



TESLA, INC.

3500 Deer Creek Road
Palo Alto, California, USA

TESLA, 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, 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, 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, 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.

The date of this prospectus is 24 August 2017.

NOTE TO THE PROSPECTUS

This prospectus, which contains material information concerning Tesla, 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,¹ are required for this offering of equity securities to employees of Tesla, Inc. and its affiliates.

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

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

¹ 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	Warning to the reader	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	Consent to use of the prospectus	Not applicable. There is no subsequent resale or final placement of securities by financial intermediaries.

SECTION B - ISSUER

B.1	Legal and commercial name of the issuer	Tesla, Inc. (the "Company"). In this prospectus, the terms "Tesla", "we", "us", or "our" mean Tesla, Inc. and its subsidiaries.
B.2	Domicile and legal form of Tesla, Inc., the legislation under which it operates and its country of incorporation	Tesla, 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.3	Description of the nature of Tesla, Inc.'s current operations and its principal activities	<p>Tesla, Inc. was incorporated in the State of Delaware on July 1, 2003. We design, develop, manufacture and sell high-performance fully electric vehicles and energy products. In addition, as a result of our acquisition of SolarCity Corporation ("SolarCity") on November 21, 2016, we also design, manufacture, install and sell or lease solar energy systems, or sell electricity generated by our solar energy systems to customers.</p>
B.4a	Recent trends	<p>Our mission is to accelerate the world's transition to sustainable energy. We design, develop, manufacture, lease and sell high-performance fully electric vehicles, solar energy generation systems and energy storage products. We also offer maintenance, installation, operation and other services related to our products.</p> <p><i>Automotive</i></p> <p>Our production vehicle fleet includes our Model S premium sedan and our Model X sport utility vehicle, which are our highest-performance and most capable vehicles, and beginning in July 2017, our Model 3, a lower priced sedan designed for the mass market. We continue to enhance our vehicle offerings with enhanced Autopilot options, Internet connectivity and free over-the-air software updates. We continually deploy our internally developed software into the vehicle fleet, depending on the hardware of the vehicle, to provide additional safety and convenience features. We are also actively working on future vehicles, such as a 100%-electric semi-truck.</p> <p>In July 2017, we completed our engineering, manufacturing and supply chain efforts on Model 3 product development, and commenced production of Model 3 on schedule. We are continuing preparations at our production facilities and continue to work closely with all Model 3 suppliers as we ramp to volume production.</p> <p><i>Energy Generation and Storage</i></p> <p>Our energy storage products, which we manufacture at Gigafactory 1, consist of Powerwall for residential applications and Powerpack for commercial, industrial and utility-scale applications. We also plan to manufacture our Solar Roof as well as solar panels at our Gigafactory 2 in Buffalo, New York. In May 2017, we began accepting reservations for Solar Roof. We started pilot manufacturing Solar Roof tiles in the second quarter of 2017 in Fremont, and plan to transition to production before the end of the year to Gigafactory 2. Our partner, Panasonic, will provide capital and operational support to manufacture photovoltaic ("PV") cells, thus enabling high volume integrated tile and PV cell production at a single facility.</p>
B.5	Organizational structure	<p>We have wholly-owned subsidiaries in North America, Europe and Asia.</p>
B.6	Interests in Tesla, Inc.'s capital or voting rights	<p>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.</p>

B.7 Financial information concerning Tesla, Inc. for the fiscal years ended December 31, 2016, 2015, and 2014, and for the quarters ended June 30, 2017 and 2016

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

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

Consolidated Statements of Operations Data

		Year ended December 31,		
		2016	2015	2014
Total revenues	\$	7,000,132	4,046,025	3,198,356
Gross profit	\$	1,599,257	923,503	881,671
Loss from operations	\$	(667,340)	(716,629)	(186,689)
Net loss	\$	(674,914)	(888,663)	(294,040)
Net loss per share of common stock, basic and diluted	\$	(4.68)	(6.93)	(2.36)
Weighted average shares used in computing net loss per share of common stock	\$	144,212	128,202	124,539

Consolidated Balance Sheets

		Year ended December 31,		
		2016	2015	2014
Working capital (deficit)	\$	432,791	(29,029)	1,072,907
Total assets	\$	22,664,076	8,067,939	5,830,667
Total long-term obligations	\$	10,923,162	4,125,915	2,753,595

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA FOR THE FIRST HALF YEAR
(In thousands, except share and per share data - Unaudited)

		Six Months Ended	
		June 30, 2017	June 30, 2016
Statements of Operations Data:			
Total revenues	\$	5,485,827	\$ 2,417,065
Total cost of revenues		4,151,266	1,889,821
Gross profit		1,334,561	527,244
Total operating expenses		1,833,026	1,013,508
Net loss		(798,608)	(575,455)
Net loss per share of common stock, basic and diluted		(4.07)	(4.22)
Balance Sheets Data:			
Cash and cash equivalents	\$	3,035,924	\$ 3,246,301
Total assets		26,043,705	11,868,952
Total liabilities		19,459,902	9,311,512
Total stockholders' equity		5,105,752	2,520,294

B.8	Pro forma financial information	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	Profit forecast	Not applicable. This prospectus does not contain any profit forecast.
B.10	Qualifications in the audit report on the historical financial information	Not applicable. There are no such qualifications in the auditors' report on the historical financial information.
B.11	Working capital statement	Not applicable. Tesla, Inc.'s working capital is sufficient for its present requirements.

SECTION C – SECURITIES		
C.1	Type and class of the securities being offered, including the security identification code	<p>Tesla, 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	Currency of the securities issues	The United States Dollar is the currency of the securities issue.
C.3	Number of shares issued	As of December 31, 2016, Tesla, Inc. was authorized to issue 2,000,000,000 Shares of common stock, par value \$0.001, and 100,000,000 shares of preferred stock, par value \$0.001. As of July 31, 2017, there were 166,887,023 Shares of common stock and no shares of preferred stock outstanding.
C.4	Rights attached to the securities	<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>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.</p> <p>Voting rights. The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the stockholders.</p>

		<p>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.</p> <p>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.</p>
C.5	Transferability restrictions	The Shares in this offering under the ESPP are registered on Form S-8 with the SEC and are generally freely transferable.
C.6	Admission to trading on a regulated market	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	Dividend policy	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	Key risks related to Tesla, Inc. or its industry	<p>Set forth below are summaries of the key risks, uncertainties and other factors that may affect Tesla, Inc.'s future results:</p> <ul style="list-style-type: none"> – We have experienced in the past, and may experience in the future, significant delays or other complications in the design, manufacture, launch and production ramp of new vehicles and other products such as our energy storage products and the Solar Roof, which could harm our brand, business, prospects, financial condition and operating results. – We may experience delays in realizing our projected timelines and cost and volume targets for the production, launch and ramp of our Model 3 vehicle, which could harm our business, prospects, financial condition and operating results. – We may be unable to meet our growing vehicle production and delivery plans, both of which could harm our business and prospects. – We are dependent on our suppliers, the majority of which are single source suppliers, and the inability of these suppliers to deliver necessary components of our products in a timely manner at prices, quality levels, and volumes acceptable to us, or our inability to efficiently manage these components, could have a material adverse effect on our financial condition and operating results. – Our future growth and success is dependent upon consumers' willingness to adopt electric vehicles and specifically our vehicles, especially in the mass market demographic which we are targeting with Model 3. – Future problems or delays in expanding Gigafactory 1 or ramping operations there could negatively affect the production
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		<p>and profitability of our products, such as Model 3.</p> <ul style="list-style-type: none"> – If our vehicles or other products that we sell or install fail to perform as expected, our ability to develop, market and sell our products and services could be harmed. – If we fail to scale our business operations and otherwise manage future growth effectively as we rapidly grow our company, especially internationally, we may not be able to produce, market, sell and service our products successfully. – If we are unable to continue to reduce the manufacturing costs of Model S and Model X or control manufacturing costs for Model 3, our financial condition and operating results will suffer. – We are significantly dependent upon revenue generated from the sale of a limited fleet of electric vehicles, which currently includes the Model S, Model X and Model 3. – Our vehicles and energy storage products 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. – Increases in costs, disruption of supply or shortage of materials, in particular for lithium-ion cells, could harm our business. – 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. – The markets in which we operate are highly competitive, and we may not be successful in competing in these industries. We currently face competition from new and established domestic and international competitors and expect to face competition from others in the future, including competition from companies with new technology. – If we are unable to establish and maintain confidence in our long-term business prospects among consumers, analysts and within our industries, then our financial condition, operating results, business prospects and stock price may suffer materially. – Our plan to expand our network of Tesla stores, galleries, service centers and Superchargers will require significant cash investments and management resources and may not meet expectations with respect to additional sales or installations of our products or availability of Superchargers. – We face risks associated with our international operations and expansion, including unfavorable regulatory, political, tax and labor conditions, and with establishing ourselves in new markets, all of which could harm our business. – If we fail to effectively grow and manage the residual, financing and credit risks related to our vehicle financing programs, our business may suffer. – The unavailability, reduction or elimination of, or unfavorable determinations with respect to, government and economic incentives in the United States and abroad supporting the development and adoption of electric vehicles or solar energy could have some impact on demand for our products and
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		<p>services.</p> <ul style="list-style-type: none"> – If we are unable to integrate SolarCity successfully into our business, we may not realize the anticipated benefits of our acquisition of SolarCity. – Any failure by us to realize the expected benefits of our substantial investments and commitments with respect to the manufacture of PV cells, including if we are unable to comply with the terms of our agreement with the Research Foundation for the State University of New York relating to our Gigafactory 2, could result in negative consequences for our business. – We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial results. – If we are unable to attract and/or retain key employees and hire qualified personnel, our ability to compete could be harmed. – We are highly dependent on the services of Elon Musk, our Chief Executive Officer. – 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. – Our business may be adversely affected by any disruptions caused by union activities. – Our products and services are subject to substantial regulations, which are evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and operating results. – We are subject to various privacy and consumer protection laws. – We may be compelled to undertake product recalls or take other actions, which could adversely affect our brand image and financial performance. – Our resale value guarantee and leasing programs for our vehicles 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. – Our current and future warranty reserves may be insufficient to cover future warranty claims which could adversely affect our financial performance. – We are currently expanding and improving our information technology systems and use security measures designed to protect our systems against breaches and cyber-attacks. If these efforts are not successful, our business and operations could be disrupted and our operating results and reputation could be harmed. – Our insurance strategy may not be adequate to protect us from all business risks. – Our financial results may vary significantly from period-to-period due to fluctuations in our operating costs. – Any unauthorized control or manipulation of our vehicles' systems could result in loss of confidence in us and our vehicles
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		<p>and harm our business.</p> <ul style="list-style-type: none"> – Servicing our indebtedness requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial indebtedness. – Our debt agreements contain covenant restrictions that may limit our ability to operate our business. – 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. – We may face regulatory limitations on our ability to sell vehicles directly which could materially and adversely affect our ability to sell our electric vehicles. – We may need to defend ourselves against intellectual property infringement claims, which may be time-consuming and could cause us to incur substantial costs. – Our facilities or operations could be damaged or adversely affected as a result of disasters. – The trading price of our common stock is likely to continue to be volatile. – We may fail to meet our publicly announced guidance or other expectations about our business, which could cause our stock price to decline. – Transactions relating to our convertible notes may dilute the ownership interest of existing stockholders, or may otherwise depress the price of our common stock. – Elon Musk has pledged shares of our common stock to secure certain bank borrowings. If Mr. Musk were forced to sell these shares pursuant to a margin call that he could not avoid or satisfy, such sales could cause our stock price to decline. – Anti-takeover provisions contained in our governing documents, applicable laws and our convertible notes could impair a takeover attempt. – Foreign Currency Risk. – Interest Rate Risk.
D.3	Key risks related to the shares	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	Net proceeds	Assuming that each of the 2,706 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 \$307.369 (eighty five percent (85%) of \$361.61, the closing price on June 30, 2017), then the gross proceeds of Tesla, Inc. in connection with the offer under the ESPP pursuant to this prospectus would be \$67,650,000.00. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately \$67,650,000.00.
E.2a	Reasons for the offer and use of proceeds	<p>The purpose of the ESPP is to provide an incentive for Eligible Employees of Tesla, 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	Description of the terms and conditions of the offer	<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: France, the Netherlands, the United Kingdom, Germany, Switzerland 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, Denmark, Finland, 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, Inc.’s subsidiaries based in France, 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, 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, www.afm.nl.</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, 2017, there were 1,610,325 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, 2017, during the twelve-month Offering Period beginning on September 1, 2017, a maximum of 220,093 Shares will be offered to approximately 2,706 Eligible Employees (139 in France, 826 in the Netherlands, 373 in the United Kingdom, 499 in Norway, 271 in Germany, 80 in Austria, 91 in Belgium, 153 in Switzerland, 97 in Denmark, 22 in Spain, 31 in Italy, 11 in Luxembourg, 90 in Sweden, 23 in Finland). 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, 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, 2017.</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	Descriptions of the material interest to the offer including conflict of interests	Not applicable. There are no such interests.
E.5	Name of the entity offering to sell the security	Tesla, Inc.

E.6	Maximum dilution	<p>The Shares under the ESPP are offered pursuant to this prospectus to approximately 2,706 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 fifteen percent (15%) 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.</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 500 whole Shares for a maximum of US\$25,000 in contributions for the Offering Period starting on September 1, 2017. These amounts are based on a hypothetical Share price of US\$361.61 on September 1, 2017 (<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, 2017, based on the assumption that Shares will be purchased at a Purchase Price based on this date which is US\$307.369 (85% of US\$361.61). Assuming that all Eligible Employees participate in the ESPP and each Eligible Employee purchases 81 Shares in the offer, the maximum number of Shares offered pursuant to this prospectus amounts to 220,093 Shares.</p> <p>Based on the above assumptions, a shareholder of Tesla, Inc. currently holding one percent (1%) of the total outstanding share capital of Tesla, Inc. as of June 30, 2017 that is 166,863,000 Shares, and who would not participate in the offer would be diluted as indicated in the following dilution table:</p> <table data-bbox="582 1189 1390 1563"> <tr> <th></th><th>Percentage of the total outstanding Shares</th><th>Total number of outstanding Shares</th></tr> <tr> <td>Before the offering (as of June 30, 2017)</td><td>1%</td><td>166,863,000</td></tr> <tr> <td>After issuance of 220,093 Shares under the ESPP</td><td>0.9987%</td><td>167,083,093</td></tr> </table>		Percentage of the total outstanding Shares	Total number of outstanding Shares	Before the offering (as of June 30, 2017)	1%	166,863,000	After issuance of 220,093 Shares under the ESPP	0.9987%	167,083,093
	Percentage of the total outstanding Shares	Total number of outstanding Shares									
Before the offering (as of June 30, 2017)	1%	166,863,000									
After issuance of 220,093 Shares under the ESPP	0.9987%	167,083,093									
E.7	Estimated expenses charged to the investor	Not applicable. There are no such expenses.									

THE FOLLOWING INFORMATION IS NOT PART OF THE PROSPECTUS SUMMARY

PART II - PROSPECTUS

SECTION A: RISK FACTORS

You should carefully consider the risks described below together with the other information set forth in this report, which could materially affect our business, financial condition and future results. The risks described below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

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

We have experienced in the past, and may experience in the future, significant delays or other complications in the design, manufacture, launch and production ramp of new vehicles and other products such as our energy storage products and the Solar Roof, which could harm our brand, business, prospects, financial condition and operating results.

We have experienced in the past launch, manufacturing and production ramp delays or other complications in connection with new vehicle models such as Model S and Model X, and new vehicle features such as the all-wheel drive dual motor drivetrain on Model S and the second version of autopilot hardware. For example, at times since the launch of Model X, we encountered unanticipated challenges, such as certain supply chain constraints, that forced us to decrease the production of these vehicles from our initial expectations. If unexpected issues arise or recur with respect to any of our production vehicles, we may experience further delays. In addition, because our vehicle models share certain production facilities with other models, the volume or efficiency of production with respect to one model may impact the production of other models.

We may also experience similar delays or other complications in bringing to market and ramping production of new vehicles, such as ramping Model 3 on production manufacturing lines, and other products such as our energy storage products and the Solar Roof. Any significant additional delay or other complication in the production of our current products or the development, manufacture, launch and production ramp of our future products, 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.

We may experience delays in realizing our projected timelines and cost and volume targets for the production, launch and ramp of our Model 3 vehicle, which could harm our business, prospects, financial condition and operating results.

Our future business depends in large part on our ability to execute on our plans to manufacture, market and sell the Model 3 vehicle, which we intend to offer at a lower price point and to produce at significantly higher volumes than our present production capabilities for the Model S or Model X vehicles. We commenced production and initial customer deliveries of Model 3 in July 2017 and have announced our goal to increase Model 3 vehicle production to 5,000 vehicles per week by the end of 2017 and 10,000 vehicles per week at some point in 2018.

We have no experience to date in manufacturing vehicles at the high volumes that we anticipate for Model 3, and to be successful, we will need to complete the implementation and ramp of efficient,

automated and low-cost manufacturing capabilities, processes and supply chains necessary to support such volumes. Moreover, our Model 3 production plan has required and will require significant investments of cash and management resources.

Our production plan for Model 3 is based on many key assumptions, including:

- that we will be able to complete implementing and ramping a new dedicated final assembly line for high volume production of Model 3 at the Tesla Factory without exceeding our projected costs and on our projected timeline;
- that we will be able to continue to expand Gigafactory 1 in a timely manner to produce high volumes of quality lithium-ion cells to be integrated into finished battery packs and drive unit components for Model 3, all at costs that allow us to sell Model 3 at our target gross margins;
- that the equipment and processes which we have selected for Model 3 production will be able to accurately manufacture high volumes of Model 3 vehicles within specified design tolerances and with high quality;
- that we will be able to maintain suppliers for the necessary components on terms and conditions that are acceptable to us and that we will be able to obtain components on a timely basis and in the necessary quantities to support high volume production; and
- that we will be able to attract, recruit, hire, train and retain skilled employees, including employees on the production line, to operate our planned high volume production facilities to support Model 3, including at the Tesla Factory and Gigafactory 1.

If one or more of the foregoing assumptions turns out to be incorrect, our ability to meet our Model 3 projections on time and at volumes and prices that are profitable, the number of current and future Model 3 reservations, as well as our business, prospects, operating results and financial condition, may be materially and adversely impacted.

We may be unable to meet our growing vehicle production and delivery plans, both of which could harm our business and prospects.

Our plans call for significant increases in vehicle production and deliveries to high volumes in a short amount of time. Our ability to achieve these plans will depend upon a number of factors, including our ability to add production lines and capacity as planned while maintaining our desired quality levels and optimize design and production changes, and our suppliers' ability to support our needs. In addition, we have used and may use in the future a number of new manufacturing technologies, techniques and processes for our vehicles, which we must successfully introduce and scale for high volume production. For example, we have introduced aluminum spot welding systems and high-speed blow forming of certain difficult to stamp vehicle parts. We have also introduced unique design features in our vehicles with different manufacturing challenges, such as large display screens, dual motor drivetrain, autopilot hardware and falcon-wing doors. We have limited experience developing, manufacturing, selling and servicing, and allocating our available resources among, multiple products simultaneously. If we are unable to realize our plans, our brand, business, prospects, financial condition and operating results could be materially damaged.

Concurrent with the significant planned increase in our vehicle production levels, we will also need to continue to significantly increase deliveries of our vehicles. Although we have a plan for delivering a significantly increased volumes of vehicles, we have limited experience in delivering a high volume of vehicles, and no experience in delivering vehicles at the significantly higher volumes we anticipate for Model 3, 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, this could have a material adverse effect on our business, prospects, financial condition and operating results.

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

Our products contain numerous purchased parts which we source globally from hundreds of direct suppliers, the majority of whom are currently single source suppliers despite efforts to qualify and

obtain components from multiple sources whenever feasible. Any significant unanticipated demand would require us to procure additional components in a short amount of time, and in the past we have also replaced certain suppliers because of their failure to provide components that met our quality control standards. While we believe that we will be able to secure additional or alternate sources of supply for most of our components in a relatively short time frame, there is no assurance that we will be able to do so or develop our own replacements for certain highly customized components of our products. Moreover, we have signed long-term agreements with Panasonic to be our manufacturing partner and supplier for lithium-ion cells at Gigafactory 1 in Nevada and PV cells and panels at Gigafactory 2 in Buffalo, New York. If we encounter unexpected difficulties with key suppliers such as Panasonic, and if we are unable to fill these needs from other suppliers, we could experience production delays and potential loss of access to important technology and parts for producing, servicing and supporting our products.

This limited, and in many cases single source, supply chain exposes us to multiple potential sources of delivery failure or component shortages for the production of our products, such as those which we experienced in 2012 and 2016 in connection with our slower-than-planned Model S and Model X ramps. Furthermore, unexpected changes in business conditions, materials pricing, labor issues, wars, governmental changes, natural disasters such as the March 2011 earthquakes in Japan and other factors beyond our and our suppliers' control, could also affect our suppliers' ability to deliver components to us on a timely basis. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to product design changes and delays in product 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 also resulted in the past, and may result in the future, in increased cost. 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. Certain suppliers, including for Model X, have sought to renegotiate the terms of the supply arrangements. 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.

We expect the foregoing discussion to apply generally to Model 3. However, because we plan to produce Model 3 at significantly higher volumes than Model S or Model X, the negative impact of any delays or other constraints with respect to our suppliers for Model 3 could be substantially greater than any such issues experienced with respect to our products to date. As some of our suppliers for Model S and Model X do not have the resources, equipment or capability to provide components for the Model 3 in line with our requirements, we have engaged a significant number of new suppliers, and such suppliers will also have to ramp to achieve our needs in a short period of time. There is no assurance that these suppliers will ultimately be able to meet our cost, quality and volume needs. Furthermore, as the scale of our vehicle production increases, we will need to accurately forecast, purchase, warehouse and transport to our manufacturing facilities components at much higher volumes than we have experience with. If we are unable to accurately match the timing and quantities of component purchases to our actual needs, or successfully implement automation, inventory management and other systems to accommodate the increased complexity in our supply chain, we may incur unexpected production disruption, storage, transportation and write-off costs, which could have a material adverse effect on our financial condition and operating results.

Our future growth and success is dependent upon consumers' willingness to adopt electric vehicles and specifically our vehicles, especially in the mass market demographic which we are targeting with Model 3.

Our growth is highly dependent upon the adoption by consumers of alternative fuel vehicles in general and electric vehicles in particular. Although we have successfully grown demand for Model S and Model X, have seen very strong initial demand for Model 3, and we believe that we will be able to continue to grow demand separately for each of these and future vehicles, there is no guarantee of such future demand or that our vehicles will not compete with one another in the market. Moreover,

the mass market demographic which we are targeting with Model 3 is larger, but more competitive, than for Model S and Model X, and additional electric vehicles are coming on to the market.

If the market for electric vehicles in general and Tesla vehicles in particular does not develop as we expect, or develops more slowly than we expect, or if demand for our vehicles decreases in key and other markets, our business, prospects, financial condition and operating results could be harmed. The market for alternative fuel vehicles is relatively new, rapidly evolving, and could be affected by numerous external factors, such as:

- perceptions about electric vehicle features, quality, safety, performance and cost;
- perceptions about the limited range over which electric vehicles may be driven on a single battery charge;
- competition, including from other types of alternative fuel vehicles, plug-in hybrid electric vehicles, and high fuel-economy internal combustion engine vehicles;
- volatility in the cost of oil and gasoline;
- government regulations and economic incentives; and
- access to charging facilities.

Future problems or delays in expanding Gigafactory 1 or ramping operations there could negatively affect the production and profitability of our products, such as Model 3.

To lower the cost of cell production and produce cells in high volume, we are integrating the production of lithium-ion cells and finished battery packs for the Model 3 and energy storage products at Gigafactory 1. While Gigafactory 1 began producing lithium-ion cells for energy storage products in January 2017 and has since begun producing lithium-ion cells for Model 3, we have no other direct experience in the production of lithium-ion cells. Given the size and complexity of this undertaking, it is possible that future events could result in the cost of expanding and operating Gigafactory 1 exceeding our current expectations and Gigafactory 1 taking longer to ramp production and expand than we currently anticipate. In order to reach our planned volume and gross margin for Model 3, we must have significant cell production from Gigafactory 1, which, among other things, requires Panasonic to successfully ramp its all-new cell production lines to significant volumes over a short period of time. Although Panasonic has a long track record of producing high-quality cells at significant volume at its factories in Japan, it has never before started and ramped cell production at a factory in the U.S. like at Gigafactory 1. We are now in the early stages of production and have experienced the types of challenges that typically come with a production ramp. We expect that we will continue to experience challenges as we move through the ramp, and we will continue to fine-tune our manufacturing lines to address them. While we currently believe that we will reach our production targets, if we are unable to resolve ramping challenges and expand Gigafactory 1 production in a timely manner and at reasonable prices, and if we or Panasonic are unable to attract, hire and retain a substantial number of highly skilled personnel, our ability to supply battery packs to our vehicles, especially Model 3, and other products could be negatively impacted. Any such problems or delays with Gigafactory 1 could negatively affect our brand and harm our business, prospects, financial condition and operating results.

If our vehicles or other products that we sell or install fail to perform as expected, our ability to develop, market and sell our products and services could be harmed.

If our vehicles or our energy products were to contain defects in design and manufacture that cause them not to perform as expected or that require repair, our ability to develop, market and sell our products and services could be harmed. For example, the operation of our vehicles is highly dependent on software, which is inherently complex and could conceivably contain defects and errors or be subject to external attacks. Issues experienced by customers have included those related to the software for the 17 inch display screen, the panoramic roof and the 12 volt battery in the Model S and the seats and doors in the Model X. Although we attempt to remedy any issues we observe in our products as effectively and rapidly as possible, such efforts may not be timely, may hamper production or may not be up to the satisfaction of our customers. While we have performed extensive internal testing on the products we manufacture, we currently have a limited frame of reference by which to evaluate detailed long-term quality, reliability, durability and performance characteristics of our battery packs, powertrains, vehicles and energy storage products. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale to or installation for consumers.

Any product defects or any other failure of our products to perform as expected could harm our reputation and result in delivery delays, product recalls, product liability claims, significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects. Our Model 3 vehicles have not yet been evaluated by NHTSA for a star rating under the New Car Assessment Program, and while based on our internal testing we expect to obtain comparable ratings to those achieved by Model S and Model X, there is no assurance this will occur.

If we fail to scale our business operations and otherwise manage future growth effectively as we rapidly grow our company, especially internationally, we may not be able to produce, market, sell and service our products 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, especially internationally, including by a planned transition to high volume vehicle production and the worldwide sales and servicing of a significantly higher number of vehicles than our current vehicle fleet in the coming years, with the ramp of Model 3. Furthermore, we are developing and growing our energy storage product and solar business worldwide, including in countries where we have limited or no previous operating experience in connection with our vehicle business. Our future operating results depend to a large extent on our ability to manage our expansion and growth successfully. We may not be successful in undertaking this global expansion if we are unable to control expenses and avoid cost overruns and other unexpected operating costs; establish sufficient worldwide sales, service and Supercharger facilities in a timely manner; adapt our products and conduct our operations to meet local requirements; implement the required infrastructure, systems and processes; and find and hire a significant number of additional manufacturing, engineering, service, electrical installation, construction and administrative personnel.

If we are unable to continue to reduce the manufacturing costs of Model S and Model X or control manufacturing costs for Model 3, our financial condition and operating results will suffer.

As we have gradually ramped production of Model S and Model X, 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 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 our vehicle manufacturing facilities, such as for Model 3. Furthermore, if we are unable to achieve production cost targets on our Model X and Model 3 vehicles pursuant to our plans, we may not be able to meet our gross margin and other financial targets.

Furthermore, many of the factors that impact our manufacturing costs are beyond our control, such as potential increases in the costs of our materials and components, such as lithium-ion battery cells or aluminum used to produce body panels. If we are unable to continue to control and reduce our manufacturing costs, our operating results, business and prospects will be harmed.

We are significantly dependent upon revenue generated from the sale of a limited fleet of electric vehicles, which currently includes the Model S, Model X and Model 3.

We currently generate a significant percentage of our revenues from the sale of two products: Model S and Model X vehicles. Model 3, for which we are planning significantly higher volumes than Model S or Model X, has required and will require significant investment in connection with its start of production and ongoing ramp, and there is no guarantee that it will be commercially successful. Historically, automobile customers have come to expect a variety of vehicles offered in a manufacturer's fleet and new and improved vehicle models to be introduced frequently. In order to meet these expectations, we may in the future be required to introduce on a regular basis new vehicle models as well as enhanced versions of existing vehicle models. To the extent our product variety and cycles do not meet consumer expectations, or cannot be produced on our projected timelines and cost and volume targets our future sales may be adversely affected. This could have a material adverse effect on our business, prospects, financial condition and operating results.

Our vehicles and energy storage products 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, 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 or energy storage products, could seriously harm our business.

In addition, we store a significant number of lithium-ion cells at the Tesla Factory and plan to produce high volumes of cells and battery modules and packs at Gigafactory 1. 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 could lead to adverse publicity and potentially a safety recall. Moreover, any failure of a competitor's electric vehicle or energy storage product may cause indirect adverse publicity for us and our products. Such adverse publicity could negatively affect our brand and harm our business, prospects, financial condition and operating results.

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

We may experience increases in the cost or a sustained interruption in the supply or shortage of materials. Any such increase, supply interruption or shortage could materially and negatively impact our business, prospects, financial condition and operating results. We use various materials in our business including aluminum, steel, lithium, cobalt, nickel and copper, as well as lithium-ion cells from suppliers. The prices for these materials fluctuate, and their available supply may be unstable, depending on market conditions and global demand for these materials, including as a result of increased production of electric vehicles and energy storage products by our competitors, 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:

- an increase in the cost, or decrease in the available supply, of materials used in the cells;
- disruption in the supply of cells due to quality issues or recalls by battery cell manufacturers or any issues that may arise with respect to cells manufactured at our own facilities; and
- fluctuations in the value of the Japanese yen against the U.S. dollar as our battery cell purchases for Model S and Model X and some raw materials for cells used in Model 3 and energy storage products are currently denominated in Japanese yen.

Our business is dependent on the continued supply of battery cells for the battery packs used in our vehicles and energy storage products. While we believe several sources of the battery cells are available for such battery packs, and expect to eventually rely substantially on battery cells manufactured at our own facilities, we have to date fully qualified only a very limited number of suppliers for the cells used in such battery packs and have very limited flexibility in changing cell suppliers. In particular, we have fully qualified only one supplier for the cells used in battery packs for our current production vehicles. Any disruption in the supply of battery cells from such suppliers could disrupt production of our vehicles and of the battery packs we produce for energy products 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 material costs. Substantial increases in the prices for our materials or prices charged to us, such as those charged by battery cell suppliers, 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 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.

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.

Although we design our vehicles to be the safest vehicles on the road, product liability claims could harm our business, prospects, operating results and financial condition. The automobile industry in particular experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform as expected. On extremely rare occasions, our cars have been involved and we expect in the future will be involved in crashes resulting in death or personal injury, and such crashes where Autopilot is engaged are the subject of significant public attention. We have experienced and we expect to continue to face claims related to misuse or failures of new technologies that we are pioneering, including Autopilot in our vehicles. Finally, as our solar energy systems and energy storage products generate and store electricity, they have the potential to cause injury to people or property. A successful product liability claim against us could require us to pay a substantial monetary award. Our risks in this area are particularly pronounced given the limited number of vehicles and energy storage products delivered to date and limited field experience of our products. Moreover, a product liability claim could generate substantial negative publicity about our products and business and could have material adverse effect on our brand, business, prospects and operating results. In most jurisdictions, we generally self-insure against the risk of product liability claims, meaning that any product liability claims will likely have to be paid from company funds, not by insurance.

The markets in which we operate are highly competitive, and we may not be successful in competing in these industries. We currently face competition from new and established domestic and international competitors and expect to face competition from others in the future, including competition from companies with new technology.

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. There is no assurance that our vehicles will be successful in the respective markets in which they compete. Many established and new automobile manufacturers such as Audi, BMW, Daimler, General Motors, Toyota and Volvo, as well as other companies, have entered or are reported to have plans to enter the alternative fuel vehicle market, including hybrid, plug-in hybrid and fully electric vehicles. For example, in July 2017, Volvo, citing increased customer demand, announced that each new model it introduces beginning in 2019 will be either fully-electric or hybrid-electric. Most of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing, vehicle sales networks 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. 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. In addition, upon the launch of our Model 3 vehicle, we will face competition from existing and future automobile manufacturers in the extremely competitive entry-level premium sedan market, including Audi, BMW, Lexus and Mercedes.

The solar and energy storage industries are highly competitive. We face competition from other manufacturers, developers and installers of solar and energy storage systems, as well as from large utilities. Decreases in the retail prices of electricity from utilities or other renewable energy sources could make our products less attractive to customers and lead to an increased rate of customer defaults under our existing long-term leases and power purchase agreements. Moreover, solar panel and lithium-ion battery prices have declined and are continuing to decline. As we increase our battery and solar panel manufacturing capabilities, including at Gigafactory 1 and Gigafactory 2, future price declines may harm our ability to produce energy storage systems and solar panels at competitive prices.

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

Consumers may be less likely to purchase our products now if they are not convinced that our business will succeed or that our service and support and other 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 or our other products and services and our quarterly production and sales performance compared with market expectations. 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 if needed.

Our plan to expand our network of Tesla stores, galleries, service centers and Superchargers will require significant cash investments and management resources and may not meet expectations with respect to additional sales or installations of our products or availability of Superchargers.

Our plans to expand our network of Tesla stores, galleries, service centers, mobile service offerings and Superchargers will require significant cash investments and management resources and may not meet our expectations with respect to additional sales or installations of our products. This ongoing global expansion, which includes planned entry into markets in which we have limited or no experience selling, delivering, installing and/or servicing our products, and which may pose legal, regulatory, cultural and political challenges that we have not previously encountered, may not have the desired effect of increasing sales and installations and expanding our brand presence to the degree we are anticipating. Furthermore, the increasing number of Model S and Model X vehicles, as well as the significant increase in our vehicle fleet size that we expect from Model 3, will require us to continue to increase the number of our Supercharger stations significantly. If we fail to do so, our customers could become dissatisfied, which could adversely affect sales of our vehicles. We will also need to ensure we are in compliance with any regulatory requirements applicable to the sale, installation and service of our products, the sale of electricity generated through our solar energy systems, and operation of Superchargers in those jurisdictions, which could take considerable time and expense. If we experience any delays or cannot meet customer expectations in expanding our network of Tesla stores, galleries, service centers, mobile service offerings and Superchargers, this could lead to a decrease in sales or installations of our products and could negatively impact our business, prospects, financial condition and operating results.

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

We currently have international operations and subsidiaries in various countries and jurisdictions that are subject to legal, political, and regulatory requirements and social and economic conditions that may be very different from those affecting us domestically. Additionally, as part of our growth strategy, we will continue to expand our sales, service and Supercharger locations internationally. 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 products and require significant management attention. These risks include conforming our products to various international regulatory and safety requirements as well as charging and other electric infrastructures, difficulty in establishing, staffing and managing foreign operations, challenges in attracting customers, foreign government taxes, regulations and permit requirements, our ability to enforce our contractual rights; trade restrictions, customs regulations, tariffs and price or exchange controls, and preferences of foreign nations for domestically manufactured products.

If we fail to effectively grow and manage the residual, financing and credit risks related to our vehicle financing programs, our business may suffer.

We offer vehicle financing arrangements for Model S and Model X through our local subsidiaries in the United States, Canada, Germany and the UK, including leasing directly through certain of those subsidiaries. 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 screen for and manage customer credit risk. We expect the need for leasing and other financing options will continue to be important to Model S and Model X deliveries and for Model 3 in the long term. If we are unable to adequately fund our leasing program with internal funds, or partners or other external financing sources, and compelling alternative financing programs are not available for our customers, we may be unable to grow our sales. 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, 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.

The unavailability, reduction or elimination of, or unfavorable determinations with respect to, government and economic incentives in the United States and abroad supporting the development and adoption of electric vehicles or solar energy could have some impact on demand for our products and services.

We currently benefit from certain government and economic incentives supporting the development and adoption of electric vehicles. In the United States and abroad, such incentives include, among other things, tax credits or rebates that encourage the purchase of electric 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. Notably, the quantum of incentive programs promoting electric vehicles is a tiny fraction of the amount of subsidies that are provided to gas-powered vehicles through the oil and gas industries. Nevertheless, even the limited benefits from such programs could be reduced, eliminated or exhausted. For example, in April 2017 and January 2016, respectively, previously available incentives in Hong Kong and Denmark that favored the purchase of electric vehicles expired, negatively impacting sales. Moreover, under current regulations, a \$7,500 federal tax credit available in the United States for the purchase of qualified electric vehicles with at least 17 kWh of battery capacity, such as our vehicles, will begin to phase out with respect to any vehicles delivered in the second calendar quarter following the quarter in which we deliver our 200,000th qualifying vehicle in the United States. In addition, California implemented regulations phasing out a \$2,500 cash rebate on qualified electric vehicles for high-income consumers, which became effective in March 2016. In certain circumstances, there is pressure from the oil and gas lobby or related special interests to bring about such developments, which could have some negative impact on demand for our vehicles.

In addition, certain governmental rebates, tax credits and other financial incentives that are currently available with respect to our solar and energy storage product businesses allow us to lower our installation costs and cost of capital and encourage customers to buy our products and investors to invest in our solar financing funds. However, these incentives may expire on a particular date, end when the allocated funding is exhausted or be reduced or terminated as renewable energy adoption rates increase, often without warning. For example, the federal government currently offers a 30% investment tax credit ("ITC") for the installation of solar power facilities and energy storage systems that are charged from a co-sited solar power facility. The ITC is currently scheduled to decline to 10%, and expire altogether for residential systems, by January 2022. Likewise, in jurisdictions where net energy metering is currently available, our customers receive bill credits from utilities for energy that their solar energy systems generate and export to the grid in excess of the electric load they use. Several jurisdictions have reduced or eliminated the benefit available under net energy metering, or have proposed to do so. Such reductions in or termination of governmental incentives could adversely impact our results by making our products less competitive for potential customers, increasing our cost of capital and adversely impacting our ability to attract investment partners and to form new financing funds for our solar and energy storage assets.

Moreover, we and our fund investors claim the ITC in amounts based on the fair market value of our solar and energy storage systems. Although we obtain independent appraisals to support the claimed fair market values, the relevant governmental authorities have audited such values and in certain cases have determined that they should be lower, and they may do so in the future. Such determinations may result in adverse tax consequences and/or our obligation to make indemnification or other payments, or contribute additional assets, to our funds or fund investors.

If we are unable to integrate SolarCity successfully into our business, we may not realize the anticipated benefits of our acquisition of SolarCity.

We have devoted to date, and continue to devote, substantial attention and resources to integrating into our company the business and operations of SolarCity, which we acquired in November 2016. Our company has no prior experience integrating a business of the size and scale of SolarCity. If the integration process takes longer than expected or is more costly than expected, we may fail to realize some or all of the anticipated benefits of the acquisition.

Potential difficulties we may encounter in the integration process include the following:

- the inability to successfully combine our business with that of SolarCity in a manner that permits the combined company to achieve the synergies we expect from the acquisition, which would result in the anticipated benefits of the acquisition not being realized partly or wholly in the time frame currently anticipated or at all;
- complexities associated with managing the combined businesses;
- integrating personnel from the two companies;
- creation of uniform standards, controls, procedures, policies and information systems; and
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the acquisition.

Any failure by us to realize the expected benefits of our substantial investments and commitments with respect to the manufacture of PV cells, including if we are unable to comply with the terms of our agreement with the Research Foundation for the State University of New York relating to our Gigafactory 2, could result in negative consequences for our business.

As part of our acquisition of SolarCity, we acquired certain PV cell manufacturing and technology assets, and a build-to-suit lease arrangement with the Research Foundation for the State University of New York (the "Foundation"). This agreement with the Foundation provides for the construction of Gigafactory 2 in Buffalo, New York, which at full capacity we expect will be capable of producing 1 gigawatt of PV cells annually, including for our Solar Roof. Under this agreement, we are obligated to, among other things, employ specified minimum numbers of personnel in the State of New York during the 10-year period following the arrival of manufacturing equipment, the receipt of certain permits and other specified items at Gigafactory 2, and spend or incur approximately \$5.0 billion in combined capital, operational expenses, costs of goods sold and other costs in the State of New York during the 10-year period following the achievement of full production output at Gigafactory 2. If we fail in any year over the course of the term of the agreement to meet these obligations, we would be obligated to pay a "program payment" of \$41.2 million to the Foundation in such year. Any inability on our part to comply with the requirements of this agreement may result in the payment of significant amounts to the Foundation, the termination of our lease at Gigafactory 2, and/or the need to secure an alternative supply of PV cells for products such as our Solar Roof. Moreover, if we are unable to utilize the other manufacturing and technology assets that were acquired in the SolarCity acquisition in accordance with our expectations, we may have to recognize accounting charges pertaining to the write-off of such assets. Any of the foregoing events could have a material adverse effect on our business, prospects, financial condition and operating results.

We are exposed to fluctuations in currency exchange rates, which could negatively affect 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, Chinese yuan, Norwegian krone, pound sterling and Canadian dollar. Any strengthening of the U.S. dollar would tend to reduce our revenues as measured in U.S. dollars, as we have historically experienced. 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. Moreover, while we undertake limited hedging activities intended to offset the impact of currency translation exposure, it is impossible to predict or eliminate such impact. As a result, our operating results could be adversely affected.

If we are unable to attract and/or retain key employees and hire qualified personnel, our ability to compete could be harmed.

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. In particular, we are highly dependent on the services of Elon Musk, our Chief Executive Officer, and Jeffrey B. Straubel, our Chief Technical Officer.

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 or technology experience. In California and other regions where we have operations, there is increasing competition for individuals with skillsets needed for our business, including specialized knowledge of electric vehicles, software engineering, manufacturing engineering, and other skills such as electrical and building construction expertise. 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, especially to support our expansion plans and ramp to high-volume manufacture of vehicles, and retain current employees. Additionally, we compete with both mature and prosperous companies that have far greater financial resources than we do and start-ups and emerging companies that promise short-term growth opportunities. Difficulties in retaining current employees or recruiting new ones could 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, 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 is involved in other emerging technology ventures.

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 a manufacturing company, including with respect to facilities such as the Tesla Factory, Gigafactory 1 and Gigafactory 2, we are subject to complex environmental, health and safety laws and regulations at numerous jurisdictional levels in the United States and abroad, including laws relating to the use, handling, storage, disposal and human exposure to hazardous materials. The costs of compliance, including remediating contamination if any is found on our properties and any changes to our operations mandated by new or amended laws, may be significant. We may also face unexpected delays in obtaining permits and approvals required by such laws in connection with our manufacturing facilities, which would hinder our operation of these facilities. Such costs and delays may adversely impact our business prospects and operating results. Furthermore, any violations of these laws may result in substantial fines and penalties, remediation costs, third party damages, or a suspension or cessation of our operations.

Our business may be adversely affected by any disruptions caused by union activities.

It is common for employees at companies with significant manufacturing operations such as us to belong to a union, which can result in higher employee costs and increased risk of work stoppages. Moreover, regulations in some jurisdictions outside of the United States mandate employee participation in industrial collective bargaining agreements and work councils with certain consultation rights with respect to the relevant companies' operations. Although we work diligently to provide the best possible work environment for our employees, they may still decide to join or seek recognition to form a labor union, or we may be required to become a union signatory. 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 products and have a material adverse effect on our business, prospects, operating results or financial condition.

Our products and services are subject to substantial regulations, which are 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 incur significant costs in complying with these regulations, and may be required to incur additional costs to comply with any changes to such regulations. We are subject to laws and regulations applicable to the manufacture, import, sale and service of automobiles internationally. For example, in countries outside of the United States, we are required to meet vehicle-specific safety standards that are often materially different from requirements in the United States, thus resulting in additional investment into the vehicles and systems to ensure regulatory compliance in those countries. This process may include official review and certification of our vehicles by foreign regulatory agencies prior to market entry, as well as compliance with foreign reporting and recall management systems requirements.

Additionally, our vehicles are equipped with a suite of driver-assistance features called Autopilot, which help assist drivers with certain tedious and potentially dangerous aspects of road travel, but require drivers to remain engaged. Autopilot is a recently-introduced feature with which domestic and foreign regulators have limited experience. Any changes in law or regulatory enforcement could impact whether and how our customers are able to use our vehicles equipped with Autopilot, and which, depending on the severity, could adversely affect our business.

Moreover, as a manufacturer and installer of solar panels and energy storage systems and a supplier of electricity generated and stored by the solar energy and energy storage systems we install for customers, we are impacted by federal, state and local regulations and policies concerning electricity pricing, the interconnection of electricity generation and storage equipment with the electric grid, and the sale of electricity generated by third-party owned systems. For example, existing or proposed regulations and policies would permit utilities to limit the amount of electricity generated by our customers with their solar energy systems, charge fees and penalties to our customers relating to the purchase of energy other than from the grid, adjust electricity rate designs such that the price of our solar products may not be competitive with that of electricity from the grid, restrict us and our customers from transacting under our power purchase agreements or qualifying for government incentives and benefits that apply to solar power, and limit or eliminate net energy metering. If such regulations and policies remain in effect or are adopted in other jurisdictions, or if other regulations and policies that adversely impact the interconnection of our solar and energy storage systems to the grid are introduced, modified or eliminated, they could deter potential customers from purchasing our solar and energy storage products, threaten the economics of our existing contracts and cause us to cease solar and energy storage system sales and operations in the relevant jurisdictions, which could harm our business, prospects, financial condition and results of operations.

We are subject to various privacy and consumer protection laws.

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. We may also incur substantial expenses and costs in connection with maintaining compliance with such laws. 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, including for solar or charging equipment, in the future may result in adverse publicity, damage our brand and adversely affect our business, prospects, operating results and financial condition. For example, certain limited vehicle recalls that we initiated in the past two years have resulted from a component that could prevent the parking brake from releasing once engaged, a concern with the firmware in the restraints control module in certain right-hand-drive vehicles, industry-wide issues with airbags from a particular supplier, a front seat belt issue in a single field vehicle, and an internal test that revealed unintended movement in the Model X third row seats during a collision. None of our past recalls have been related to our electric powertrain. Furthermore, testing of our vehicles by government regulators or industry groups may require us to initiate vehicle recalls or may result in negative public perceptions about the safety of our vehicles. In the future, we may at various times, voluntarily or involuntarily, initiate a recall if any of our products or our electric vehicle powertrain components that we have provided to other vehicle OEMs, including any systems or parts sourced from our suppliers, prove to be defective or noncompliant with applicable laws and regulations, such as federal motor vehicle safety standards. Such recalls, whether voluntary or involuntary or caused by systems or components engineered or manufactured by us or our suppliers, could involve significant expense and could adversely affect our brand image in our target markets, as well as our business, prospects, financial condition and results of operations.

Our resale value guarantee and leasing programs for our vehicles 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 have provided resale value guarantees to many of our customers, under which such customers may sell their vehicles back to us at certain points in time at pre-determined resale values. If the resale values of any vehicles resold or returned to us pursuant to these programs are materially lower than our estimates, our profitability and/or liquidity could be negatively impacted.

We apply lease accounting on sales of vehicles with a resale value guarantee and on leases made directly by us or by our leasing partners. 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 higher than anticipated prevalence of these programs could therefore have an adverse impact on our near term revenues and operating results. Moreover, unlike the sale of a vehicle with a resale value guarantee or programs with leasing partners which do not impact our cash flows and liquidity at the time of vehicle delivery, under a lease held directly by us, 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 our leasing program without securing external financing or business partners to support such expansion, our cash flow and liquidity could also be negatively impacted.

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

Subject to separate limited warranties for the supplemental restraint system, battery and drive unit, we provide four year or 50,000 mile limited warranties for the purchasers of new Model S and Model X vehicles and pre-owned Model S vehicles certified and sold by us. The limited warranty for the battery and drive unit covers the drive unit for eight years, as well as the battery for a period of eight years (or

for certain older vehicles, 125,000 miles if reached sooner than eight years), although the battery's charging capacity is not covered under any of our warranties or Extended Service plans. In addition, customers of new Model S and Model X vehicles have the opportunity to purchase an Extended Service plan for the period after the end of the limited warranty for their new vehicles to cover additional services for up to an additional four years or 50,000 miles, provided it is purchased within a specified period of time.

For energy storage products, we provide limited warranties against defects and to guarantee minimum energy retention levels. For example, we guarantee that each Powerwall 2 product will maintain at least 70-80% of its stated energy capacity after 10 years, and that each Powerpack 2 product will retain specified minimum energy capacities in each of its first 10 to 15 years of use. For our Solar Roof, we offer a warranty on the glass tiles for the lifetime of a customer's home and a separate warranty for the energy generation capability of the solar tiles. We also offer extended warranties, availability guarantees and capacity guarantees for periods of up to 20 years at an additional cost at the time of purchase, as well as workmanship warranties to customers who elect to have us install their systems.

Finally, customers who buy energy from us under solar energy system leases or power purchase agreements are covered by warranties equal to the length of the agreement term, which is typically 20 years. Systems purchased for cash are covered by a warranty of up to 10 years, with extended warranties available at additional cost. In addition, we pass through to our customers the inverter and panel manufacturers' warranties, which generally range from 5 to 25 years, subjecting us to the risk that the manufacturers may later cease operations or fail to honor their underlying warranties. Finally, we provide a performance guarantee with our leased solar energy systems that compensates a customer on an annual basis if their system does not meet the electricity production guarantees set forth in their lease.

If our warranty reserves are inadequate to cover future warranty claims on our products, 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. Such estimates are inherently uncertain and changes to our historical or projected experience, especially with respect to products such as Model 3 and Solar Roof that are new and/or that we expect to produce at significantly greater volumes than our past products, may cause material changes to our warranty reserves in the future.

We are currently expanding and improving our information technology systems and use security measures designed to protect our systems against breaches and cyber-attacks. If these efforts are not successful, our business and operations could be disrupted and our operating results and reputation 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 United States 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 also maintain information technology measures designed to protect us against system security risks, data breaches and cyber-attacks.

We cannot be sure that these systems or their required functionality will be effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these systems as planned, 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. Moreover, our proprietary information could be compromised and our reputation may be adversely affected. 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.

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. 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 or self-insured retentions, and we cannot be certain that our insurance coverage will be sufficient to cover all future losses or 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.

We expect our period-to-period financial 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 current and future products, increase the production capacity at our manufacturing facilities to produce vehicles at higher volumes, including ramping up the production of Model S, Model X and Model 3, expand Gigafactory 1, open new Tesla stores and service centers with maintenance and repair capabilities, open new Supercharger locations, develop Gigafactory 2, 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 financial 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 financial 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.

Any unauthorized control or manipulation of our vehicles' systems could result in loss of confidence in us and our vehicles and harm our business.

Our vehicles contain complex information technology systems. For example, 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. 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. Accordingly, 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.

Servicing our indebtedness requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial indebtedness.

As of June 30, 2017, we had outstanding in aggregate principal amounts \$60.2 million of the 2018 Notes, \$920.0 million of the 2019 Notes, \$1.38 billion of the 2021 Notes and \$977.5 million of the 2022 Notes (collectively, the “Tesla Convertible Notes”). Additionally, in August 2017 Tesla also announced that it has agreed to issue and sell \$1.80 billion in aggregate principal amount of Senior Notes due in 2025 which have an annual interest rate of 5.30%. In addition, we have established a senior secured asset based revolving credit agreement (the “Credit Agreement”) that allows us to borrow, under certain circumstances, up to \$1.83 billion. As of June 30, 2017, we had \$856.5 million in borrowings under the credit facility pursuant to the Credit Agreement. We are also party to a warehouse credit facility with lender commitments of \$900.0 million (the “Warehouse Facility”), of which we had borrowed \$478.7 million as of June 30, 2017. Moreover, as of June 30, 2017, our subsidiary, SolarCity Corporation, together with its subsidiaries, had total outstanding indebtedness of \$3.36 billion, including under its credit facilities (the “SolarCity Credit Facilities”). Such outstanding indebtedness included \$359.0 million drawn under a secured revolving credit facility with lender commitments of \$393.5 million as of June 30, 2017, which matures in December 2017, as well as \$230.0 million in aggregate principal amount of 2.75% convertible senior notes due 2018, \$566.0 million in aggregate principal amount of 1.625% convertible senior notes due 2019 and \$103.0 million in aggregate principal amount of zero coupon convertible senior notes due 2020 (collectively, the “SolarCity Convertible Notes”). Our substantial consolidated indebtedness may increase our vulnerability to any generally adverse economic and industry conditions, and we and our subsidiaries may, subject to the limitations in the terms of our existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize our debt.

Pursuant to their terms, holders may convert their Tesla Convertible Notes at their option prior to the scheduled maturities of the respective Tesla Convertible Notes under certain circumstances. 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. Upon conversion of the applicable Tesla Convertible 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/or shares of our common stock, in respect of the conversion value in excess of such principal amounts on such Tesla Convertible Notes. For example, in June 2017, pursuant to separate privately negotiated agreements, we converted \$144.8 million in aggregate principal amount of the 2018 Notes in exchange for 1.2 million shares of our common stock. The SolarCity Convertible Notes are also currently convertible into shares of our common stock at conversion prices ranging from \$300.00 to \$759.36 per share. In addition, holders of the Tesla Convertible Notes and the SolarCity Convertible Notes will have the right to require us to repurchase 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.

Our ability to make scheduled payments of the principal and interest on our indebtedness when due or to make payments upon conversion or repurchase demands with respect to our convertible notes, or to refinance our indebtedness as we may need or desire, 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 our existing indebtedness, 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 existing or future indebtedness will depend on the capital markets and our financial condition at such time. In addition, our ability to make payments may be limited by law, by regulatory authority or by agreements governing our future indebtedness. We may not be able to engage in any of these activities or engage in these activities on desirable terms or at all, which could result in a default on our existing or future indebtedness and have a material adverse effect on our business, results of operations and financial condition.

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

The terms of our Credit Facility and/or certain of the SolarCity Credit Facilities contain, 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, repurchase stock or make other restricted payments, 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 covenants, our ability to respond to changes in business and economic conditions and engage in beneficial transactions, including to obtain additional financing as needed, may be restricted. Furthermore, 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 it.

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, installation and/or servicing of automobiles, energy storage products and solar products is a capital intensive business. Until we are consistently generating positive free cash flows, we may need or want to raise additional funds through the issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions to fund, together with our principal sources of liquidity, the costs of developing and manufacturing our current or future vehicles, energy storage products and/or solar products, to pay any significant unplanned or accelerated expenses or for new significant strategic investments, or to refinance our significant consolidated indebtedness, even if not required to do so by the terms of such indebtedness. We need sufficient capital to fund our ongoing operations, continue research and development projects, establish sales and service centers, build and deploy Superchargers, expand Gigafactory 1, develop Gigafactory 2 and to make the investments in tooling and manufacturing capital required to introduce new vehicles, energy storage products and solar products. 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 and adversely affected.

Additionally, we use capital from third-party fund investors to reduce the cost of capital of our solar energy system installations, improve our margins, offset future reductions in government incentives and maintain the price competitiveness of our solar energy systems. The availability of this tax-advantaged financing depends upon many factors, including the confidence of the investors in the solar energy industry and the quality and mix of our customer contracts, any regulatory changes impacting the economics of our existing customer contracts, changes in legal and tax advantages or risks or government incentives associated with these financings, and our ability to compete with other renewable energy companies for the limited number of potential fund investors. Moreover, interest rates are at historically low levels. If the rate of return required by investors rises as a result of a rise in interest rates, it will reduce the present value of the customer payment streams underlying, and therefore the total value of, our financing structures, increasing our cost of capital. If we are unable to establish new financing funds on favorable terms for third-party ownership arrangements to enable our customers' access to our solar energy systems with little or no upfront cost, we may be unable to finance installation of our customers' systems, or our cost of capital could increase and our liquidity may be negatively impacted, any of which would have an adverse effect on our business, financial condition and results of operations.

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

We sell our vehicles directly to consumers. We may not be able to sell our vehicles through this sales model in each state in the United States as some states have laws that may be interpreted to impose limitations on this direct-to-consumer sales model. In certain states in which we are not able to obtain dealer licenses, we have opened galleries, which are not full retail locations.

The application of these state laws to our operations 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 by dealer associations and others as to whether such decisions comply with applicable state motor vehicle industry laws. We have prevailed in many of these lawsuits and such results have reinforced our continuing belief that state laws were not designed to prevent our distribution model. 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. A few states 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 have also filed a lawsuit in federal court in Michigan challenging the constitutionality of the state's prohibition on direct sales as applied to our business.

Internationally, 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. Continued regulatory limitations and other obstacles interfering with our ability to sell vehicles directly to consumers could have a negative and material impact our business, prospects, financial condition and results of operations.

We may need to defend ourselves against intellectual property infringement claims, which may be time-consuming and could cause us to incur substantial costs.

Others, including our competitors, may hold or obtain patents, copyrights, trademarks or other proprietary rights that could prevent, limit or interfere with our ability to make, use, develop, sell or market our products and services, which could make it more difficult for us to operate our business. From time to time, the holders of such intellectual property rights may assert their rights and urge us to take licenses, and/or may bring suits alleging infringement or misappropriation of such rights. We may consider the entering into licensing agreements with respect to such rights, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur, and such licenses could significantly increase our operating expenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to cease making, selling or incorporating certain components or intellectual property into the goods and services we offer, to pay substantial damages and/or license royalties, to redesign our products and services, and/or to establish and maintain alternative branding for our products and services. In the event that we were required to take one or more such actions, 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, negative publicity and diversion of resources and management attention.

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

Our corporate headquarters, the Tesla Factory and Gigafactory 1 are located in seismically active regions in Northern California and Nevada. If major disasters such as earthquakes 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. We may incur expenses relating to such damages, which could have a material adverse impact on our business, operating results and financial condition.

Risks Related to the Ownership of our Common Stock

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 \$386.99 per share and a low of \$178.19 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 plaintiffs' complaint was dismissed with prejudice, any future shareholder litigation could result in substantial costs and a diversion of our management's attention and resources.

We may fail to meet our publicly announced guidance or other expectations about our business, which could 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. If our guidance is not accurate or varies from actual results due to our inability to meet our assumptions or the impact on our financial performance that could occur as a result of various risks and uncertainties, the market value of our common stock could decline significantly.

Transactions relating to our convertible notes may dilute the ownership interest of existing stockholders, or may otherwise depress the price of our common stock.

The conversion of some or all of the Tesla Convertible Notes or the SolarCity Convertible Notes would dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of such notes. Our 2018 Notes and the SolarCity Convertible Notes have been historically, and the other Tesla Convertible Notes may become in the future, convertible at the option of their holders prior to their scheduled terms under certain circumstances. If holders elect to convert their convertible notes, we could be required to deliver to them a significant number of shares of our common stock. 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 convertible notes may encourage short selling by market participants because the conversion of such notes could be used to satisfy short positions, or anticipated conversion of such notes into shares of our common stock could depress the price of our common stock.

Moreover, in connection with each issuance of the Tesla Convertible Notes, we entered into convertible note hedge transactions, which 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 Tesla Convertible Notes. We also entered into warrant transactions with the hedge counterparties, which 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 enter into various transactions with respect to their hedge positions, which could also cause or prevent an increase or a decrease in the market price of our common stock or the convertible notes.

Elon Musk has pledged shares of our common stock to secure certain bank borrowings. If Mr. Musk were forced to sell these shares pursuant to a margin call that he could not avoid or satisfy, such sales could cause our stock price to decline.

Certain banking institutions have made extensions of credit to Elon Musk, our Chief Executive Officer, a portion of which was used to purchase shares of common stock in certain of our public offerings and private placements at the same prices offered to third party participants in such offerings and placements. We are not a party to these loans, which are partially secured by pledges of a portion of the Tesla common stock currently owned by Mr. Musk. If the price of our common stock were to decline substantially and Mr. Musk were unable to avoid or satisfy a margin call with respect to his pledged shares, Mr. Musk may be forced by one or more of the banking institutions to sell shares of Tesla common stock in order to remain within the margin limitations imposed under the terms of his loans. Any such sales could cause the price of our common stock to decline further.

Anti-takeover provisions contained in our governing documents, applicable laws and our convertible notes could impair a takeover attempt.

Our certificate of incorporation and bylaws afford certain rights and powers to our board of directors that could contribute to the delay or prevention of an acquisition that it deems undesirable. We are also subject to Section 203 of the Delaware General Corporation Law and other provisions of Delaware law that limit the ability of stockholders in certain situations to effect certain business combinations. In addition, the terms of our convertible notes require us to repurchase such notes in the event of a fundamental change, including a takeover of our company. Any of the foregoing provisions and terms 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.

II. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

We transact business globally in multiple currencies. Our foreign operations expose us to the risk of fluctuations in foreign currency exchange rates against the functional currencies of our foreign subsidiaries and against the U.S. dollar. Upon consolidation, as foreign currency exchange rates vary, revenues and expenses may be significantly impacted, and we may record significant gains or losses on the re-measurement of our monetary assets and liabilities, including intercompany balances. As of June 30, 2017, our largest foreign currency exposures were from the Chinese yuan, the Canadian dollar and the Hong Kong dollar. In the six months ended June 30, 2017, we recognized a net foreign currency exchange loss of \$29.4 million in other income (expense), net.

We considered the historical trends in foreign currency exchange rates and determined that it is reasonably possible that adverse changes in foreign exchange rates of 10% for all currencies could be experienced in the near-term. These reasonably possible adverse changes were applied to our total monetary assets and liabilities denominated in currencies other than our functional currencies as of June 30, 2017 to compute the adverse impact these changes would have had on our income before income taxes. These changes would have resulted in an adverse impact on our income before income taxes of \$131.0 million.

Interest Rate Risk

We are exposed to interest rate risk for our borrowings that bear interest at floating rates. Pursuant to our risk management policies, in certain cases, we utilize derivative instruments to manage some of our exposures to fluctuations in interest rates on certain floating-rate debt. We do not enter into any derivative instruments for trading or speculative purposes. A hypothetical 10% change in our interest rates would have increased our interest expense for the six months ended June 30, 2017 by \$3.3 million.

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

I. PERSON RESPONSIBLE

Deepak Ahuja, Chief Financial Officer, acting for and on behalf of Tesla, 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 a 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.

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, 2016, Tesla, Inc. was authorized to issue 2,000,000,000 Shares of common stock, par value \$0.001, and 100,000,000 shares of preferred stock, par value \$0.001. As of July 31, 2017, there were 166,887,023 Shares of common stock and no shares of preferred stock outstanding.

Tesla, 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, 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; +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, 2017)

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

Total Current debt	\$816,533
- Guaranteed ²	\$0
- Secured ³	\$652,559
- Unguaranteed / Unsecured	\$163,974
Total Non-Current debt (excluding current portion of long-term debt)	\$7,125,406
- Guaranteed ⁴	\$0
- Secured ⁵	\$3,466,978
- Unguaranteed / Unsecured	\$3,658,428
Shareholder's equity	
a. Share Capital	\$5,105,752

² No guarantees

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

⁴ We have no guarantees

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

b. Legal Reserve	\$0
c. Other Reserves	\$0
Total	\$5,105,752

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

A. Cash	\$865
B. Cash equivalent (Detail)	\$2,171
C. Trading securities	\$0
D. Liquidity (A) + (B) + (C)	\$3,036
E. Current Financial Receivable	\$454
F. Current Bank debt	\$379
G. Current portion of non-current debt	\$217
H. Other current financial debt ⁶	\$220
I. Current Financial Debt (F) + (G) + (H)	\$816
J. Net Current Financial Indebtedness (I) – (E) – (D)	\$(2,674)
K. Non-current Bank loans	\$3,097
L. Bonds Issued	\$3,658
M. Other non-current loans	\$370
N. Non-current Financial Indebtedness (K) + (L) + (M)	\$7,125
O. Net Financial Indebtedness (J) + (N)	\$4,451

6.3 Indirect and Contingent Indebtedness

Contractual Obligations

Contractual obligations did not materially change during the six months ended June 30, 2017, with the exception of the issuance of the 2.375% convertible senior notes due in 2022. Additionally, in August 2017 Tesla also announced that it has agreed to issue and sell \$1.80 billion in aggregate principal amount of Senior Notes due in 2025 which have an annual interest rate of 5.30%

Off-Balance Sheet Arrangements

The consolidated financial statements include all assets, liabilities and results of operations of the financing fund arrangements that we have entered into. We have not entered into any other transactions that have generated relationships with unconsolidated entities, financial partnerships or special purpose entities. Accordingly, we do not have any off-balance sheet arrangements.

Legal Proceedings

Securities Litigation

On March 28, 2014, a purported stockholder class action was filed in the United States District Court for the Northern District of California against SolarCity and two of its officers. The complaint alleges violations of federal securities laws, and seeks unspecified compensatory damages and other relief on behalf of a purported class of purchasers of SolarCity's securities from March 6, 2013 to March 18, 2014. After a series of amendments to the original complaint, the District Court dismissed the amended complaint and entered a judgment in our favor on August 9, 2016. The plaintiffs have filed a notice of appeal, and the parties anticipate a hearing on the appeal no earlier than November 2017. We believe that the claims are without merit and intend to defend against this lawsuit and appeal.

⁶ Includes \$164 million in current debt related to bond issued.

vigorously. We are unable to estimate the possible loss or range of loss, if any, associated with this lawsuit.

On August 15, 2016, a purported stockholder class action lawsuit was filed in the United States District Court for the Northern District of California against SolarCity, two of its officers and a former officer. On March 20, 2017, the purported stockholder class filed a consolidated complaint that includes the original matter in the same court against SolarCity, one of its officers and three former officers. As consolidated, the complaint alleges that SolarCity made projections of future sales and installations that it failed to achieve and that these projections were fraudulent when made. The plaintiffs claim violations of federal securities laws and seek unspecified compensatory damages and other relief on behalf of a purported class of purchasers of SolarCity's securities from May 6, 2015 to May 9, 2016. We believe that the claims are without merit and intend to defend against them vigorously. On July 25, 2017, the court took our fully-briefed motion to dismiss under submission. We are unable to estimate the possible loss or range of loss, if any, associated with this lawsuit.

Litigation Relating to the SolarCity Acquisition

Between September 1, 2016 and October 5, 2016, seven lawsuits were filed in the Court of Chancery of the State of Delaware by purported stockholders of Tesla challenging our acquisition of SolarCity. Following consolidation, the lawsuit names as defendants the members of our board of directors and alleges, among other things, that board members breached their fiduciary duties in connection with the acquisition. The complaint asserts both derivative claims and direct claims on behalf of a purported class and seeks, among other relief, unspecified monetary damages, attorneys' fees, and costs. On January 27, 2017, the defendants filed a motion to dismiss the operative complaint. Rather than respond to the defendants' motion, the plaintiffs filed an amended complaint. On March 17, 2017, the defendants filed a motion to dismiss the amended complaint; that motion is pending. These same plaintiffs filed a parallel action in the United States District Court for the District of Delaware on April 21, 2017, adding claims for violations of the federal securities laws.

On February 6, 2017, a purported stockholder made a demand to inspect our books and records, purportedly to investigate potential breaches of fiduciary duty in connection with the SolarCity acquisition. On April 17, 2017, the purported stockholder filed a petition for a writ of mandate in California Superior Court, seeking to compel us to provide the documents requested in the demand. We filed a demurrer to the writ petition or, in the alternative, a motion to stay the action, which remain pending.

On March 24, 2017, another lawsuit was filed in the United States District Court for the District of Delaware by a purported Tesla stockholder challenging the SolarCity acquisition. The complaint alleges, among other things, that our board of directors breached their fiduciary duties in connection with the acquisition and alleges violations of the federal securities laws.

We believe that claims challenging the SolarCity acquisition are without merit. We are unable to estimate the possible loss or range of loss, if any, associated with these claims.

Proceedings Relating to United States Treasury

In July 2012, SolarCity, along with other companies in the solar energy industry, received a subpoena from the U.S. Treasury Department's Office of the Inspector General to deliver certain documents in SolarCity's possession that were dated, created, revised or referred to after January 1, 2007 and that relate to SolarCity's applications for U.S. Treasury grants or communications with certain other solar energy development companies or with certain firms that appraise solar energy property for U.S. Treasury grant application purposes. The Inspector General and the Civil Division of the U.S. Department of Justice are investigating the administration and implementation of the U.S. Treasury grant program relating to the fair market value of the solar energy systems that SolarCity submitted in U.S. Treasury grant applications. We have accrued a reserve for the potential liability associated with this ongoing investigation.

In February 2013, two of our financing funds filed a lawsuit in the United States Court of Federal Claims against the U.S. government, seeking to recover \$14.0 million that the U.S. Treasury Department was obligated to pay, but failed to pay, under Section 1603 of the American Recovery and

Reinvestment Act of 2009. In February 2016, the U.S. government filed a motion seeking leave to assert a counterclaim against the two plaintiff funds on the grounds that the U.S. government, in fact, paid them more, not less, than they were entitled to as a matter of law. We believe that the U.S. government's claims are without merit. We are unable to estimate the possible loss or range of loss, if any, associated with this lawsuit.

Other Matters

From time to time, we have received requests for information from regulators and governmental authorities, such as the National Highway Traffic Safety Administration, the National Transportation Safety Board and the Securities and Exchange Commission. We are also subject to various other legal proceedings and claims that arise from the normal course of business activities. 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.

VII. MAXIMUM DILUTION AND NET PROCEEDS

7.1 Maximum Dilution

The Shares under the ESPP are offered pursuant to this prospectus to approximately 2,706 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 500 whole Shares for a maximum of US\$25,000 in contributions for the Offering Period starting on September 1, 2017. These amounts are based on a hypothetical Share price of US\$361.61 on September 1, 2017 (*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, 2017, based on the assumption that Shares will be purchased at a Purchase Price based on this date which is US\$307.369 (85% of US\$361.61). Assuming that all Eligible Employees participate in the ESPP and each Eligible Employee purchases 81 Shares in the offer, the maximum number of Shares offered pursuant to this prospectus amounts to 220,093 Shares.

Based on the above assumptions, a shareholder of Tesla, Inc. currently holding one percent (1%) of the total outstanding share capital of Tesla, Inc. as of June 30, 2017 that is 166,863,000 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, 2017)	1%	166,863,000
After issuance of 265,512 Shares under the ESPP	0.9987%	167,083,093

7.2 Net Proceeds

Assuming that each of the 2,706 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 \$307.369 (85% of \$361.61, the closing price on June 30, 2017), then the gross proceeds of Tesla, Inc. in connection with the offer under the ESPP

pursuant to this prospectus would be \$67,650,000.00. After deducting legal and accounting expenses in connection with the offer, the net proceeds, based on the above assumptions, would be approximately \$67,650,000.00.

VIII. DIRECTORS AND CORPORATE OFFICERS

8.1 Board of Directors

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>
Elon Musk	45	Chief Executive Officer, Product Architect and Chairman
Brad W. Buss	53	Director
Robyn M. Denholm	53	Director
Ira Ehrenpreis	48	Director
Antonio J. Gracias	46	Director
Stephen T. Jurvetson	50	Director
Kimbal Musk	44	Director
Linda J. Rice	59	Director
James Murdoch	44	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, a company which is developing and launching advanced rockets for satellite and eventually human transportation ("SpaceX"), since May 2002, and served as Chairman of the Board of SolarCity Corporation, a solar installation company ("SolarCity"), from July 2006 until its acquisition by us in November 2016. Since December 2015, Mr. Musk has also been a co-chair of OpenAI, a non-profit artificial intelligence research company. Prior to Space Exploration Technologies Corporation, 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. From August 2014 until his retirement in February 2016, Mr. Buss served as the Chief Financial Officer of SolarCity. Prior to joining SolarCity, from August 2005 to June 2014, Mr. Buss was the Executive Vice President of Finance and Administration and Chief Financial Officer of Cypress Semiconductor Corporation, 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 Advance Auto Parts, Inc. and Cavium, Inc., and also served as a director of CafePress Inc. from October 2007 until July 2016. 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 January 2017, Ms. Denholm has been Chief Operations Officer of Telstra Corporation Limited, a telecommunications company. Prior to Telstra, from August 2007 to February 2016, Ms. Denholm was with Juniper Networks, Inc., a manufacturer of networking equipment ("Juniper"), serving first as its

Executive Vice President and Chief Financial Officer and then as its Executive Vice President and Chief Financial and Operations Officer. Prior to joining Juniper, Ms. Denholm served in various executive roles at Sun Microsystems, Inc. from January 1996 to August 2007. Ms. Denholm also served at Toyota Motor Corporation Australia for seven years and at Arthur Andersen & Company for five years in various finance assignments. From April 2016 until April 2017, Ms. Denholm was also a director of ABB Ltd. 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. Mr. Ehrenpreis has been a venture capitalist since 1996 when he joined Technology Partners, where he is a partner and has led its Cleantech practice for several years as a managing member. Since 2015, Mr. Ehrenpreis has also been a managing partner of the venture capital firm of DBL Partners. In the venture capital community, he has served on the Board of the National Venture Capital Association and currently serves as the President of the Western Association of Venture Capitalists and the 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 was the Chairman of the Clean-Tech Investor Summit in 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013. Mr. Ehrenpreis 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 was a director of SolarCity until its acquisition by us in November 2016. 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 privately-held 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 is a co-founder of The Kitchen, a growing family of businesses with the goal of providing all Americans with access to real food, and has also served as its CEO since its founding in 2004. Mr. Musk is also a director of SpaceX and of 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. From July 2012 until July 2015, Mr. Musk was 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.

Linda J. Rice has been a member of our Board of Directors since July 2017. In addition to her role as Chairman and CEO of JPC and Fashion Fair Cosmetics, Linda is CEO of Ebony Media Operations and Chairman Emeritus of EBONY Media Holdings, the parent company for the EBONY and Jet brands. Linda has extensive corporate board experience, having previously served on the boards of a number of companies across a variety of industries, including Bausch & Lomb, Continental Bank, Quaker Oats, Dial Corporation, MoneyGram and Kimberly-Clark Corporation, and currently serving on the boards of Omnicom Group and Grubhub. Linda is a Trustee at the Art Institute of Chicago, President of the Chicago Public Library Board of Directors, Council Member of The Smithsonian's National Museum of African American History and Culture, and board member of After School Matters and Northwestern Memorial Corporation.

James Murdoch has been a member of our Board of Directors since July 2017. Before becoming CEO of 21CF in 2015, James held a number of leadership roles at the company over a two-decade career. He previously served as its Co-Chief Operating Officer, Chairman and CEO for Europe and Asia, as well as Chairman of BSkyB, Sky Deutschland, and Sky Italia, the businesses that now comprise Sky plc. He also served as CEO of BSkyB and STAR, India's entertainment leader. In addition to being a key driver of 21CF's domestic and international expansion, James has been instrumental in the company's robust social impact initiatives, including its decade-long leadership on environmental sustainability. James and his wife, Kathryn Murdoch, are founders of a family foundation, Quadrivium, which supports initiatives involving natural resources, science, civic life, childhood health, and equal opportunity.

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>Age</u>	<u>Position</u>
Elon Musk	45	Chief Executive Officer, Product Architect and Chairman
Deepak Ahuja	54	Chief Financial Officer
Jeffrey B. Straubel	41	Chief Technology Officer
Jon McNeill	49	President, Global Sales and Service
Doug Field	51	Vice President, Engineering

Elon Musk. For information about Mr. Musk, please refer to section 8.1 above.

Deepak Ahuja has served as our Chief Financial Officer since March 2017, and also previously served as our Chief Financial Officer from July 2008 to November 2015. Prior to joining us in July 2008, 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 also serves as a director of FireEye, Inc. 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 Bachelor's 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.

Jon McNeill has served as our President, Global Sales and Service since August 2015. Prior to joining us, Mr. McNeill was the Chief Executive Officer of Enservio, Inc., a property insurance software provider, from January 2006 to August 2015. A longtime entrepreneur experienced in companies prioritizing customer service, Mr. McNeill was a founder of Sterling Collision Centers, a national chain of vehicle body repair centers, and First Notice Systems, a 24-hour insurance claim services firm, and served as their Chief Executive Officer from 1997 to 2003 and from 1993 until 1997, respectively, until their respective acquisitions. Prior to First Notice Systems, Mr. McNeill was a consultant with Bain &

Company. Mr. McNeill is a director of Lululemon Athletica Inc., and continues to serve as the chair of Enservio's board of directors. Mr. McNeill holds a B.A. in economics from Northwestern University.

Doug Field has served as our Senior Vice President, Engineering since September 2016 and previously served as our Vice President, Engineering from October 2014 to September 2016 and as our Vice President, Vehicle Programs from September 2013 to October 2014. Prior to joining us, Mr. Field was Vice President, Macintosh Hardware Engineering, at Apple Inc. from October 2011 to September 2013, and its Vice President, Product Design, from July 2008 to October 2011. Mr. Field's experience with vehicle engineering also includes previous roles as the Chief Technical Officer and Vice President, Design and Engineering of Segway Inc., a manufacturer of electric personal transport vehicles, and as a development engineer for Ford Motor Company. Mr. Field holds a M.S. in mechanical engineering and a M.B.A. from the Massachusetts Institute of Technology, in addition to a Bachelor of Science degree in mechanical engineering from Purdue University.

8.3 Fraudulent Offences and Bankruptcy, Etc.

For at least the previous five (5) years, none of the directors or executive officers of Tesla, 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, 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 and Kimbal Musk, who are brothers, 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 considers the annual amount of Tesla's sales to, or purchases from, any company where a non-employee director serves as an executive officer. In order to find that a director is independent, the Board of Directors must determine 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. 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, including the transactions specified in "*Certain Relationships and Related Party Transactions — Related Party Transactions*" and the additional considerations below.

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

- Mr. Buss was the Chief Financial Officer of SolarCity from August 2014 until February 2016. Until SolarCity's acquisition by us in November 2016, Tesla and certain Tesla directors and officers had relationships with SolarCity as set forth in this section and in "*Certain Relationships and Related Party Transactions — Related Party Transactions — SolarCity*" below.

The Board of Directors has concluded that given the termination of his employment relationship with SolarCity prior to its acquisition by Tesla, there are no relationships that would impede the exercise of independent judgment by Mr. Buss.

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

- Ms. Denholm was the Executive Vice President and Chief Financial Officer of Juniper from August 2007 until February 2016, as well as its Chief Operations Officer from July 2013 until February 2016. 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 given that Ms. Denholm is no longer an executive officer of Juniper, and Juniper has no direct material business relationship with Tesla, there are no relationships that would impede the exercise of independent judgment by Ms. Denholm.

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

- Mr. Ehrenpreis is a manager of DBL Partners Fund III (“DBL III”). Each of Mr. Ehrenpreis and DBL III is a minority investor in SpaceX. Tesla and certain Tesla directors have relationships with SpaceX as set forth in this section and in “*Certain Relationships and Related Party Transactions — Related Party Transactions — SpaceX*” below.
- Mr. Ehrenpreis is a co-owner of DBL Partners. Another co-owner of DBL Partners was a director of SolarCity until its acquisition by us in November 2016 and is a manager of DBL Investors, which is an investor in SpaceX and was an investor in SolarCity until its acquisition by us in November 2016. Mr. Ehrenpreis has no direct or indirect investment control or pecuniary interest in DBL Investors. Tesla and certain Tesla directors and officers had relationships with SolarCity as set forth in this section and in “*Certain Relationships and Related Party Transactions — Related Party Transactions — SolarCity*” below.

The Board of Directors has concluded that given that Mr. Ehrenpreis’ and DBL III’s interests in SpaceX are minority positions, and Mr. Ehrenpreis has no direct or indirect interest in DBL Investors, there are no relationships that would impede the exercise of independent judgment by Mr. Ehrenpreis.

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

- Mr. Gracias is the Chief Executive Officer, director and majority owner of Valor Management Corp. (“VMC”). VMC funds are a minority investor in SpaceX, and Mr. Gracias is a director of SpaceX. Tesla and certain Tesla directors have relationships with SpaceX as set forth in this section and in “*Certain Relationships and Related Party Transactions — Related Party Transactions — SpaceX*” below.
- Until SolarCity’s acquisition by us in November 2016, VMC funds were minority investors in SolarCity, and Mr. Gracias was a director of SolarCity. Tesla and certain Tesla directors and officers had relationships with SolarCity as set forth in this section and in “*Certain Relationships and Related Party Transactions — Related Party Transactions — SolarCity*” below.
- The Elon Musk Revocable Trust dated July 22, 2003, of which Elon Musk is the trustee, is a limited partner of Valor Equity Partners II, L.P., which is a fund advised by VMC.
- Kimbal Musk is a limited partner of Valor Equity Partners II, L.P. and Valor Equity Partners III-A, L.P., which are funds advised by VMC.

The Board of Directors has concluded that given that VMC funds’ interests in SpaceX are minority positions and investments in VMC funds by other Tesla directors comprise fractions of such funds, and Mr. Gracias’ professional experience serving on the boards of multiple companies, there are no relationships that would impede the exercise of independent judgment by Mr. Gracias.

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

- Mr. Jurvetson is a managing director of Draper Fisher Jurvetson (“DFJ”). Through its funds, DFJ is a significant stockholder of SpaceX and Mr. Jurvetson is a director of SpaceX. Tesla and certain Tesla directors have relationships with SpaceX as set forth in this section and in “*Certain Relationships and Related Party Transactions — Related Party Transactions — SpaceX*” below.

- Prior to SolarCity's acquisition by us in November 2016, DFJ (through its funds) was a significant stockholder of SolarCity, and another managing director of DFJ was a director of SolarCity. Tesla and certain Tesla directors and officers had relationships with SolarCity as set forth in this section and in "*Certain Relationships and Related Party Transactions — Related Party Transactions — SolarCity*" below.
- The Elon Musk Revocable Trust dated July 22, 2003, of which Elon Musk is the trustee, is a limited partner of Draper Fisher Jurvetson Fund X, L.P., which is a fund managed by DFJ.

The Board of Directors has concluded that given Mr. Jurvetson's professional experience serving on the boards of multiple companies, that Mr. Jurvetson's other interests in SpaceX are not personal to him and primarily arise as a result of DFJ's investments in them, and that investments in a DFJ fund by Elon Musk comprise a fraction of such fund, there are no relationships that would impede the exercise of independent judgment by Mr. Jurvetson.

Certain relationships and Related Party Transactions

Review of Related Party Transactions

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.

Related Party Transactions

- *SolarCity*

On November 21, 2016, we completed our acquisition of SolarCity. As of the acquisition date, Elon Musk, our Chief Executive Officer and Chairman, was a significant stockholder of SolarCity and Chairman of its Board of Directors; Jeffrey B. Straubel, our Chief Technical Officer, was also a member of its Board of Directors; and certain other members of our Board of Directors had interests in SolarCity as described in more detail above in "*Corporate Governance — Director Independence*." Pursuant to the terms of the acquisition agreement, each issued and outstanding share of SolarCity common stock was converted into 0.110 shares of Tesla common stock, with cash paid in lieu of any fractional shares. Furthermore, SolarCity options and restricted stock unit awards were assumed by Tesla and converted into corresponding equity awards in respect of Tesla common stock based on this ratio, with the awards retaining the same vesting and other terms and conditions as in effect immediately prior to the acquisition. Accordingly, at the closing of the acquisition, certain of these

individuals or funds or entities affiliated with such individuals became entitled to receive the shares of Tesla common stock and equity awards in respect of Tesla common stock set forth in the table below. The closing price of Tesla common stock on the acquisition date was \$184.52.

Name	Shares (#)	Shares Underlying Option Awards (#)	Weighted-Average Exercise Price of Option Awards (\$/Sh)
Elon Musk	2,403,024	3,300 ⁽¹⁾	568.28
Jeffrey B. Straubel	83,407	3,410 ⁽¹⁾	557.97
Brad Buss	4,100	-	-
Antonio Gracias	21,745	3,300 ⁽¹⁾	568.28
Stephen Jurvetson	184,798	-	-
Kimbal Musk	16,181	-	-

(1) This option expired in December 2016 pursuant to its terms without being exercised.

Moreover, in December 2015, SolarCity issued \$10 million in principal amount of zero-coupon convertible senior notes due December 2020 to the Elon Musk Revocable Trust dated July 22, 2003, of which Elon Musk is the trustee (the “EM Trust”), at the same terms at which such notes were offered to an unaffiliated purchaser. In connection with the SolarCity acquisition, such convertible senior notes became convertible into 33,333 shares of Tesla common stock, at a conversion price of \$300. In August 2016, SolarCity issued \$65 million in aggregate principal amount of 6.50% Solar Bonds due February 2018 to Elon Musk, upon the same terms and conditions offered to the public. In April 2017, Mr. Musk agreed to exchange the 6.50% Solar Bonds for a \$65 million promissory note bearing interest at 6.5% issued by SolarCity on substantially identical terms, including the remaining maturity.

Prior to the SolarCity acquisition, we had entered into a number of agreements with SolarCity, including pursuant to requests for proposals and other objective selection processes by Tesla and/or SolarCity. For example, in December 2015, we entered into a master supply agreement with SolarCity that, among other things, governed SolarCity’s purchase of Tesla energy storage products. The purchase orders issued by SolarCity, and accepted by Tesla, under this master supply agreement in 2016 included a purchase order for a 13 MW/52 MWh Powerpack system for use in SolarCity’s Kauai Island Utility Cooperative project in Kapaia, Hawaii. We recognized approximately \$18.0 million in revenue from SolarCity under purchase orders issued under this agreement during fiscal year 2016.

- *SpaceX*

Elon Musk is also the Chief Executive Officer, Chief Technical Officer and a significant stockholder of SpaceX. Kimbal Musk, a member of our Board of Directors, is also a member of the board of directors of SpaceX. In addition, certain other members of our Board of Directors have interests in SpaceX as described in more detail above in “*Corporate Governance — Director Independence.*”

In March 2016 and June 2016, SpaceX purchased 4.40% Solar Bonds due March 2017 and June 2017, respectively, from SolarCity in aggregate principal amounts of approximately \$90 million and \$75 million, respectively, upon the same terms and conditions which such securities were offered to the public. In March 2017, the 4.40% Solar Bonds due March 2017 held by SpaceX were repaid in full.

SpaceX provides us, at no cost, with use of certain enterprise software developed by it. In February 2014, Tesla and SpaceX also entered into an agreement relating to Tesla’s use of an aircraft leased and operated by SpaceX (the “Airplane Agreement”). Pursuant to the Airplane Agreement, Tesla will pay SpaceX for its use of the aircraft at rates to be determined by the parties from time to time, subject to rules of the Federal Aviation Administration governing such arrangements. In 2016, Tesla incurred

approximately \$1.0 million of expenses under the Airplane Agreement for Tesla's use of the plane and paid SpaceX approximately \$1.1 million (including amounts incurred but not paid in 2015).

- *Investors' Rights Agreement*

We have entered into an investors' rights agreement, which we have amended from time to time, with certain current or former holders of our common stock, including the EM Trust, and entities affiliated with VMC, of which Antonio Gracias, a member of our Board of Directors, is the Chief Executive Officer, director and majority owner. This agreement provides for certain rights relating to the registration of their shares of common stock.

- *Other Transactions*

In the ordinary course of business, we enter into offer letters and employment agreements with our executive officers. We have also entered into indemnification agreements with each of our directors and officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

Ira Ehrenpreis, a member of our Board of Directors, also serves a member of the board of directors of Mapbox Inc., a provider of custom online maps ("Mapbox"). In December 2015, Tesla entered into an agreement with Mapbox relating to a vehicle map-related project, pursuant to which, as amended from time to time, Tesla expects to pay Mapbox certain ongoing fees earned over the duration of the project, including an advance payment of \$3 million in the aggregate for fees incurred through December 23, 2017. Mr. Ehrenpreis did not participate in negotiations involving, and does not have a direct or indirect material interest in, this transaction.

Robyn M. Denholm, a member of our Board of Directors, served as the Executive Vice President and Chief Financial and Operations Officer of Juniper until February 2016. Tesla has purchased and may purchase from time to time, networking equipment manufactured by Juniper in the ordinary course of business through resellers, but Tesla has not entered into a purchase contract directly with Juniper. Ms. Denholm did not participate in any negotiations involving, and does not and did not have a direct or indirect material interest in, Tesla's indirect purchases from Juniper.

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, 2016, 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, 2016. 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 161,560,871 Shares of Tesla's common stock outstanding at December 31, 2016.

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

Beneficial Owner Name	Shares Beneficially Owned	Percentage of Shares Beneficially Owned
5% Stockholders		
Elon Musk ⁽¹⁾	36,175,151	22.0 %
FMR LLC ⁽²⁾	22,051,229	13.6 %
Baillie Gifford & Co. ⁽³⁾	13,289,548	8.2 %
T. Rowe Price Associates, Inc. ⁽⁴⁾	11,920,042	7.4 %
Named Executive Officers & Directors		
Elon Musk ⁽¹⁾	36,175,151	22.0 %
Jeffrey B. Straubel ⁽⁵⁾	639,185	*
Doug Field ⁽⁶⁾	23,633	*
Jon McNeill ⁽⁷⁾	49,838	*
Jason Wheeler ⁽⁸⁾⁽⁹⁾	62,729	*
Brad W. Buss ⁽¹⁰⁾	118,207	*
Robyn M. Denholm ⁽¹¹⁾	81,110	*
Ira Ehrenpreis ⁽¹²⁾	64,873	*
Antonio J. Gracias ⁽¹³⁾	466,833	*
Stephen T. Jurvetson ⁽¹⁴⁾	296,390	*
Kimbal Musk ⁽¹⁵⁾	220,823	*
All current executive officers and directors as a group (11 persons) ⁽¹⁶⁾	38,194,941	23.1 %

* Represents beneficial ownership of less than 1%.

(1) Includes (i) 33,503,668 shares held of record by the Elon Musk Revocable Trust dated July 22, 2003; (ii) 2,638,150 shares issuable to Mr. Musk upon exercise of options exercisable within 60 days after December 31, 2016; and (iii) \$10,000,000 in aggregate principal amount of SolarCity's Zero Coupon Convertible Senior Notes due 2020, convertible into 33,333 shares of Common Stock within 60 days following December 31, 2016. 11,450,723 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 Abigail P. Johnson, FIAM LLC, Fidelity (Canada) Asset Management ULC, Fidelity Institutional Asset Management Trust Company, Fidelity Management & Research (Hong Kong) Limited, FMR Co., Inc. and Strategic Advisers, Inc. FMR LLC is predominantly owned by members of the family of Abigail P. Johnson, Director, Chairman and Chief Executive Officer of FMR LLC. Neither FMR LLC nor 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 is 245 Summer Street, Boston, MA 02210. The foregoing information is based solely on Amendment No. 7 to Schedule 13G of FMR LLC filed on February 14, 2017, 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 shares held by Baillie Gifford & Co. and/or one or more of its investment adviser subsidiaries, which may include Baillie Gifford Overseas Limited, on behalf of investment advisory clients, which may include investment companies registered under the Investment Company Act, employee benefit plans, pension funds or other institutional clients. The address for Baillie Gifford & Co. is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK. The foregoing information is based solely on Amendment No. 1 to Schedule 13G of Baillie Gifford & Co. filed on February 10, 2017, 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 shares held by T. Rowe Price Associates, Inc. ("Price Associates"), which does not serve as custodian of the assets of any of its clients. Accordingly, in each instance only the client or the client's custodian or trustee bank has the right to receive dividends paid with respect to, and proceeds from the sale of, such securities. The ultimate power to direct the receipt of dividends paid with respect to, and the proceeds from the sale of, such securities, is vested in the individual and institutional clients which Price Associates serves as investment adviser. Any and all discretionary authority which has been delegated to Price Associates may be revoked in whole or in part at any time. The address for Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202. The foregoing information is based solely on Amendment No. 1 to Schedule 13G of Price Associates filed on February 7, 2017, 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.
- (5) Includes 312,948 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016. Includes 127,925 shares pledged as collateral to secure certain personal indebtedness.
- (6) Includes 7,500 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016.
- (7) Includes 49,180 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016.
- (8) Includes 62,517 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016.
- (9) Mr. Wheeler resigned from his role as Chief Financial Officer, effective March 2017.
- (10) Includes 109,525 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016.
- (11) Comprised of shares issuable upon exercise of options exercisable within 60 days after December 31, 2016.
- (12) Includes 49,601 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016.
- (13) Includes (i) 50,886 shares held of record by Valor Equity Management II ("VEP II"); (ii) 225,506 shares owned by AJG Growth Fund LLC ("Growth Fund"), which are pledged as collateral to secure certain personal indebtedness; and (iii) 190,441 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016. VEP II is 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 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 II. He is also fund manager for Growth Fund. The address for all the entities above is 875 North Michigan Avenue, Suite 3214, Chicago, IL 60611.
- (14) Includes (i) 101,074 shares held by the Jurvetson Trust and (ii) 34,443 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016. Also includes: (i) 121,289 shares held by Draper Fisher Jurvetson Growth Funds 2006, L.P.; (ii) 34 shares held by Draper Fisher Jurvetson Fund X Partners, L.P.; (iii) 28,691 shares held by Draper Fisher Jurvetson Fund X, L.P.; (iv) 9,983 shares held by Draper Fisher Jurvetson Partners Growth Fund 2006, LLC; and (v) 876 shares held by Draper Fisher Jurvetson Partners X, LLC, each of which is advised directly or indirectly by entities of which Mr. Jurvetson is a managing director, and to which Mr. Jurvetson may consequently be deemed to share voting and investment power with respect to their shares. The address for all the entities above is c/o Draper Fisher Jurvetson, 2882 Sand Hill Road, Suite 150, Menlo Park, CA 94025.
- (15) Includes 52,777 shares issuable upon exercise of options exercisable within 60 days after December 31, 2016. Includes 164,514 shares pledged as collateral to secure certain personal indebtedness.
- (16) Includes 3,530,710 shares issuable upon exercise of options held by our current executive officers and directors exercisable within 60 days after December 31, 2016.

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, Inc.'s Form 10-K.

X. WORKING CAPITAL STATEMENT

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

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

Consolidated Statements of Operations Data

		Year ended December 31,		
		2016	2015	2014
Total revenues	\$	7,000,132	4,046,025	3,198,356
Gross profit	\$	1,599,257	923,503	881,671
Loss from operations	\$	(667,340)	(716,629)	(186,689)
Net loss	\$	(674,914)	(888,663)	(294,040)
Net loss per share of common stock, basic and diluted	\$	(4.68)	(6.93)	(2.36)
Weighted average shares used in computing net loss per share of common stock	\$	144,212	128,202	124,539

Consolidated Balance Sheets

		Year ended December 31,		
		2016	2015	2014
Working capital (deficit)	\$	432,791	(29,029)	1,072,907
Total assets	\$	22,664,076	8,067,939	5,830,667
Total long-term obligations	\$	10,923,162	4,125,915	2,753,595

SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA FOR THE FIRST HALF YEAR
(In thousands, except share and per share data - Unaudited)

Statements of Operations Data:	Six Months Ended	
	June 30, 2017	June 30, 2016
Total revenues	\$ 5,485,827	\$ 2,417,065
Total cost of revenues	4,151,266	1,889,821
Gross profit	1,334,561	527,244
Total operating expenses	1,833,026	1,013,508
Net loss	(798,608)	(575,455)
Net loss per share of common stock, basic and diluted	(4.07)	(4.22)

Balance Sheets Data:	June 30, 2017	June 30, 2016
Cash and cash equivalents	\$ 3,035,924	\$ 3,246,301
Total assets	26,043,705	11,868,952
Total liabilities	19,459,902	9,311,512
Total stockholders' equity	5,105,752	2,520,294

11.2 Independent Registered Public Accounting Firm

The independent registered public accounting firm of Tesla, 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

Automotive Demand, Production and Deliveries

We improve our production vehicles by introducing new over-the-air software updates continually, and new model variants from time to time, that improve range, performance, safety and value, and we expect to continue to do so. For example, we have recently expanded offerings of our battery size for Model S and Model X to cater to a wider range of consumers. Likewise, while early Model 3 vehicles will have a limited number of permutations, which significantly reduces manufacturing complexity and streamline the purchasing process for our customers, we will gradually introduce additional options, such as Dual Motor All Wheel Drive, as we ramp production. We also expect that the demand for our vehicles will continue to increase as we improve our vehicles, expand our retail, service and charging infrastructure, and as we develop and introduce new vehicle variants and models. In addition, the introduction of the more affordable Model 3 will continue to generate incremental demand for our vehicles by making our vehicles accessible to a larger market.

We are making progress in increasing vehicle production. For the three months ended June 30, 2017, we produced 25,708 vehicles, a new quarterly record, despite a production shortfall of 100 kWh battery packs for Model S and Model X through early June 2017 and disruptions from extensive installation of Model 3 manufacturing equipment. For Model 3, as is inherent in the production ramp of each all-new product, we expect production to begin slowly, grow exponentially, and then tail off at full production. Accordingly, we expect to achieve a rate of 5,000 Model 3 vehicles per week by the end of 2017. We expect to further ramp to a rate of 10,000 Model 3 vehicles per week, and an annual Tesla vehicle production rate in excess of 500,000, at some point in 2018. We have designed Model 3 to facilitate a ramp to volume production, including through production facilities that are highly dense and automated, resulting in costs of materials and labor for Model 3 that are expected to be significantly lower than those of Model S and Model X. We also expect to make additional investments and preparations as we make milestone-based payments for Model 3 equipment and continue with Gigafactory 1 construction, in addition to expanding our Supercharger, store, delivery hub and service networks.

In addition to expanding our vehicle production and deliveries, we expect to continue to lower the cost of manufacturing our vehicles over the next several quarters due to economies of scale, material cost reductions and more efficient manufacturing. We have achieved cost improvements through material cost reductions from both engineering and commercial actions and increased manufacturing efficiencies including lower labor and overhead and better inventory control. This is also evident through increased product reliability including vehicle, battery and drive units that resulted in reductions of our warranty expense.

In order to accommodate a much larger fleet of customer vehicles as we increase deliveries and to provide timely customer service, we continue to place emphasis on growing our sales, service and charging infrastructure worldwide. In particular, we continue to open new Tesla retail, locations, service centers and delivery hubs around the world, we continue to expand our mobile repair services, and we plan to significantly increase the number of Superchargers and Destination Charging connectors globally. We expect vehicle sales outside of North America to grow significantly in the long-term.

Energy Generation and Storage Demand

We believe that demand for our energy products will continue to increase with new product offerings and product integration. We plan to reduce customer acquisition costs of our energy generation products, including by cutting advertising spend and increasingly selling these products in Tesla stores. In the second quarter of 2017, we stopped door-to-door sales of solar products, and rolled out solar and storage product sales in over 50 Tesla stores, where we saw improved performance in key performance indicators relative to the best non-Tesla retail locations. Based on these results, we are continuing to roll out energy generation and storage products to our stores with dedicated energy product sales personnel.

Trends in Cash Flow, Capital Expenditures and Operating Expenses

We plan to continue to invest heavily in capital expenditures to increase vehicle production in our Fremont Facility, including for Model 3 production lines, facilities and manufacturing equipment at Gigafactory 1 as well as new retail locations, service centers and Supercharger locations. We expect to invest approximately \$2.0 billion in capital expenditures during the second half of 2017.

As of June 30, 2017 and December 31, 2016, the net book value of our Supercharger network was \$236.3 million and \$207.2 million, respectively, and as of June 30, 2017, our Supercharger network included 884 locations globally. We plan to continue investing in our worldwide Supercharger network for the foreseeable future and expect such spending to continue to be a minimal portion of total capital spending. We allocate Supercharger-related operating expenses to cost of total automotive revenues and selling, general and administrative expenses, which were immaterial for all periods presented.

We expect operating expenses to grow in 2017 as compared to 2016, driven by engineering, design, testing and production expenses related to Model 3, supplier contracts and higher sales and service costs associated with expanding our worldwide geographic presence. In addition, we expect operating expenses to increase as a result of the increased selling, general and administrative expenses incurred by our energy generation and storage segment. We expect selling, general and administrative expenses to be essentially flat in the second half of 2017 compared to the first half of 2017, but then continue to increase in absolute amounts while declining significantly as a percentage of revenue due to the significant increase in revenue primarily driven by the ramp in Model 3 sales and as we focus on increasing operational efficiency while continuing to expand our customer and corporate infrastructure.

Automotive Financing Options

We offer loans and leases for our vehicles in certain markets in North America, Europe and Asia primarily through various financial institutions. We offered resale value guarantees or similar buy-back terms to all direct customers who purchase vehicles and who financed their vehicle through one of our specified commercial banking partners. Subsequent to June 30, 2016, this program is available only in certain international markets. Resale value guarantees available for exercise within the 12 months following June 30, 2017 total \$222.9 million in value.

Vehicle deliveries with the resale value guarantee do not impact our near-term cash flows and liquidity, since we receive the full amount of cash for the vehicle sales price at delivery. However, this program requires the deferral of revenues and costs into future periods as they are considered leases for accounting purposes. While we do not assume any credit risk related to the customer, if a customer exercises the option to return the vehicle to us, we are exposed to liquidity risk that the resale value of vehicles under these programs may be lower than our guarantee, or the volume of vehicles returned to us may be higher than our estimates or we may be unable to resell the used cars in a timely manner, all of which could adversely impact our cash flows. Based on current market demand for our cars, we estimate the resale prices for our vehicles will continue to be above our resale value guarantee amounts. Should market values of our vehicles or customer demand decrease, these estimates may be impacted materially.

We currently offer vehicle leases in the U.S. directly from Tesla Finance, our captive financing entity, as well as through leasing partners. Leasing through Tesla Finance is available in 39 states and the District of Columbia. We also offer financing arrangements through our entities in Canada, Germany and the United Kingdom. Leasing through our captive financing entities and our leasing partners exposes us to residual value risk and will adversely impact our near-term operating results by requiring the deferral of revenues and costs into future periods under lease accounting. In addition, for leases offered directly from our captive financing entities (but not for those offered through our leasing partners), we only receive a limited portion of cash for the vehicle price at delivery and will assume customer credit risk. We plan to continue expanding our financing offerings, including our lease financing options and the financial sources to support them, and to support the overall financing needs of our customers. To the extent that we are unable to arrange such options for our customers on terms that are attractive, our sales, financial results and cash flows could be negatively impacted.

Energy Generation and Storage Financing Options

We offer Solar Loans, whereby a third-party lender provides financing directly to a qualified customer to enable the customer to purchase and own a solar energy system designed, installed and serviced by us. We enter into a standard solar energy system sale agreement with the customer. Separately, the customer enters into a loan agreement with a third-party lender, who finances the full purchase price. We are not a party to the loan agreement between the customer and the third-party lender, and the third-party lender has no recourse against us with respect to the loan.

Gigafactory 1

We are developing Gigafactory 1 as a facility where we work together with our suppliers to integrate production of battery material, cells, modules, battery packs and drive units in one location for vehicles and energy storage products. We broke ground on Gigafactory 1 in June 2014, began assembling our energy storage products in the first portion of the facility in the fourth quarter of 2015 and began production of lithium-ion battery cells for our energy storage products in the first quarter of 2017. At Gigafactory 1, we are now producing drive units, as well as our proprietary form factor cells, which are then assembled into battery packs, for Model 3. We also continue to invest in construction of the building at Gigafactory 1 and in production equipment for battery, module and pack production.

Panasonic has partnered with us on Gigafactory 1 with investments in the production equipment that it uses to manufacture and supply us with battery cells. Under our arrangement with Panasonic, we plan to purchase the full output from their production equipment at negotiated prices. As these terms convey to us the right to use, as defined in ASC 840, *Leases*, their production equipment, we consider them to be leased assets when production commences. This results in us recording the value of their production equipment within property, plant and equipment, net, on our consolidated balance sheets with a corresponding liability recorded to financing obligations. For all suppliers and partners for which we plan to purchase the full output from their production equipment located at Gigafactory 1, we will apply similar accounting. During the three and six months ended June 30, 2017, we recorded \$115.5 million and \$266.5 million, respectively, on our consolidated balance sheet.

While we currently believe that our progress at Gigafactory 1 will allow us to reach our production targets, our ultimate ability to do so will require us to resolve the types of challenges that are typical of a production ramp, such as those that we have experienced to date, including at Gigafactory 1.

Moreover, given the size and complexity of this undertaking, it is possible that future events could result in the cost of building and operating Gigafactory 1 exceeding our current expectations and Gigafactory 1 taking longer to expand than we currently anticipate. In addition, we continue to expand production capacity at our Fremont Factory and are exploring additional production capacity in Asia and Europe.

Gigafactory 2

We have an agreement with the Research Foundation for the State University of New York ("Foundation") for the construction of an approximately 1.0 million square-foot manufacturing facility capable of producing 1.0 gigawatts of solar cells annually in Buffalo, New York, referred to as Gigafactory 2. In December 2016, we entered into an agreement with Panasonic under which it will manufacture custom photovoltaic ("PV") cells and modules for us, primarily at Gigafactory 2, and we will purchase certain quantities of PV cells and modules from them during the 10-year term, with the intent to produce PV cells and modules totaling approximately 1.0 gigawatts annually beginning in 2019.

The terms of our agreement with the Foundation, among other things, require us to comply with a number of covenants during the term of the agreement. Any failure to comply with these covenants could obligate us to pay significant amounts to the Foundation and result in termination of the agreement. Although we continue to remain on track with our progress at Gigafactory 2, our expectations as to the cost of building the facility, acquiring manufacturing equipment and supporting our manufacturing operations may prove incorrect, which could subject us to significant expenses to achieve the desired benefits.

XIII. DOCUMENTS ON DISPLAY

Tesla, 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 that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including Tesla, Inc.'s filings. Tesla, 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, Inc.'s website at <http://ir.tesla.com/> as soon as reasonably practicable after they are electronically filed with or furnished to the SEC.

Tesla, Inc.'s Form 10-K and Tesla, 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, 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, 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, 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, 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, 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.

14.5 France Tax Consequences

The following summary is based on the income and social tax laws in effect in France 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 France. 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, 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 social insurance contributions 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 personal income tax on this amount, net of the social taxes which are tax deductible for income tax purposes.

The Shares acquired under the ESPP must be included in the Participating Employee's personal estate for wealth tax purposes unless a full or partial wealth tax exemption applies.

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 personal income tax at progressive rates plus additional social taxes. The Participating Employee may benefit from a reduction of his or her taxable basis in the Shares (for personal income tax purposes only) if the Participating Employee holds the Shares for at least two years and a further reduction if the Participating Employee holds the Shares for at least eight years.

Dividends

If a dividend is declared on Shares acquired under the ESPP, the Participating Employee is subject to personal income tax and social taxes in France 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 France 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.

Surtax on High Income

An additional 3% surtax applies on the portion of income exceeding €250,000 (for single taxpayers) or €500,000 (for taxpayers jointly taxed), and a 4% surtax applies on the portion of income exceeding €500,000 (for single taxpayers) or €1,000,000 (for taxpayers jointly taxed). This surtax will apply to all types of income (including the discount at purchase, any capital gain realized upon the sale of Share or dividend income).

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

Wealth Tax

The Shares acquired under the ESPP are included in the Participating Employee's personal estate and must be declared to the tax authorities if the net amount of the taxable personal estate (including the Participating Employee and his or her household) exceeds a certain amount for the calendar year, as valued on 1 January of each tax year.

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.

Withholding and Reporting

The Participating Employee's employer is not required to withhold personal income tax when Shares are purchased under the ESPP, provided that the Participating Employee is a French resident for tax purposes. However, because the income realized upon the purchase of Shares (equal to the discount) qualifies as additional salary under French social security and tax laws, the Participating Employee's employer is required to report this income on its annual declaration of salaries which is filed with the tax and social security authorities and on the Participating Employee's monthly pay slip. Also, the Participating Employee's employer is required to withhold the employee's portion of social security contribution due on the discount.

The Participating Employee is responsible for reporting and paying any personal income tax,

surtax, if applicable, and additional social taxes due as a result of the acquisition or sale of Shares. The Participating Employee is also responsible for reporting and paying any wealth tax due as a result of holding the Shares. In addition, the Participating Employee must declare any foreign bank, investment and brokerage accounts opened, used or closed during the applicable fiscal year to the French tax authorities, together with the annual income tax return.

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
1.	Persons Responsible		
1.1.	All persons responsible for the information given in the prospectus.	Section B, Part I	35 (I. Person responsible)
1.2.	A declaration by those responsible for the prospectus.	Not applicable	Not applicable
2.	Statutory Auditors		
2.1.	Names and addresses of the issuer's auditors.	Section B, Part II	54 (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
3.	Selected Financial Information		
3.1.	Selected historical financial information.	Section B, Part II	54 (11.1 Selected Financial Data)
3.2.	Interim periods.	Section B, Part II	54 (11.1 Selected Financial Data)
4.	Risk Factors	Section A, Part II	15-34 (Risk Factors)
5.	Information about the Issuer		
5.1.	History and Development of the Issuer		
5.1.1.	The legal and commercial name of the issuer.	Section B, Part I	4 (Introduction)
12.	Trend Information		

Item #	Item contents	Section/Exhibit	Page
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 date of the prospectus.	Section B, Part II	5 (Recent trends) and 55-57 (XI. Trend 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	5 (Recent trends) and 55-57 (XII. Trend information)
13.	Profit Forecasts or Estimates	Not applicable	Not applicable
14.	Administrative, Management, Supervisory Bodies and Senior Management		
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	44-46 (8.1 Board of Directors and 8.2 Executive Officers) and 51-53 (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	44-46 (8.1 Board of Directors and 8.2 Executive Officers) and 51-53 (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	46-47 (8.3 Fraudulent Offences and Bankruptcy,

Item #	Item contents	Section/Exhibit	Page
			Etc.)
	<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	44-46 (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	46-47 (8.3 Fraudulent Offences and Bankruptcy, Etc.)
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests.	Section B, Part II	47-51 (8.4 Conflicts of Interest)
17.	Employees		
17.2.	Shareholdings and stock options with respect to each person referred to in points (a) and (d) of	Section B, Part II	51-53 (9.1 Directors' and Corporate

Item #	Item contents	Section/Exhibit	Page
	the first subparagraph of item 14.1.		Officers' 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
20.7.	Dividend policy, etc.		
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	39 (Dividend Rights) and 8 (Dividend Policy)
20.8.	Legal and arbitration proceedings	Section B, Part II	41-43 (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	5 (Recent trends) and 55-57 (XII. Trend information)
23.	Third Party Information and Statement by Experts and Declarations of Any Interest		
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
24.	Documents on Display	Section B, Part II	58 (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)

Item #	Item contents	Section/Exhibit	Page
1.	Persons Responsible		
1.1.	All persons responsible for the information given in the prospectus.	Section B, Part I	35 (I. Person responsible)
1.2.	A declaration by those responsible for the prospectus.	Not applicable	Not applicable
2.	Risk Factors	Section A, Part II	15-34 (Risk Factors)
3.	Key Information		
3.1	Working Capital Statement	Section B, Part II	53 (X. Working Capital Statement)
3.2	Capitalization and indebtedness	Section B, Part II	40-41 (VI. Statement of Capitalization and Indebtedness as of June 30, 2017)
3.4	Reasons for the offer and use of proceeds	Section B, Part II	35 (2.1 Purpose of ESPP)
		Exhibit I	Section 1
4.	Information Concerning the Securities to be Offered/ Admitted to Trading		
4.1	Type and the class of the securities being offered, including the security identification code.	Section B, Part II	38-39 (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	39 (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	39 (5.3 Form of Securities, Name and address of the Entity in Charge of Keeping the Records)

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4.4	Currency of the securities issue.	Section B, Part II	39 (5.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Section B, Part II	39 (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	12-13 (Description of the terms and conditions of the offer)
4.7	Expected issue date of the securities.	Section B, Part II	35 (2.3 Offering Periods)
4.8	Description of any restrictions on the free transferability of the securities.	Section B, Part II	38 (IV. Delivery and Sale of the Shares) and 40 (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	40 (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	58-64 (XIV. Tax Consequences)
5.	Terms and Conditions of the Offer		
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer		
5.1.1	Conditions to which the offer is subject.	Section B, Part II	35-38 (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	43 (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	35-38 (II. The Outline, III. Eligibility and IV. Delivery and Sale of the Shares)
		Exhibit I	Section 7 and 15
5.1.4	Circumstances under which the offer may be revoked or suspended and whether	Section B, Part II	36-37 (2.6 Termination or Amendment of the

Item #	Item contents	Section/Exhibit	Page
	revocation can occur after dealing has begun.		ESPP) and 38 (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	38 (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	35 (2.2 Shares Offered Under the ESPP) and 37 (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	38 (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	37 (3.3 Payroll Deductions) and 38 (IV. Delivery and Sale of the Shares)
		Exhibit I	Section 8
5.3	Pricing		
5.3.1.	An indication of the price at which the securities will be offered.	Section B, Part II	35 (2.4 Purchase Price)
		Exhibit I	Section 2
5.3.2.	Process for the disclosure of the offer price.	Section B, Part II	35 (2.4 Purchase Price) and 39 (5.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
		Exhibit I	Section 7
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is	Section B, Part II	39 (No Preemptive, Redemptive or

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	restricted or withdrawn.		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
5.4.	Placing and Underwriting		
5.4.2	Name and address of any paying agents and depository agents in each country.	Section B, Part II	39 (5.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
6.	Admission to Trading and Dealing Arrangements		
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Section B, Part II	38-39 (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	38-39 (5.1 Type and Class of the Securities being Offered, Including the Security Identification Code)
8.	Expense of the Issue/Offer		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Section B, Part II	43 (7.2 Net Proceeds)
9.	Dilution		
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Section B, Part II	43 (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 subscribe to the new offer.	Not applicable	Not applicable
10.	Additional Information		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the	Not applicable	Not applicable

Item #	Item contents	Section/Exhibit	Page
	advisors have acted.		
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