

Mates, Michael

From: Deepak Ahuja (b) (6)
Sent: Monday, February 06, 2012 3:25 PM
To: Mates, Michael
Subject: Vehicle Financing
Attachments: Vehicle Financing - Amendments to Loan Agreement (TML Draft 2-4-2012).docx

Mike, (b) (4)
As I have shared with you, we are working to announce partnerships with (b) (4) before the end of this quarter to provide retail financing to Model S customers. The approach is exactly what is followed by dealers presently, where Tesla (or dealer) offers retail financing to the customer based on prior approval from the bank. Once the transaction is completed with the customer, Tesla immediately sells that paper to the bank who then takes on the liability.

Based on discussions with the legal team internally and Wilson Sonsini, we are in agreement that the best way to proceed is to amend the Loan Agreement to allow carve outs for vehicle financing to customers. Specifically, we would need to add new Sections 9.4(o) and 9.5(r) via an amendment to the Loan Agreement that would address the financing structure we contemplate:

- Vehicle financing to customers
- Tesla originates the paper (Investment)
- Tesla sells the paper to banking partners (Disposition of Assets)
- All in the ordinary course of business

Trying to use the catch-all buckets is like fitting a square peg in a round hole. We could force the issue, but it wouldn't look quite right—and would constrain us otherwise (i.e., using buckets that were not intended for this type of transaction).

Attached is the draft language for the amendment that Jonathan has proposed. I would really appreciate your thoughts on this before we proceed any further. Thanks!

Deepak Ahuja
(b) (6)

Mates, Michael

From: Hodges, Sven
Sent: Tuesday, May 29, 2012 9:55 AM
To: Terry E Schimek; Mates, Michael
Cc: Ikhlas Rashid; Christopher T Poggi
Subject: RE: Second Amendment to LARA (Vehicle Financing Amendment)

I took care of responding to j's email. mike, let us know what you need from me/paul weiss.

From: Terry E Schimek [mailto:tschimek@paulweiss.com]
Sent: Tuesday, May 29, 2012 8:54 AM
To: Hodges, Sven; Mates, Michael
Cc: Ikhlas Rashid; Christopher T Poggi
Subject: Fw: Second Amendment to LARA (Vehicle Financing Amendment)

Sven and Mike,

Just wanted to make sure you had seen Jonathan's email below. Now that we've received Tesla's sign-off, the next step is for Mike to submit the amendment to internal DOE management for final approval. Do you want us to respond back to Jonathan's email?

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----- Forwarded by Terry E Schimek/PaulWeiss on 05/29/2012 08:50 AM -----

From: "Jonathan Chang" <(b) (6)>
To: Ikhlas Rashid/PaulWeiss@PAULWEISS
Cc: "Mates, Michael" <Michael.Mates@hq.doe.gov>, "Hodges, Sven" <Sven.Hodges@hq.doe.gov>, Terry E Schimek/PaulWeiss@PaulWeiss, "Deepak Ahuja" (b) (6), Christopher T Poggi/PaulWeiss@PAULWEISS, "Eric Whitaker" (b) (6), "Mike Taylor"
Date: 05/24/2012 06:32 PM
Subject: RE: Second Amendment to LARA (Vehicle Financing Amendment)

Ikhlas,

We're all set. The Second Amendment is in final form from our perspective as well. We'll await final approval from DOE management and then please let us know how you would like to handle signatures.

Best,
 Jonathan

From: Ikhlas Rashid [mailto:IRashid@PAULWEISS.COM]
Sent: Friday, May 18, 2012 1:57 PM
To: Jonathan Chang
Cc: Mates, Michael; Hodges, Sven; Terry E Schimek; Deepak Ahuja; Christopher T Poggi
Subject: Re: Second Amendment to LARA (Vehicle Financing Amendment)

Jonathan,

DOE and Paul Weiss have discussed the conference call summary and have no further questions. Attached is the final draft of the Second Amendment, clean and marked against the last version Tesla reviewed. The attached was revised to include the letters of credit amendment requested by Tesla.

Please confirm via e-mail that the Second Amendment is now final. Once DOE has received sign-off, Mike Mates will submit the same to internal DOE management for final approval.

Please let us know if you have any questions.

Best regards,

Ikhlas Rashid

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From: "Deepak Ahuja" <(b) (6)>
To: "Hodges, Sven" <Sven.Hodges@hq.doe.gov>, Terry E Schimek/PaulWeiss@PaulWeiss, Ikhlas Rashid/PaulWeiss@PAULWEISS
Cc: "Mates, Michael" <Michael.Mates@hq.doe.gov>, "Jonathan Chang" <(b) (6)>
Date: 05/17/2012 02:09 AM
Subject: Vehicle Financing

Dear All,

Per your request at the last conference call, we have summarized below the information shared with you regarding the items brought up by the banks with respect to our planned retail financing approach for Model S customers. Please reach out to me or Jonathan if you have any questions.

=====

Overview:

We are currently negotiating with banks (b) (4) to facilitate vehicle financing programs for Tesla. We anticipate an indirect partnering structure whereby Tesla originates notes issued to its customers and then sells the notes to the bank partner. The indirect model benefits Tesla by giving us control over the customer experience and in building and strengthening the Tesla brand. On May 4, 2012, we had a call with Mike Mates and Sven Hodges of the DOE as well as their counsel, Paul Weiss, regarding the issues that we've identified with bank partners in establishing Tesla's vehicle finance program. Below is a summary of the main topics discussed.

(b) (4)

(b) (4)

Centralized Financing Operations:

We expect to have better control over the financing processes than a typical dealership because our credit finance team will be centralized in our Palo Alto headquarters where procedures and safeguards can be more tightly and efficiently monitored and enforced.

Deepak Ahuja
(b) (6)

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September 18, 2012

Frances Nwachuku
Director, Loan Program Office
Advanced Technology Vehicles Manufacturing
Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Ms. Nwachuku,

As production and deliveries of the Model S have ramped up in the third quarter of 2012, we continue to be humbled by the incredible response our car has received from customers and the media. Whether it's Motor Trend's validation of the car's range and performance, Autoblog's claims that the car will one day be in the Smithsonian, or the sheer excitement that we see on our customers' faces with each delivery, these responses provide validation that the tremendous effort of our employees over the last few years has truly revolutionized the automotive industry. As we look forward to 2013, we want to ensure that every customer receives a car of the highest quality, and as such have slowed our production ramp in 2012. This slower ramp will give us time to incorporate early customer feedback into our cars, prove out final details in our production processes, and stabilize our supply chain to provide a steady flow of high-quality parts.

(b) (4)

(b) (4)

(b) (4)

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(b) (4)

(b) (4)

We look forward to your response and want to thank you for your assistance in helping us succeed with our equity raise.

Regards,

A handwritten signature in black ink, appearing to read "Ahuja", with a horizontal line drawn underneath it.

Deepak Ahuja
CFO, Tesla Motors, Inc.

CC: Elon Musk, CEO, Tesla Motors, Inc.

Mates, Michael

From: Eric Whitaker |(b) (6)
Sent: Monday, September 24, 2012 7:47 PM
To: Mates, Michael; Deepak Ahuja; Weinstein, Steven
Cc: Jonathan Chang
Subject: Tesla Waiver Request
Attachments: Change-Pro Redline - 8133775-v3-Tesla - Limited Waiver No. 2 and 8133775-v4-Tesla - Limited Waiver No. 2[1].doc

Importance: High

Mike -

We have reviewed your attached redline to the proposed amendment and all of your changes are acceptable to Tesla.

We would propose the following alternatives on the one remaining open issue – we would prefer the first proposal and would suggest to place this language in a new section 1(f):

(b) (4)

Please let us know your thoughts or if you need other alternatives.

Eric S. Whitaker | **TESLA MOTORS** | General Counsel
3500 Deer Creek Road, Palo Alto, CA 94304 | office: (b) (6) | cell: (b) (6) |
email: (b) (6)

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Mates, Michael

From: Nwachuku, Frances
Sent: Monday, September 24, 2012 11:43 PM
To: Mates, Michael
Subject: Re: Tesla Draft Waiver

Mike,

(b) (4), (b) (5)

(b) (4), (b) (5)

I approve a release of the signed signature page.

Thanks for your extended stay at the office. You are very much appreciated!!

Frances

Frances I. Nwachuku
Director, Portfolio Management Division
Loan Programs Office
Department of Energy
1000 Independence Ave. SW
Washington, DC 20585

Direct: (202) 287-6738
Mobile: (b) (6)
Fax: (202) 287-5816

From: Mates, Michael
Sent: Monday, September 24, 2012 11:25 PM
To: Nwachuku, Frances
Subject: FW: Tesla Draft Waiver

From: Weinstein, Steven
Sent: Monday, September 24, 2012 11:24 PM
To: Mates, Michael
Subject: Tesla Draft Waiver

Mike – Attached is the revised draft waiver per our recent discussion with Frances. Please let me know if you have any questions or comments.

Steve

From: Christopher T Poggi [<mailto:CPoggi@PAULWEISS.COM>]
Sent: Monday, September 24, 2012 11:14 PM
To: Weinstein, Steven
Cc: Terry E Schimek
Subject: Fw: Tesla Waiver Request - Full Waiver With Additional Language

Steve,

Here is the updated version, together with a redline against the prior version I circulated.

IRS Circular 230 disclosure:

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January 16, 2013

Michael A. Mates
Senior Investment Officer
Advanced Technology Vehicles Manufacturing
Loan Program Office
Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Re: Amendment Request

Dear Mr. Mates,

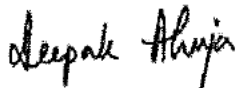
We are writing to request that the Department of Energy consider an amendment to certain financial covenants in the Loan Agreement for 2013 and 2014. These covenants were established over three years ago, in the spring of 2009, prior to the conditional approval of the DoE loan to Tesla. Although Tesla has successfully delivered the key objective of bringing the Model S to market, many elements of Tesla's business plan have changed since then. Consequently these covenants related to equity have become outdated at the present time.

(b) (4)

We would like to seek the Department of Energy's approval of the amended covenants by February 10, 2013. We are available at your convenience to provide additional information or assist in document preparation.

We look forward to discussing this request with you.

Regards,



Deepak Ahuja
CFO, Tesla Motors

CC: Elon Musk, CEO, Tesla Motors

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Exhibit A

Threshold Modification Request

(b) (4)

Period Ending

September 30th, 2013*

December 31st, 2013*

March 30th, 2014*

June 30th, 2014

September 30th, 2014

December 31st, 2014

* 3Q13, 4Q13, and 1Q14 are calculated by annualizing the EBITDA of the prior quarter.

(b) (4)

Period Ending

March 30th, 2014

June 30th, 2014

September 30th, 2014

December 31st, 2014

March 30th, 2015

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CONSOLIDATED INCOME STATEMENT - TESLA MOTORS

EXHIBIT B

Values in USD millions

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Units											
Roadster	296	(b) (4)									
Model S	2,763										
Model X	-										
Powertrain Systems	770										
Automotive Sales	\$ 390	\$ (b) (4)									
Development Services	27										
Revenue	\$ 417	\$									
Automotive Sales	\$ 371	\$									
Development Services	12										
Cost of Sales	\$ 382	\$									
Gross Margin	\$ 35	\$									
Gross Margin (%)	8%										
R&D	\$ 266	\$									
Sales & Marketing	74										
General & Administrative	76										
Total Operating Expenses	\$ 416	\$									
Operating Income	\$ (381)	\$									
Interest Expense (Income)	2										
Other Loss (Gain)	3										
Pre-Tax Income	\$ (385)	\$									
Tax (Expense) Gain	(1)										
Net Income	\$ (386)	\$									

CONSOLIDATED BALANCE SHEET - TESLA MOTORS
EXHIBIT B

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Values in USD millions

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
ASSETS											
Cash	\$ 162	\$ 218	\$ 554	\$ 1,383	\$ 1,777	\$ 2,178	\$ 2,586	\$ 2,990	\$ 3,427	\$ 3,862	\$ 4,345
Restricted Cash	27	25	26	13	13	13	13	13	13	13	13
Accounts Receivable, net	19	33	32	31	31	31	31	31	31	31	31
Inventory, net	258	351	532	532	532	532	532	532	532	532	532
Prepaid expenses and other current assets	8	8	8	8	8	8	8	8	8	8	8
Total Current Assets	\$ 474	\$ 635	\$ 1,153	\$ 1,968	\$ 2,361	\$ 2,762	\$ 3,170	\$ 3,575	\$ 4,012	\$ 4,447	\$ 4,930
Property and equipment, gross	600	791	995	1,127	1,202	1,277	1,352	1,427	1,502	1,577	1,652
Accumulated Depreciation	(63)	(168)	(315)	(488)	(589)	(695)	(808)	(927)	(1,052)	(1,183)	(1,321)
Property and equipment, net	537	623	680	639	614	582	545	501	450	394	331
Other Assets	22	22	22	22	22	22	22	22	22	22	22
Total ASSETS	\$ 1,033	\$ 1,280	\$ 1,854	\$ 2,628	\$ 2,997	\$ 3,366	\$ 3,737	\$ 4,097	\$ 4,484	\$ 4,863	\$ 5,283
LIABILITIES & EQUITY											
Accounts Payable	213	286	398	425	425	425	425	425	425	425	425
Accrued Liabilities	64	86	99	106	106	106	106	106	106	106	106
Reservation Fees	118	127	122	122	122	122	122	122	122	122	122
Current Portion of Long-Term Debt	51	51	51	51	51	51	51	36	36	27	-
Deferred Revenue	5	5	5	5	5	5	5	5	5	5	5
Total Current Liabilities	451	581	700	734	734	734	734	719	719	710	683
Stock Warrant	10	10	10	10	10	10	10	10	10	10	10
Warranty Reserve	13	69	151	189	189	189	189	189	189	189	189
DOE Loan	401	351	300	249	198	147	97	49	13	(23)	-
Other Long Term Liabilities	23	23	23	23	23	23	23	23	23	23	23
Total LIABILITIES	\$ 898	\$ 1,033	\$ 1,184	\$ 1,205	\$ 1,154	\$ 1,103	\$ 1,053	\$ 991	\$ 954	\$ 909	\$ 905
EQUITY											
Common Stock	0	0	0	0	0	0	0	0	0	0	0
Additional paid in capital	1,190	1,266	1,393	1,499	1,499	1,499	1,499	1,499	1,499	1,499	1,499
Retained earnings (deficit)	(669)	(1,055)	(1,039)	(723)	(76)	343	764	1,185	1,607	2,030	2,454
Net Income (loss)	(386)	16	316	647	419	420	421	422	423	424	425
Total EQUITY	135	247	670	1,423	1,843	2,263	2,684	3,106	3,530	3,953	4,378
Total LIABILITIES & EQUITY	\$ 1,033	\$ 1,280	\$ 1,854	\$ 2,628	\$ 2,997	\$ 3,366	\$ 3,737	\$ 4,097	\$ 4,484	\$ 4,863	\$ 5,283

CONSOLIDATED STATEMENT OF CASH FLOWS - TESLA MOTORS
Values in USD millions
EXHIBIT B

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Flow from Operations											
Net Income	\$ (386)	\$ 16	\$ 316.4	\$ 646.8	\$ 419.2	\$ 420.3	\$ 421.3	\$ 422.3	\$ 423.1	\$ 423.8	\$ 424.5
+Depreciation	31	105	147.2	173.1	100.2	106.4	112.7	118.9	125.2	131.4	137.7
Net Income, Adjusted	(355)	121	463.6	819.9	519.4	526.7	533.9	541.2	548.3	555.2	562.2
Stock-based compensation	53	88	99	99	-	-	-	-	-	-	-
Accounts Receivable, net	(10)	(14)	1.1	0.9	-	-	-	-	-	-	-
Inventory, net	(208)	(93)	(181.1)	-	-	-	-	-	-	-	-
Accounts Payable	157	74	111.2	27.0	-	-	-	-	-	-	-
Accrued Liabilities	34	22	13.5	6.8	-	-	-	-	-	-	-
Reservation Fees	26	9	(5.4)	-	-	-	-	-	-	-	-
Warranty Reserve	6	56	82.9	37.7	-	-	-	-	-	-	-
Cash Flow from Operations	\$ (298)	\$ 263	\$ 584.4	\$ 990.9	\$ 519.4	\$ 526.7	\$ 533.9	\$ 541.2	\$ 548.3	\$ 555.2	\$ 562.2
Cash Flow from Investing											
Gross Change in PP&E	(249)	(191)	(204.4)	(132.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)
Capitalized Interest Expense	(6)	-	-	-	-	-	-	-	-	-	-
Cash Flow From Investing	\$ (255)	\$ (191)	\$ (204.4)	\$ (132.0)	\$ (75.0)	\$ (75.0)	\$ (75.0)	\$ (75.0)	\$ (75.0)	\$ (75.0)	\$ (75.0)
Cash Flow from Financing											
Additional paid in capital	244	8	8	8	-	-	-	-	-	-	-
DOE Loan	176	(51)	(51)	(51)	(51)	(51)	(51)	(62)	(37)	(45)	(4)
Cash Flow from Financing	\$ 420	\$ (43)	\$ (43)	\$ (43)	\$ (51)	\$ (51)	\$ (51)	\$ (62)	\$ (37)	\$ (45)	\$ (4)
Beginning Cash Balance (Restricted & Unrestricted)	\$ 312	\$ 189	\$ 243.3	\$ 580.5	\$ 1,396.6	\$ 1,790.2	\$ 2,191.1	\$ 2,599.2	\$ 3,003.8	\$ 3,440.3	\$ 3,875.5
Net Cash Flow	\$ (123)	\$ 54	\$ 337.1	\$ 816.1	\$ 393.6	\$ 400.9	\$ 408.1	\$ 404.5	\$ 436.6	\$ 435.1	\$ 483.2
Ending Cash Balance (Restricted & Unrestricted)	\$ 189	\$ 243	\$ 580.5	\$ 1,396.6	\$ 1,790.2	\$ 2,191.1	\$ 2,599.2	\$ 3,003.8	\$ 3,440.3	\$ 3,875.5	\$ 4,358.7
Balance Sheet Check	188.9	243.3	580.5	1,396.6	1,790.2	2,191.1	2,599.2	3,003.8	3,440.3	3,875.5	4,358.7

DOE COVENANT ANALYSIS

EXHIBIT B

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Phase A (Close to December 15, 2012)

	4Q2009	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012
(i.) Current Ratio												
Covenant	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Actual	3.6	3.3	2.2	7.2	4.3	3.1	4.9	4.5	3.8	2.9	2.1	
Test	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	
(ii.) Cash Balance												
Interest Due next 12 months	(0.7)	(0.5)	(0.0)	0.2	(0.3)	(0.3)	(0.4)	(0.5)	(2.0)	(3.9)	(5.7)	(7.4)
Minimum	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Covenant	15.7	15.5	15.0	15.2	15.3	15.3	15.4	15.5	17.0	18.9	20.7	22.4
Actual	71.1	69.3	52.9	240.2	178.0	148.5	336.1	339.4	311.9	286.6	210.6	85.7
Test	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

Phase B (after December 15, 2012)

	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
(i.) Total Debt / TTM EBITDA												
Covenant				4.50	4.50	3.50	3.50	3.50	3.50	2.50	2.50	2.50
Actual				3.73	1.72	1.30	1.04	0.76	0.57	0.45	0.38	0.36
Test				OK	OK	OK	OK	OK	OK	OK	OK	OK
(ii.) Interest Coverage Ratio												
Covenant				1.75	1.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Actual				14.03	30.25	39.77	49.71	67.76	89.98	112.62	128.41	131.52
Test				OK	OK	OK	OK	OK	OK	OK	OK	OK
(iii.) Fixed Charge Coverage Ratio												
Covenant				0.50	0.75	0.75	0.75	1.00	1.00	1.25	1.25	1.25
Actual				0.91	1.14	1.19	1.29	1.55	2.18	3.08	4.35	6.74
Test				OK	OK	OK	OK	OK	OK	OK	OK	OK
(iv.) Current Ratio												
Covenant	1.00	1.05	1.05	1.05	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15
Actual	1.42	1.35	1.26	1.34	1.40	1.37	1.83	2.09	2.54	2.54	2.54	2.54
Test	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
(v.) Total Liabilities to Shareholder Equity												
Covenant						5.00	4.50	3.50	3.00	2.50	2.00	2.00
Actual						3.49	3.12	2.23	1.77	1.72	1.68	1.64
Test						OK	OK	OK	OK	OK	OK	OK

(vi.) Capital Expenditures

The Borrower shall not, and shall not permit its Subsidiaries to, make or incur any Capital Expenditures for any period in excess of 120% of the aggregate amount set forth for Capital Expenditures for such period in the Business Plan.

(vii.) Operating Lease Expense

Reserves right to add additional covenants in connection with any Operating Lease Expenses



May 10, 2013

CONFIDENTIAL INFORMATION**VIA ELECTRONIC MAIL**

Ms. Frances Nwachuku, Director
Advanced Technology Vehicles Manufacturing Loan Program
United States Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

Re: Consent for Issuance of Senior Unsecured Convertible Debt

Dear Ms. Nwachuku,

Having successfully delivered our first quarterly profit in Tesla's ten year history, we are considering the possibility of an early repayment of the DOE loan through a refinancing of our debt. We are contemplating a public transaction involving a combination of common stock and senior unsecured convertible debt offering ("Financing") in excess of \$650 million. We expect to announce this Financing as early as May 15, 2013.

Under Section 9.2 of the Loan Arrangement and Reimbursement Agreement between Tesla Motors, Inc. and DOE, dated as of January 2010, as amended (the "Loan Agreement"), we are restricted from incurring certain Indebtedness (as defined in the Loan Agreement). We therefore request the DOE's waiver or amendment of the covenants in Section 9.2 with respect to the debt portion of the Financing. In addition, we are considering call option features to the debt offering that may implicate other covenants of the Loan Agreement (including, Sections 9.4 (Investments), 9.7 (Restricted Payments) and 9.19 (Hedging Transactions)) and request DOE's waiver or amendment of these provisions as may be implicated by the Financing. The funds received from the Financing, or portion thereof (as needed), will be immediately used to fully repay all outstanding Project P Loans and Project S Loans (as such terms are defined in the Loan Agreement) and any other amounts due under the Loan Agreement. In order to facilitate the Financing, we ask that the requested waiver be issued no later than Tuesday, May 14, 2013 and remain in effect until June 12, 2013 to give us some flexibility with the timing of the Financing.

Thank you for your attention to this matter and please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Deepak Ahuja". The signature is written in a cursive, somewhat stylized font.

Deepak Ahuja
Chief Financial Officer

CC: Elon Musk, CEO and Chairman