 which will be less than half the pace of growth in 2014. Our R&amp;D expenses will continue to increase in Q3 2015 due to development, validation, and testing of Model X and will slow down beyond that. R&amp;D expenses will start to increase again in</p>

		<p>2016 with engineering work on Model 3 as we get closer to its launch. We expect sales, general and administrative expenses to decline over time as a percentage of revenue as we focus on increasing operational efficiency while continuing to expand our customer and corporate infrastructure. Over time, we also expect overall operating expenses to decrease as a percentage of revenue.</p> <p>As of June 30, 2015 and December 31, 2014, the net book value of our Supercharger network was \$139.8 million and \$107.8 million and currently includes 480 locations globally. We plan to continue investing in our Supercharger network for the foreseeable future, including in North America, Europe and Asia and expect such spending to be approximately 5% of total capital spending over the next 12 months. During 2015, this investment will grow our Supercharger network by about 50%. We allocate Supercharger related expenses to cost of automotive revenues and selling, general, and administrative expenses. These costs were immaterial for all periods presented.</p> <p>Our revenues and costs denominated in foreign currencies are not completely matched. Accordingly, if the value of the U.S. dollar depreciates significantly against currencies where we have a net short exposure, our costs as measured in U.S. dollars as a percent of our revenues will correspondingly increase which may adversely impact our operating results. Conversely, as the value of the U.S. dollar appreciates significantly against currencies where revenues exceed expenses, our revenues as measured in U.S. dollars may be reduced.</p> <p>As a result of the favorable impact from unsettled foreign currency-denominated intercompany balances and foreign currency cash holdings, related largely to our Norwegian kroner and euro balances, we recorded unrealized gains of \$13.2 million on foreign exchange transactions in other income (expense), net, for the six months ended June 30, 2015.</p>
B.5	<b>Organizational structure</b>	We have wholly-owned subsidiaries in North America, Europe and Asia.
B.6	<b>Interests in Tesla Motors, Inc.'s capital or voting rights</b>	Not applicable. Pursuant to its Q&A, ESMA considers that Item 18 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.

**B.7 Financial information concerning Tesla Motors, Inc. for the fiscal years ended December 31, 2014, 2013, and 2012, and for the quarters ended June 30, 2015 and 2014**

The selected financial data of Tesla Motors Inc. set out in this prospectus have been derived from Tesla Motors, Inc. Consolidated Financial Statements, prepared in accordance with U.S. GAAP. They are derived in part from Tesla Motors' consolidated financial statements which are available for the Eligible Employees' review at <http://ir.teslamotors.com/sec.cfm>.

**SELECTED THREE-YEAR CONSOLIDATED FINANCIAL DATA**  
(in thousands, except share and per share data)

**Consolidated Statements of Operations Data**

	Year ended December 31,		
	2014	2013	2012
Total revenues	\$ 3,198,356	2,013,496	413,256
Gross profit	881,671	456,262	30,067
Loss from operations	(186,689)	(61,283)	(394,283)
Net loss	\$ (294,040)	(74,014)	(396,213)
Net loss per share of common stock, basic and diluted	\$ (2.36)	(0.62)	(3.69)
Weighted average shares used in computing net loss per share of common stock	124,573,415	119,421,414	107,349,188

**Consolidated Balance Sheets**

	Year ended December 31,		
	2014	2013	2012
Working capital (deficit)	\$ 1,091,491	590,779	(14,340)
Total assets	5,849,251	2,416,930	1,114,190
Total long-term obligations	2,772,179	1,074,650	450,382

**SELECTED QUARTERLY CONDENSED CONSOLIDATED FINANCIAL DATA**  
(In thousands, except share and per share data - Unaudited)

	Three Months Ended June 30,	
	2015	2014
<b>Statements of Operations Data:</b>		
Total revenues	\$ 954,976	\$ 769,349
Total cost of revenues	741,606	556,354
Gross profit	213,370	212,995
Total operating expenses	383,558	241,748
Net loss	(184,227)	(61,900)
Net loss per share of common stock, basic and diluted	(1.45)	(0.50)
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Balance Sheets Data:</b>		
Cash and cash equivalents	\$ 1,150,673	\$ 2,674,910
Total assets	6,468,185	5,054,463
Total liabilities	5,701,978	4,036,047
Total stockholders' equity	715,934	952,333

B.8	<b>Pro forma financial information</b>	Not applicable. Pursuant to its Q&A, ESMA considers that Item 20.2 of Annex I of the Prospectus Regulation is generally not pertinent for offers of shares to employees and can thus be omitted from the prospectus in accordance with Article 23.4 of the Prospectus Regulation.
B.9	<b>Profit forecast</b>	Not applicable. This prospectus does not contain any profit forecast.
B.10	<b>Qualifications in the audit report on the historical financial information</b>	Not applicable. There are no such qualifications in the auditors' report on the historical financial information.
B.11	<b>Working capital statement</b>	Not applicable. Tesla Motors, Inc.'s working capital is sufficient for its present requirements.

<b>SECTION C – SECURITIES</b>		
C.1	<b>Type and class of the securities being offered, including the security identification code</b>	<p>Tesla Motors, Inc.'s shares of its common stock, par value \$0.001 (the "Shares") are quoted on The Nasdaq Global Select Market under the symbol "TSLA". The CUSIP for the Shares is 88160R101.</p> <p>The Shares issued under the ESPP are tradable on the Nasdaq and provide to the Eligible Employees (as defined in Element E.3 below) enrolling in the ESPP (the "Participating Employee") the same rights as those attached to Shares currently traded on the Nasdaq.</p>
C.2	<b>Currency of the securities issues</b>	The United States Dollar is the currency of the securities issue.
C.3	<b>Number of shares issued</b>	As of December 31, 2014, Tesla Motor's, Inc. was authorized to issue 2,000,000,000 Shares, par value \$0.001, and 100,000,000 shares of preferred stock, par value \$0.001. As of July 30, 2015, there were 127,142,147 Shares and no shares of preferred stock outstanding.
C.4	<b>Rights attached to the securities</b>	<p>No Participating Employee, as defined in Element E.3 below, shall have any voting, dividend, or other stockholder rights with respect to any offering of Shares under the ESPP until the Shares have been purchased and delivered to the Participating Employee. Following such purchase and delivery, the Participating Employee shall be entitled to the rights attached to the Shares, as further described below:</p> <p><b>Dividend Rights.</b> The holders of Shares are entitled to receive such dividends as the Company's directors from time to time may declare out of funds legally available. Entitlement to dividends is subject to the preferences granted to other classes of securities the Company has or may have outstanding in the future, including any preferred shares, and may be restricted by the terms of the Company's debt instruments.</p> <p><b>Voting rights.</b> The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the stockholders.</p>



		<p><b>Right to Receive Liquidation Distribution.</b> In the event of liquidation, dissolution or winding up of the Company, holders of Shares are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding shares of preferred stock.</p> <p><b>No Preemptive, Redemptive or Conversion Provisions.</b> The holders of Shares have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the Share.</p>
C.5	<b>Transferability restrictions</b>	The Shares in this offering under the ESPP are registered on Form S-8 with the SEC and are generally freely transferable.
C.6	<b>Admission to trading on a regulated market</b>	Not applicable. The Shares will not be admitted for trading on any regulated market. As mentioned in Section C.1 above, the Shares are listed on the Nasdaq.
C.7	<b>Dividend policy</b>	We have never declared or paid cash dividends or stock dividends on our capital stock nor do we anticipate paying any such cash dividends or stock dividends in the foreseeable future.

#### SECTION D – RISKS

D.1	<b>Key risks related to Tesla Motors, Inc. or its industry</b>	<p>Set forth below are summaries of the key risks, uncertainties and other factors that may affect Tesla Motors, Inc.'s future results:</p> <ul style="list-style-type: none"> <li>– We may experience significant delays or other complications in the design, manufacture, launch and production ramp of Model X, as well as future vehicles such as Model 3, which could harm our brand, business, prospects, financial condition and operating results.</li> <li>– The complexity in our business continues to grow as we introduce new products and variants.</li> <li>– We may be unable to meet our production and delivery plans for Model S and Model X, both of which could harm our business and prospects.</li> <li>– Our long-term success will be dependent upon our ability to design, build and achieve market acceptance of our vehicles, including Model S and new vehicle models such as Model X and Model 3.</li> <li>– Problems or delays in bringing the Gigafactory online and operating it in line with our expectations could negatively affect the production and profitability of our products, such as Model 3 or Tesla Energy products.</li> <li>– If our vehicles or vehicles that contain our powertrains fail to perform as expected, our ability to develop, market and sell our electric vehicles could be harmed.</li> <li>– We are dependent on our suppliers, the majority of which are single source suppliers, and the inability of these suppliers to continue to deliver, or their refusal to deliver, necessary components of our vehicles in a timely manner at prices, quality</li> </ul>
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		<p>levels, and volumes acceptable to us would have a material adverse effect on our financial condition and operating results.</p> <ul style="list-style-type: none"> <li>- Our future growth is dependent upon consumers' willingness to adopt electric vehicles.</li> <li>- If we fail to manage future growth effectively as we rapidly grow our company, especially internationally, we may not be able to produce, market, sell and service our vehicles successfully.</li> <li>- If we are unable to adequately reduce the manufacturing costs of Model S, control manufacturing costs for Model X or otherwise control the costs associated with operating our business, our financial condition and operating results will suffer.</li> <li>- We may fail to meet our publicly announced guidance or other expectations about our business, which would cause our stock price to decline.</li> <li>- Our vehicles make use of lithium-ion battery cells, which have been observed to catch fire or vent smoke and flame, and such events have raised concerns, and future events may lead to additional concerns, about the batteries used in automotive applications.</li> <li>- We have a history of losses and have to deliver significant cost reductions to achieve sustained, long-term profitability and long-term commercial success.</li> <li>- Foreign currency movements relative to the U.S. dollar could harm our financial results.</li> <li>- Our resale value guarantee and leasing programs expose us to the risk that the resale values of vehicles returned to us are lower than our estimates and may result in lower revenues, gross margin, profitability and liquidity.</li> <li>- If we fail to effectively manage the residual, financing and credit risks related to our direct Tesla leasing programs our business may suffer.</li> <li>- Increases in costs, disruption of supply or shortage of raw materials, in particular lithium-ion cells, could harm our business.</li> <li>- Our direct sales distribution model is different from the predominant current distribution model for automobile manufacturers and subjects us to certain risks.</li> <li>- We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.</li> <li>- The automotive market is highly competitive, and we may not be successful in competing in this industry. We currently face competition from new and established competitors and expect to face competition from others in the future.</li> <li>- Demand in the automobile industry is volatile, which may lead to lower vehicle unit sales and adversely affect our operating results.</li> <li>- If we are unable to establish and maintain confidence in our long-term business prospects among consumers, analysts and within our industry, then our financial condition, operating</li> </ul>
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		<p>results, business prospects and stock price may suffer materially.</p> <ul style="list-style-type: none"> <li>- Our vehicles have unique servicing requirements, and we are using a different service model from the one typically used in the industry. If we are unable to address the service requirements of our existing and future customers, our business will be materially and adversely affected.</li> <li>- We may not succeed in maintaining and strengthening the Tesla brand, which would materially and adversely affect customer acceptance of our vehicles and components and our business, revenues and prospects.</li> <li>- Our plan to expand our network of Tesla stores, service centers and Superchargers will require significant cash investments and management resources and may not meet our expectations with respect to additional sales of our electric vehicles. In addition, we may not be able to open stores or service centers in certain states or Superchargers in desired locations.</li> <li>- We face risks associated with our international operations and expansion, including unfavorable regulatory, political, tax and labor conditions and establishing ourselves in new markets, all of which could harm our business.</li> <li>- The unavailability, reduction or elimination of, or uncertainty regarding, government and economic incentives in the U.S. and abroad could have a material adverse effect on our business, financial condition, operating results and prospects.</li> <li>- Our strategic relationships with third parties, such as Panasonic, are subject to various risks which could adversely affect our business and future prospects.</li> <li>- If we are unable to keep up with advances in electric vehicle technology, we may suffer a decline in our competitive position.</li> <li>- If we are unable to attract and/or retain key employees and hire qualified management, technical, vehicle engineering and manufacturing personnel, our ability to compete could be harmed and our stock price may decline.</li> <li>- We are highly dependent on the services of Elon Musk, our Chief Executive Officer.</li> <li>- We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and negatively impact our ability to operate our manufacturing facilities.</li> <li>- Our business may be adversely affected by union activities.</li> <li>- We are currently expanding and improving our information technology systems. If these implementations are not successful, our business and operations could be disrupted and our operating results could be harmed.</li> <li>- We are subject to substantial regulation, which is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and operating results.</li> <li>- We retain certain personal information about our customers and may be subject to various privacy and consumer protection</li> </ul>
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		<p>laws.</p> <ul style="list-style-type: none"> <li>- We may be compelled to undertake product recalls or take other actions, which could adversely affect our brand image and financial performance.</li> <li>- Our current and future warranty reserves may be insufficient to cover future warranty claims which could adversely affect our financial performance.</li> <li>- Our insurance strategy may not be adequate to protect us from all business risks.</li> <li>- Our financial results may vary significantly from period-to-period due to fluctuations in our operating costs and the seasonality of our business.</li> <li>- Unauthorized control or manipulation of our vehicles' systems may affect the operation of our vehicles or compromise data security, which could result in loss of confidence in us and our vehicles and harm our business.</li> <li>- We may need or want to raise additional funds and these funds may not be available to us when we need them. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected.</li> <li>- We may face regulatory limitations on our ability to sell vehicles directly or over the internet which could materially and adversely affect our ability to sell our electric vehicles.</li> <li>- We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and would cause us to incur substantial costs.</li> <li>- Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from interfering with our commercialization of our products.</li> <li>- Our trademark applications in certain countries remain subject to outstanding opposition proceedings.</li> <li>- Our facilities or operations could be damaged or adversely affected as a result of disasters or unpredictable events.</li> <li>- Servicing our convertible senior notes and other debt facilities requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.</li> <li>- Our debt agreements contain covenant restrictions that may limit our ability to operate our business.</li> <li>- We may still incur substantially more debt or take other actions, which would intensify the risks discussed immediately above.</li> <li>- The classification of our Notes may have a material effect on our reported financial results.</li> <li>- The trading price of our common stock is likely to continue to be volatile.</li> <li>- Conversion of the Notes may dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock.</li> </ul>
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		<ul style="list-style-type: none"> <li>- The convertible note hedge and warrant transactions we entered into in connection with the issuance of Notes may affect the value of the Notes and our common stock.</li> <li>- Mr. Musk borrowed funds from affiliates of certain underwriters in our public offerings and/or private placements and has pledged shares of our common stock to secure these borrowings. The forced sale of these shares pursuant to a margin call could cause our stock price to decline and negatively impact our business.</li> <li>- Anti-takeover provisions contained in our certificate of incorporation and bylaws, the provisions of Delaware law, and the terms of our convertible notes could impair a takeover attempt.</li> <li>- If securities or industry analysts publishing research or reports about us, our business or our market change their recommendations regarding our stock adversely or cease to publish research or reports about us, our stock price and trading volume could decline.</li> </ul>
D.3	<b>Key risks related to the shares</b>	Participating Employees assume the risk of any currency fluctuations at the time of their contribution to the ESPP by payroll deductions and of the selling of their Shares.

**SECTION E – OFFER**

E.1	<b>Net proceeds</b>	Assuming that each of the 988 Eligible Employees, as defined in Element E.3 below, would purchase the maximum amount of Shares under the ESPP purchasable with a maximum contribution of \$25,000 for an hypothetical purchase price of \$228.02 (eighty five percent (85%) of \$268.26, the closing price on June 30, 2015), then the gross proceeds of Tesla Motors, Inc. in connection with the offer under the ESPP pursuant to this prospectus would be \$24,555,929.84. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately \$24,485,929.84.
E.2a	<b>Reasons for the offer and use of proceeds</b>	<p>The purpose of the ESPP is to provide an incentive for Eligible Employees of Tesla Motors, Inc. and its designated subsidiaries (the “Participating Companies”) to acquire or increase a proprietary interest in the Company through the purchase of Shares in the manner contemplated by the ESPP.</p> <p>The net proceeds will be used for general corporate purposes.</p>
E.3	<b>Description of the terms and conditions of the offer</b>	<p>The ESPP was established to provide employees of the Participating Companies, some of which are located in the EEA, with the opportunity to purchase Shares at a discount. The ESPP is administered by the board of directors of the Company or any committee of the board of directors of the Company appointed in accordance with Section 14 of the ESPP (the “Administrator”), by the board of directors of the Company (the “Board”).</p> <p>The offering of the ESPP may be considered a public offering of securities pursuant to Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended by Directive 2010/73/EU and Directive 2014/51/EU (the “Prospectus Directive”) in the following EEA countries, subject to the applicable legislation in each country: the Netherlands, the United Kingdom, Germany and Norway. The offering of the ESPP, on the basis described herein, may also be made to employees in the following EEA countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Spain, Italy and Sweden (the “Additional Countries”). Under the Prospectus Directive, such offering in the Additional Countries is not considered a public offering of securities and/or is an offering to which the obligation to publish a prospectus does not apply. The total value of the offering of the ESPP in the EEA is more than € 5 million over any rolling twelve-month period. Total value for purposes of this calculation shall mean funds paid or payable by participants in connection with the ESPP.</p> <p>This prospectus will be made available to employees of Tesla Motors, Inc.’s subsidiaries based in the Netherlands, the United Kingdom, Germany and Norway at the respective head offices of their employers. In addition, this prospectus along with summary translations (as applicable) will be posted on Tesla Motors, Inc.’s intranet, and free copies will be available to employees upon request to their employer’s human resources department. This prospectus will also be made available on the website of the AFM, <a href="http://www.afm.nl">www.afm.nl</a>.</p> <p>The ESPP is composed of periods of approximately six (6) months (i) commencing on the first Trading Day on or after March 1 of each year and terminating on the last Trading Day in the subsequent</p>

		<p>August, approximately six (6) months later, and (ii) commencing on the first Trading Day on or after September 1 of each year and terminating on the last Trading Day in the subsequent February, approximately six (6) months later (“Offering Periods”). The Administrator will have the power to change the duration of Offering Periods.</p> <p>The first day of each Offering Period is referred to as the Offering Date.</p> <p>As of June 30, 2015, there were 2,230,184 Shares available for issuance under the ESPP on a worldwide basis (out of the total 3,615,749 Shares authorized under the ESPP). Based on the employee headcounts as of June 30, 2015, during the twelve-month Offering Period beginning on September 1, 2015, a maximum of 107,692 Shares will be offered to approximately 988 Eligible Employees (425 in the Netherlands, 160 in the United Kingdom, 272 in Norway, 131 in Germany). Such Shares shall be authorized but unissued Shares.</p> <p>Employees of a Participating Company excluding employees who, after purchasing Shares under the ESPP, would own five percent (5%) or more of Tesla Motors, Inc.’s outstanding Shares, may participate in the ESPP (the “Eligible Employee”). The maximum amount of Shares that any one Eligible Employee shall be allowed to purchase shall be determined by the Administrator on prior to the Offering Date (as defined in the ESPP), is subject to the limitation set out below, and in all cases shall not exceed the number of Shares purchasable with a maximum contribution of \$25,000 during such period.</p> <p>Eligible Employees may enroll in the ESPP, thereby becoming Participating Employees, by completing a subscription agreement and any other required documents (the “Enrollment Documents”) and delivering them to their employer’s payroll department not later than August 31, 2015.</p> <p>Participating Employees authorize payroll deductions in an amount not exceeding fifteen percent (15%) of their compensation which are used to purchase up to a maximum of 500 Shares on the last business day of each Offering Period (the “Exercise Date”), during each six (6) month Offering Period. The purchase price per Share is eighty five percent (85%) of the lesser of (i) the fair market value of a Share on the Offering Date or (ii) the fair market value of a Share on the Exercise Date. There is no charge to Participating Employees for the acquisition or holding of the Shares under the ESPP. Commissions related to the sale of Shares may apply.</p>
E.4	<b>Descriptions of the material interest to the offer including conflict of interests</b>	Not applicable. There are no such interests.
E.5	<b>Name of the entity offering to sell the security</b>	Tesla Motors, Inc.

E.6	<b>Maximum dilution</b>	<p>The Shares under the ESPP are offered pursuant to this prospectus to approximately 988 Eligible Employees. As indicated in Element E3 above, the maximum rate at which Eligible Employees may purchase Shares may not exceed US\$25,000 of the fair market value of Shares (determined as of the Offering Date) per calendar year in which the right is outstanding. However, as noted above, there are other limitations on Share purchases such as no more than fifteen percent (15%) of eligible compensation may be contributed to ESPP purchases.</p> <p>Assuming that (i) no other ESPP limitations are exceeded, and (ii) no Eligible Employee has carried or will carry over any contributions from the prior calendar year into the following calendar year, Eligible Employees would each be able to purchase a maximum of 109 whole Shares for a maximum of US\$24,555,929.84 in contributions for the Offering Period starting on September 1, 2015. These amounts are based on a hypothetical Share price of US\$228.02 on September 1, 2015 (<i>i.e.</i>, the day on which the US\$25,000 limit will be calculated), which hypothetical Share price is equal to the closing price of the Shares on the Nasdaq on June 30, 2015, based on the assumption that Shares will be purchased at a Purchase Price based on this date which is US\$228.02 (85% of US\$268.26). Assuming that all Eligible Employees participate in the ESPP and each Eligible Employee purchases 109 Shares in the offer, the maximum number of Shares offered pursuant to this prospectus amounts to 107,692 Shares.</p> <p>Based on the above assumptions, a shareholder of Tesla Motors, Inc. currently holding one percent (1%) of the total outstanding share capital of Tesla Motors, Inc. as of June 30, 2015 that is 1,271,421 Shares, and who would not participate in the offer would be diluted as indicated in the following dilution table:</p> <table border="1" data-bbox="582 1155 1394 1532"> <thead> <tr> <th></th> <th>Percentage of the total outstanding Shares</th> <th>Total number of outstanding Shares</th> </tr> </thead> <tbody> <tr> <td><b>Before the offering (as of June 30, 2015)</b></td> <td>1%</td> <td>127,142,147</td> </tr> <tr> <td><b>After issuance of 107,692 Shares under the ESPP</b></td> <td>0.9992%</td> <td>127,249,839</td> </tr> </tbody> </table>		Percentage of the total outstanding Shares	Total number of outstanding Shares	<b>Before the offering (as of June 30, 2015)</b>	1%	127,142,147	<b>After issuance of 107,692 Shares under the ESPP</b>	0.9992%	127,249,839
	Percentage of the total outstanding Shares	Total number of outstanding Shares									
<b>Before the offering (as of June 30, 2015)</b>	1%	127,142,147									
<b>After issuance of 107,692 Shares under the ESPP</b>	0.9992%	127,249,839									
E.7	<b>Estimated expenses charged to the investor</b>	Not applicable. There are no such expenses.									



**THE FOLLOWING INFORMATION IS NOT PART OF THE PROSPECTUS SUMMARY**

**PART II - PROSPECTUS**

**SECTION A: RISK FACTORS**

**I. RISKS RELATED TO TESLA MOTORS, INC.'S BUSINESS AND INDUSTRY**

**We may experience significant delays or other complications in the design, manufacture, launch and production ramp of Model X, as well as future vehicles such as Model 3, which could harm our brand, business, prospects, financial condition and operating results.**

We may experience significant delays or other complications in bringing Model X and other new vehicles to market. While we expect Model X deliveries to start late in the third quarter of this year and beginning to ramp in the fourth quarter, various factors could result in delays in its introduction, including the initiation and ramp of our production capacity required to bring Model X to market, finalization of its supply chain including the capacity of our suppliers to deliver us components at the timing and volumes we require, and timely completion of regulatory approvals. In addition, since Model X shares certain production facilities with the Model S, Model S production may be impacted if the introduction and ramp of Model X is not as efficient as we plan.

We have experienced delays or other complications in connection with new vehicle models in the past, such as production ramp delays for Model S in 2012, the All-Wheel Drive Dual Motor Model S, and Model X. Any significant delay or other complication in the development, manufacture, launch and production ramp of Model X or our future vehicles, including complications associated with expanding our production capacity, supply chain or regulatory approvals, could materially damage our brand, business, prospects, financial condition and operating results.

**The complexity in our business continues to grow as we introduce new products and variants.**

We have limited experience simultaneously designing, testing, manufacturing, upgrading, adapting and selling our electric vehicles as well as limited experience allocating our available resources among the design and production of multiple vehicles, such as Model S, Model X and Model 3, and in particular with respect to multiple vehicle models and variants. In the past, when we have added complexity to our production line, we have experienced unexpected delays. Similar problems may occur in the future as we begin to simultaneously produce Model X and Model S vehicles, as well as future vehicles.

**We may be unable to meet our production and delivery plans for Model S and Model X, both of which could harm our business and prospects.**

We have significantly increased vehicle production and deliveries since the launch of Model S in 2012, and our plans call for even greater increases going forward. Our ability to further ramp-up high volume Model S production and commence and ramp production of Model X, will depend upon a number of factors, including our ability to use new manufacturing processes as planned while maintaining our desired quality levels, our suppliers' ability to deliver sufficient volumes of quality parts to us in a timely manner, and carefully but efficiently making design and production changes to ensure consistently high quality. Certain suppliers have experienced delays in meeting our demand or have sought to renegotiate the terms of the supply arrangements, and we continue to focus on supplier capabilities and constraints. While our plans call for us to significantly increase production and deliveries of our vehicles in a short amount of time, we may be unable to do so. Any delays or disruption in our

production of Model S and Model X in line with our plans could materially damage our brand, business, prospects, financial condition and operating results.

In addition, for Model S we have introduced a number of new manufacturing technologies and techniques, such as aluminum spot welding systems. Our vehicles also have unique design features, such as a 17 inch display screen, retractable exterior door handles, and all-new dual motor and autopilot hardware introduced in Model S and falcon-wing doors and other unique features that will debut in Model X, each of which poses different manufacturing challenges.

Concurrent with the significant increase in our planned production levels, we will also need to continue to significantly increase deliveries of our vehicles. We have limited experience in delivering a high volume of vehicles, and we may face difficulties meeting our delivery and growth plans into both existing markets as well as new markets into which we expand. If we are unable to ramp up to meet our delivery goals globally to be proportionate to the production rate of our vehicles, this could result in negative publicity, damage our brand and have a material adverse effect on our business, prospects, financial condition and operating results.

Finally, detailed long-term testing of quality, reliability and durability of our vehicles is ongoing and any negative results from such testing could cause production or delivery delays, cost increases, or lower quality of our vehicles.

**Our long-term success will be dependent upon our ability to design, build and achieve market acceptance of our vehicles, including Model S and new vehicle models such as Model X and Model 3.**

There is no guarantee that Model S or our future vehicles will continue to be successfully accepted by the general public, especially in the long-term. Although we have successfully grown demand for Model S to date and believe that we will be able to continue to do so, there is also no guarantee that future demand for Model S will meet our expectations.

Additionally, we have limited experience in introducing new vehicles. Although we have strong initial demand for Model X, we have not yet publicly revealed its production intent design which makes it difficult to estimate its long-term demand. To the extent that we are not able to build Model X in accordance with consumer expectations, customers may cancel their reservations and our future sales could be harmed.

While we believe that there will continue to be separate and strong demand for both Model S and Model X, we have never sold multiple vehicles at the same time. Although we believe that each of our vehicles and their variants meet a distinct segment of the automotive market, if our vehicles end up competing with one another in the market, then our ability to sell each vehicle model at planned quantities or prices may be impacted.

Beyond Model X, we have announced our intent to develop Model 3, which we intend to offer at a lower price point and to produce at high volumes. We have not yet finalized the design, engineering or material and component sourcing plans for Model 3 and we may not be able to bring this vehicle to market at the expected price point and the expected volume. Similar to Model X, while we expect Model 3 to be an extremely popular vehicle, we do not know what long-term demand for Model 3 will be and whether it will meet our expectations. The market for vehicles in the price range we expect for Model 3 is larger, but more competitive than the markets for Model S and Model X.

Finally, we constantly innovate and introduce new vehicles and new variants containing our latest technology at a fast rate. While we also offer additional features to our existing customer base, new potential customers may decide to delay their purchases of our vehicles in order to wait for the latest Tesla vehicle or variant, which could further limit vehicle demand.

**Problems or delays in bringing the Gigafactory online and operating it in line with our expectations could negatively affect the production and profitability of our products, such as Model 3 or Tesla Energy products.**

To lower the cost of cell production and produce cells in high volume, we intend to integrate the production of lithium-ion cells and finished battery packs for our vehicles, including Model 3, and Tesla

Energy products at our new Gigafactory. We have limited experience in building a factory, and no direct experience in the production of lithium-ion cells. While planning discussions with production and supply chain partners continue to progress, other than Panasonic we have not finalized agreements with additional Gigafactory partners that will be co-located at the Gigafactory. Also, the cost and complexity of building and operating the Gigafactory could exceed our current expectations and the Gigafactory may take longer to bring online than we anticipate. If we are unable to build the Gigafactory in a timely manner to produce high volumes of quality lithium-ion cells at reasonable prices, our ability to supply battery packs to our products according to our schedule and/or at a price that allows us to sell them profitably and in the quantities we estimate could be constrained. Any such problems or delays with the Gigafactory could negatively affect our brand and harm our business, prospects, financial condition and operating results.

**If our vehicles or vehicles that contain our powertrains fail to perform as expected, our ability to develop, market and sell our electric vehicles could be harmed.**

Our vehicles or vehicles that contain our powertrains may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. For example, the operation of our vehicles is highly dependent on software, which is inherently complex and may contain defects and errors when first introduced or later updated. Model S issues experienced by customers include those related to the software for the 17 inch display screen, the panoramic roof and the 12 volt battery. Although we attempt to remedy any issues we observe in our vehicles as effectively and as rapidly as possible, such efforts may not be timely or up to the satisfaction of our customers. While we have performed extensive internal testing, we currently have a limited frame of reference by which to evaluate the long-term performance of our battery packs, powertrains and vehicles. There can be no assurance that we will be able to detect and fix any defects in the vehicles prior to their sale to consumers.

Any product defects or any other failure of our vehicles to perform as expected could harm our reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to our brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects. Our Model X vehicles have not yet been evaluated by NHTSA for its 5-Star Safety Ratings, and while we hope to obtain comparable ratings to those achieved by Model S, there is no assurance this will occur.

**We are dependent on our suppliers, the majority of which are single source suppliers, and the inability of these suppliers to continue to deliver, or their refusal to deliver, necessary components of our vehicles in a timely manner at prices, quality levels, and volumes acceptable to us would have a material adverse effect on our financial condition and operating results.**

Model S and Model X contain numerous purchased parts which we source globally from hundreds of direct suppliers, the majority of whom are currently single source suppliers for these components despite efforts to qualify and obtain components from multiple sources whenever possible. Furthermore, we do not maintain long-term agreements with a number of our suppliers.

While we believe that we may be able to establish alternate supply relationships and can obtain or engineer replacement components for our single source components, we may be unable to do so in the short term, or at all, at prices or costs that are favorable to us. In particular, while we believe that we will be able to secure alternate sources of supply for most of our single sourced components in a relatively short time frame, qualifying alternate suppliers or developing our own replacements for certain highly customized components of our vehicles may be time consuming, costly and may force us to make additional modifications to a vehicle's design.

This limited supply chain exposes us to multiple potential sources of delivery failure or component shortages for the production of our vehicles and powertrain components. We may experience delays due to supply chain disruptions with respect to Model S, Model X, Model 3 and any other future vehicle we may produce, such as those we experienced in 2012 in connection with our slower-than-anticipated

Model S ramp. In addition, our transition from low to high volume production tooling for Model X may take longer than expected which may adversely impact our short-term financial results.

Changes in business conditions, labor issues, wars, governmental changes, natural disasters such as the March 2011 earthquakes in Japan and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis. Furthermore, if we experience significantly increased demand, or need to replace certain existing suppliers, there can be no assurance that additional supplies of component parts will be available when required on terms that are favorable to us, at all, that any supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner, or that we could engineer replacement components ourselves. In the past, we have replaced certain suppliers because of their failure to provide components that met our quality control standards. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to vehicle design changes and delays in vehicle deliveries to our customers, which could hurt our relationships with our customers and result in negative publicity, damage to our brand and a material and adverse effect on our business, prospects, financial condition and operating results.

Changes in our supply chain have resulted in the past, and may result in the future, in increased cost and delay. We have also experienced cost increases from certain of our suppliers in order to meet our quality targets and development timelines as well as due to design changes that we made, and we may experience similar cost increases in the future. Additionally, we are negotiating with existing suppliers for cost reductions, seeking new and less expensive suppliers for certain parts, and attempting to redesign certain parts to make them less expensive to produce. If we are unsuccessful in our efforts to control and reduce supplier costs, our operating results will suffer. Additionally, cost reduction efforts may interrupt or harm our normal production processes, thereby harming vehicle quality or reducing production output. Furthermore, a failure by our suppliers to provide the components in a timely manner or at the level of quality necessary to manufacture our vehicles could prevent us from fulfilling customer orders in a timely fashion which could result in negative publicity, damage our brand and have a material adverse effect on our business, prospects, financial condition and operating results.

Finally, in October 2013, we entered into an amendment to our existing supply agreement with Panasonic Corporation in order to address our anticipated short- to medium-term lithium-ion battery cell needs. While we expect that this supply agreement, as amended, will provide us with sufficient cells for the next few years, we may not be able to meet our long-term needs, including for Model 3 and other programs we may introduce, without securing additional suppliers or other sources for cells. We have signed an agreement with Panasonic to be our partner in the Gigafactory and be responsible for, among other things, manufacturing cells from there for use in our products. If we encounter unexpected difficulties with our current suppliers, including Panasonic, and if we are unable to fill these needs from other suppliers, we could experience production delays, which could have a material adverse effect on our financial condition and operating results.

### **Our future growth is dependent upon consumers' willingness to adopt electric vehicles.**

Our growth is highly dependent upon the adoption by consumers of alternative fuel vehicles in general and electric vehicles in particular. If the market for electric vehicles does not develop as we expect, or develops more slowly than we expect, our business, prospects, financial condition and operating results will be harmed. The market for alternative fuel vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, competition, evolving government regulation and industry standards, frequent new vehicle announcements and changing consumer demands and behaviors. Factors that may influence the adoption of electric vehicles include:

- perceptions about electric vehicle quality, safety (in particular with respect to lithium-ion battery packs), design, performance and cost;
- perceptions about the limited range over which electric vehicles may be driven on a single battery charge;
- the decline of an electric vehicle's range resulting from deterioration over time in the battery's ability to hold a charge;

- the availability of other types of alternative fuel vehicles, including plug-in hybrid electric vehicles;
- improvements in the fuel economy of the internal combustion engine;
- the availability of service for electric vehicles;
- volatility in the cost of oil and gasoline;
- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy as well as tax and other governmental incentives to purchase and operate electric vehicles; and
- access to charging facilities, standardization of electric vehicle charging systems and consumers' perceptions about convenience and cost to charge an electric vehicle.

**If we fail to manage future growth effectively as we rapidly grow our company, especially internationally, we may not be able to produce, market, sell and service our vehicles successfully.**

Any failure to manage our growth effectively could materially and adversely affect our business, prospects, operating results and financial condition. We continue to expand our operations significantly internationally. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. Risks that we face in undertaking this global expansion include:

- controlling expenses and investments in anticipation of expanded operations;
- establishing or expanding sales, service and Supercharger facilities in a timely manner;
- adapting our products to meet local requirements in countries around the world; and
- implementing and enhancing manufacturing, logistics and administrative infrastructure, systems and processes.

In addition, we intend to continue to hire a significant number of additional personnel, including manufacturing personnel, design personnel, engineers and service technicians. Because our vehicles are based on a different technology platform than traditional internal combustion engines, we may not be able to hire individuals with sufficient training in electric vehicles, and we will need to expend significant time and expense training the employees we do hire. Competition for individuals with experience designing, manufacturing and servicing electric vehicles is intense, and we may not be able to attract, assimilate, train or retain additional highly qualified personnel in the future, the failure of which could seriously harm our business, prospects, operating results and financial condition.

**If we are unable to adequately reduce the manufacturing costs of Model S, control manufacturing costs for Model X or otherwise control the costs associated with operating our business, our financial condition and operating results will suffer.**

As we have gradually ramped production of Model S, manufacturing costs per vehicle have decreased. While we expect ongoing cost reductions to be realized by both us and our suppliers, there is no guarantee we will be able to achieve sufficient cost savings to reach our gross margin and profitability goals. We incur significant costs related to procuring the raw materials required to manufacture our vehicles, assembling vehicles and compensating our personnel. We may also incur substantial costs or cost overruns in increasing the production capability of Model S and powertrain manufacturing facilities. Furthermore, if we are unable to produce Model X pursuant to our plan due to cost overruns or other unexpected costs, we may not be able to meet our gross margin targets.

Furthermore, many of the factors that impact our operating costs are beyond our control, such as potential increases in the costs of our raw materials and components, such as lithium-ion battery cells or aluminum used to produce body panels. We may eventually elect to incur substantial marketing costs and expenses to promote our vehicles, including through the use of traditional media such as television, radio and print, even though our marketing expenses to date have been relatively limited as we have to date relied upon unconventional marketing efforts. If we are unable to keep our operating costs aligned with the level of revenues we generate, our operating results, business and prospects will be harmed.

**We may fail to meet our publicly announced guidance or other expectations about our business, which would cause our stock price to decline.**

We occasionally provide guidance regarding our expected financial and business performance, such as projections regarding sales and production, as well as anticipated future revenues, gross margins, profitability and cash flows. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process and our guidance may not ultimately be accurate. Our guidance is based on certain assumptions such as those relating to anticipated production and sales volumes and average sales prices, supplier and commodity costs, and planned cost reductions.

Such guidance may not always be accurate or may vary from actual results due to our inability to meet our assumptions and the impact on our financial performance that could occur as a result of various risks and uncertainties. If we fail to meet our guidance or if we find it necessary to revise such guidance, investors and analysts may lose confidence in us and the market value of our common stock could be materially and adversely affected.

**Our vehicles make use of lithium-ion battery cells, which have been observed to catch fire or vent smoke and flame, and such events have raised concerns, and future events may lead to additional concerns, about the batteries used in automotive applications.**

The battery packs that we produce make use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells.

While we have designed the battery pack to passively contain any single cell's release of energy without spreading to neighboring cells, we have delivered only a limited number of our vehicles and other Tesla products and have limited field experience with them. Accordingly, there can be no assurance that a field or testing failure of our vehicles or other battery packs that we produce will not occur, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. Also, negative public perceptions regarding the suitability of lithium-ion cells for automotive applications or any future incident involving lithium-ion cells such as a vehicle or other fire, even if such incident does not involve our vehicles, could seriously harm our business.

In addition, we store a significant number of lithium-ion cells at our manufacturing facility. Any mishandling of battery cells may cause disruption to the operation of our facilities. While we have implemented safety procedures related to the handling of the cells, there can be no assurance that a safety issue or fire related to the cells would not disrupt our operations. Such damage or injury would likely lead to adverse publicity and potentially a safety recall. Moreover, any failure of a competitor's electric vehicle may cause indirect adverse publicity for us and our electric vehicles. Such adverse publicity would negatively affect our brand and harm our business, prospects, financial condition and operating results.

**We have a history of losses and have to deliver significant cost reductions to achieve sustained, long-term profitability and long-term commercial success.**

We have had net losses in each quarter since our inception, except for the first quarter of 2013. As of June 30, 2015, our accumulated deficit was \$1.772 billion. Even if we are able to continue to increase vehicle production and sales and ramp production and sales of Tesla Energy products, there can be no assurance that we will be profitable. In order to achieve profitability as well as long-term commercial success, we must continue to achieve our planned cost reductions, control our operational costs while producing quality vehicles, increase our production rate, and have strong demand for our vehicles as well as Tesla Energy products. Failure to do one or more of these things could prevent us from achieving sustained, long-term profitability.

**Foreign currency movements relative to the U.S. dollar could harm our financial results.**

Our revenues and costs denominated in foreign currencies are not completely matched. As we have increased Model S deliveries in markets outside of the United States, we have much higher revenues than costs denominated in other currencies such as the euro, Norwegian kroner, and Chinese yuan. The recent strengthening of the U.S. dollar therefore has reduced, and any further strengthening of the U.S. dollar would tend to further reduce, our revenues as measured in U.S. dollars. In addition, a portion of our costs and expenses have been, and we anticipate will continue to be, denominated in

foreign currencies, including the Japanese yen. If we do not have fully offsetting revenues in these currencies and if the value of the U.S. dollar depreciates significantly against these currencies, our costs as measured in U.S. dollars as a percent of our revenues will correspondingly increase and our margins will suffer. As a result, our operating results could be adversely affected.

**Our resale value guarantee and leasing programs expose us to the risk that the resale values of vehicles returned to us are lower than our estimates and may result in lower revenues, gross margin, profitability and liquidity.**

We offer resale value guarantees to many of our Model S customers, under which such customers may sell their vehicles back to us at certain points in time at pre-determined resale values. Customers can lease our vehicles through both leasing partners and Tesla Finance, our captive finance company. The resale values of any vehicles resold or returned to us pursuant to these programs may be lower than our estimates, which are based on a limited secondary market for our vehicles. If the volume of vehicles returned to us is higher than our estimates and we are not able to resell them timely, our cash flows and liquidity could be negatively impacted. In cases where customers retain their vehicles past the guarantee period, our gross margin will be negatively impacted as all remaining revenues and costs related to the vehicle will be recognized at no gross profit.

Because we provide a resale value guarantee to our customers, we apply lease accounting to purchases with a resale value guarantee as well as to leases held by Tesla Finance. Under lease accounting, we recognize the associated revenues and costs of the vehicle sale over time rather than fully upfront at vehicle delivery. As a result, these programs generate lower revenues in the period the car is delivered and higher gross margins during the period of the resale value guarantee as compared to purchases in which the resale value guarantee does not apply. A significant uptake under these programs could therefore have an adverse impact on our near term revenues and operating results. Moreover, unlike the resale value guarantee program or programs with leasing partners which do not impact our cash flows and liquidity at the time of vehicle delivery, under a lease held by Tesla Finance, we may receive only a very small portion of the total vehicle purchase price at the time of lease, followed by a stream of payments over the term of the lease. To the extent we expand Tesla Finance leasing without securing external financing or business partners to support such expansion, our cash flow and liquidity could also be negatively impacted.

**If we fail to effectively manage the residual, financing and credit risks related to our direct Tesla leasing program, our business may suffer.**

We offer leasing programs in the United States and Canada through our captive finance company, Tesla Finance, and in Germany through a local subsidiary. The profitability of the leasing program depends on our ability to accurately project residual values, secure adequate financing and/or business partners to fund and grow this program, and manage customer credit risk. If actual residual values of Model S vehicles are below our estimates, we may suffer lower profitability or potentially have losses. If we are unable to adequately fund our leasing program with either internal funds or external financing sources, we may be unable to grow our sales. Additionally, if we do not properly screen customers for ability to pay their leases on time, we may be exposed to excessive credit risks and associated losses. Furthermore, if our leasing business grows substantially, our business may suffer if we cannot effectively manage the greater levels of residual and credit risks resulting from growth. Finally, if we do not successfully monitor and comply with applicable national, and state and/or local financial regulations and consumer protection laws governing lease transactions, we may become subject to enforcement actions or penalties, either of which may harm our business.

**Increases in costs, disruption of supply or shortage of raw materials, in particular lithium-ion cells, could harm our business.**

We may experience increases in the cost or a sustained interruption in the supply or shortage of raw materials. Any such increase or supply interruption could materially and negatively impact our business, prospects, financial condition and operating results. We use various raw materials in our business including aluminum, steel, nickel and copper. The prices for these raw materials fluctuate depending on market conditions and global demand for these materials and could adversely affect our business and operating results. For instance, we are exposed to multiple risks relating to lithium-ion cells. These risks include:

- the inability or unwillingness of current battery manufacturers to build or operate battery cell manufacturing plants to supply the numbers of lithium-ion cells we require;
- disruption in the supply of cells due to quality issues or recalls by battery cell manufacturers;
- an increase in the cost of raw materials used in the body of Model S; and
- fluctuations in the value of the Japanese yen against the U.S. dollar as our battery cell purchases are currently denominated in Japanese yen.

Our business is dependent on the continued supply of battery cells for our vehicles' battery packs as well as for the battery packs we produce for other automobile manufacturers. While we believe several sources of the battery cells are available for such battery packs, we have fully qualified only one supplier for the cells used in such battery packs and have very limited flexibility in changing cell suppliers. Any disruption in the supply of battery cells from such vendors could disrupt production of our vehicles and of the battery packs we produce for other automobile manufacturers until such time as a different supplier is fully qualified. Furthermore, fluctuations or shortages in petroleum and other economic conditions may cause us to experience significant increases in freight charges and raw material costs. Substantial increases in the prices for our raw materials or prices charged to us, such as those charged by our battery cell manufacturers, would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased vehicle prices. Any attempts to increase vehicle prices in response to increased raw material costs could result in cancellations of vehicle orders and reservations and therefore materially and adversely affect our brand, image, business, prospects and operating results.

**Our direct sales distribution model is different from the predominant current distribution model for automobile manufacturers and subjects us to certain risks.**

Our distribution model is not common in the automobile industry today, particularly in the United States. We plan to continue to sell our vehicles in company-owned Tesla stores and over the internet. While we believe our approach is vital to the success of our technology and vehicles, this distribution model subjects us to substantial risk as it requires significant expenditures and provides for slower expansion of our distribution and sales systems than may be possible by utilizing a more traditional dealer franchise system.

We have relatively limited experience distributing and selling our vehicles through our Tesla stores in international markets. Our success will depend in large part on our ability to effectively develop our own sales channels and marketing strategies. Implementing our business model is subject to numerous significant challenges, including obtaining permits and approvals from local and state authorities, and we may not be successful in addressing these challenges. We do not know whether our store strategy will continue to be successful. We may incur additional costs in order to improve or change our retail strategy.

Other aspects of our distribution model also differ from those used by traditional automobile manufacturers. For example, we do not anticipate that we will ever carry a significant amount of vehicle inventory at our stores and customers may need to wait up to a few months from the time they place an order until the time they receive their vehicle. This type of custom manufacturing is unusual in the auto industry and it is unproven whether the average customer will be willing to wait this amount of time for such a vehicle. If customers do not embrace this ordering and retail experience, our business will be harmed.

**We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.**

Product liability claims could harm our business, prospects, operating results and financial condition. The automobile industry experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform as expected or malfunction resulting in personal injury or death. Our risks in this area are particularly pronounced given the limited number of vehicles delivered to date and limited field experience of those vehicles. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our vehicles and business and would have material adverse effect on our brand, business, prospects and operating results. We self-insure against the risk of product liability claims, meaning that any product liability claims will have to be paid from company funds, not by insurance. Any lawsuit seeking significant monetary damages may have a material adverse effect on our reputation, business and financial condition.



**The automotive market is highly competitive, and we may not be successful in competing in this industry. We currently face competition from new and established competitors and expect to face competition from others in the future.**

The worldwide automotive market, particularly for alternative fuel vehicles, is highly competitive today and we expect it will become even more so in the future. Many established and new automobile manufacturers have entered or have announced plans to enter the alternative fuel vehicle market. Moreover, many other large OEMs have announced or are also reported to be developing electric vehicles. In addition, several manufacturers, including BMW, General Motors, Toyota and Ford, are selling hybrid vehicles, including plug-in hybrid vehicles. Most of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Virtually all of our competitors have more extensive customer bases and broader customer and industry relationships than we do and almost all of these companies have longer operating histories and greater name recognition than we do. Increased competition could result in lower vehicle unit sales, price reductions, revenue shortfalls, loss of customers and loss of market share, which could harm our business, prospects, financial condition and operating results.

**Demand in the automobile industry is volatile, which may lead to lower vehicle unit sales and adversely affect our operating results.**

Volatility of demand in the automobile industry may materially and adversely affect our business, prospects, operating results and financial condition. The markets in which we currently compete and plan to compete in the future have been subject to considerable volatility in demand in recent periods, including recent softening of the premium sedan category. Demand for automobile sales depends to a large extent on general, economic, political and social conditions in a given market and the introduction of new vehicles and technologies. As a low volume producer, we have less financial resources than more established automobile manufacturers to withstand changes in the market and disruptions in demand. As our business grows, international economic conditions and trends will impact our business, prospects and operating results as well. Demand for our vehicles may also be affected by factors directly impacting automobile price or the cost of purchasing and operating automobiles, such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations, including tariffs, import regulation and other taxes. Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect our business, prospects, financial condition and operating results. These effects may have a more pronounced impact on our business given our relatively smaller scale and financial resources as compared to many incumbent automobile manufacturers.

**If we are unable to establish and maintain confidence in our long-term business prospects among consumers, analysts and within our industry, then our financial condition, operating results, business prospects and stock price may suffer materially.**

Consumers may be less likely to purchase our vehicles now if they are not convinced that our business will succeed or that our operations will continue for many years. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed. Accordingly, in order to build and maintain our business, we must maintain confidence among customers, suppliers, analysts and other parties in our liquidity and long-term business prospects. Maintaining such confidence may be particularly complicated by certain factors, such as our limited operating history, unfamiliarity with our products, competition and uncertainty regarding the future of electric vehicles. Many of these factors are largely outside our control, and any negative perceptions about our long-term business prospects, even if exaggerated or unfounded, would likely harm our business and make it more difficult to raise additional funds when needed.

**Our vehicles have unique servicing requirements, and we are using a different service model from the one typically used in the industry. If we are unable to address the service requirements of our existing and future customers, our business will be materially and adversely affected.**

Servicing electric vehicles is different than servicing vehicles with internal combustion engines and requires specialized skills, including high voltage training and servicing techniques. If we are unable to satisfactorily service our vehicles, our ability to generate customer loyalty, grow our business and sell additional vehicles could be impaired.

We service our vehicles through our company-owned Tesla service centers, certain of our stores, and through our mobile service technicians known as the Tesla Rangers. We will need to open new standalone service centers in locations around the world and hire and train significant numbers of new employees to staff these service centers and act as Tesla Rangers in order to successfully maintain our fleet of delivered vehicles. We may have difficulties in continuing to adequately address the service requirements of our customers to their satisfaction, and may not have sufficient resources to meet these service requirements in a timely manner as the volume of vehicles we are able to deliver annually increases.

We do not expect to be able to open Tesla service centers in all the geographic areas in which our existing and potential customers may reside. In order to address the service needs of customers who are not in geographical proximity to our service centers, we plan to either transport those vehicles to the nearest Tesla store or service center for servicing or deploy our mobile Tesla Rangers to service the vehicles at the customer's location. These special arrangements may be expensive and we may not be able to recoup the costs of providing these services to our customers. If we do not adequately address our customers' service needs, our brand and reputation will be adversely affected, which in turn could have a material and adverse impact on our business, financial condition, operating results and prospects.

**We may not succeed in maintaining and strengthening the Tesla brand, which would materially and adversely affect customer acceptance of our vehicles and components and our business, revenues and prospects.**

Our business and prospects are heavily dependent on our ability to develop, maintain and strengthen the Tesla brand. Any failure to develop, maintain and strengthen our brand may materially and adversely affect our ability to sell our vehicles and Tesla Energy products. If we do not continue to establish, maintain and strengthen our brand, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brand will likely depend significantly on our ability to provide and maintain Tesla vehicles and Tesla Energy products. Additionally, any problems associated with the Toyota RAV4 EV and Mercedes-Benz B-Class EV, both of which use a Tesla powertrain, may also hurt the Tesla brand.

In addition, we expect that our ability to develop, maintain and strengthen the Tesla brand will also depend on the success of our marketing efforts. To date, we have limited experience with marketing activities as we have relied primarily on the internet, word of mouth and attendance at industry trade shows to promote our brand. The automobile industry is intensely competitive, and we may not be successful in building, maintaining and strengthening our brand. Many of our current and potential competitors, particularly large automobile manufacturers, have greater name recognition, broader customer relationships and substantially greater marketing resources than we do. If we do not develop and maintain a strong brand, our business, prospects, financial condition and operating results will be materially and adversely impacted.

**Our plan to expand our network of Tesla stores, service centers and Superchargers will require significant cash investments and management resources and may not meet our expectations with respect to additional sales of our electric vehicles. In addition, we may not be able to open stores or service centers in certain states or Superchargers in desired locations.**

Our plan to expand our network of Tesla stores, service centers and Superchargers will require significant cash investments and management resources and may not meet our expectations with respect to additional sales of our vehicles. This ongoing global expansion may not have the desired effect of increasing sales and expanding our brand presence to the degree we are anticipating. We will also need to ensure we are in compliance with any regulatory requirements applicable to the sale and service of our vehicles in those jurisdictions, which could take considerable time and expense. If we

experience any delays in expanding our network of Tesla stores, service centers and Superchargers, this could lead to a decrease in sales of our vehicles and could negatively impact our business, prospects, financial condition and operating results.

Furthermore, certain states and foreign jurisdictions may have permit requirements, franchise dealer laws or similar laws or regulations that may preclude or restrict our ability to open stores or sell vehicles out of such states and jurisdictions. Any such prohibition or restriction may lead to decreased sales in such jurisdictions, which could harm our business, prospects and operating results. See Risk Factor “ We may face regulatory limitations on our ability to sell vehicles directly or over the internet which could materially and adversely affect our ability to sell our electric vehicles.” Additionally, we may face potential difficulties in finding suitable Supercharger sites in desired locations, negotiating leases or obtaining required permits for such locations.

**We face risks associated with our international operations and expansion, including unfavorable regulatory, political, tax and labor conditions and establishing ourselves in new markets, all of which could harm our business.**

We currently have international operations and subsidiaries in various countries and jurisdictions in Europe and Asia that are subject to the legal, political, regulatory and social requirements and economic conditions in these jurisdictions. Additionally, as part of our growth strategy, we will continue to expand our sales, maintenance, repair and Supercharger services internationally. We have limited experience, however, selling and servicing our vehicles internationally, as well as limited experience installing and operating Superchargers internationally. Furthermore, international expansion requires us to make significant expenditures, including the establishment of local operating entities, hiring of local employees and establishing facilities in advance of generating any revenue. We are subject to a number of risks associated with international business activities that may increase our costs, impact our ability to sell our electric vehicles and require significant management attention. These risks include:

- conforming our vehicles to various international regulatory and safety requirements where our vehicles are sold, or homologation;
- difficulty in establishing, staffing and managing foreign operations;
- difficulties attracting customers in new jurisdictions;
- foreign government taxes, regulations and permit requirements, including foreign taxes that we may not be able to offset against taxes imposed upon us in the United States, and foreign tax and other laws limiting our ability to repatriate funds to the United States;
- our ability to enforce our contractual rights;
- United States and foreign government trade restrictions, customs regulations, tariffs and price or exchange controls;
- foreign labor laws, regulations and restrictions;
- preferences of foreign nations for domestically produced vehicles;

Additionally, as we have expanded into new international markets, we have faced challenges with ensuring that our charging equipment works successfully with the charging infrastructure in such markets, including Norway and China. If customers experience problems with the way our charging equipment works with the local charging infrastructure, or we are unable to adapt our equipment to resolve such problems, then the viability and acceptance of our vehicles in such markets could be materially and adversely affected. If we fail to successfully address these risks, our business, prospects, operating results and financial condition could be materially harmed.

**The unavailability, reduction or elimination of, or uncertainty regarding, government and economic incentives in the U.S. and abroad could have a material adverse effect on our business, financial condition, operating results and prospects.**

Any reduction or elimination of government and economic incentives may result in the diminished competitiveness of the alternative fuel vehicle industry generally or our electric vehicles in particular. We currently benefit from certain exemptions in the United States, such as the California state sales

and use taxes. Similarly, government programs in Europe favor the purchase of electric vehicles, including through disincentives that discourage the use of gas-powered vehicles. In Norway, for example, the purchase of electric vehicles is not currently subject to import taxes, taxes on non-recurring vehicle fees, the 25% value added tax or the purchase taxes that apply to the purchase of gas-powered vehicles. If such government programs are reduced or eliminated, or the available benefits thereunder are exhausted earlier than anticipated, sales of all electric vehicles could be adversely affected. In addition, customers may delay taking delivery of their Tesla vehicles if they believe that certain electric vehicle incentives will be available at a later date, which may negatively affect our ability to achieve our planned delivery targets.

**Our strategic relationships with third parties, such as Panasonic, are subject to various risks which could adversely affect our business and future prospects.**

Our strategic relationships with third parties, such as Panasonic which supplies us with battery cells for use in Model S and Model X and is our partner in the Gigafactory, pose various risks to us, including potential loss of access to important technology and vehicle parts, potential loss of business and adverse publicity. In addition, these third parties may not perform as expected under our agreements with them, such as with respect to vehicle parts quality and timeliness, and we may have disagreements or disputes with these third parties. The occurrence of any of the foregoing could adversely affect our business, prospects, financial condition and operating results.

**If we are unable to keep up with advances in electric vehicle technology, we may suffer a decline in our competitive position.**

We may be unable to engineer, produce, source or integrate technology that reflects changes in electric vehicle technology, in particular battery cell technology, and, as a result, may suffer a decline in our competitive position. Any failure to keep up with advances in electric vehicle technology would result in a decline in our competitive position which would materially and adversely affect our business, prospects, operating results and financial condition.

**If we are unable to attract and/or retain key employees and hire qualified management, technical, vehicle engineering and manufacturing personnel, our ability to compete could be harmed and our stock price may decline.**

The loss of the services of any of our key employees could disrupt our operations, delay the development and introduction of our vehicles and services, and negatively impact our business, prospects and operating results as well as cause our stock price to decline. In particular, we are highly dependent on the services of Elon Musk, our Chief Executive Officer, Product Architect and Chairman of our Board of Directors, and JB Straubel, our Chief Technical Officer. Additionally, Deepak Ahuja, Tesla's Chief Financial Officer, intends to retire and we may be unable to find his replacement in a timely fashion.

None of our key employees is bound by an employment agreement for any specific term and we may not be able to successfully attract and retain senior leadership necessary to grow our business. Our future success depends upon our ability to attract and retain executive officers and other key technology, sales, marketing, engineering, manufacturing and support personnel and any failure to do so could adversely impact our business, prospects, financial condition and operating results.

Key talent may leave Tesla due to various factors, such as a very competitive labor market for talented individuals with automotive experience. Currently in Northern California, there is increasing competition for talented individuals with the specialized knowledge of electric vehicles, software engineers, manufacturing engineers and other skilled employees and this competition affects both our ability to retain key employees and hire new ones. Our continued success depends upon our continued ability to hire new employees in a timely manner and retain current employees. Additionally, we compete with many mature and prosperous companies in Northern California that have far greater financial resources than we do and thus can offer current or perspective employees more lucrative incentive packages than we can. Any difficulties in retaining current employees or recruiting new ones would have an adverse effect on our performance.

**We are highly dependent on the services of Elon Musk, our Chief Executive Officer.**

We are highly dependent on the services of Elon Musk, our Chief Executive Officer, Product Architect, Chairman of our Board of Directors and largest stockholder. Although Mr. Musk spends significant time with Tesla and is highly active in our management, he does not devote his full time and attention to Tesla. Mr. Musk also currently serves as Chief Executive Officer and Chief Technical Officer of Space Exploration Technologies, a developer and manufacturer of space launch vehicles, and Chairman of SolarCity, a solar provider.

**We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and negatively impact our ability to operate our manufacturing facilities.**

As an automobile manufacturer, we are subject to environmental, health and safety laws and regulations at numerous levels, including laws relating to the use, handling, storage, disposal and human exposure to hazardous materials, both in the United States and abroad. Such laws and regulations can be complex, and we expect that our business and operations will be affected by new, or future amendments to, such laws that may require us to change our operations, potentially resulting in a material adverse effect on our business. These laws can give rise to liability for administrative oversight costs, cleanup costs, property damage, bodily injury and associated fines and penalties. The costs of compliance can be significant, and violations of those laws may result in substantial fines and penalties, third party damages, suspension of production or a cessation of our operations. These expenses could have a material adverse effect on our financial condition or operating results.

Contamination at properties owned or operated by us may result in liability for us under environmental laws and regulations. We may also face unexpected delays in obtaining the necessary permits and approvals required by environmental laws in connection with our manufacturing facilities that could require significant time and financial resources and negatively impact our ability to operate these facilities, which would adversely impact our business prospects and operating results. As the owner of the Tesla Factory and surrounding land, we may be responsible under federal and state laws and regulations for the entire investigation and remediation of any environmental contamination at the Tesla Factory, whether it occurred before or after the date we purchased the property. When Tesla purchased the property, the previous owner and operator of the Tesla Factory, New United Motor Manufacturing, Inc. (NUMMI), identified environmental conditions at the Tesla Factory that could adversely affect soil and groundwater, and agreed to remediate these conditions. Although NUMMI stated that it fully documented and managed all environmental issues at the Tesla Factory, we cannot determine with certainty the truth of this statement, nor the total costs to remediate any pre-existing contamination that may eventually be found. We have reached an agreement with NUMMI under which, over a ten year period, NUMMI would pay up to \$15.0 million for any governmentally required remediation activities, subject to certain conditions. After the earlier of the ten-year anniversary of the closing and whenever the maximum amount payable by NUMMI for remediation activities has been paid, we are responsible for any and all environmental conditions at the Fremont site and we have agreed to indemnify and release NUMMI against any known or unknown claims except for NUMMI's obligations for representations and warranties under the agreement.

Any failure by NUMMI to perform its obligations under our agreement would require us to undertake remediation activities at a potentially significant cost, and may also adversely affect the production capacity of, and our ability to operate, the Tesla Factory.

**Our business may be adversely affected by union activities.**

Although none of our employees is currently represented by a labor union, it is common for employees at automobile companies to belong to a union, which can result in higher employee costs and increased risk of work stoppages. Our employees may join or seek recognition to form a labor union, or we may be required to become a union signatory. Our automobile production facility in Fremont, California was purchased from NUMMI. Prior employees of NUMMI were union members and our future work force at this facility may be inclined to vote in favor of forming a labor union. We also own and operate another component manufacturing facility in Lathrop, California. Furthermore, we are directly or indirectly dependent upon companies with unionized work forces, such as parts suppliers

and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, financial condition or operating results. If a work stoppage occurs, it could delay the manufacture and sale of our vehicles and Tesla Energy products and have a material adverse effect on our business, prospects, operating results or financial condition. The mere fact that our labor force could be unionized may harm our reputation in the eyes of some investors and thereby negatively affect our stock price.

**We are currently expanding and improving our information technology systems. If these implementations are not successful, our business and operations could be disrupted and our operating results could be harmed.**

We are currently expanding and improving our information technology systems, including implementing new internally developed systems, to assist us in the management of our business. In particular, our volume production of multiple vehicles necessitates continued development, maintenance and improvement of our information technology systems in the U.S. and abroad, which include product data management, procurement, inventory management, production planning and execution, sales, service and logistics, dealer management, financial, tax and regulatory compliance systems. The implementation, maintenance and improvement of these systems require significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving and expanding our core systems as well as implementing new systems, including the disruption of our data management, procurement, manufacturing execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies or manufacture, sell, deliver and service vehicles, or achieve and maintain compliance with, or realize available benefits under, tax laws and other applicable regulations.

We cannot be sure that these expanded systems or their required functionality will be effectively implemented or sufficiently maintained. If we do not successfully implement, improve or maintain these systems, our operations may be disrupted, our ability to accurately and/or timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. If these systems or their functionality do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

**We are subject to substantial regulation, which is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and operating results.**

Motor vehicles are subject to substantial regulation under international, federal, state, and local laws. We have incurred, and expect to continue to incur, significant costs in complying with these regulations.

Regulations related to the electric vehicle industry and alternative energy are currently evolving and we face risks associated with changes to these regulations. In the United States, the following are examples of regulatory and statutory issues facing us:

- the amendment or rescission of the federal law and regulations mandating increased fuel economy in the United States, referred to as the Corporate Average Fuel Economy (CAFE) standards, could reduce new business opportunities for our powertrain sales and development activities;
- the amendment or rescission of federal greenhouse gas tailpipe emission regulations administered by EPA under the authority of the Clean Air Act could reduce new business opportunities for our powertrain sales and development activities;
- changes to the vehicle-specific Federal Motor Vehicle Safety Standards, which govern how all motor vehicles are made within the United States, could result in costly changes to how current vehicles are produced; and
- changes to regulations governing the export of our products could increase our delivery costs to outside the United States or force us to charge consumers in such jurisdictions a higher price for our vehicles.

In addition, as the automotive industry moves towards greater use of electronics in vehicle systems, NHTSA and other regulatory bodies may regulate these electronic systems more stringently, particularly as concerns about distracted driving increase. Such concerns could affect use of electronic systems in Model S, such as the 17 inch display screen, which could reduce the appeal of Model S or require adjustments to the display screen's functionality.

As we are currently delivering vehicles in Europe and Asia, we are subject to laws and regulations applicable to the import, sale and service of automobiles in those regions. For example, we are required to meet vehicle-specific safety standards that are often materially different from U.S. requirements, thus resulting in additional investment into the vehicles and systems to ensure regulatory compliance. Unlike in the U.S. where we self-certify our vehicles' compliance with standards, we must obtain advanced approval from regulatory agencies regarding the proper certification or homologation of our vehicles to enter into these markets. This process necessitates that foreign regulatory officials review and certify our vehicles prior to market entry. In addition, we must comply with regulations applicable to vehicles after they enter the market, including foreign reporting requirements and recall management systems.

To the extent U.S. or international laws change, some or all of our vehicles may not comply with any new applicable international, federal, state or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming, and expensive. To the extent compliance with new regulations is cost prohibitive, our business, prospects, financial condition and operating results will be adversely affected.

**We retain certain personal information about our customers and may be subject to various privacy and consumer protection laws.**

Our collection, use, retention, security and transfer of personal information of our customers is subject to federal, state, and international laws. These laws continue to be enacted and may be inconsistent from jurisdiction to jurisdiction. Complying with changing international laws may cause us to incur substantial costs, expose us to legal liability or require us to change our business practices. Our privacy policy is posted on our website, and any failure by us or our vendor or other business partners to comply with it or with federal, state or international privacy, data protection or security laws or regulations could result in regulatory or litigation-related actions against us, legal liability, fines, damages and other costs. Although we take steps to protect the security of our customers' personal information, we may be required to expend significant resources to comply with data breach requirements if third parties improperly obtain and use the personal information of our customers or we otherwise experience a data loss with respect to customers' personal information. A major breach of our network security and systems could have negative consequences for our business and future prospects, including possible fines, penalties and damages, reduced customer demand for our vehicles, and harm to our reputation and brand.

**We may be compelled to undertake product recalls or take other actions, which could adversely affect our brand image and financial performance.**

Any product recall in the future may result in adverse publicity, damage our brand and adversely affect our business, prospects, operating results and financial condition. We previously experienced product recalls in May 2009, October 2010 and June 2013, none of which was related to our electric powertrain. In April 2009, we determined that a condition caused by insufficient torquing of the rear inner hub flange bolt existed in some of our Tesla Roadsters, as a result of a missed process during the manufacture of the Tesla Roadster glider. In October 2010, we initiated a product recall after the 12 volt, low voltage auxiliary cable in a single vehicle chafed against the edge of a carbon fiber panel in the vehicle causing a short, smoke and possible fire behind the right front headlamp of the vehicle. In June 2013, we initiated a recall of slightly more than one thousand Model S vehicles to inspect and repair rear seat strikers that may have been compromised during the assembly process. Rear seat strikers are used to retain the rear seat backs in an upright position. Failure of this component may have resulted in collapse of the rear seat back during a crash. Finally, in January 2014, we implemented a firmware update to address issues with certain Universal Mobile Connector NEMA 14-50 adapters, which are part of the charging units and are not part of the vehicles themselves, potentially overheating during charging. In the future, we may at various times, voluntarily or involuntarily, initiate a recall if any of our vehicles, including Model S, or our electric powertrain

components prove to be defective or noncompliant with applicable federal motor vehicle safety standards. Such recalls, voluntary or involuntary, involve significant expense and diversion of management attention and other resources, and could adversely affect our brand image in our target markets, as well as our business, prospects, financial condition and results of operations.

**Our current and future warranty reserves may be insufficient to cover future warranty claims which could adversely affect our financial performance.**

If our warranty reserves are inadequate to cover future warranty claims on our vehicles, our business, prospects, financial condition and operating results could be materially and adversely affected. Warranty reserves include management's best estimate of the projected costs to repair or to replace items under warranty. These estimates are based on actual claims incurred to-date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain and changes to our historical or projected experience may cause material changes to our warranty reserves in the future. Subject to separate limited warranties for the supplemental restraint system and battery, we provide a four year or 50,000 mile New Vehicle Limited Warranty for the purchasers of Model S. The New Vehicle Limited Warranty for Model S also covers the drive unit for eight years and the battery for a period of eight years or 125,000 miles or unlimited miles, depending on the size of the vehicle's battery; although the battery's charging capacity is not covered under the New Vehicle Limited Warranty or any Extended Service plan.

In addition, customers have the opportunity to purchase an Extended Service plan for the period after the end of the New Vehicle Limited Warranty for Model S and Model X to cover additional services for an additional four years or 50,000 miles, provided it is purchased within a specified period of time. The New Vehicle Limited Warranty and Extended Service plans for the Tesla Roadster, Model S and Model X are subject to certain limitations, exclusions or separate warranties, including certain wear items, such as tires, brake pads, paint and general appearance, and battery performance, and is intended to cover parts and labor to repair defects in material or workmanship in the vehicle including the body, chassis, suspension, interior, electronic systems, powertrain and brake system. We have previously provided our Tesla Roadster customers with a battery replacement option to replace the battery in their vehicles at any time after the expiration of the New Vehicle Limited Warranty but before the tenth anniversary of the purchase date of their vehicles. Additionally, in 2013, as part of our ongoing efforts to improve the customer ownership experience, we expanded the battery pack warranty and also eliminated the annual service requirement that was needed to keep the New Vehicle Limited Warranty in effect. Should this change in warranty coverage lead to an increase in warranty claims, we may need to record additional warranty reserves which would negatively affect our profitability.

**Our insurance strategy may not be adequate to protect us from all business risks.**

We may be subject, in the ordinary course of business, to losses resulting from products liability, accidents, acts of God and other claims against us, for which we may have no insurance coverage. While we currently maintain general liability, automobile, property, workers' compensation, and directors' and officers' insurance policies, as a general matter, we do not maintain as much insurance coverage as many other companies do, and in some cases, we do not maintain any at all. Additionally, the policies that we do have may include significant deductibles, and we cannot be certain that our insurance coverage will be sufficient to cover all future claims against us. A loss that is uninsured or which exceeds policy limits may require us to pay substantial amounts, which could adversely affect our financial condition and operating results.

**Our financial results may vary significantly from period-to-period due to fluctuations in our operating costs and the seasonality of our business.**

We expect our period-to-period operating results to vary based on our operating costs which we anticipate will increase significantly in future periods as we, among other things, design, develop and manufacture Model X and future products, increase the production capacity at our manufacturing facilities to produce vehicles at higher volumes, develop the Gigafactory, open new Tesla service centers with maintenance and repair capabilities, open new Supercharger locations, increase our sales and marketing activities, and increase our general and administrative functions to support our growing



operations. As a result of these factors, we believe that quarter-to-quarter comparisons of our operating results, especially in the short-term, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. Moreover, our operating results may not meet expectations of equity research analysts or investors. If any of this occurs, the trading price of our stock could fall substantially, either suddenly or over time.

**Unauthorized control or manipulation of our vehicles' systems may affect the operation of our vehicles or compromise data security, which could result in loss of confidence in us and our vehicles and harm our business.**

Our vehicles contain complex information technology systems. For example, subject to our customers' ability to opt out pursuant to our privacy policy, our vehicles are designed with built-in data connectivity to accept and install periodic remote updates from us to improve or update the functionality of our vehicles. We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks, our vehicles and their systems. However, hackers have reportedly attempted, and may attempt in the future, to gain unauthorized access to modify, alter and use such networks, vehicles and systems to gain control of, or to change, our vehicles' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the vehicle, such as its current geographical position, previous and stored destination address history and web browser "favorites." We encourage reporting of potential vulnerabilities in the security of our vehicles via our security vulnerability reporting policy, and we aim to remedy any reported and verified vulnerabilities. We have received reports of potential vulnerabilities in the past and have attempted to remedy them. However, there can be no assurance that vulnerabilities will not be identified in the future, or that our remediation efforts are or will be successful.

Any unauthorized access to or control of our vehicles or their systems or any loss of data could result in legal claims or proceedings. In addition, regardless of their veracity, reports of unauthorized access to our vehicles, their systems or data, as well as other factors that may result in the perception that our vehicles, their systems or data are capable of being "hacked," could negatively affect our brand and harm our business, prospects, financial condition and operating results. We have been the subject of such reports in the past.

**We may need or want to raise additional funds and these funds may not be available to us when we need them. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected.**

The design, manufacture, sale and servicing of automobiles is a capital intensive business. We expect that our principal sources of liquidity will provide us adequate liquidity based on our current plans. However, until we are consistently generating positive free cash flows, if the costs for developing and manufacturing our current or future vehicles exceed our expectations or if we incur any significant unplanned expenses or embark on or accelerate new significant strategic investments, such as the Gigafactory, we may need to raise additional funds through the issuance of equity, equity-related or debt securities or through obtaining credit from government or financial institutions. We need sufficient capital to fund our ongoing operations, continue research and development projects, including those for our planned Model 3 vehicle, establish sales and service centers, build and deploy Superchargers and to make the investments in tooling and manufacturing capital required to introduce new vehicles. We cannot be certain that additional funds will be available to us on favorable terms when required, or at all. If we cannot raise additional funds when we need them, our financial condition, results of operations, business and prospects could be materially adversely affected.

**We may face regulatory limitations on our ability to sell vehicles directly or over the internet which could materially and adversely affect our ability to sell our electric vehicles.**

We sell our vehicles from our Tesla stores as well as over the internet. We may not be able to sell our vehicles through this sales model in each state in the United States as many states have laws that may be interpreted to prohibit internet sales by manufacturers to residents of the state or to impose other limitations on this sales model, including laws that prohibit manufacturers from selling vehicles directly to consumers without the use of an independent dealership or without a physical presence in

the state. In certain states in which we are not able to obtain dealer licenses, we have worked with state regulators to open galleries, which are not full retail locations.

In many states, the application of state motor vehicle laws to our specific sales model is largely untested under state motor vehicle industry laws and is being determined by a fact specific analysis of numerous factors, including whether we have a physical presence or employees in the applicable state, whether we advertise or conduct other activities in the applicable state, how the sale transaction is structured, the volume of sales into the state, and whether the state in question prohibits manufacturers from acting as dealers. As a result of the fact specific and largely untested nature of these issues, and the fact that applying these laws intended for the traditional automobile distribution model to our sales model allows for some interpretation and discretion by the regulators, the manner in which the applicable authorities are applying their state laws to our distribution model continues to be difficult to predict. Laws in some states have limited our ability to obtain dealer licenses from state motor vehicle regulators and may continue to do so.

In addition, decisions by regulators permitting us to sell vehicles may be subject to challenges as to whether such decisions comply with applicable state motor vehicle industry laws. For example, vehicle dealer associations in New York, Ohio and Massachusetts have filed lawsuits to revoke dealer licenses issued to us. These lawsuits have been dismissed, and in one court decision, the Supreme Court of Massachusetts held that state franchise laws like the one in Massachusetts do not restrict a manufacturer, like Tesla, that does not use franchised dealers from selling its vehicles directly to consumers. Such results have reinforced our continuing belief that state laws were not designed to prevent our distribution model. Similar lawsuits have been filed in Georgia and Missouri. Possible additional challenges in other states, if successful, could restrict or prohibit our ability to sell our vehicles to residents in such states. In some states, there have also been regulatory and legislative efforts by vehicle dealer associations to propose bills and regulations that, if enacted, would prevent us from obtaining dealer licenses in their states given our current sales model. Such events recently occurred in New Jersey, where the Motor Vehicle Commission, at the behest of the local automobile dealer lobby, passed a new regulation which purported to invalidate our sales licenses in the state, and in Michigan, where the state's automobile dealer association managed to add language into an unrelated bill that had the effect of impairing our right to sell vehicles through Tesla stores in Michigan. The law in New Jersey has subsequently been clarified to permit our operations, and we are evaluating legislative and litigation solutions to remedy the situation in Michigan. Other states, such as New York, Ohio and Pennsylvania, have passed legislation that clarifies our ability to operate, but at the same time limits the number of dealer licenses we can obtain or stores that we can operate.

We are also registered as both a motor vehicle manufacturer and dealer in Canada, Australia, and Japan, and have obtained licenses to sell vehicles in other places such as Hong Kong and China. Furthermore, while we have performed an analysis of the principal laws in the European Union relating to our distribution model and believe we comply with such laws, we have not performed a complete analysis in all foreign jurisdictions in which we may sell vehicles. Accordingly, there may be laws in jurisdictions we have not yet entered or laws we are unaware of in jurisdictions we have entered that may restrict our sales or other business practices. Even for those jurisdictions we have analyzed, the laws in this area can be complex, difficult to interpret and may change over time.

**We may need to defend ourselves against patent or trademark infringement claims, which may be time-consuming and would cause us to incur substantial costs.**

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop, sell or market our vehicles or components, which could make it more difficult for us to operate our business. From time to time, we may receive communications from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to take licenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating or using vehicles or offering goods or services that incorporate or use the challenged intellectual property;
- pay substantial damages;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all;
- redesign our vehicles or other goods or services; or
- establish and maintain alternative branding for our products and services.

In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology or other intellectual property right, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources and management attention.

**Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from interfering with our commercialization of our products.**

The status of patents involves complex legal and factual questions and the breadth and effectiveness of patented claims is uncertain. We cannot be certain that we are the first creator of inventions covered by pending patent applications or the first to file patent applications on these inventions, nor can we be certain that our pending patent applications will result in issued patents or that any of our issued patents will afford sufficient protection against someone creating a knockoff of our products, or as a defensive portfolio against a competitor who claims that we are infringing its patents. In addition, patent applications filed in foreign countries are subject to laws, rules and procedures that differ from those of the United States, and thus we cannot be certain that foreign patent applications related to issued U.S. patents will result in issued patents in those foreign jurisdictions, or that such patent can effectively enforced. In addition, others may obtain patents that we need to license or design around, either of which would increase costs and may adversely affect our business, prospects, financial condition and operating results.

**Our trademark applications in certain countries remain subject to outstanding opposition proceedings.**

We have filed trade and service mark applications for our Tesla marks in various countries in which we currently sell and plan to sell our products and services. Certain of our applications are subject to outstanding opposition proceedings brought by owners or applicants alleging prior applications for or use of similar marks. If we cannot resolve these oppositions and thereby secure registered rights in these countries, the value of the marks representing our exclusive brand name in these countries will be diluted. In addition, there is a risk that the prior rights owners could in the future take actions to challenge our use of the Tesla marks in these countries. Such actions could have a severe impact on our position in these countries and may inhibit our ability to use the Tesla marks in these countries. If we were prevented from using the Tesla marks in any or all of these countries, we would need to expend significant additional financial and marketing resources on establishing an alternative brand identity in these markets.

**Our facilities or operations could be damaged or adversely affected as a result of disasters or unpredictable events.**

Our corporate headquarters and primary manufacturing facilities are all located in Northern California, a region known for seismic activity. If major disasters such as earthquakes, fires, floods, terrorist attacks or other events occur, or our information system or communications network breaks down or operates improperly, our headquarters and production facilities may be seriously damaged, or we may have to stop or delay production and shipment of our products. In addition, our lease for our Palo Alto facility permits the landlord to terminate the lease following a casualty event if the needed repairs are in excess of certain thresholds and we do not agree to pay for any uninsured amounts. We may incur

expenses relating to such damages, which could have a material adverse impact on our business, operating results and financial condition.

**Servicing our convertible senior notes and other debt facilities requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.**

We incurred \$660.0 million, \$920.0 million and \$1.38 billion, respectively, in aggregate principal amount of senior indebtedness when we issued pursuant to registered public offerings 1.50% convertible senior notes due 2018 (2018 Notes) in 2013, and 0.25% convertible senior notes due 2019 (2019 Notes) and 1.25% convertible senior notes due 2021 (2021 Notes) in 2014. In addition, in June 2015 we entered into a senior secured asset based revolving credit agreement (the “Credit Agreement”) that allows us to borrow, under certain circumstances, up to \$500 million with possible extensions to up to \$750 million. As of June 30, 2015, we had borrowed \$50 million under this credit facility. Finally, during 2015 we also entered into a warehouse credit facility (the “Warehouse Facility”) for a principal amount of up to \$150 million. As of June 30, 2015, we had borrowed \$114.3 million under this facility.

Our ability to make scheduled payments of the principal when due, to make quarterly interest payments or to make payments upon conversion or to refinance the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under the Notes and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the Notes or existing or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the Notes or future indebtedness.

Pursuant to their terms, holders may convert their Notes at their option at any time prior to the final three-month period of the scheduled term of the respective Notes only under certain circumstances. For example, holders may generally convert their Notes at their option during a quarter (and only during such quarter), commencing with the fourth quarter of 2013 in the case of the 2018 Notes and the third quarter of 2014 in the case of the 2019 Notes and the 2021 Notes, if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding quarter is greater than or equal to 130% of the conversion price for such series of Notes on each applicable trading day. As a result of this conversion feature, the 2018 Notes have been convertible at their holders’ option during each quarter commencing with the fourth quarter of 2013, except the first quarter of 2014. Neither this nor any other conversion feature has been met with respect to the 2019 Notes and 2021 Notes, and consequently the 2019 Notes and 2021 have not been convertible at their holders’ option. Upon conversion of the Notes, we will be obligated to make cash payments in respect of the principal amounts thereof, and we may also have to deliver cash and, if applicable, shares of our common stock, in respect of such Notes. Any conversion of the Notes prior to their maturity, or acceleration of the repayment of the Notes or future indebtedness after any applicable notice or grace periods could have a material adverse effect on our business, results of operations and financial condition.

In addition, holders of the Notes will have the right to require us to purchase their Notes upon the occurrence of a fundamental change at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the fundamental change purchase date. However, we may not have enough available cash or be able to obtain financing at the time we are required to make purchases of Notes surrendered therefor or Notes being converted. In addition, our ability to purchase the Notes or to pay cash upon conversions of the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to purchase Notes at a time when the purchase is required by the indenture or to pay cash payable on future conversions of the Notes as required by the indenture would constitute a default under the indenture. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace

periods, we may not have sufficient funds to repay the indebtedness and purchase the Notes or make cash payments upon conversions thereof.

**Our debt agreements contain covenant restrictions that may limit our ability to operate our business.**

Our Credit Agreement contains, and any of our other future debt agreements may contain, covenant restrictions that limit our ability to operate our business, including restrictions on our ability to, among other things, incur additional debt or issue guarantees, create liens and make certain voluntary prepayments of specified debt.

In addition, under certain circumstances we are required to comply with a fixed charge coverage ratio. As a result of these limitations, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be restricted, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. In addition, our failure to comply with our debt covenants could result in a default under our debt agreements, which could permit the holders to accelerate our obligation to repay the debt. If any of our debt is accelerated, we may not have sufficient funds available to repay the accelerated debt.

**We may still incur substantially more debt or take other actions, which would intensify the risks discussed immediately above.**

We and our subsidiaries may, subject to the limitations in our Credit Agreement, incur additional debt, secure existing or future debt, recapitalize our debt or take a number of other actions that are not limited by the terms of the indenture governing the Notes that could have the effect of diminishing our ability to make payments on the Notes when due.

**The classification of our Notes may have a material effect on our reported financial results.**

As described in the Risk Factor “ Servicing our convertible senior notes requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt,” Notes have been historically, and may become in the future, convertible at the option of their holders prior to their scheduled terms under certain circumstances. Even if holders do not elect to convert their Notes, the Notes become convertible prior to their scheduled maturity dates, we would be required to reclassify such Notes and the related debt issuance costs as current liabilities and certain portions of our equity outside of equity to mezzanine equity, which would have an adverse impact on our reported financial results for such quarter, and could have an adverse impact on the market price of our common stock.

## **II. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**The trading price of our common stock is likely to continue to be volatile.**

The trading price of our common stock has been highly volatile and could continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control. Our common stock has experienced an intra-day trading high of \$291.42 per share and a low of \$177.22 per share over the last 52 weeks. The stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. For example, a shareholder litigation like this was filed against us in 2013. While the trial court dismissed the plaintiffs' complaint with prejudice, this litigation (if the trial court's order is successfully appealed) or others like it could result in substantial costs and a diversion of our management's attention and resources.

**Conversion of the Notes may dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock.**

The conversion of some or all of the Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the Notes. As described in the Risk Factor “Servicing our convertible senior notes requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt,” Notes have been historically, and may become in the future, convertible at the option of their holders prior to their scheduled terms under certain circumstances. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

**The convertible note hedge and warrant transactions we entered into in connection with the issuance of Notes may affect the value of the Notes and our common stock.**

In connection with each issuance of the Notes, we entered into convertible note hedge transactions with the hedge counterparties. The convertible note hedge transactions cover, subject to customary anti-dilution adjustments, the number of shares of our common stock that initially underlay the applicable Notes. The convertible note hedge transactions are expected to reduce the potential dilution and/or offset potential cash payments we are required to make in excess of the principal amount upon conversion of the applicable Notes. We also entered into warrant transactions with the hedge counterparties relating to the same number of shares of our common stock, subject to customary anti-dilution adjustments. However, the warrant transactions could separately have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants on the applicable expiration dates.

In addition, the hedge counterparties or their affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the applicable Notes (and are likely to do so during any observation period related to a conversion of Notes). This activity could also cause or prevent an increase or a decrease in the market price of our common stock or the Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the prices of the Notes or the shares of our common stock. In addition, we do not make any representation that the hedge counterparties have engaged or will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Mr. Musk borrowed funds from affiliates of certain underwriters in our public offerings and/or private placements and has pledged shares of our common stock to secure these borrowings. The forced sale of these shares pursuant to a margin call could cause our stock price to decline and negatively impact our business.**

Beginning in June 2011, banking institutions that are affiliated with certain underwriters of our completed public offerings of common stock and Notes made extensions of credit to Elon Musk and the Elon Musk Revocable Trust dated July 22, 2003, or the Trust, a portion of which Mr. Musk used to purchase shares of common stock in our public offering in May 2013 and private placements in June 2011 and June 2013. We are not a party to these loans, which are full recourse against Mr. Musk and the Trust and are secured by pledges of a portion of the Tesla common stock currently owned by Mr. Musk and the Trust and other shares of capital stock of unrelated entities owned by Mr. Musk and the Trust.

If the price of our common stock declines, Mr. Musk may be forced by one or more of the banking institutions to provide additional collateral for the loans or to sell shares of Tesla common stock in

order to remain within the margin limitations imposed under the terms of his loans. The loans between these banking institutions on the one hand, and Mr. Musk and the Trust on the other hand, prohibit the non-pledged shares currently owned by Mr. Musk and the Trust from being pledged to secure any other loans. These factors may limit Mr. Musk's ability to either pledge additional shares of Tesla common stock or sell shares of Tesla common stock as a means to avoid or satisfy a margin call with respect to his pledged Tesla common stock in the event of a decline in our stock price that is large enough to trigger a margin call. Any sales of common stock following a margin call that is not satisfied may cause the price of our common stock to decline further.

**Anti-takeover provisions contained in our certificate of incorporation and bylaws, the provisions of Delaware law, and the terms of our convertible notes could impair a takeover attempt.**

Our certificate of incorporation, bylaws, Delaware law and the terms of our Notes contain provisions which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- creating a classified board of directors whose members serve staggered three-year terms;
- authorizing "blank check" preferred stock, which could be issued by the board without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of board and stockholder meetings; and
- providing the board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

In addition, the terms of the convertible notes require us to repurchase the convertible notes in the event of a fundamental change. A takeover of our company would trigger an option of the holders of the convertible notes to require us to repurchase the convertible notes. This may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to our stockholders or investors in the convertible notes.

**If securities or industry analysts publishing research or reports about us, our business or our market change their recommendations regarding our stock adversely or cease to publish research or reports about us, our stock price and trading volume could decline.**

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our stock adversely, or provide

more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

**SECTION B: SUPPLEMENTAL INFORMATION CONCERNING  
TESLA MOTORS, INC. 2010 EMPLOYEE STOCK PURCHASE PLAN**

**I. PERSON RESPONSIBLE**

Deepak Ahuja, Chief Financial Officer, acting for and on behalf of Tesla Motors, Inc. accepts responsibility for the information contained in the Prospectus. Deepak Ahuja declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import of such information.

**II. THE OUTLINE**

**2.1 Purpose of ESPP**

The purpose of the ESPP is to provide an incentive for Eligible Employees of certain Participating Companies to acquire or increase a proprietary interest in the Company through the purchase of Shares in the manner contemplated by the ESPP. Rights to purchase Shares offered pursuant to the ESPP are a matter of separate inducement and not in lieu of any salary or other compensation for the services of any employee.

**2.2 Shares offered under the ESPP**

Subject to adjustment upon changes in capitalization of the Company as provided in Section 9 of the ESPP, the maximum number of Shares which will be made available for sale under the ESPP will be 1,666,666 Shares, plus an annual increase to be added on the first day of each fiscal year of the Company, equal to the least of (i) 1,000,000 Shares, (ii) one percent (1%) of the outstanding Shares on such date, or (iii) an amount determined by the Administrator.

An Eligible Employee, as defined in the Sub-Plan, shall be considered a "Participating Employee" in the ESPP once enrolled and shall be a Participating Employee in the ESPP until no longer an Eligible Employee or he or she withdraws from participation in the ESPP as provided herein.

**2.3 Offering Periods**

The Offering Periods of the ESPP shall be of twelve (12) months duration commencing on the first business day of March and September of each year and ending on the last business day of February and August, respectively. The first day of each Offering Period is referred to as the Offering Date. Each Offering Period shall consist of two (2) six-month Purchase Periods, during which payroll deductions of the Participating Employee are accumulated under the ESPP. Each such six-month Purchase Period shall commence on the first business day of March and September of an Offering Period and shall end on the last business day of the following August and February, respectively. The last business day of each Purchase Period is referred to as the Exercise Date.



## **2.4 Purchase Price**

The purchase price per Share at which a Share will be sold in any Offering Period shall be eighty-five percent (85%) of the lesser of: (a) the fair market value of the Share on the Offering Date; or (b) the fair market value of the Share on the Exercise Date.

For purposes of the ESPP, the term "fair market value" on a given date means the closing sales price of the Shares as reported on the NASDAQ (or the closing bid, if no sales were reported).

## **2.5 Purchase of Shares**

Unless a Participating Employee withdraws from the ESPP as provided in Section 10 of the ESPP, his or her option for the purchase of Shares will be exercised automatically on the Exercise Date, and the maximum number of full Shares subject to the option will be purchased for such Participating Employee at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional Shares of the Company's common stock will be purchased; any payroll deductions accumulated in a Participating Employee's account, which are not sufficient to purchase a full Share will be returned to the Participating Employee. Any other funds left over in a Participating Employee's account after the Exercise Date will be returned to the Participating Employee. During a Participating Employee's lifetime, a Participating Employee's option to purchase Shares hereunder is exercisable only by him or her.

## **2.6 Termination or Amendment of the ESPP**

The Administrator, in its sole discretion, may amend, suspend, or terminate the ESPP, or any part thereof, at any time and for any reason. If the ESPP is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of Shares of the Company's common stock on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 19 of the ESPP). If the Offering Periods are terminated prior to expiration, all amounts then credited to Participating Employees accounts which have not been used to purchase Shares of the Company's common stock will be returned to the Participating Employees (without interest thereon, except as otherwise required under local laws) as soon as administratively practicable.

Without stockholder consent and without limiting Section 20(a) of the ESPP, the Administrator will be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by an Participating Employee in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of the Company's common stock for each Participating Employee properly correspond with amounts withheld from the Participating Employee's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the ESPP.

In the event the Administrator determines that the ongoing operation of the ESPP may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the ESPP to reduce or eliminate such accounting consequence including, but not limited to:

- (i) amending the ESPP to conform with the safe harbor definition under Financial Accounting Standards Board Accounting Standards Codification Topic 718, including with respect to an Offering Period underway at the time;
- (ii) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- (iii) shortening any Offering Period by setting a New Exercise Date, including an Offering Period underway at the time of the Administrator action;
- (iv) reducing the maximum percentage of Compensation a Participating Employee may elect to set aside as payroll deductions; and
- (v) reducing the maximum number of Shares an Eligible Employee may purchase during any Offering Period.

Such modifications or amendments will not require stockholder approval or the consent of any ESPP Participating Employees.

Participating Employees are entitled either to (i) discontinue their participation in the ESPP or to (ii) increase or decrease their rate of payroll deductions, as provided for in Section 10 of the ESPP (see Section 3.4 below).

### **III. ELIGIBILITY**

#### **3.1 Eligible Employees**

Eligible Employee means any person employed by a Non-U.S. Affiliate as defined in the Sub-Plan of the Tesla Motors.

Each individual who is an Eligible Employee on the applicable eligibility cutoff date (determined by the Company) prior to the start of the next Offering Period shall be eligible to participate in the Sub-Plan. For removal of doubt, the restrictions under Section 2 (l) of the ESPP shall not apply to Participants under the Sub-Plan including, without limitation, minimum employment hours per week or employment months per calendar year restrictions.

#### **3.2 Participation of Eligible Employees**

An Eligible Employee will be entitled to continue to participate in the first Offering Period pursuant to Section 3(a) of the ESPP, only if such individual submits a subscription agreement authorizing payroll deductions in a form determined by the Administrator (which may be similar to the form attached as Exhibit A of the ESPP) to the Company's designated plan administrator (i) no earlier than the effective date of the Form S-8 registration statement with respect to the issuance of the Company's common stock under the ESPP and (ii) no later than ten (10) business days following the effective date of such S-8 registration statement or such other period of time as the Administrator may determine (the "Enrollment Window"). An Eligible Employee's failure to submit the subscription agreement during the Enrollment Window will result in the automatic termination of such individual's participation in the first Offering Period.

An Eligible Employee may participate in the ESPP pursuant to Section 3(b) of the ESPP by (i) submitting to the Company's payroll office (or its designee), on or before a date prescribed by the

Administrator prior to an applicable Offering Date, as defined in the ESPP, a properly completed subscription agreement authorizing payroll deductions in the form provided by the Administrator for such purpose, or (ii) following an electronic or other enrollment procedure prescribed by the Administrator.

### **3.3 Payroll Deductions**

At the time an Eligible Employee enrolls in the ESPP pursuant to Section 5 of the ESPP, he or she will elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation, as defined in the ESPP, which he or she receives on each pay day during the Offering Period; provided, however, that should a pay day occur on an Exercise Date, a Participating Employee will have the payroll deductions made on such day applied to his or her account under the subsequent Offering Period. A Participating Employee's subscription agreement will remain in effect for successive Offering Periods unless terminated as provided in Section 10 of the ESPP.

Payroll deductions for a Participating Employee will commence on the first pay day following the Offering Date and will end on the last pay day prior to the Exercise Date of such Offering Period to which such authorization is applicable, unless sooner terminated by the Participating Employee as provided in Section 10 of the ESPP; provided, however, that for the first Offering Period, payroll deductions will commence on the first pay day on or following the end of the Enrollment Window.

All payroll deductions made for a Participating Employee will be credited to his or her account under the Plan and will be withheld in whole percentages only. A Participating Employee may not make any additional payments into such account.

### **3.4 Discontinuance of Participation of Participating Employees**

A Participating Employee may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the ESPP at any time by (i) submitting to the Company's payroll office (or its designee) a written notice of withdrawal in the form prescribed by the Administrator for such purpose (which may be similar to the form attached as Exhibit B of the ESPP), or (ii) following an electronic or other withdrawal procedure prescribed by the Administrator. All of the Participating Employee's payroll deductions credited to his or her account will be paid to such Participating Employee promptly after receipt of notice of withdrawal and such Participating Employee's option for the Offering Period will be automatically terminated, and no further payroll deductions for the purchase of Shares will be made for such Offering Period. If a Participating Employee withdraws from an Offering Period, payroll deductions will not resume at the beginning of the succeeding Offering Period, unless the Eligible Employee re-enrolls in the ESPP in accordance with the provisions of Section 5 of the ESPP.

An Eligible Employee's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods, which commence after the termination of the Offering Period from which the Eligible Employee withdraws.

### **3.5 Termination of Employment of Participating Employees**

Upon a Participating Employee's ceasing to be an Eligible Employee, for any reason, he or she will be deemed to have elected to withdraw from the ESPP and the payroll deductions credited to such Participating Employee's account during the Offering Period but not yet used to purchase Shares of

the Company's common stock under the ESPP will be returned to such Participating Employee or, in the case of his or her death, to the person or persons entitled thereto under Section 15 of the ESPP, and such Participating Employee's option will be automatically terminated.

#### **IV. DELIVERY AND SALE OF THE SHARES**

As soon as practicable after each Purchase Date, the Company shall deliver to a custodian selected by the Administrator one or more certificates representing (or shall otherwise cause to be credited to the account of such custodian) the aggregate number of whole Shares with respect to which Share purchase rights were exercised on such Purchase Date of all of the Participating Employees hereunder. Such custodian shall keep accurate records of the Shares held by each Participating Employee by means of Participating Employee accounts under the ESPP, and shall provide each Participating Employee with periodic statements (and/or access to reasonable electronic records) with respect thereto as may be directed by the Administrator. The Administrator may require that the Shares be retained with such custodian, or other designated broker or agent for a designated period of time and/or may establish other procedures as deemed convenient or necessary to comply with applicable local law. If the Company is required to obtain from any commission or agency (whether U.S. or foreign) authority to issue any such Shares, the Company shall seek to obtain such authority unless otherwise impracticable. Inability of the Company to obtain from any commission or agency (whether U.S. or foreign) authority which counsel for the Company deems necessary for the lawful issuance of any such Shares shall relieve the Company from liability to any Participating Employee in the ESPP except to return to him or her the amount of his or her contributions under the ESPP which would have otherwise been used upon exercise of the relevant Share purchase right.

#### **V. RIGHTS RELATED TO THE SHARES**

##### **5.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code**

As of December 31, 2014, Tesla Motor's, Inc. was authorized to issue 2,000,000,000 Shares, par value \$0.001, and 100,000,000 shares of preferred stock, par value \$0.001. As of July 30, 2015, there were 127,142,147 Shares and no shares of preferred stock outstanding.

Tesla Motors, Inc.'s Shares are quoted on the Nasdaq under the symbol "TSLA". The CUSIP for the Shares is 88160R101. The Shares issued under the ESPP are tradable on the Nasdaq and provide to the Participating Employee the same rights as those attached to Shares currently traded on the Nasdaq.

## 5.2 Legislation Under Which the Securities Have Been Created

The Shares were created under the Delaware General Corporation Law. Except as otherwise expressly required under the laws of a country, the ESPP and all rights thereunder shall be governed by and construed in accordance with the laws of the state of Delaware, United States of America.

## 5.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

Stockholders may hold the Shares, at their choosing, either in certificated or street name form. See Section B. III of Part II. The records are kept by Tesla Motors, Inc.'s transfer agent and registrar ComputerShare Trust Company, N.A. The address and telephone numbers of ComputerShare are:

ComputerShare Trust Company  
250 Royall Street,  
Canton, Massachusetts  
02021, USA  
+1 (800) 662-7232.

The Company's designated ESPP broker is E\*Trade Financial Services. The web address and telephone numbers of E\*Trade are: [www.etrade.com](http://www.etrade.com); +1 (650) 599-0125.

## 5.4 Currency of the Securities Issue

The United States Dollar is the currency of the securities issue. Participating Employees assume the risk of any currency fluctuations at the time of (i) their contribution to the ESPP by payroll deductions and (ii) the selling of their Shares.

## 5.5 Rights Attached to the Securities

No Participating Employee shall have any voting, dividend, or other stockholder rights with respect to any offering of Shares under the ESPP until the Shares have been purchased and delivered to the Participating Employee as provided in Section B. III of Part II. Following such purchase and delivery, the Participating Employee shall be entitled to the rights attached to the Shares, as further described below:

**Dividend Rights.** The holders of Shares are entitled to receive such dividends as the Company's directors from time to time may declare out of funds legally available. Entitlement to dividends is subject to the preferences granted to other classes of securities the Company has or may have outstanding in the future, including any preferred shares, and may be restricted by the terms of the Company's debt instruments. In accordance with our dividend policy, we do not declare or pay cash dividends or stock dividends on our capital stock nor do we anticipate paying any such cash dividends or stock dividends in the foreseeable future.

**Voting rights.** The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the stockholders.

**Right to Receive Liquidation Distribution.** In the event of liquidation, dissolution or winding up of the Company, holders of Shares are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding shares of preferred stock.

**No Preemptive, Redemptive or Conversion Provisions.** The holders of Shares have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the Share.

## 5.6 Transferability

The Shares in this offering under the ESPP are registered on Form S-8 with the SEC and are generally freely transferable.

The ESPP is intended to provide Shares for investment and not for resale. The Company does not, however, intend to restrict or influence any Participating Employee in the conduct of his or her own affairs. Provided that a Participating Employee is not subject to the Company's trading window, he or she may sell Shares purchased under the ESPP at any time he or she chooses, subject to compliance with any applicable securities laws and the notice provisions mentioned in Section B. IV of Part II. THE PARTICIPATING EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE SHARES.

## 5.7 General Provisions Applying to Business Combinations

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

In addition, the terms of the convertible notes require us to repurchase the convertible notes in the event of a fundamental change.

A takeover of our company would trigger an option of the holders of the convertible notes to require us to repurchase the convertible notes. This may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to our stockholders or investors in the convertible notes.

## VI. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS (AS OF JUNE 30, 2015)

### 6.1 Capitalization and Indebtedness (in thousands of US Dollars – Condensed Consolidated – Unaudited)

Total Current debt	\$638,275
- Guaranteed <sup>2</sup>	
- Secured <sup>3</sup>	\$28,786
- Unguaranteed / Unsecured	\$609,489
Total Non-Current debt (excluding current portion of long-term debt)	\$1,988,089
- Guaranteed <sup>4</sup>	\$ 0

<sup>2</sup> No guarantees

<sup>3</sup> Under our Warehouse Facility and Credit Facility we have secured certain of our leased automobile assets, equipment, tooling, inventory and receivables.

<sup>4</sup> We have no guarantees

- Secured <sup>5</sup>	\$141,644
- Unguaranteed / Unsecured	\$1,846,445
Shareholder's equity	
a. Share Capital	\$ 715,934
b. Legal Reserve	\$ 0
c. Other Reserves	\$ 2,000
Total	\$ 717,934

## 6.2 Net Indebtedness (in millions of US Dollars – Condensed Consolidated – Unaudited)

A. Cash	\$	801,163
B. Cash equivalent (Detail)		349,510
C. Trading securities		0
<b>D. Liquidity (A) + (B) + (C)</b>	<b>\$</b>	<b>1,150,673</b>
<b>E. Current Financial Receivable</b>	<b>\$</b>	<b>138,648</b>
F. Current Bank debt		609,489
G. Current portion of non-current debt		22,673
H. Other current financial debt		6,113
<b>I. Current Financial Debt (F) + (G) + (H)</b>		<b>638,275</b>
<b>J. Net Current Financial Indebtedness (I) – (E) – (D)</b>	<b>\$</b>	<b>(651,046)</b>
K. Non-current Bank loans	\$	141,644
L. Bonds Issued		1,846,445
M. Other non-current loans		11,254
<b>N. Non-current Financial Indebtedness (K) + (L) + (M)</b>	<b>\$</b>	<b>1,999,343</b>
<b>O. Net Financial Indebtedness (J) + (N)</b>	<b>\$</b>	<b>1,348,297</b>

## 6.3 Indirect and Contingent Indebtedness

### Contractual Obligations

We are party to contractual obligations involving commitments to make payments to third parties, including certain debt financing arrangements and leases, primarily for stores, service centers, certain manufacturing and corporate offices. These also include, as part of our normal business practices, contracts with suppliers for purchases of certain raw materials, components, and services to facilitate adequate supply of these materials and services and capacity reservation contracts.

As of June 30, 2015, we have borrowed \$114.3 million and \$50.0 million under our Warehouse Facility and Credit Facility. The Warehouse facility matures in March 2017 and the Credit Facility matures in June 2020, at which time all outstanding borrowing will become due. Prior to that date, principal payments will be due in the amount that the borrowing limit decreases below our outstanding principal balance. To date, no principal repayments were owed. For more information on the Warehouse Facility and Credit Facility, see Note 6 to our Condensed Consolidated Financial Statements included under Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Under our arrangement with one of our bank leasing partners, we have guaranteed the bank will receive a minimum residual value at the end of the lease term for each vehicle they purchase. At the end of the lease term, if the bank sells the vehicle, we are obligated to pay the bank for any shortfall between the vehicle's sales proceeds and the guarantee amount, or, at our option, we may elect to

<sup>5</sup> Under our Warehouse Facility and Credit Facility we have secured certain of our leased automobile assets, equipment, tooling, inventory and receivables.

repurchase the vehicles by paying the full guarantee amount, which was \$131.6 million as of June 30, 2015.

There have been no other material changes during the six months ended June 30, 2015 from the contractual obligations disclosed in Part II, Item 7, Contractual Obligations, of our Annual Report on Form 10-K for the year ended December 31, 2014.

### **Off-Balance Sheet Arrangements**

During the six months ended June 30, 2015 and 2014, we did not have relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### **Legal Proceedings**

From time to time, we are subject to various legal proceedings that arise from the normal course of business activities. In addition, from time to time, third parties may assert intellectual property infringement claims against us in the form of letters and other forms of communication. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on our results of operations, prospects, cash flows, financial position and brand.

In November 2013, a putative securities class action lawsuit was filed against Tesla in U.S. District Court, Northern District of California, alleging violations of, and seeking remedies pursuant to, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5. The complaint, made claims against Tesla and its CEO, Elon Musk, sought damages and attorney's fees on the basis of allegations that, among other things, Tesla and Mr. Musk made false and/or misleading representations and omissions, including with respect to the safety of Model S. This case was brought on behalf of a putative class consisting of certain persons who purchased Tesla's securities between August 19, 2013 and November 17, 2013. On September 26, 2014, the trial court, upon the motion of Tesla and Mr. Musk, dismissed the complaint with prejudice, and thereafter issued a formal written order to that effect. The plaintiffs have appealed from the trial court's order, and that appeal is pending.

## **VII. MAXIMUM DILUTION AND NET PROCEEDS**

### **7.1 Maximum Dilution**

The Shares under the ESPP are offered pursuant to this prospectus to approximately 988 Eligible Employees. As indicated in Element E.1. above, the maximum rate at which Eligible Employees may purchase Shares may not exceed US\$25,000 of the fair market value of Shares (determined as of the Offering Date) per calendar year in which the right is outstanding. However, as noted above, there are other limitations on Share purchases such as no more than eighty five percent (85%) of eligible compensation may be contributed to ESPP purchases which may result in employees not being able to purchase US\$25,000 worth of Shares in a calendar year.

Assuming that (i) no other ESPP limitations are exceeded, and (ii) no Eligible Employee has carried or will carry over any contributions from the prior calendar year into the following calendar year, Eligible Employees would each be able to purchase a maximum of 109 whole Shares for a maximum of US\$24,854.18 in contributions for the Offering Period starting on September 1, 2015. These amounts are based on a hypothetical Share price of US\$228.02 on September 1, 2015 (*i.e.*, the day on which the US\$25,000 limit will be calculated), which hypothetical Share price is equal to the closing price of the Shares on the Nasdaq on June 30, 2015, based on the assumption that Shares will be purchased at a Purchase Price based on this date which is US\$228.02 (85% of US\$268.26). Assuming that all Eligible Employees participate in the ESPP and each Eligible Employee purchases 109 Shares in the offer, the maximum number of Shares offered pursuant to this prospectus amounts to 107,692 Shares.

Based on the above assumptions, a shareholder of Tesla Motors, Inc. currently holding one percent (1%) of the total outstanding share capital of Tesla Motors, Inc. as of June 30, 2015 that is 1,271,421



Shares, and who would not participate in the offer would be diluted as indicated in the following dilution table:

	Percentage of the total outstanding Shares	Total number of outstanding Shares
Before the offering (as of June 30, 2015)	1%	127,142,147
After issuance of 107,692 Shares under the ESPP	0.9992%	127,249,839

## 7.2 Net Proceeds

Assuming that each of the 988 Eligible Employees, as defined in Element E.3 above, would purchase the maximum amount of Shares under the ESPP purchasable with a maximum contribution of \$25,000 for an hypothetical purchase price of \$228.02 (85% of \$268.26, the closing price on June 30, 2015), then the gross proceeds of Tesla Motors, Inc. in connection with the offer under the ESPP pursuant to this prospectus would be \$24,555,929.84. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately \$24,485,929.84.

## VIII. DIRECTORS AND CORPORATE OFFICERS

### 8.1 Board of Directors

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>
Elon Musk	43	Chief Executive Officer, Product Architect and Chairman
Brad W. Buss	51	Director
Robyn M. Denholm	51	Director
Ira Ehrenpreis	46	Director
Antonio J. Gracias	44	Director
Stephen T. Jurvetson	48	Director
Kimbal Musk	42	Director

**Elon Musk** has served as our Chief Executive Officer since October 2008 and as Chairman of our Board of Directors since April 2004. Mr. Musk has also served as Chief Executive Officer, Chief Technology Officer and Chairman of Space Exploration Technologies Corporation (“SpaceX”), a company which is developing and launching advanced rockets for satellite and eventually human transportation, since May 2002, and as Chairman of SolarCity Corporation (NASDAQ: SCTY) (“SolarCity”), a solar installation company, since July 2006. Prior to joining SpaceX, Mr. Musk co-founded PayPal, an electronic payment system, which was acquired by eBay in October 2002, and Zip2 Corporation, a provider of Internet enterprise software and services, which was acquired by Compaq in March 1999. Mr. Musk holds a B.A. in physics from the University of Pennsylvania and a B.S. in business from the Wharton School of the University of Pennsylvania.

**Brad W. Buss** has been a member of our Board of Directors since November 2009. Since August 2014, Mr. Buss has been the Chief Financial Officer of SolarCity. Prior to joining SolarCity, from August 2005 to June 2014, Mr. Buss was Executive Vice President of Finance and Administration and Chief Financial Officer of Cypress Semiconductor Corporation (NASDAQ: CY), a semiconductor design and manufacturing company. Mr. Buss served as Vice President of Finance at Altera Corp., a semiconductor design and manufacturing company, from March 2000 to March 2001 and from October 2001 to August 2005. From March 2001 to October 2001, Mr. Buss served as the Chief Financial Officer of Zaffire, Inc., a developer and manufacturer of optical networking equipment. Mr. Buss also serves as a director of CaféPress.com. Mr. Buss holds a B.A. in economics from McMaster University and an honors business administration degree, majoring in finance and accounting, from the University of Windsor.

**Robyn M. Denholm** has been a member of our Board of Directors since August 2014. Since July 2013, Ms. Denholm has been Executive Vice President and Chief Financial and Operations Officer of Juniper Networks, Inc., a manufacturer of networking equipment (“Juniper”), which she joined in August 2007 as Executive Vice President and Chief Financial Officer. Prior to joining Juniper, Ms. Denholm served in various executive roles at Sun Microsystems, Inc. from January 1996 to August 2007, including Senior Vice President of Corporate Strategic Planning, Senior Vice President of Finance, and Vice President and Corporate Controller (Chief Accounting Officer). Ms. Denholm also served at Toyota Motor Corporation Australia for seven years and at Arthur Andersen & Company for five years in various finance assignments. Ms. Denholm is a Fellow of the Institute of Chartered Accountants of Australia and holds a Bachelor’s degree in Economics from the University of Sydney and a Master’s degree in Commerce from the University of New South Wales.

**Ira Ehrenpreis** has been a member of our Board of Directors since May 2007. Since 2014, Mr. Ehrenpreis has been a managing partner of DBL Partners, a venture capital firm. Since 1996, Mr. Ehrenpreis has also been with Technology Partners, a venture capital firm, where he is a managing member and leads the firm’s Cleantech practice. In the venture capital community, he has served on the Board of the National Venture Capital Association, currently serves as Co-President of the Western Association of Venture Capitalists, and is the Co-Chairman of the VCNetwork, an organization comprising more than 1,000 venture capitalists. In the cleantech sector, he has served on several industry boards, including the American Council on Renewable Energy and the Cleantech Venture Network (Past Chairman of Advisory Board), and has been the Chairman of the Clean-Tech Investor Summit in 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013. Mr. Ehrenpreis also serves as Chairman of the World Energy Innovation Forum. Mr. Ehrenpreis holds a B.A. from the University of California, Los Angeles and a J.D. and M.B.A. from Stanford University.

**Antonio J. Gracias** has been a member of our Board of Directors since May 2007 and has served as our Lead Independent Director since September 2010. Since 2003, Mr. Gracias has been Chief Executive Officer of Valor Management Corp., a private equity firm. Mr. Gracias is a director of SpaceX and SolarCity. Mr. Gracias holds a joint B.S. and M.S. degree in international finance and economics from the Georgetown University School of Foreign Service and a J.D. from the University of Chicago Law School.

**Stephen T. Juvetson** has been a member of our Board of Directors since June 2009. Since 1995, Mr. Juvetson has been a Managing Director of Draper Fisher Juvetson, a venture capital firm. Mr. Juvetson is a director of D-Wave Systems Inc., Synthetic Genomics Inc. and SpaceX, among other companies. Mr. Juvetson holds B.S. and M.S. degrees in electrical engineering from Stanford University and an M.B.A. from the Stanford Business School.

**Kimbal Musk** has been a member of our Board of Directors since April 2004. Mr. Musk has been the owner of The Kitchen Restaurant Group, a USA Today Top Ten restaurant, since January 2004 and its Chief Executive Officer since April 2004. Mr. Musk is also a director of SpaceX and Chipotle Mexican Grill, Inc., an international chain of Mexican-themed restaurants. In November 2010, Mr. Musk became the Executive Director of The Kitchen Community, a non-profit organization that creates learning gardens in schools across the United States. Since February 2012, Mr. Musk has been a director of the Los Angeles Fund for Public Education, a philanthropic organization dedicated to driving positive change in the Los Angeles Unified School District. Since July 2012, Mr. Musk has been a director of the Anschutz Health and Wellness Center, a facility at the University of Colorado School of Medicine providing research, education and wellness services with the goal of achieving healthier lifestyles. In November 1995, Mr. Musk co-founded Zip2 Corporation, a provider of enterprise software and services, which was acquired by Compaq in March 1999. Mr. Musk holds a B.Comm. in business from Queen’s University and is a graduate of The French Culinary Institute in New York City.

The business address of the members of the Board of Directors is located at 3500 Deer Creek Road, Palo Alto, California, 94304, U.S.A.

Except for Messrs. Elon Musk and Kimbal Musk who are brothers, there are no other family relationships among any of our directors or executive officers.

## 8.2 Executive Officers

<u>Name</u>	<u>Ages</u>	<u>Position</u>
Elon Musk	43	Chief Executive Officer, Product Architect and Chairman
Deepak Ahuja	52	Chief Financial Officer
Jeffrey B. Straubel	39	Chief Technology Officer
Jerome Guillen	42	Vice President, Worldwide Service and Deliveries
Greg Reichow	45	Vice President, Production

**Elon Musk.** For information about Mr. Musk, please refer to section 7.1 above.

**Deepak Ahuja** has served as our Chief Financial Officer since July 2008. Prior to joining us, Mr. Ahuja served in various positions at Ford Motor Company from August 1993 to July 2008, most recently as the Vehicle Line Controller of Small Cars Product Development from July 2006 to July 2008, and as Chief Financial Officer for Ford of Southern Africa from February 2003 to June 2006. Mr. Ahuja also served as the Chief Financial Officer for Auto Alliance International, a joint venture between Ford and Mazda, from September 2000 to February 2003. Mr. Ahuja holds an M.S.I.A. (which was subsequently redesignated as an M.B.A.) from Carnegie Mellon University, a M.S. in materials engineering from Northwestern University and a Bachelors degree in ceramic engineering from Banaras Hindu University in India.

**Jeffrey B. Straubel** has served as our Chief Technology Officer since May 2005 and previously served as our Principal Engineer, Drive Systems from March 2004 to May 2005. Prior to joining us, Mr. Straubel was the Chief Technical Officer and co-founder of Volacom Inc., an aerospace firm which designed a specialized high-altitude electric aircraft platform, from 2002 to 2004. Mr. Straubel holds a B.S. in energy systems engineering from Stanford University and a M.S. in engineering, with an

emphasis on power electronics, microprocessor control and energy conversion, from Stanford University.

**Jerome Guillen** has served as our Vice President, Worldwide Service and Deliveries since March 2015, and previously served as our Vice President, Worldwide Sales and Service from April 2013 to March 2015 and as our Model S Program Director from November 2010 to April 2013. Prior to joining us, Mr. Guillen served as Director, Business Innovation at Daimler AG, an automobile manufacturer, from September 2007 to November 2010. Mr. Guillen also served as Director, New Product Development at Freightliner LLC, a manufacturer of trucks and heavy duty vehicles, from September 2002 to September 2007. Mr. Guillen holds a Ph.D. in mechanical engineering from the University of Michigan, in addition to a dual degree in energy technologies from Escuela Tecnica Superior de Ingenieros Industriales in Madrid and in mechanical engineering from Ecole Nationale Superieure de Techniques Avancees in Paris.

**Greg Reichow** has served as our Vice President, Production since May 2013 and previously served as our Vice President of Operations, Powertrain, from April 2011 to May 2013. Prior to joining us, Mr. Reichow was Senior Vice President of Operations at SunPower Corporation, a solar cell and panel manufacturer, from November 2003 to April 2011. Mr. Reichow holds a B.S. in mechanical and industrial engineering from the University of Minnesota, Twin Cities.

### **8.3 Fraudulent Offences and Bankruptcy, Etc.**

For at least the previous five (5) years, none of the directors or executive officers of Tesla Motors, Inc. has:

- (a) been convicted in relation to fraudulent offences;
- (b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of Tesla Motors, Inc.; or
- (c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the executive officers and directors listed above.

### **8.4 Conflicts of Interest**

#### **Director Independence**

The Board of Directors has determined that, with the exception of Elon Musk, Kimbal Musk and Brad W. Buss, all of its current members are “independent directors” as that term is defined in the listing standards of NASDAQ.

Other than Elon Musk, no current director is or has ever been an employee of Tesla. In the course of determining the independence of each non-employee director, the Board of Directors considered the annual amount of Tesla’s sales to, or purchases from, any company where a non-employee director serves as an executive officer. The Board of Directors determined that any such sales or purchases were made in the ordinary course of business and the amount of such sales or purchases in each of the past three fiscal years was less than 5% of Tesla’s or the applicable company’s consolidated gross revenues for the applicable year. See “Certain Relationships and Related Party Transactions—

Related Party Transactions” below for more detail relating to such transactions. In addition, the Board of Directors considered all other relevant facts and circumstances, including the director’s commercial, accounting, legal, banking, consulting, charitable and familial relationships.

With respect to Mr. Brad W. Buss, the following were relevant considerations:

Brad W. Buss is not independent because of his employment with Solar City (as its CFO), with whom Tesla Motors has material relationships.

Tesla has entered into a number of agreements with SolarCity. Elon Musk, its Chief Executive Officer, Product Architect and Chairman, is a significant stockholder of SolarCity and has been its Chairman since July 2006. Brad Buss, a member of its Board of Directors, has been the Chief Financial Officer of SolarCity since August 2014. Stephen T. Jurvetson, a member of its Board of Directors, is a managing director of Draper Fisher Jurvetson which is a significant stockholder of SolarCity. Antonio J. Gracias, a member of its Board of Directors, is a minor shareholder of SolarCity and a member of the board of directors of SolarCity. Finally, Jeffrey B. Straubel, its Chief Technical Officer, is a member of the board of directors of SolarCity. In April 2013, Tesla entered into a supply agreement with SolarCity under which Tesla will supply SolarCity with various sizes of stationary batteries for integration with solar panels by SolarCity to create stationary power sources for sale or lease to residential and commercial customers. Tesla recognized approximately \$2.7 million in revenue from SolarCity during fiscal year 2014 for stationary batteries Tesla supplied to SolarCity pursuant to this supply agreement.

With respect to Messrs. Elon Musk and Kimbal Musk, the following were relevant considerations:

Mr. Elon Musk is an employee of Tesla and Messrs. Elon and Kimbal Musk are brothers.

Except for Messrs. Elon Musk and Kimbal Musk, there are no other family relationships among any of Tesla’s directors or executive officers.

With respect to Mr. Gracias, the following were relevant considerations:

- Mr. Gracias is the Chief Executive Officer and a director of Valor Management Corp. (“VMC”). VMC funds are a minority investor in SpaceX. Mr. Gracias is a director of SpaceX. Elon Musk, our Chief Executive Officer, Product Architect and Chairman, is also the Chief Executive Officer, Chief Technology Officer, Chairman and a significant stockholder of SpaceX.
- VMC funds are a minority investor in SolarCity. Mr. Gracias is a director of SolarCity, of which Elon Musk is the Chairman and a significant stockholder.
- The Elon Musk Revocable Trust dated July 22, 2003 is a limited partner of Valor Equity Partners, L.P. and Valor Equity Partners II, L.P., which are advised by VMC, with subscription commitments of \$2 million and \$2 million, respectively.

The Board of Directors has concluded that there are no relationships that would impede the exercise of independent judgment by Mr. Gracias.

With respect to Mr. Jurvetson, the following were relevant considerations:

- Mr. Juvetson is a managing director of Draper Fisher Juvetson (“DFJ”). Through its funds, DFJ is a significant stockholder of SpaceX and Mr. Juvetson is a director of SpaceX, of which Elon Musk is Chief Executive Officer, Chief Technology Officer, Chairman and a significant stockholder.
- Through its funds, DFJ is a significant stockholder of SolarCity, of which Elon Musk is the Chairman and a significant stockholder.
- The Elon Musk Revocable Trust dated July 22, 2003 is a limited partner of Draper Fisher Juvetson Fund X, L.P., which is managed by DFJ, with a subscription commitment of \$250,000.

The Board of Directors has concluded that there are no relationships that would impede the exercise of independent judgment by Mr. Juvetson.

With respect to Mr. Ehrenpreis, the following were relevant considerations:

- Mr. Ehrenpreis is a minority investor in SpaceX, of which Elon Musk is Chief Executive Officer, Chief Technology Officer, Chairman and a significant stockholder.

The Board of Directors has concluded that there are no relationships that would impede the exercise of independent judgment by Mr. Ehrenpreis.

With respect to Ms. Denholm, the following were relevant considerations:

- Ms. Denholm is the Executive Vice President and Chief Financial and Operations Officer of Juniper. Tesla purchases networking equipment manufactured by Juniper in the ordinary course of business through resellers, but has not entered into a purchase contract directly with Juniper.

The Board of Directors has concluded that there are no relationships that would impede the exercise of independent judgment by Ms. Denholm.

Furthermore, no member of the Board of Directors currently serves on the boards of directors of more than two publicly held companies.

### **Related Person Transactions Policy**

In accordance with the charter for the Audit Committee of the Board of Directors, our Audit Committee reviews and approves in advance any proposed related person transactions.

For purposes of these procedures, “related person” and “transaction” have the meanings contained in Item 404 of Regulation S-K.

The individuals and entities that are considered “related persons” include:

- Directors, nominees for director and executive officers of Tesla;
- Any person known to be the beneficial owner of five percent or more of Tesla’s common stock (a “5% Stockholder”); and
- Any immediate family member, as defined in Item 404(a) of Regulation S-K, of a director, nominee for director, executive officer or 5% Stockholder.

In accordance with our Related Person Transactions Policy and Procedures, the Audit Committee must review and approve all transactions in which (i) Tesla or one of its subsidiaries is a participant,

(ii) the amount involved exceeds \$120,000 and (iii) a related person has a direct or indirect material interest, other than transactions available to all employees of the Company generally.

In assessing a related party transaction brought before it for approval the Audit Committee considers, among other factors it deems appropriate, whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. The Audit Committee may then approve or disapprove the transaction in its discretion.

Any related person transaction will be disclosed in the applicable SEC filing as required by the rules of the SEC.

## IX EMPLOYEES

### 9.1 Directors' and Corporate Officers' Holdings of Shares and Options

The following table sets forth certain information regarding the beneficial ownership of Tesla's common stock, as of December 31, 2014, for the following:

- each person (or group of affiliated persons) who is known by us to beneficially own 5% of the outstanding shares of our common stock;
- each of our non-employee directors;
- each of our executive officers named in the Summary Compensation Table of this proxy statement; and
- all directors and current executive officers of Tesla as a group.

In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options or other convertible securities held by that person or entity that are currently exercisable or exercisable within 60 days of December 31, 2014. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Applicable percentage ownership is based on 125,687,607 Shares of Tesla's common stock outstanding at December 31, 2014.

Unless otherwise indicated, all persons named below can be reached at Tesla Motors, Inc., 3500 Deer Creek Road, California 94304.

Beneficial Owner Name	Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<b>5% Stockholders</b>		
Elon Musk (1)	35,528,859	26.7 %
FMR LLC (2)	9,321,226	7.4 %
Capital Ventures International (3)	7,206,313	5.7 %
<b>Named Executive Officers &amp; Directors</b>		
Elon Musk (1)	35,528,859	26.7 %
Deepak Ahuja (4)	183,717	*

Jeffrey B. Straubel (5)	592,012	*
Jerome Guillen (6)	52,502	*
Greg Reichow (7)	16,864	*
Brad W. Buss (8)	103,289	*
Robyn M. Denholm (9)	6,500	*
Ira Ehrenpreis (10)	32,238	*
Antonio J. Gracias (11)	377,755	*
Stephen T. Jurvetson (12)	69,795	*
Kimbal Musk (13)	221,700	*
All current executive officers and directors as a group (11 persons) (14)	37,185,231	28.0 %

-  
\* Represents beneficial ownership of less than 1%.

- (1) Includes 28,288,697 shares held of record by the Elon Musk Revocable Trust dated July 22, 2003; and 7,240,162 shares issuable to Mr. Musk upon exercise of options exercisable within 60 days after December 31, 2014. Includes 7,424,899 shares pledged as collateral to secure certain personal indebtedness.
- (2) Includes shares that may be deemed to be beneficially owned by FMR LLC and/or Fidelity Management & Research (Hong Kong) Limited, FMR Co., Inc., Pyramis Global Advisors (Canada) ULC, Pyramis Global Advisors Trust Company and Strategic Advisers, Inc. FMR LLC is predominantly owned by members of the family of Edward C. Johnson, III, Director and Chairman of FMR LLC, including Abigail P. Johnson, Director, Vice Chairman, Chief Executive Officer and President of FMR LLC. None of FMR LLC, Edward C. Johnson, III and Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by various investment companies (the "Fidelity Funds") advised by Fidelity Management & Research Company, a wholly owned subsidiary of FMR LLC ("FMR Co."), which power resides with the Fidelity Funds' Boards of Trustees. FMR Co. carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The address for these entities and individuals, unless otherwise noted, is 245 Summer Street, Boston, MA 02210. The foregoing information is based solely on Amendment No. 5 to Schedule 13G filed on February 13, 2015, which the Company does not know or have reason to believe is not complete or accurate and on which the Company is relying pursuant to applicable SEC regulations.
- (3) Includes 763,958 shares beneficially owned by Capital Ventures International, 16,264 shares beneficially owned by G1 Execution Services, LLC, 2,834 shares beneficially owned by Susquehanna Capital Group, 164,300 shares beneficially owned by Susquehanna Investment Group, comprised entirely of options to purchase shares, and 6,258,957 shares beneficially owned by Susquehanna Securities, including options to purchase 6,193,200 shares (collectively, the "Capital Ventures Group"). These entities are affiliated independent broker-dealers and related entities that may be deemed to form a group, and each entity may be deemed to share voting and dispositive power as to all shares owned by the Capital Ventures Group. The address for Capital Ventures International is PO Box 897, Windward 1, Regatta Office Park, West Bay Road, Grand Cayman, KY1-1103, Cayman Islands. The address of G1 Execution Services, LLC is 440 S. LaSalle Street, Suite 3030, Chicago, Illinois 60605. The address of each of Susquehanna Advisors Group, Inc., Susquehanna Capital Group, Susquehanna Investment Group and Susquehanna Securities is 401 E. City Ave, Suite 220, Bala Cynwyd, PA 19004. The foregoing information is based solely on Schedule 13G filed on February 13, 2015 jointly by the Capital Ventures Group, which the Company does not know or have reason to believe is not complete or accurate and on which the Company is relying pursuant to applicable SEC regulations.
- (4) Includes 176,535 shares issuable upon exercise of options exercisable within 60 days after



- December 31, 2014.
- (5) Includes 490,531 shares issuable upon exercise of options exercisable within 60 days after December 31, 2014. Includes 36,420 shares pledged as collateral to secure certain personal indebtedness.
  - (6) Includes 49,916 shares issuable upon exercise of options exercisable within 60 days after December 31, 2014.
  - (7) Includes 16,792 shares issuable upon exercise of options exercisable within 60 days after December 31, 2014.
  - (8) Includes 91,525 shares issuable upon exercise of options exercisable within 60 days after December 31, 2014.
  - (9) Consists of shares issuable upon exercise of options exercisable within 60 days after December 31, 2014.
  - (10) Includes (i) 16,966 shares issuable upon exercise of options exercisable within 60 days after December 31, 2014 held in the name of Mr. Ehrenpreis, acting as nominee of TP Management VIII, LLC ("TPM VIII"); and (ii) 9,388 shares held of record by TPM VIII. Ira Ehrenpreis, James Glasheen, Sheila Mutter, Roger J. Quy and Marc Van den Berg are managing members of TPM VIII, and as such, they may be deemed to have voting and investment power with respect to the shares beneficially owned by TPM VIII. The address for TPM VIII is 550 University Avenue, Palo Alto, CA 94301.
  - (11) Includes (i) 46,633 shares held of record by Valor Equity Management II ("VEP II") on behalf of AJG Growth Fund LLC ("Growth Fund"); (ii) 208,014 shares owned by AJG Growth Fund LLC; and (iii) 123,108 shares issuable to Valor Equity Partners, L.P. ("VEP I") upon exercise of options exercisable within 60 days after December 31, 2014. VEP I and VEP II are advised directly and/or indirectly by Valor Management Corp., which may be deemed to have shared voting and investment power with respect to the shares held of record by VEP I and VEP II. Mr. Gracias is a shareholder and director of Valor Management Corp., and may be deemed to have shared voting and investment power with respect to the shares held of record by VEP I and VEP II. He is also fund manager for AJG Growth Fund LLC. The address for all the entities above is 875 North Michigan Avenue, Suite 3214, Chicago, IL 60611.
  - (12) Includes 43,628 shares held by the Jurvetson Trust and 26,167 shares issuable upon exercise of options exercisable within 60 days after December 31, 2014.
  - (13) Includes 64,776 shares issuable upon exercise of options exercisable within 60 days after December 31, 2014. Includes 148,333 shares pledged as collateral to secure certain personal indebtedness.
  - (14) Includes 8,302,978 shares issuable upon exercise of options held by our current executive officers and directors exercisable within 60 days after December 31, 2014.

## **9.2 Employee Benefit Plans**

Information regarding share-based compensation and equity, and benefit plans is provided for note 8 to the consolidated financial statements, which is contained in Item 8 of Tesla Motors, Inc.'s Form 10-K.

## **X. WORKING CAPITAL STATEMENT**

Tesla Motors is of the opinion that Tesla Motors has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the publication of the Prospectus.

## **XI. SELECTED FINANCIAL INFORMATION**

### **11.1 Selected Financial Data**

The selected financial data of Tesla Motors, Inc. set out in this prospectus have been derived from Tesla Motors, Inc. Consolidated Financial Statements, prepared in accordance with U.S. GAAP. They are derived in part from Tesla Motors' consolidated financial statements which are available for the Eligible Employees' review at <http://ir.teslamotors.com/sec.cfm>.

**SELECTED THREE-YEAR CONSOLIDATED FINANCIAL DATA**  
(in thousands, except share and per share data)

**Consolidated Statements of Operations Data**

	Year ended December 31,		
	2014	2013	2012
Total revenues	\$ 3,198,356	2,013,496	413,256
Gross profit	881,671	456,262	30,067
Loss from operations	(186,689)	(61,283)	(394,283)
Net loss	\$ (294,040)	(74,014)	(396,213)
Net loss per share of common stock, basic and diluted	\$ (2.36)	(0.62)	(3.69)
Weighted average shares used in computing net loss per share of common stock	124,573,415	119,421,414	107,349,188

**Consolidated Balance Sheets**

	Year ended December 31,		
	2014	2013	2012
Working capital (deficit)	\$ 1,091,491	590,779	(14,340)
Total assets	5,849,251	2,416,930	1,114,190
Total long-term obligations	2,772,179	1,074,650	450,382

**SELECTED QUARTERLY CONDENSED CONSOLIDATED FINANCIAL DATA**  
(In thousands, except share and per share data - Unaudited)

	Three Months Ended June 30,	
	2015	2014
<b>Statements of Operations Data:</b>		
Total revenues	\$ 954,976	\$ 769,349
Total cost of revenues	741,606	556,354
Gross profit	213,370	212,995
Total operating expenses	383,558	241,748
Net loss	(184,227)	(61,900)
Net loss per share of common stock, basic and diluted	(1.45)	(0.50)
	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Balance Sheets Data:</b>		
Cash and cash equivalents	\$ 1,150,673	\$ 2,674,910
Total assets	6,468,185	5,054,463
Total liabilities	5,701,978	4,036,047
Total stockholders' equity	715,934	952,333

The independent registered public accounting firm of Tesla Motors, Inc. is PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP is registered with the Public Company Accounting Oversight Board (United States) and is a member of the American Institute of Certified Public Accountants.

## **XII. TREND INFORMATION**

We are currently producing and selling our second vehicle, the Model S sedan. Model S is a four door, five-passenger premium sedan that offers exceptional performance, functionality and attractive styling. Model S inherited many of the electric powertrain innovations we introduced with our first vehicle, the Tesla Roadster. We commenced deliveries of Model S in June 2012 and have delivered over 78,000 Model S vehicles through June 30, 2015. In 2014 we announced the availability of our All-Wheel Drive Model S and began delivery, starting with a performance-optimized version, in December 2014.

Since then, we announced a 70 kWh Model S both with All-Wheel Drive and rear wheel drive options and an upgrade to a 90 kWh battery pack, and we discontinued the 60 kWh Model S. In addition, we recently announced the next generation of our energy storage products, the 7 kWh and 10 kWh Powerwall for residential applications and the 100 kWh Powerpack for commercial and industrial applications. We expect to begin production and deliveries of these products, which we will market under the Tesla Energy brand, later this year.

We are continuing to develop our Model X crossover vehicle and intend to commence customer deliveries late in the third quarter of 2015. After the Model X, our goal is to begin deliveries of Model 3, a lower priced sedan designed for the mass market, in late 2017.

Our primary source of revenue is from the sale of our vehicles. During the three months ended June 30, 2015, we recognized total revenues of \$955.0 million, an increase of \$185.7 million over total revenues of \$769.3 million for the three months ended June 30, 2014, primarily driven by growth of Model S deliveries worldwide.

Gross margin for the three months ended June 30, 2015 was 22.3%, a decrease from 27.7% for the three months ended June 30, 2014.

We continue to increase our sales and service footprint worldwide and expand our Supercharging network. With the continued global expansion of our customer support and Supercharger infrastructure, selling, general and administrative expenses were \$201.8 million for the three months ended June 30, 2015, compared to \$134.0 million for the three months ended June 30, 2014.

Our capital expenditures and operating expenses have significantly increased in the past year. As we continue to invest in the long term growth of Tesla, capital spending and operating expenses will continue to increase, but at a more moderate pace than in 2014. During 2015, capital expenditures are expected to be about \$1.5 billion as we expand production capacity, complete Model X development, and continue to build the Gigafactory; expand our stores and service centers, expand our Supercharger network, and continue other product development programs, including Model 3.

Our operating expenses are expected to grow by 45% to 50% in 2015 as compared to 2014 which will be less than half the pace of growth in 2014. Our R&D expenses will continue to increase in Q3 2015 due to development, validation, and testing of Model X and will slow down beyond that. R&D expenses will start to increase again in 2016 with engineering work on Model 3 as we get closer to its launch. We expect sales, general and administrative expenses to decline over time as a percentage of revenue as we focus on increasing operational efficiency while continuing to expand our customer and

corporate infrastructure. Over time, we also expect overall operating expenses to decrease as a percentage of revenue.

As of June 30, 2015 and December 31, 2014, the net book value of our Supercharger network was \$139.8 million and \$107.8 million and currently includes 480 locations globally. We plan to continue investing in our Supercharger network for the foreseeable future, including in North America, Europe and Asia and expect such spending to be approximately 5% of total capital spending over the next 12 months. During 2015, this investment will grow our Supercharger network by about 50%. We allocate Supercharger related expenses to cost of automotive revenues and selling, general, and administrative expenses. These costs were immaterial for all periods presented.

Our revenues and costs denominated in foreign currencies are not completely matched. Accordingly, if the value of the U.S. dollar depreciates significantly against currencies where we have a net short exposure, our costs as measured in U.S. dollars as a percent of our revenues will correspondingly increase which may adversely impact our operating results. Conversely, as the value of the U.S. dollar appreciates significantly against currencies where revenues exceed expenses, our revenues as measured in U.S. dollars may be reduced.

As a result of the favorable impact from unsettled foreign currency-denominated intercompany balances and foreign currency cash holdings, related largely to our Norwegian kroner and euro balances, we recorded unrealized gains of \$13.2 million on foreign exchange transactions in other income (expense), net, for the six months ended June 30, 2015.

### **XIII. DOCUMENTS ON DISPLAY**

Tesla Motors, Inc. files or furnishes various reports, such as registration statements, periodic and current reports, definitive proxy statements, and other materials with the SEC. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including Tesla Motors, Inc.'s filings. Tesla Motors, Inc.'s annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on the Investor Relations section of Tesla Motors, Inc.'s website at as soon as reasonably practicable after they are electronically filed with or furnished to the SEC.

Tesla Motors, Inc.'s Form 10-K and Tesla Motors, Inc.'s Proxy Statement, referred to in this prospectus, may be obtained free of charge upon request by an employee.

### **XIV. TAX CONSEQUENCES**

The following summaries are based on the income and social tax laws in effect in the respective countries as of the date of this prospectus. However, because tax and other laws are complex and can change frequently, the information below may be out of date at the time the Participating Employee purchases Shares or sells Shares under the ESPP.

Moreover, the information in the summaries is based on certain assumptions which may or may not apply to the particular situation of a Participating Employee. Finally, in some countries, there may be exemptions and deductions applicable to a Participating Employee that are not described herein.

***Therefore, the Participating Employees are strongly advised to consult their own independent personal tax advisors as to how the tax or other laws in their respective countries apply to their specific situations.***

#### **14.1 Netherlands Tax Consequences**

The following summary is based on the income and social tax laws in effect in the Netherlands as of the date of this prospectus. Tax and other laws are complex and can change frequently. As a result, the information below may be out of date at the time a Participating Employee purchases Shares or sells Shares under the ESPP.

The following applies only to Participating Employees who are Dutch residents for tax purposes. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after the commencement of the applicable Purchase Period but prior to the corresponding Exercise Date, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. This information may not apply to each Participating Employee's particular tax or financial situation, and Tesla Motors, Inc. is not in a position to assure him or her of any particular tax result.

The Participating Employees are strongly advised to consult their own independent personal tax advisors as to how the tax or other laws in their country apply to their specific situations.

##### **Enrollment in the ESPP**

The Participating Employee will not be subject to tax when he or she enrolls in the ESPP or a new Purchase Period begins.

##### **Purchase of Shares**

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax on the difference (i.e., the discount) between the fair market value of the Shares on the Exercise Date and the purchase price. In addition, the Participating Employee will be subject to social insurance contributions on this amount (to the extent he or she has not exceeded the applicable contribution ceiling).

##### **Dividends**

If a dividend is declared on Shares acquired under the ESPP, the Participating Employee is not subject to any tax in the Netherlands on any dividend received but is subject to U.S. federal income tax withholding at source.

The Participating Employee may be able to claim a reduced rate of U.S. federal income tax withholding on such dividends as a resident of a country with which the U.S. has an income tax treaty. The Participating Employee must have a properly completed U.S. Internal Revenue Service Form W-8BEN on file in order to claim the treaty benefit.

##### **Sale of Shares**

When the Participating Employee subsequently sells the Shares purchased under the ESPP, any gain

(i.e. the difference between the sale price and the fair market value of the Shares on the Exercise Date) will not be subject to capital gain tax (provided the Participating Employee holds less than 5% of the Company's Shares).

### **Annual Investment Tax**

The Participating Employee will be subject to an investment yield tax (Box III) at a rate of 1.2% (effectively) on the value of all of his or her assets (including Shares purchased under the ESPP) held on January 1st of the calendar year involved, subject to an annual exemption (€21,330 for 2015). It is the Participating Employee's responsibility to report and pay any investment tax due in his or her income tax return.

### **Withholding and Reporting**

The Participating Employee's employer will withhold and report income tax and social insurance contributions (to the extent he or she has not exceeded the applicable contribution ceiling) when the Shares are purchased.

## **14.2 Germany Tax Consequences**

The following summary is based on the income and social tax laws in effect in Germany as of the date of this prospectus. Tax and other laws are complex and can change frequently. As a result, the information below may be out of date at the time a Participating Employee purchases Shares or sells Shares under the ESPP.

The following applies only to Participating Employees who are tax residents of Germany. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after the commencement of the applicable Purchase Period but prior to the corresponding Exercise Date, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation and Tesla Motors, Inc. is not in a position to assure them of any particular tax result.

The Participating Employees are strongly advised to consult their own independent personal tax advisors as to how the tax or other laws in their country apply to their specific situations.

### **Enrollment in the ESPP**

The Participating Employee will not be subject to tax or social insurance contributions when he or she enrolls in the ESPP or when a new Purchase Period begins.

### **Purchase of Shares**

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and social insurance contributions (to the extent he or she has not already exceeded his or her applicable contribution ceiling) on the difference between the fair market value of the Shares on the purchase date and the purchase price (i.e., the discount). In addition, the Participating Employee will be subject to solidarity surcharge and church tax (if applicable) on the tax liability.

*The Participating Employee may be eligible for a limited exemption if certain conditions are met. The Participating Employee is advised to consult his or her tax advisor to see if the exemption is available to him or her.*

## **Sale of Shares**

When the Participating Employee subsequently sells the Shares purchased under the ESPP, the gain (*i.e.* the difference between the sale price and the fair market value of the Shares on the Exercise Date) will be subject to capital gains tax at a flat tax rate plus solidarity surcharge and church tax (if applicable) on the tax liability, provided the Participating Employee does not own 1% or more of Tesla Motors, Inc.'s stated capital (and has not owned 1% or more at any time during the last five years) and the Shares are not held as a business asset. Alternatively, if the flat tax rate exceeds the Participating Employee's personal income tax rate, the Participating Employee may elect an assessment in order to have his or her personal income tax rate applied to the gain. The Participating Employee may also be able to deduct a certain amount of his or her total capital gain and other income derived from his or her investments earned in the relevant year.

## **Dividends**

If a dividend is declared on Shares acquired under the ESPP, the Participating Employee is subject to flat rate tax (plus solidarity surcharge and church tax (if applicable) on the tax liability) in Germany on any dividends received. In addition, the Participating Employee is subject to U.S. federal income tax withholding at source.

The Participating Employee may be able to claim a reduced rate of U.S. federal income tax withholding on such dividends as a resident of a country with which the U.S. has an income tax treaty. The Participating Employee must have a properly completed U.S. Internal Revenue Service Form W-8BEN on file in order to claim the treaty benefit. The Participating Employee may also be entitled to a tax credit in Germany for the U.S. federal income tax withheld.

*The Participating Employee is responsible for reporting and paying taxes on any dividends paid on Shares the Participating Employee holds. To determine tax obligations for dividends, the Participating Employee should consult a professional tax advisor.*

## **Withholding and Reporting**

The Participating Employee's employer will withhold and report income tax, solidarity surcharge church tax (if applicable) and social insurance contributions (to the extent he or she has not exceeded the applicable contribution ceiling) when Shares are purchased. It is the Participating Employee's responsibility to report and pay any tax due as a result of the sale of Shares acquired under the ESPP.

### **14.3 Norway Tax Consequences**

The following summary is based on the income and social tax laws in effect in Norway as of the date of this prospectus. Tax and other laws are complex and can change frequently. As a result, the information below may be out of date at the time a Participating Employee purchases Shares or sells Shares under the ESPP.

The following applies only to Participating Employees who are tax residents of Norway. If the

Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after the commencement of the applicable Purchase Period but prior to the corresponding Exercise Date, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation and Tesla Motors, Inc. is not in a position to assure them of any particular tax result.

The Participating Employees are strongly advised to consult their own independent personal tax advisors as to how the tax or other laws in their country apply to their specific situations.

### **Enrollment in the ESPP**

The Participating Employee will not be subject to tax or social insurance contributions when he or she enrolls in the ESPP or when a new Purchase Period begins.

### **Purchase of Shares**

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and social insurance contributions (to the extent he or she has not already exceeded his or her applicable social insurance contribution ceiling) on the difference between the fair market value of the Shares on the purchase date and the purchase price (i.e., the discount).

### **Sale of Shares**

When the Participating Employee subsequently sells the Shares purchased under the ESPP, the gain (i.e. the difference between the sale price and the fair market value of the Shares on the Exercise Date) will be subject to capital gains tax.

### **Dividends**

If a dividend is declared on Shares acquired under the ESPP, the Participating Employee is subject to income tax on the amount of any dividends received. In addition, the Participating Employee is subject to U.S. federal income tax withholding at source.

The Participating Employee may be able to claim a reduced rate of U.S. federal income tax withholding on such dividends as a resident of a country with which the U.S. has an income tax treaty. The Participating Employee must have a properly completed U.S. Internal Revenue Service Form W-8BEN on file in order to claim the treaty benefit. The Participating Employee may also be entitled to a tax credit in Norway for the U.S. federal income tax withheld.

*The Participating Employee is responsible for reporting and paying taxes on any dividends paid on Shares the Participating Employee holds. To determine tax obligations for dividends, the Participating Employee should consult a professional tax advisor.*

### **Wealth Tax**

The Participating Employee may be subject to a wealth tax based on the value of the Shares purchased under the ESPP that he or she holds at year end.



## **Withholding and Reporting**

The Participating Employee's employer will withhold and report income tax and social insurance contributions when Shares are purchased. It is the Participating Employee's responsibility to report and pay any tax due as a result of the sale of Shares acquired under the ESPP.

### **14.4 United Kingdom Tax Consequences**

The following summary is based on the income and social tax laws in effect in the United Kingdom as of the date of this prospectus. Tax and other laws are complex and can change frequently. As a result, the information below may be out of date at the time a Participating Employee purchases Shares or sells Shares under the ESPP.

The following applies only to Participating Employees who are tax residents of the United Kingdom. If the Participating Employee is a citizen or resident of another country for local law purposes or transfers employment after the commencement of the applicable Purchase Period but prior to the corresponding Exercise Date, the income and social tax information below may not be applicable. Furthermore, this information is general in nature and does not discuss all of the various laws, rules and regulations that may apply. It may not apply to each Participating Employee's particular tax or financial situation and Tesla Motors, Inc. is not in a position to assure them of any particular tax result.

The Participating Employees are strongly advised to consult their own independent personal tax advisors as to how the tax or other laws in their country apply to their specific situations.

### **Enrollment in the ESPP**

The Participating Employee will not be subject to tax or social insurance contributions when he or she enrolls in the ESPP or when a new Purchase Period begins.

### **Purchase of Shares**

When Shares are purchased under the ESPP, the Participating Employee will be subject to income tax and national insurance contributions (to the extent he or she has not already exceeded his or her applicable social insurance contribution ceiling) on the difference between the fair market value of the Shares on the purchase date and the purchase price (i.e., the discount).

### **Sale of Shares**

When the Participating Employee subsequently sells the Shares purchased under the ESPP, the gain (*i.e.* the difference between the sale price and the fair market value of the Shares on the Exercise Date) will be subject to capital gains tax. The Participating Employee's chargeable gain will be reduced by any available annual personal exemption set for the year of the sale by the government of the United Kingdom.

### **Dividends**

If a dividend is declared on Shares acquired under the ESPP, the Participating Employee is subject to income tax on the amount of any dividends received. In addition, the Participating

Employee is subject to U.S. federal income tax withholding at source.

The Participating Employee may be able to claim a reduced rate of U.S. federal income tax withholding on such dividends as a resident of a country with which the U.S. has an income tax treaty. The Participating Employee must have a properly completed U.S. Internal Revenue Service Form W-8BEN on file in order to claim the treaty benefit. The Participating Employee may also be entitled to a tax credit in the United Kingdom for the U.S. federal income tax withheld.

*The Participating Employee is responsible for reporting and paying taxes on any dividends paid on Shares the Participating Employee holds. To determine tax obligations for dividends, the Participating Employee should consult a professional tax advisor.*

### **Withholding and Reporting**

The Participating Employee's employer will withhold and report income tax and national insurance contributions when Shares are purchased. The Participating Employee is also obligated to report the details of his or her tax liabilities arising from the purchase, sale or disposal of shares, as well as the details of any dividend income. It is the Participating Employee's responsibility to report and pay any tax due as a result of the sale of Shares acquired under the ESPP.

**EXHIBITS**

## CROSS-REFERENCE LISTS

### ANNEX I

#### Minimum Disclosure Requirements for the Share Registration Document (Schedule)

(Page numbering refers to the page contained in the relevant document)

Item #	Item contents	Section/Exhibit	Page
<b>1.</b>	<b>Persons Responsible</b>		
1.1.	All persons responsible for the information given in the prospectus.	Section B, Part I	44 (I. Person responsible)
1.2.	A declaration by those responsible for the prospectus.	Section B, Part I	44 (I. Person responsible)
<b>2.</b>	<b>Statutory Auditors</b>		
2.1.	Names and addresses of the issuer's auditors.	Section B, Part II	62-63 (11.2 Independent Registered Public Accounting Firm)
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Not applicable	Not applicable
<b>3.</b>	<b>Selected Financial Information</b>		
3.1.	Selected historical financial information.	Section B, Part II	61-62 (11.1 Selected Financial Data)
3.2.	Interim periods.	Not applicable	Not applicable
<b>4.</b>	<b>Risk Factors</b>	Section A, Part II	21-44 (Risk Factors)
<b>5.</b>	<b>Information about the Issuer</b>		
<b>5.1.</b>	<b>History and Development of the Issuer</b>		
5.1.1.	The legal and commercial name of the issuer.	Section B, Part I	8 (Introduction)
<b>12.</b>	<b>Trend Information</b>		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since the end of the last financial year to the	Section B, Part II	9-10 (Recent trends) and 63-64 (XI. Trend)

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	date of the prospectus.		information)
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year.	Section B, Part II	9-10 (Recent trends) and 63-64 (XII. Trend information)
13.	<b>Profit Forecasts or Estimates</b>	Not applicable	Not applicable
14.	<b>Administrative, Management, Supervisory Bodies and Senior Management</b>		
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies;	Section B, Part II	53-55 (8.1 Board of Directors and 8.2 Executive Officers) and 59-61 (9.1 Directors' and Corporate Officers' Holdings of Shares and Options)
	b) partners with unlimited liability, in the case of a limited partnership with a share capital (not applicable);	Not applicable	Not applicable
	c) founders, if the issuer has been established for fewer than five years (not applicable); and	Not applicable	Not applicable
	d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	Section B, Part II	53-56 (8.1 Board of Directors and 8.2 Executive Officers) and 59-61 (9.1 Directors' and Corporate Officers' Holdings of Shares and Options)
	The nature of any family relationship between any of those persons.	Section B, Part II	56 (8.3 Fraudulent Offences and Bankruptcy, Etc.)

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	<p>In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information:</p> <p>(a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies.</p>	Section B, Part II	53-56 (8.1 Board of Directors and 8.2 Executive Officers)
	<p>(b) any convictions in relation to fraudulent offences for at least the previous five years;</p> <p>(c) details of any bankruptcies, receiverships or liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years;</p> <p>(d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.</p> <p>If there is no such information to be disclosed, a statement to that effect is to be made.</p>	Section B, Part II	56 (8.3 Fraudulent Offences and Bankruptcy, Etc.)
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests.	Section B, Part II	56-59 (8.4 Conflicts of Interest)
<b>17.</b>	<b>Employees</b>		
17.2.	Shareholdings and stock options with respect to each person referred to in points (a) and (d) of the first subparagraph of item 14.1.	Section B, Part II	59-61 (9.1 Directors' and Corporate Officers')

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			Holdings of Shares and Options)
17.3	Description of any arrangements for involving the employees in the capital of the issuer.	Exhibit I	All sections
<b>20.7.</b>	<b>Dividend policy, etc.</b>		
20.7.1	The amount of the dividend per share for each financial year for the period covered by the historical financial information	Section B, Part II Section C, Part I	49 (Dividend Rights) and 8-13 (Dividend Policy)
20.8.	Legal and arbitration proceedings	Section B, Part II	51-52 (6.3 Indirect and Contingent Indebtedness)
20.9.	Significant change in the issuer's financial or trading position since the end of the last financial period	Section B, Part II	9-10 (Recent trends) and 63-64 (XI. Trend information)
<b>23.</b>	<b>Third Party Information and Statement by Experts and Declarations of Any Interest</b>		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced.	Not applicable	Not applicable
<b>24.</b>	<b>Documents on Display</b>	Section B, Part II	64 (XIII. Documents on Display)





**ANNEX III**

**MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE (SCHEDULE)**

(Page numbering refers to the page contained in the relevant document)

<b>Item #</b>	<b>Item contents</b>	<b>Section/Exhibit</b>	<b>Page</b>
<b>1.</b>	<b>Persons Responsible</b>		
1.1.	All persons responsible for the information given in the prospectus.	Section B, Part I	44 (I. Person responsible)
1.2.	A declaration by those responsible for the prospectus.	Section B, Part I	44 (I. Person responsible)
<b>2.</b>	<b>Risk Factors</b>	Section A, Part II	21-44 (Risk Factors)
<b>3.</b>	<b>Key Information</b>		
3.1	Working Capital Statement	Section B, Part II	61 (X. Working Capital Statement)
3.2	Capitalization and indebtedness	Section B, Part II	50-52 (VI. Statement of Capitalization and Indebtedness as of June 30, 2015)
3.4	Reasons for the offer and use of proceeds	Section B, Part II	44 (2.1 Purpose of ESPP)
		Exhibit I	Section 1
<b>4.</b>	<b>Information Concerning the Securities to be Offered/ Admitted to Trading</b>		
4.1	Type and the class of the securities being offered, including the security identification code.	Section B, Part II	48 (5.1 Type and the Class of the Securities being Offered, Including the Security Identification Code)
		Exhibit I	Section 1
4.2	Legislation under which the securities have been created.	Section B, Part II / exhibit I	49 (5.2 Legislation Under Which the Securities Have Been Created)
4.3	Form of securities, name and address of the entity in charge of keeping the records.	Section B, Part II	49 (5.3 Form of Securities, Name and address of the Entity in Charge of Keeping the

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			Records)
4.4	Currency of the securities issue.	Section B, Part II	49 (5.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Section B, Part II	49-50 (5.5 Rights Attached to the Securities)
4.6	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	Section B, Part II	18-19 (Description of the terms and conditions of the offer)
4.7	Expected issue date of the securities.	Section B, Part II	44 (2.3 Offering Periods)
4.8	Description of any restrictions on the free transferability of the securities.	Section B, Part II	48 (IV. Delivery and Sale of the Shares) and 50 (5.6 Transferability)
4.9	Mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	Section B, Part II	50 (5.7 General Provisions Applying to Business Combinations)
4.11	Information on taxes on the income from the securities withheld at source.	Section B, Part II	64-70 (XIV. Tax Consequences)
<b>5.</b>	<b>Terms and Conditions of the Offer</b>		
<b>5.1</b>	<b>Conditions, offer statistics, expected timetable and action required to apply for the offer</b>		
5.1.1	Conditions to which the offer is subject.	Section B, Part II	44-48 (II. The Outline, III. Eligibility and IV. Delivery and Sale of the Shares)
		Exhibit I	All sections
5.1.2	Total amount of the issue/offer.	Section B, Part II	53 (7.2 Net Proceeds)
		Exhibit I	Section 1
5.1.3	Time period during which the offer will be open and description of the application process.	Section B, Part II	44-48 (II. The Outline, III. Eligibility and IV. Delivery and Sale of the Shares)

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		Exhibit I	Section 7 and 15
5.1.4	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	Section B, Part II	45-46 (2.6 Termination or Amendment of the ESPP) and 47-48 (3.5 Termination of Employment of Participating Employees)
		Exhibit I	Section 9 and 10
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Section B, Part II	47 (3.4 Discontinuance of Participation of Participating Employees)
		Exhibit I	Section 7 and 13
5.1.6	Minimum and/or maximum amount of application.	Section B, Part II	44 (2.2 Shares Offered Under the ESPP) and 46-47 (3.2 Participation of Eligible Employees)
		Exhibit I	Section 6 and 7
5.1.7	Period during which an application may be withdrawn.	Section B, Part II	47 (3.4 Discontinuance of Participation of Participating Employees)
		Exhibit I	Section 9
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	Section B, Part II	47 (3.3 Payroll Deductions) and 48 (IV. Delivery and Sale of the Shares)
		Exhibit I	Section 8
<b>5.3</b>	<b>Pricing</b>		
5.3.1.	An indication of the price at which the securities will be offered.	Section B, Part II	45 (2.4 Purchase Price)
		Exhibit I	Section 2
5.3.2.	Process for the disclosure of the offer price.	Section B, Part II	45 (2.4 Purchase Price) and 49 (5.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the

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			Records)
		Exhibit I	Section 7
5.3.3.	If the issuer's equity holders have preemptive purchase rights and this right is restricted or withdrawn.	Section B, Part II	50 (No Preemptive, Redemptive or Conversion Provisions)
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year.	Not applicable	Not applicable
<b>5.4.</b>	<b>Placing and Underwriting</b>		
5.4.2	Name and address of any paying agents and depository agents in each country.	Section B, Part II	49 (5.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
<b>6.</b>	<b>Admission to Trading and Dealing Arrangements</b>		
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Section B, Part II	48 (5.1 Type and Class of the Securities being Offered, Including the Security Identification Code)
6.2	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Section B, Part II	48 (5.1 Type and Class of the Securities being Offered, Including the Security Identification Code)
<b>8.</b>	<b>Expense of the Issue/Offer</b>		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Section B, Part II	53 (7.2 Net Proceeds)
<b>9.</b>	<b>Dilution</b>		
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Section B, Part II	52-53 (7.1 Maximum Dilution)
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not	Not applicable	Not applicable

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	subscribe to the new offer.		
<b>10.</b>	<b>Additional Information</b>		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Not applicable	Not applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable