

TESLA MOTORS INC  
Form DEF 14A  
April 13, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6 (e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11 (c) or Section 240.14a-12

**TESLA MOTORS, INC.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS**

**June 6, 2012**

To Stockholders of Tesla Motors, Inc.:

Notice is hereby given that the 2012 Annual Meeting of Stockholders (the "2012 Annual Meeting") of Tesla Motors, Inc., a Delaware corporation, will be held on Wednesday, June 6, 2012, at 9:00 a.m., Pacific time, at the Computer History Museum located at 1401 N. Shoreline Blvd., Mountain View, CA 94043, for the following purposes:

**Agenda Item**

**Board Vote Recommendation**

1. To elect the two Class II directors listed in the accompanying proxy statement to serve for a term of three years or until their respective successors are duly elected and qualified.

FOR

2. To ratify the appointment of PricewaterhouseCoopers LLP as Tesla's independent registered public accounting firm for the fiscal year ending December 31, 2012.

FOR

The preceding items of business are more fully described in the proxy statement filed with the U.S. Securities and Exchange Commission on April 13, 2012. Any action on the items of business described above may be considered at the 2012 Annual Meeting at the time and on the date specified above or at any time and date to which the 2012 Annual Meeting may be properly adjourned or postponed.

We are furnishing our proxy materials to all of our stockholders over the Internet rather than in paper form. We believe that this delivery process reduces our environmental impact and lowers the costs of printing and distributing our proxy materials without impacting our stockholders' timely access to this important information. Accordingly, stockholders of record at the close of business on April 9, 2012, will receive a Notice of Internet Availability of Proxy Materials and may vote at the 2012 Annual Meeting (the "Notice of Internet Availability") and any postponements or adjournments of the meeting. The Notice of Internet Availability is being distributed to stockholders on or about April 13, 2012.

**Your vote is very important. Whether or not you plan to attend the 2012 Annual Meeting, we encourage you to read the proxy statement and vote as soon as possible. For specific instructions on how to vote your shares, please refer to the section entitled *Questions and Answers About the 2012 Annual Meeting and Procedural Matters* and the instructions on the Notice of Internet Availability.**

All stockholders are cordially invited to attend the 2012 Annual Meeting in person. Any stockholder attending the 2012 Annual Meeting may vote in person even if such stockholder has previously voted by another method, and any previous votes that were submitted by the stockholder, whether by Internet, telephone or mail, will be superseded by the vote that such stockholder casts at the 2012 Annual Meeting.

Thank you for your ongoing support of Tesla.

By Order of the Board of Directors of Tesla Motors, Inc.

Elon Musk

*Chief Executive Officer, Product Architect and Chairman*

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**FOR 2012 ANNUAL MEETING OF STOCKHOLDERS**

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**TESLA MOTORS, INC.**

**3500 Deer Creek Road**

**Palo Alto, California 94304**

**PROXY STATEMENT**

**FOR 2012 ANNUAL MEETING OF STOCKHOLDERS**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING  
TO BE HELD ON JUNE 6, 2012**

**The proxy statement and annual report to stockholders are available at [www.envisionreports.com/TSLA](http://www.envisionreports.com/TSLA).**

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the "SEC"), we are pleased to provide access to our proxy materials over the Internet to all of our stockholders rather than in paper form. Accordingly, a Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability") has been mailed to our stockholders on or about April 13, 2012. Stockholders will have the ability to access the proxy materials on the website listed above, or to request a printed set of the proxy materials be sent to them by following the instructions in the Notice. By furnishing a Notice and access to our proxy materials by the Internet, we are lowering the costs and reducing the environmental impact of our annual meeting.

The Notice of Internet Availability will also provide instructions on how you may request that we send future proxy materials to you electronically by electronic mail or in printed form by mail. If you choose to receive future proxy materials by electronic mail, you will receive an electronic mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by electronic mail or printed form by mail will remain in effect until you terminate it. We encourage you to choose to receive future proxy materials by electronic mail, which will allow us to provide you with the information you need in a more timely manner, will save us the cost of printing and mailing documents to you and will conserve natural resources.

**QUESTIONS AND ANSWERS ABOUT THE 2012 ANNUAL MEETING AND PROCEDURAL MATTERS**

**Q: Why am I receiving these proxy materials?**

A: The Board of Directors of Tesla Motors, Inc. is providing these proxy materials to you in connection with the solicitation of proxies for use at Tesla's 2012 Annual Meeting of Stockholders (the "2012 Annual Meeting") to be held Wednesday, June 6, 2012, at 9:00 a.m., Pacific time, and at any adjournment or postponement thereof, for the purpose of considering and acting upon the matters set forth in this proxy statement. These proxy materials are being distributed to you on or about April 13, 2012. As a stockholder, you are invited to attend the 2012 Annual Meeting and are requested to vote on the proposals described in this proxy statement.

**Q: Where is the 2012 Annual Meeting?**

A: The 2012 Annual Meeting will be held at the Computer History Museum located at 1401 N. Shoreline Blvd., Mountain View, CA 94043. Stockholders may request directions to the Computer History Museum in order to attend the 2012 Annual Meeting by calling (650) 681-5000 or by visiting <http://ir.teslamotors.com/contactus.cfm>.

**Q: Can I attend the 2012 Annual Meeting?**

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- A: You are invited to attend the 2012 Annual Meeting if you were a stockholder of record or a beneficial owner as of April 9, 2012 (the Record Date ). You should bring photo identification for entrance to the 2012 Annual Meeting. The meeting will begin promptly at 9:00 a.m., Pacific time and you should leave ample time for the check-in procedures.

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### **Q: Who is entitled to vote at the 2012 Annual Meeting?**

A: You may vote your shares of Tesla common stock if our records show that you owned your shares at the close of business on the Record Date. At the close of business on the Record Date, there were 105,170,154 shares of Tesla common stock outstanding and entitled to vote at the 2012 Annual Meeting. You may cast one vote for each share of common stock held by you as of the Record Date on all matters presented.

As of the Record Date, holders of common stock are eligible to cast an aggregate of 105,170,154 votes at the 2012 Annual Meeting.

### **Q: What is the difference between holding shares as a stockholder of record or as a beneficial owner?**

A: If your shares are registered directly in your name with Tesla's transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the stockholder of record, and the Notice of Internet Availability has been sent directly to you by Tesla. As the stockholder of record, you have the right to grant your voting proxy directly to Tesla or to a third party, or to vote in person at the 2012 Annual Meeting.

If your shares are held by a brokerage account or by a bank or another nominee, you are considered the beneficial owner of shares held in street name, and the Notice of Internet Availability has been forwarded to you by your broker, trustee or nominee who is considered, with respect to those shares, the stockholder of record. As a beneficial owner, you have the right to direct your broker, trustee or nominee how to vote your shares. Please refer to the voting instruction card provided by your broker, trustee or nominee. You are also invited to attend the 2012 Annual Meeting. However, because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the 2012 Annual Meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the 2012 Annual Meeting.

### **Q: How can I vote my shares in person at the 2012 Annual Meeting?**

A: Shares held in your name as the stockholder of record may be voted in person at the 2012 Annual Meeting. Shares held beneficially in street name may be voted in person at the 2012 Annual Meeting only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. **Even if you plan to attend the 2012 Annual Meeting, we recommend that you also submit your vote as instructed on the Notice of Internet Availability and below, so that your vote will be counted even if you later decide not to attend the 2012 Annual Meeting.**

### **Q: How can I vote my shares without attending the 2012 Annual Meeting?**

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the 2012 Annual Meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. For instructions on how to vote, please refer to the instructions below and those included on the Notice of Internet Availability or, for shares held beneficially in street name, the voting instructions provided to you by your broker, trustee or nominee.

**By Internet** Stockholders of record of Tesla common stock with Internet access may submit proxies by following the Vote by Internet instructions on the Notice of Internet Availability until 1:00 a.m., Central time on June 6, 2012. If you are a beneficial owner of Tesla common stock held in street name, please check the voting instructions provided by your broker, trustee or nominee for Internet voting availability.

**By telephone** Stockholders of record of Tesla common stock who live in the United States or Canada may submit proxies by following the Vote by Telephone instructions on the Notice of Internet Availability until 1:00 a.m., Central time on June 6, 2012. If you are a beneficial owner of Tesla common stock held in street name, please check the voting instructions provided by your broker, trustee or nominee for telephone voting availability.





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**By mail** Stockholders of record of Tesla common stock may request a paper proxy card from Tesla by following the procedures outlined in the Notice of Internet Availability. If you elect to vote by mail, please indicate your vote by completing, signing and dating the proxy card where indicated and by returning it in the prepaid envelope that will be included with the proxy card. Proxy cards submitted by mail must be received by the time of the meeting in order for your shares to be voted. Tesla stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instructions provided by their brokers, trustees or nominees and mailing them in the accompanying pre-addressed envelopes.

**Q: How many shares must be present or represented to conduct business at the 2012 Annual Meeting?**

A: The presence of the holders of a majority of the shares entitled to vote at the 2012 Annual Meeting is necessary to constitute a quorum at the 2012 Annual Meeting. Such stockholders are counted as present at the meeting if (1) they are present in person at the 2012 Annual Meeting or (2) have properly submitted a proxy.

Under the General Corporation Law of the State of Delaware, abstentions and broker non-votes are counted as present and entitled to vote and are, therefore, included for the purposes of determining whether a quorum is present at the 2012 Annual Meeting.

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

**Q: What proposals will be voted on at the 2012 Annual Meeting?**

A: The proposals scheduled to be voted on at the 2012 Annual Meeting are:

The election of the two Class II directors listed in this proxy statement to serve for a term of three years or until their respective successors are duly elected and qualified; and

The ratification of the appointment of PricewaterhouseCoopers LLP as Tesla's independent registered public accounting firm for the fiscal year ending December 31, 2012.

**Q: What is the voting requirement to approve each of the proposals?**

A:	<b>Proposal</b>	<b>Vote Required</b>	<b>Broker Discretionary Voting Allowed</b>
	Proposal One Election of two Class II directors	Plurality of Votes Cast	No
	Proposal Two Ratification of the appointment of independent registered public accounting firm	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	Yes

**Q: How are votes counted?**

A: You may vote FOR or WITHHOLD on each of the nominees for election as director (Proposal One). The two nominees for director receiving the highest number of affirmative votes will be elected as directors. Therefore, abstentions will not affect the outcome of the election.

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You may vote FOR, AGAINST or ABSTAIN on the proposal to ratify the appointment of PricewaterhouseCoopers LLP as Tesla's independent registered public accounting firm (Proposal Two). **Abstentions are deemed to be votes cast and have the same effect as a vote against these proposals.**

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All shares entitled to vote and represented by properly executed proxies received prior to the 2012 Annual Meeting (and not revoked) will be voted at the 2012 Annual Meeting in accordance with the instructions indicated.

### **Q: What if I do not specify how my shares are to be voted?**

A: You may vote FOR or WITHHOLD on each of the nominees for election as director (Proposal One). The two nominees for director receiving the highest number of affirmative votes will be elected as directors. Therefore, abstentions will not affect the outcome of the election.

If you are a stockholder of record and you submit a proxy, but you do not provide voting instructions, your shares will be voted as recommended by the Board of Directors.

If you are a beneficial owner and you do not provide the broker or other nominee that holds your shares with voting instructions, the broker or other nominee will determine if it has the discretionary authority to vote on the particular matter. Under recent regulations, brokers and other nominees have the discretion to vote on routine matters such as Proposal Two but do not have discretion to vote on non-routine matters such as Proposal One. Therefore, if you do not provide voting instructions to your broker or other nominee, your broker or other nominee may only vote your shares on Proposal Two and any other routine matters properly presented for a vote at the 2012 Annual Meeting.

### **Q: What is the effect of a broker non-vote?**

A: Brokers or other nominees who hold shares of Tesla's common stock for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions from the beneficial owner at least ten days prior to the 2012 Annual Meeting. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the 2012 Annual Meeting, but will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote with respect to a particular proposal. Thus, a broker non-vote will not impact our ability to obtain a quorum and will not otherwise affect the outcome of the vote on a proposal that requires a plurality of votes cast (Proposal One) or the approval of a majority of the votes present in person or represented by proxy and entitled to vote (Proposal Two).

### **Q: What is the effect of not casting a vote at the 2012 Annual Meeting?**

A: If you are the stockholder of record of your shares and you do not vote by proxy card, by telephone, via the Internet or in person at the 2012 Annual Meeting, your shares will not be voted at the 2012 Annual Meeting.

**If you are a beneficial owner of shares held in street name, it is critical that you provide voting instructions if you want it to count in the election of directors (Proposal One).** In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Recent changes in regulation were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis, as well to vote your uninstructed shares in non-binding proposals related to executive compensation. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in these matters, no votes will be cast on your behalf. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of Tesla's independent registered public accounting firm (Proposal Two).

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**Q: How does the Board of Directors recommend that I vote?**

A: The Board of Directors recommends that you vote your shares:

**FOR** the two nominees for election as directors (Proposal One); and

**FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as Tesla's independent registered public accounting firm for the fiscal year ending December 31, 2012 (Proposal Two).

**Q: What happens if additional matters are presented at the 2012 Annual Meeting?**

A: If any other matters are properly presented for consideration at the 2012 Annual Meeting, including, among other things, consideration of a motion to adjourn the 2012 Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named as proxy holders, Elon Musk and Deepak Ahuja, or either of them, will have discretion to vote on those matters in accordance with their best judgment. Tesla does not currently anticipate that any other matters will be raised at the 2012 Annual Meeting.

**Q: Can I change my vote?**

A: Subject to any rules your broker, trustee or nominee may have, you may change your proxy instructions at any time before your proxy is voted at the 2012 Annual Meeting.

If you are the stockholder of record, you may change your vote (1) by granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the voting methods described above (and until the applicable deadline for each voting method), (2) by providing a written notice of revocation to Tesla's Corporate Secretary at Tesla Motors, Inc., 3500 Deer Creek Road, Palo Alto, CA 94304 prior to your shares being voted, or (3) by attending the 2012 Annual Meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

If you are a beneficial owner of shares held in street name, you may change your vote by (1) submitting new voting instructions to your broker, trustee or nominee or (2) if you have obtained a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote your shares, by attending the 2012 Annual Meeting and voting in person.

**Q: What happens if I decide to attend the 2012 Annual Meeting, but I have already voted or submitted a proxy card covering my shares?**

A: Subject to any rules your broker, trustee or nominee may have, you may attend the 2012 Annual Meeting and vote in person even if you have already voted or submitted a proxy card. Any previous votes that were submitted by you will be superseded by the vote you cast at the 2012 Annual Meeting. Please be aware that attendance at the 2012 Annual Meeting will not, by itself, revoke a proxy.

If a broker, trustee or nominee beneficially holds your shares in street name and you wish to attend the 2012 Annual Meeting and vote in person, you must obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares.

**Q: What should I do if I receive more than one set of Notices or voting materials?**

- A: You may receive more than one set of Notices or voting materials, including multiple copies of proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate Notice or voting instruction card for each brokerage account in which you hold

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shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each Tesla proxy card or voting instruction card that you receive to ensure that all your shares are voted.

### **Q: Is my vote confidential?**

A: Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Tesla or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide written comments on their proxy cards, which may be forwarded to Tesla management.

### **Q: Who will serve as inspector of election?**

A: The inspector of election will be Computershare Trust Company, N.A.

### **Q: Where can I find the voting results of the 2012 Annual Meeting?**

A: We intend to announce preliminary voting results at the 2012 Annual Meeting and will publish final results in our Current Report on Form 8-K, which will be filed with the SEC within four (4) business days of the 2012 Annual Meeting.

### **Q: Who will bear the cost of soliciting votes for the 2012 Annual Meeting?**

A: Tesla will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners for their reasonable expenses in forwarding solicitation material to such beneficial owners. Our directors, officers and employees may also solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation.

If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur.

### **Q: What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?**

A: You may submit proposals, including recommendations of director candidates, for consideration at future stockholder meetings. **For inclusion in Tesla's proxy materials** Stockholders may present proper proposals for inclusion in Tesla's proxy statement and for consideration at the next annual meeting of stockholders by submitting their proposals in writing to Tesla's Corporate Secretary in a timely manner. In order to be included in the proxy statement for the 2013 annual meeting of stockholders, stockholder proposals must be received by Tesla's Corporate Secretary no later than December 14, 2012, and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

**To be brought before annual meeting** In addition, Tesla's bylaws establish an advance notice procedure for stockholders who wish to present certain matters before an annual meeting of stockholders.





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In general, nominations for the election of directors may be made (1) by or at the direction of the Board of Directors, or (2) by a stockholder who has delivered written notice to Tesla's Corporate Secretary within the Notice Period (as defined below) and who was a stockholder at the time of such notice and as of the record date. The notice must contain specified information about the nominees and about the stockholder proposing such nominations.

Tesla's bylaws also provide that the only business that may be conducted at an annual meeting is business that is (1) specified in the notice of meeting given by or at the direction of the Board of Directors, (2) properly brought before the meeting by or at the direction of the Board of Directors or (3) properly brought before the meeting by a stockholder who has delivered written notice to Tesla's Corporate Secretary within the Notice Period (as defined below) and who was a stockholder at the time of such notice and as of the record date. The notice must contain specified information about the matters to be brought before such meeting and about the stockholder proposing such matters.

The Notice Period is defined as that period not less than 45 days nor more than 75 days prior to the one year anniversary of the date on which Tesla mailed its proxy materials to stockholders in connection with the previous year's annual meeting of stockholders. As a result, the Notice Period for the 2013 annual meeting of stockholders will start on January 28, 2013 and end on February 27, 2013.

If a stockholder who has notified Tesla of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, Tesla need not present the proposal for vote at such meeting.

A copy of the full text of the bylaw provisions discussed above may be obtained by writing to Tesla's Corporate Secretary at our principal executive offices or by accessing Tesla's filings on the SEC's website at [www.sec.gov](http://www.sec.gov). All notices of proposals by stockholders, whether or not included in Tesla's proxy materials, should be sent to Tesla's Corporate Secretary at our principal executive offices.

### **Q: How may I obtain a separate copy of the Notice of Internet Availability or the 2011 Annual Report?**

A: If you share an address with another stockholder, each stockholder may not receive a separate copy of the Notice of Internet Availability and 2011 Annual Report. Stockholders may request to receive separate or additional copies of the Notice of Internet Availability and 2011 Annual Report by calling (650) 681-5000 or by writing to Tesla Motors, Inc., 3500 Deer Creek Road, Palo Alto, CA 94304, Attention: Investor Relations. Stockholders who share an address and receive multiple copies of the Notice of Internet Availability and 2011 Annual Report can also request to receive a single copy by following the instructions above.

### **Q: Who can help answer my questions?**

A: Please contact our Investor Relations department by calling (650) 681-5000 or by writing to Tesla Motors, Inc., 3500 Deer Creek Road, Palo Alto, CA 94304, Attention: Investor Relations or [ir@teslamotors.com](mailto:ir@teslamotors.com).

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**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

**General**

Tesla's Board of Directors currently consists of eight members who are divided into three classes with staggered three-year terms. Each director holds office until that director's successor is duly elected and qualified or until his earlier death or resignation. Our bylaws permit our Board of Directors to establish by resolution the authorized number of directors, and eight directors are currently authorized. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of an equal number of directors.

On March 20, 2012, H.E. Ahmed Saif Al Darmaki tendered his resignation from the Board of Directors, effective as of the date of the 2012 Annual Meeting. As a result, Mr. Al Darmaki will not be standing for re-election at the 2012 Annual Meeting. The Board of Directors has resolved to reduce the authorized number of directors to seven directors, effective immediately prior to the 2012 Annual Meeting.

**Nominees for Class II Directors**

Two candidates have been nominated for election as Class II directors at the 2012 Annual Meeting for a three-year term expiring in 2015. Upon recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated **Antonio J. Gracias** and **Kimbal Musk** for re-election as Class II directors. Biographical information about each of the nominees is contained in the following section. A discussion of the qualifications, attributes and skills of each nominee that led our Board of Directors and the Nominating and Corporate Governance Committee to the conclusion that he should continue to serve as a director has been added following each of the director and nominee biographies.

If you are a record holder and you sign your proxy card or vote by telephone or over the Internet but do not give instructions with respect to the voting of directors, your shares will be voted FOR the re-election of Messrs. Gracias and Musk. Tesla expects that Messrs. Gracias and Musk will accept such nomination; however, in the event that a nominee is unable or declines to serve as a director at the time of the 2012 Annual Meeting, the proxies will be voted for any nominee who shall be designated by the Board of Directors to fill such vacancy. If you wish to give specific instructions with respect to the voting of directors, you may do so by indicating your instructions on your proxy card or when you vote by telephone or over the Internet. If you hold your shares in street name and you do not give voting instructions to your broker, your broker will leave your shares unvoted on this matter.

**Table of Contents****THE BOARD OF DIRECTORS RECOMMENDS A VOTE****FOR THE ELECTION OF ANTONIO GRACIAS AND KIMBAL MUSK.****Information Regarding the Board of Directors and Director Nominees**

The names of the members of Tesla's Board of Directors and Tesla's proposed director nominees, their respective ages, their positions with Tesla and other biographical information as of March 31, 2012, are set forth below. 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.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Elon Musk	40	Chief Executive Officer, Product Architect and Chairman
H.E. Ahmed Saif Al Darmaki (1)	39	Director
Brad W. Buss (2)(3)(4)	48	Director
Ira Ehrenpreis (3)(4)	43	Director
Antonio J. Gracias (2)(3)(4)(5)	41	Director
Stephen T. Jurvetson (2)	45	Director
Herbert Kohler	59	Director
Kimbal Musk	39	Director

- (1) Mr. Darmaki tendered his resignation from the Board of Directors, effective as of the date of the 2012 Annual Meeting.
- (2) Member of Audit Committee
- (3) Member of Compensation Committee
- (4) Member of Nominating and Corporate Governance Committee
- (5) Lead Independent Director

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

We believe that Mr. Musk possesses specific attributes that qualify him to serve as a member of our Board of Directors, including the perspective and experience he brings as our Chief Executive Officer, one of our founders and our largest stockholder, which brings historic knowledge, operational expertise and continuity to our Board of Directors.

**H.E. Ahmed Saif Al Darmaki** has been a member of our Board of Directors since September 2009. Mr. Al Darmaki currently serves as the Vice Chairman of the Board of Directors of the Abu Dhabi National Energy Company PJSC (TAQA), which is a publicly listed global energy sector company on the Abu Dhabi Securities Exchange. From September 1999 to December 2010, Mr. Al Darmaki served as Planning & Development Director of Abu Dhabi Water and Electricity Authority, which manages the generation, transmission and distribution of water and electricity in the Emirate of Abu Dhabi. Mr. Al Darmaki holds a B.S. in business administration and finance from United Arab Emirates University and an M.B.A. from the Zayed University.

Mr. Al Darmaki tendered his resignation from the Board of Directors, effective as of the date of the 2012 Annual Meeting.

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

We believe that Mr. Buss possesses specific attributes that qualify him to serve as a member of our Board of Directors and to serve as chair of our audit committee, including his executive experience and his financial and accounting expertise with both public and private companies.

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

We believe that Mr. Ehrenpreis possesses specific attributes that qualify him to serve as a member of our Board of Directors and serve as chair of our nominating and corporate governance committee and chair of our compensation committee, including his experience in the cleantech and venture capital industries.

**Antonio J. Gracias** has been a member of our Board of Directors since May 2007 and has served as our Lead Independent Director since September 2010. Since 2003, Mr. Gracias has been Chief Executive Officer of Valor Management Corp., a private equity firm. Mr. Gracias is a director of SpaceX and SolarCity Corporation. 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.

We believe that Mr. Gracias possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his management experience with a nationally recognized private equity firm and his operations management and supply chain optimization expertise.

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

We believe that Mr. Jurvetson possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his experience in the venture capital industry and his years of business and leadership experience.

**Herbert Kohler** has been a member of our Board of Directors since May 2009. Since 1976, Dr. Kohler has served in various positions at Daimler AG ( Daimler ), an automobile manufacturer, most recently as Vice President of Group Research & Advanced Engineering e-drive & Future Mobility and Chief Environmental Officer since April 2009. In August 2006, Dr. Kohler was appointed head of Daimler's Group Research &

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Advanced Engineering Vehicle and Powertrain. From October 2000 to August 2006, Dr. Kohler served as vice president for Daimler's Body and Powertrain Research. Dr. Kohler holds a Diploma and Ph.D. in engineering from Stuttgart University.

We believe that Dr. Kohler possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his management experience with a multinational automobile manufacturer, his experience in advanced vehicle technologies and his general strategic and operational experience in the automobile industry.

**Kimbal Musk** has been a member of our Board of Directors since April 2004. Mr. Musk has been the owner of The Kitchen Restaurant Group, a USA Today Top Ten restaurant, since January 2004 and its Chief Executive Officer since April 2004. In November 2010, Mr. Musk became the Executive Director of The Kitchen Community, a non-profit organization that creates learning gardens in schools across the United States. Since February 2012, Mr. Musk has been a director of the Los Angeles Fund for Public Education, a philanthropic organization dedicated to driving positive change in the Los Angeles Unified School District. 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.

We believe that Mr. Musk possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his business experience in retail and consumer markets, his lengthy experience on our Board of Directors, and his experience with technology companies.

See *Corporate Governance* and *Executive Compensation Compensation of Directors* below for additional information regarding the Board of Directors.

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**PROPOSAL TWO**

**RATIFICATION OF APPOINTMENT OF**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**General**

The Audit Committee has selected PricewaterhouseCoopers LLP as Tesla's independent registered public accounting firm to audit the consolidated financial statements of Tesla for the fiscal year ending December 31, 2012, which will include an audit of the effectiveness of Tesla's internal control over financial reporting. PricewaterhouseCoopers LLP has audited Tesla's financial statements since fiscal 2004. A representative of PricewaterhouseCoopers LLP is expected to be present at the meeting, will have the opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to appropriate questions.

Stockholder ratification of the selection of PricewaterhouseCoopers LLP is not required by our bylaws or other applicable legal requirements. However, the Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to Tesla's stockholders for ratification as a matter of good corporate practice. In the event that this selection of an independent registered public accounting firm is not ratified by the affirmative vote of a majority of the shares present and voting at the meeting in person or by proxy, the appointment of the independent registered public accounting firm will be reconsidered by the Audit Committee. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of Tesla and its stockholders.

**Principal Accounting Fees and Services**

The following table presents fees billed for professional audit services and other services rendered to Tesla by PricewaterhouseCoopers LLP for the years ended December 31, 2010 and 2011. The dollar amounts in the table and accompanying footnotes are in thousands.

	<b>2010</b>	<b>2011</b>
Audit Fees (1)	\$ 1,389	\$ 1,120
Audit-Related Fees (2)	39	40
Tax Fees (3)	253	391
All Other Fees (4)	3	2
<b>Total</b>	<b>\$ 1,684</b>	<b>\$ 1,553</b>

- (1) Audit Fees consist of fees billed for professional services rendered for the audit of Tesla's consolidated financial statements included in Tesla's Annual Report on Form 10-K and for the review of the financial statements included in Tesla's Quarterly Reports on Form 10-Q, as well as services that generally only Tesla's independent registered public accounting firm can reasonably provide, including statutory audits and services rendered in connection with SEC filings. The Audit Fees incurred in 2010 and 2011 also include fees of \$383 and \$101, respectively, related to services performed in connection with Tesla's public offerings, including comfort letters, consents and review of documents filed with the SEC.
- (2) Audit-Related Fees consist of fees billed for professional services rendered in connection with ongoing reporting required under Tesla's loan agreement with the United States Department of Energy.
- (3) Tax Fees consist primarily of fees billed for professional services rendered in connection with direct and indirect tax compliance and planning requirements in domestic and foreign tax jurisdictions.
- (4) Other Fees consist of an annual license fee of \$3 and \$2 in 2010 and 2011 for use of accounting research software.

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**Pre-Approval of Audit and Non-Audit Services**

Tesla's Audit Committee has adopted a policy for pre-approving audit and non-audit services and associated fees of Tesla's independent registered public accounting firm. Under this policy, the Audit Committee must pre-approve all services and associated fees provided to Tesla by its independent registered public accounting firm, with certain exceptions described in the policy.

All PricewaterhouseCoopers LLP services and fees in fiscal 2010 and 2011 were pre-approved by the Audit Committee.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS TESLA'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2012.**

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### **CORPORATE GOVERNANCE**

#### **Code of Business Conduct and Ethics**

Tesla's Board of Directors sets high standards for Tesla's employees, officers and directors. Tesla is committed to establishing an operating framework that exercises appropriate oversight of responsibilities at all levels throughout the company and managing its affairs consistent with high principles of business ethics. Accordingly, Tesla has adopted a Code of Business Conduct and Ethics, which is applicable to Tesla and its subsidiaries' directors, officers and employees. The Code of Business Conduct and Ethics is available on Tesla's website at: <http://ir.teslamotors.com/governance.cfm>. Tesla will disclose on its website any amendment to the Code of Business Conduct and Ethics, as well as any waivers of the Code of Business Conduct and Ethics, that are required to be disclosed by the rules of the SEC or The NASDAQ Stock Market LLC ( "NASDAQ" ).

#### **Director Independence**

The Board of Directors has determined that, with the exception of Elon Musk, Kimbal Musk and Herbert Kohler, all of its current members are independent directors as that term is defined in the listing standards of NASDAQ. In the course of determining the independence of each non-employee director, the Board of Directors considered the annual amount of Tesla's sales to, or purchases from, any company where a non-employee director serves as an executive officer. The Board of Directors determined that any such sales or purchases were made in the ordinary course of business and the amount of such sales or purchases in each of the past three fiscal years was less than 5% of Tesla's or the applicable company's consolidated gross revenues for the applicable year. In addition, the Board of Directors considered all other relevant facts and circumstances, including the director's commercial, accounting, legal, banking, consulting, charitable and familial relationships.

With respect to Mr. Gracias, the Board specifically considered:

Mr. Gracias is the Chief Executive Officer and a director of Valor Management Corp. ( "VMC" ). VMC funds are a minority investor in SpaceX. Mr. Gracias is a director of SpaceX. Elon Musk, our Chief Executive Officer, Product Architect and Chairman, is also the Chief Executive Officer and a significant stockholder of SpaceX.

VMC funds are a minority investor in SolarCity Corporation. Mr. Gracias is a director of SolarCity Corporation, a private company of which Elon Musk is the Chairman.

The Elon Musk Revocable Trust dated July 22, 2003 is a limited partner of Valor Equity Partners, L.P. and Valor Equity Partners II, L.P., which are advised by VMC, with a subscription commitment of \$2.0 million in each fund out of a total of \$120.0 million and \$303.5 million, respectively.

Ops Corp. is a wholly owned subsidiary of VMC, and Mr. Gracias is the President of Ops Corp. During fiscal 2010, the Board considered that an employee of Ops Corp. provided services directly to Tesla and Tesla paid Ops Corp. less than \$100,000 for such services rendered.

The Board of Directors has concluded that none of the foregoing relationships would impede the exercise of independent judgment by Mr. Gracias.

With respect to Mr. Jurvetson, the Board of Directors specifically considered:

Mr. Jurvetson is a managing director of Draper Fisher Jurvetson ( "DFJ" ). DFJ is a significant stockholder of SpaceX and Mr. Jurvetson is a director of SpaceX.



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DFJ is a significant stockholder of SolarCity Corporation, a private company of which Elon Musk is the Chairman.

The Elon Musk Revocable Trust dated July 22, 2003 is a limited partner of Draper Fisher Jurvetson Fund X, L.P., with a subscription commitment of \$250,000.

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The Board of Directors has concluded that none of the foregoing relationships would impede the exercise of independent judgment by Mr. Jurvetson.

With respect to Mr. Ehrenpreis, the Board of Directors specifically considered:

Mr. Ehrenpreis is a minority investor in SpaceX.

The Board of Directors has concluded that the foregoing relationship would not impede the exercise of independent judgment by Mr. Ehrenpreis.

With respect to Mr. Buss, the Board of Directors specifically considered:

Mr. Buss is the executive vice president of finance and administration and chief financial officer of Cypress Semiconductor Corporation ( Cypress ).

In 2012, Cypress will be providing us with certain semiconductors for use in Model S. Mr. Buss was not involved in the negotiations regarding these components. Payments by us to Cypress are expected to be less than \$150,000 in 2012 and less than \$550,000 in 2013.

The Board of Directors has concluded that the foregoing relationship would not impede the exercise of independent judgment by Mr. Buss.

## **Board Leadership Structure**

Elon Musk has served as Chief Executive Officer since October 2008 and as Chairman of the Board of Directors since April 2004. We have had a Lead Independent Director since 2010, and the current Lead Independent Director is Antonio J. Gracias, the Chief Executive Officer of Valor Management Corporation. The Board of Directors believes that its current leadership structure, in which the positions of Chairman and Chief Executive Officer are held by Mr. Musk, together with a Lead Independent Director with broad authority, is appropriate at this time and provides the most effective leadership for Tesla in a highly competitive and rapidly changing technology industry. In addition, our corporate governance policies and practices provide for oversight of Tesla's business and senior management by experienced independent directors and minimize any potential conflicts that may result from combining the positions of Chief Executive Officer and Chairman. The Board believes that an important component of the Board's leadership structure is having an effective Lead Independent Director in place with broad authority to direct the actions of the independent directors and regularly communicate with the Chief Executive Officer. The role of Lead Independent Director is currently held by Mr. Gracias, who has been a director of Tesla since May 2007 and was appointed as the Lead Independent Director in September 2010. As Lead Independent Director, among other things, Mr. Gracias:

prepares the agenda and approves materials for meetings of the independent directors;

consults with the Chief Executive Officer and Chairman regarding Board meeting agendas, schedules and materials;

communicates with the Chief Executive Officer and Chairman;

acts as a liaison between the Chief Executive Officer and Chairman and the independent directors when appropriate;

raises issues with management on behalf of the independent directors;

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annually reviews, together with the Nominating and Corporate Governance Committee, the Board's performance during the prior year; and

serves as the Board's liaison for consultation and communication with stockholders as appropriate.

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Tesla also has a mechanism for stockholders to communicate directly with non-management directors (see *Contacting the Board of Directors* below).

In addition, the board has three standing committees: Audit, Compensation, and Nominating and Corporate Governance, which are each further described below. Each of the board committees is comprised solely of independent directors, and each committee has a separate chair. Our independent directors generally meet in executive session at each regularly scheduled Board meeting, and at such other times as necessary or appropriate as determined by the independent directors. In addition, on an annual basis, as part of our governance review and succession planning, the Board of Directors (led by the Nominating and Corporate Governance Committee) evaluates our leadership structure to ensure that it remains the optimal structure for Tesla.

### **Board Role in Risk Oversight**

The Board of Directors is responsible for overseeing the major risks facing the Company while management is responsible for assessing and mitigating the Company's risks on a day-to-day basis. In addition, the Board has delegated oversight of certain categories of risk to the Audit and Compensation Committees. The Audit Committee reviews and discusses with management significant financial and nonfinancial risk exposures and the steps management has taken to monitor, control and report such exposures. The Compensation Committee oversees management of risks relating to the Company's compensation plans and programs. In performing their oversight responsibilities, the Board and Audit Committee periodically discuss with management the Company's policies with respect to risk assessment and risk management. The Audit and Compensation Committees report to the Board as appropriate on matters that involve specific areas of risk that each Committee oversees.

### ***Employee Compensation Risks***

Tesla's management and the Compensation Committee have assessed the risks associated with Tesla's compensation policies and practices for all employees, including non-executive officers. Based on the results of this assessment, Tesla does not believe that its compensation policies and practices for all employees, including non-executive officers, create risks that are reasonably likely to have a material adverse effect on Tesla.

### **Board Meetings and Committees**

During fiscal 2011, the Board of Directors held five (5) meetings. Other than Messrs. Al Darmaki and Kohler, each of the directors attended or participated in 75% or more of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all committees of the Board of Directors on which such director served during the past fiscal year. The Board of Directors has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

### ***Audit Committee***

The Audit Committee, which has been established in accordance with Section 3(a)(58) of the Exchange Act, currently consists of Messrs. Buss, Gracias and Jurvetson, each of whom is independent as such term is defined for audit committee members by the listing standards of NASDAQ. Mr. Buss is the chairperson of the Audit Committee. The Board of Directors has determined that Mr. Buss is an audit committee financial expert as defined in the rules of the SEC.

The Audit Committee is responsible for, among other things:

reviewing and approving the selection of Tesla's independent auditors, and approving the audit and non-audit services to be performed by Tesla's independent auditors;

monitoring the integrity of Tesla's financial statements and Tesla's compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;

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reviewing the adequacy and effectiveness of Tesla's internal control policies and procedures;

discussing the scope and results of the audit with the independent auditors and reviewing with management and the independent auditors Tesla's interim and year-end operating results; and

preparing the audit committee report that the SEC requires in Tesla's annual proxy statement.

The Audit Committee held nine (9) meetings during the last fiscal year. The Audit Committee has adopted a written charter approved by the Board of Directors, which is available on Tesla's website at: <http://ir.teslamotors.com/governance.cfm>.

The Audit Committee Report is included in this proxy statement on page 45.

### ***Compensation Committee***

The Compensation Committee is currently comprised of Messrs. Buss, Ehrenpreis and Gracias, each of whom qualifies as an independent director under the listing standards of NASDAQ. Mr. Ehrenpreis is the chairperson of the Compensation Committee.

The Compensation Committee is responsible for, among other things:

overseeing Tesla's compensation policies, plans and benefit programs;

reviewing and approving for Tesla's executive officers: the annual base salary, the annual incentive bonus, including the specific goals and amount, equity compensation, employment agreements, severance arrangements and change in control arrangements, and any other benefits, compensations or arrangements;

preparing the compensation committee report that the SEC requires to be included in Tesla's annual proxy statement; and

administering Tesla's equity compensation plans.

The Compensation Committee held fourteen (14) meetings during the last fiscal year. The Compensation Committee has adopted a written charter approved by the Board of Directors, which is available on Tesla's website at: <http://ir.teslamotors.com/governance.cfm>.

The Compensation Committee Report is included in this proxy statement on page 29.

### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee currently consists of Messrs. Buss, Ehrenpreis and Gracias, each of whom qualifies as an independent director under the listing standards of NASDAQ. Mr. Ehrenpreis is the chairperson of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee is responsible for, among other things:

assisting the Board of Directors in identifying prospective director nominees and recommending nominees for each annual meeting of stockholders to the board of directors;

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reviewing developments in corporate governance practices and developing and recommending governance principles applicable to the Board of Directors;

reviewing the succession planning for Tesla's executive officers;

overseeing the evaluation of Tesla's Board of Directors and management; and

recommending members for each Board committee to the Board of Directors.

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The Nominating and Corporate Governance Committee held eleven (11) meetings during the last fiscal year. The Nominating and Corporate Governance Committee has adopted a written charter approved by the Board of Directors, which is available on Tesla's website at: <http://ir.teslamotors.com/governance.cfm>.

### **Compensation Committee Interlocks and Insider Participation**

Messrs. Buss, Ehrenpreis and Gracias served as members of the Compensation Committee during fiscal 2011. No interlocking relationships exist between any member of Tesla's Board of Directors or Compensation Committee and any member of the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past. No member of the Compensation Committee is or was formerly an officer or an employee of Tesla or its subsidiaries.

### **Process for Recommending Candidates for Election to the Board of Directors**

The Nominating and Corporate Governance Committee is responsible for, among other things, determining the criteria for membership to the Board of Directors and recommending candidates for election to the Board of Directors. It is the policy of the Nominating and Corporate Governance Committee to consider recommendations for candidates to the Board of Directors from stockholders. Stockholder recommendations for candidates to the Board of Directors must be directed in writing to Tesla Motors, Inc., 3500 Deer Creek Road, Palo Alto, California 94304, Attention: General Counsel, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and Tesla within the last three years and evidence of the nominating person's ownership of Tesla stock. Such recommendations must also include a statement from the recommending stockholder in support of the candidate, particularly within the context of the criteria for Board membership, including issues of character, judgment, diversity, age, independence, expertise, corporate experience, length of service, other commitments and the like, personal references, and an indication of the candidate's willingness to serve.

The Nominating and Corporate Governance Committee's criteria and process for evaluating and identifying the candidates that it recommends to the full Board of Directors for selection as director nominees are as follows:

The Nominating and Corporate Governance Committee regularly reviews the current composition and size of the Board of Directors.

The Nominating and Corporate Governance Committee oversees an annual evaluation of the performance of the Board of Directors as a whole and evaluates the performance of individual members of the Board of Directors eligible for re-election at the annual meeting of stockholders.

In its evaluation of director candidates, including the members of the Board of Directors eligible for re-election, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board of Directors and considers (1) the current size and composition of the Board of Directors and the needs of the Board of Directors and the respective committees of the Board of Directors, (2) such factors as issues of character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest, other commitments and the like, and (3) such other factors as the Nominating and Corporate Governance Committee may consider appropriate.

While the Nominating and Corporate Governance Committee has not established specific minimum qualifications for director candidates, the Nominating and Corporate Governance Committee believes that candidates and nominees must reflect a Board that is comprised of directors who (1) are predominantly independent, (2) are of high integrity, (3) have broad, business-related knowledge and experience at the policy-making level in business or technology, including their understanding of Tesla's business in particular, (4) have qualifications that will increase overall Board effectiveness and (5) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to audit committee members.

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With regard to candidates who are properly recommended by stockholders or by other means, the Nominating and Corporate Governance Committee will review the qualifications of any such candidate, which review may, in the Nominating and Corporate Governance Committee's discretion, include interviewing references for the candidate, direct interviews with the candidate, or other actions that the Nominating and Corporate Governance Committee deems necessary or proper.

In evaluating and identifying candidates, the Nominating and Corporate Governance Committee has the authority to retain and terminate any third party search firm that is used to identify director candidates and has the authority to approve the fees and retention terms of any search firm.

The Nominating and Corporate Governance Committee will apply these same principles when evaluating Board candidates who may be elected initially by the full Board to fill vacancies or add additional directors prior to the annual meeting of stockholders at which directors are elected.

After completing its review and evaluation of director candidates, the Nominating and Corporate Governance Committee recommends to the full Board of Directors the director nominees.

### **Attendance at Annual Meetings of Stockholders by the Board of Directors**

Although Tesla does not have a formal policy regarding attendance by members of the Board of Directors at Tesla's annual meeting of stockholders, Tesla encourages, but does not require, directors to attend. Other than Messrs. Al Darmaki and Kohler, all of our directors attended the prior year's annual meeting of stockholders.

### **Insider Trading Policy and Rule 10b5-1 Trading Plans**

Tesla has an insider trading policy that prohibits, among other things, short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to Tesla's common stock. In addition, as of December 31, 2011, four of Tesla's executive officers and two directors had entered into a Rule 10b5-1 trading plan.

### **Contacting the Board of Directors**

Any stockholder who desires to contact our non-employee directors may do so electronically at the following website: <http://ir.teslamotors.com/contactBoard.cfm>. Such stockholders who desire to contact our non-employee directors by mail may do so by writing Tesla's Corporate Secretary at Tesla Motors, Inc., 3500 Deer Creek Road, Palo Alto, CA 94304. Our General Counsel receives these communications unfiltered by Tesla, forwards communications to the appropriate committee of the Board of Directors or non-employee director, and facilitates an appropriate response. Please note that requests for investor relations materials should be sent to [ir@teslamotors.com](mailto:ir@teslamotors.com).



**Table of Contents****EXECUTIVE OFFICERS**

The names of Tesla's executive officers, their ages, their positions with Tesla and other biographical information as of March 31, 2012, are set forth below. 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.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Elon Musk	40	Chief Executive Officer, Product Architect and Chairman
Deepak Ahuja	49	Chief Financial Officer
Jeffrey B. Straubel	36	Chief Technology Officer
Gilbert Passin	51	Vice President, Manufacturing
George Blankenship	58	Vice President, Sales and Ownership Experience
Eric S. Whitaker	45	General Counsel and Secretary

**Elon Musk.** For a brief biography of Mr. Musk, please see *Proposal One Election of Directors Information Regarding the Board of Directors and Director Nominees*.

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

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

**Gilbert Passin** has served as our Vice President, Manufacturing since January 2010. Prior to joining us, Mr. Passin served in various positions at Toyota Motor Engineering & Manufacturing North America, an automobile manufacturer, from 2005 to January 2010 most recently as a General Manager of Production Engineering for West Coast and previously as a Vice President of Manufacturing, running both large scale production of the Corolla and Matrix models as well as production of the Lexus RX350 at the Toyota Motor Manufacturing Canada Cambridge plant. Mr. Passin also served as a Vice President and General Manager of Volvo Trucks North America at the New River Valley Plant, an automobile manufacturer, from 2002 to 2005 as well as Vice President and General Manager of Mack Trucks Inc. at the Winnsboro Assembly Facility from 2000 to 2002. Mr. Passin holds a National Engineering Degree from Ecole Centrale de Paris.

**George Blankenship** has served as our Vice President, Sales & Ownership Experience since July 2010. From March 2009 to June 2010, Mr. Blankenship served as a real estate consultant for Microsoft Corporation. From May 2000 to September 2006, he served as Vice President, Real Estate for Apple Computer. Between June 1980 and June 2000, Mr. Blankenship served in various positions with GAP, Inc., most recently as Vice President, Retail Strategy. Mr. Blankenship attended the University of Delaware from 1971 until 1974.

**Eric S. Whitaker** has served as our general counsel since October 2010. From October 2007 to October 2010, Mr. Whitaker served as Executive Vice President and General Counsel of Avalanche Technology, a corporation that designs and manufactures spin-torque MRAM universal memory chips. From December 1999 to July 2006, he served in various positions at Lexar Media, Inc., a corporation that designs and manufactures flash memory cards, most recently as Executive Vice President of Corporate Strategy, General Counsel and Corporate Secretary. From October 1995 to December 1999, Mr. Whitaker was an attorney with Latham & Watkins. Mr. Whitaker holds a B.A. in politics from Princeton University and a J.D. from Stanford University Law School.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

*The following discussion and analysis of compensation arrangements of our named executive officers for 2011 should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current considerations, expectations, and determinations regarding future compensation programs. The actual amount and form of compensation and the compensation programs that we adopt may differ materially from current or planned programs as summarized in this discussion.*

***Compensation Philosophy Introduction***

We design, develop, manufacture and sell high-performance fully electric vehicles and advanced electric vehicle powertrain components. To achieve these goals, we designed, and intend to modify as necessary, our compensation and benefits program and philosophy, to attract, retain and incentivize talented, deeply qualified, and committed executive officers that share our philosophy and desire to work toward these goals. We believe compensation incentives for such executive officers should promote the success of our company and motivate them to pursue corporate objectives, and above all should be structured so as to reward clear, easily measured performance goals that closely align the executive officers incentives with the long-term interests of stockholders.

In recent years, we have successfully navigated a wide variety of difficult operational and financial challenges and undergone several periods of rapid change that have directly affected the compensation structure of our executive team. The compensation offered to our senior executive officers has historically varied significantly as a result of these circumstances. Subsequently, we have sought to harmonize the compensation structures of senior executive officers and other employees to conform to our overall compensation philosophy.

Our current compensation programs reflect our startup origins in that they consist primarily of salary and stock options for senior executive officers. Consistent with our historical compensation philosophy, except as noted below, we do not currently provide our senior executive officers or other employees with any form of a cash bonus program or any severance provisions providing for continued salary or other benefits upon termination of an executive officer's employment with us or other equity-based compensation, other than option grants. In certain limited cases, we have granted an executive up to 12 months vesting acceleration of certain stock options in the event of a termination of employment following a change of control.

Additionally, as our needs evolve, we intend to continue to evaluate our philosophy and compensation programs as circumstances require, and at a minimum, we will review executive compensation annually. We anticipate making new equity awards and adjustments to the components of our executive compensation program in connection with our yearly compensation review. We have recently retained Compensia, Inc., a compensation advisory firm, to review CEO equity compensation as well as director compensation and will likely make changes in the current fiscal year in accordance with our compensation philosophy.

***Fiscal 2011 Compensation Overview***

Our financial and business highlights for fiscal 2011 include the following:

2011 revenues were \$204.2 million, an increase of 75%, as compared with revenues of \$116.7 million reported in the prior year and 2011 gross margin improved to 30%, up from 26% for 2010.

We completed building all the Model S Alpha prototypes and several Model S Beta validation prototypes during 2011. We also made substantial progress in the ordering and installation of the Model S manufacturing equipment and tooling. Overall, we remain on track for first customer deliveries of Model S by July 2012.

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We received over 8,000 reservations for the Model S as of December 31, 2011.

We designed, built and introduced an early prototype of our Model X crossover vehicle.

In July 2011, we entered into a supply and services agreement with Toyota for the production of an electric powertrain system, including a battery pack, charging system, inverter, motor, gearbox and associated software, which will be integrated into the Toyota RAV4 EV. Additionally, we will provide Toyota with certain services related to the supply of these components. Pursuant to the agreement, Toyota will pay us approximately \$100 million from 2012 through 2014 based on our delivery of these components for the Toyota RAV4 EV.

We completed a follow-on offering in June 2011 in which we raised \$172.7 million, net of underwriting discounts and commissions, and also completed two concurrent private placements in which we raised \$59.1 million.

Our stock price appreciated by approximately 68% from \$17 per share at the time of our IPO in July 2010 to \$28.56 as of December 31, 2011.

As described in more detail below and in the compensation tables that follow this compensation discussion and analysis, our compensation structure applicable to our named executive officers did not change significantly during fiscal 2011:

Our CEO continues to work for an annual base salary of \$33,280, consistent with minimum wage requirements under California law, and still accepts only \$1 in salary.

Our other executive officers' salaries increased by a range of 4.0% to 6.0% in order to align them more closely with comparable post-IPO companies.

We have no cash bonus program for any of our named executive officers.

Our compensation program is still predominantly in the form of stock options, including performance-based awards, designed to promote long-term stockholder interests.

We have limited severance provisions providing for continued salary or other benefits upon termination of an executive officer's employment with us.

### ***Role of the Compensation Committee in Setting Executive Compensation***

The Compensation Committee has overall responsibility for recommending to our Board of Directors the compensation of our CEO and determining the compensation of our other executive officers. Members of the Compensation Committee are appointed by the Board of Directors. Currently, the Compensation Committee consists of three members of the Board, Messrs. Buss, Ehrenpreis, and Gracias, none of whom are executive officers of the Company, and Messrs. Buss, Ehrenpreis and Gracias each qualify as (i) an independent director under the rules of The Nasdaq Stock Market, and (ii) an outside director under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). See the section entitled *Corporate Governance Board Meetings and Committees Compensation Committee*.

### ***Role of Compensation Consultant***

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The Compensation Committee has the authority to engage the services of outside consultants to assist it in making decisions regarding the establishment of the Company's compensation programs and philosophy. The Compensation Committee retained Compensia as its compensation consultant in 2009 to advise the Compensation Committee in matters related to CEO compensation and director compensation. Compensia also assisted in an analysis of executive officer compensation in 2010 and has recently been retained again in 2012 to review CEO equity compensation as well as director compensation.

### *Role of Executive Officers in Compensation Decisions*

For executive officers other than our CEO, the Compensation Committee has historically sought and considered input from our CEO regarding such executive officers' responsibilities, performance and

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compensation. Specifically, our CEO recommends base salary increases and equity award levels that are used throughout our compensation plans, and advises the Compensation Committee regarding the compensation program's ability to attract, retain and motivate executive talent. These recommendations reflect compensation levels that our CEO believes are qualitatively commensurate with an executive officer's individual qualifications, experience, responsibility level, functional role, knowledge, skills, and individual performance, as well as our company's performance. Our Compensation Committee considers our CEO's recommendations, but may adjust up or down as it determines in its discretion, and approves the specific compensation for all the executive officers. All such compensation determinations are largely discretionary.

Our Compensation Committee meets in executive session, and our CEO generally does not attend Compensation Committee meetings or discussions where recommendations are made regarding his compensation. He is not present during Compensation Committee deliberations or votes on his compensation and also abstains from voting in sessions of the Board of Directors where the Board of Directors acts on the Compensation Committee's recommendations regarding his compensation.

### ***The Role of Stockholder Say-on-Pay Votes***

On June 1, 2011, we held a say-on-pay advisory vote on the compensation of our named executive officers for the 2010 fiscal year. Our stockholders overwhelmingly approved the compensation of our named executive officers, with approximately 99% of stockholder votes cast in favor of our compensation policies for our named executive officers. Given this result, and following consideration of it, the Compensation Committee decided to retain our overall approach to executive compensation. Moreover, in determining how often to hold a stockholder advisory vote on the compensation of our named executive officers, the Board of Directors took into account our stockholders' preference (approximately 74% of stockholder votes cast) for a tri-annual vote. Specifically, the Board of Directors determined that we will hold a tri-annual advisory stockholder vote on the compensation of our named executive officers until considering the results of our next say-on-pay frequency vote, anticipated to be held at our 2017 annual meeting.

### ***CEO Compensation***

In developing compensation recommendations for the CEO, the Compensation Committee has sought both to appropriately reward the CEO's previous and current contributions and to create incentives for the CEO to continue to contribute significantly to successful results in the future. Our CEO, Elon Musk, continues to work for an annual base salary of \$33,280, consistent with minimum wage requirements under California law, and he is subject to income taxes based on such base salary. Mr. Musk, however, currently only accepts \$1 per year for his services. Prior to December 2009, Mr. Musk also did not receive any equity compensation for his services over a period of five years. In addition to serving as the CEO since October 2008, Mr. Musk has contributed significantly and actively to us since our earliest days in April 2004 by recruiting executives and engineers, contributing to the Tesla Roadster's engineering and design, raising capital for us and bringing investors to us, and raising public awareness of the Company. Further, Mr. Musk has served, and continues to serve, as our Chief Product Architect.

As part of its review of our executive compensation prior to our initial public offering, or IPO, the Compensation Committee requested summary data from Compensia concerning ranges of compensatory equity ownership levels as a percentage of the company by CEOs who have played a significant role in the founding and early stage growth of technology companies. This review included an assessment of founder ownership data in late-stage, pre-IPO companies of similar size and capital to us and founder ownership data of a broad sampling of technology companies at the time of the IPO. The data presented to the Compensation Committee by Compensia analyzed the total beneficial ownership of founder CEOs immediately prior to the IPO. It was noted that the vast majority of these CEOs acquired their equity through compensatory equity grants as opposed to preferred stock acquired via personal investment as was the case with Mr. Musk.

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Based on its judgment, a review of competitive market ownership data, and its view that compensation should be tied to clear, measurable performance goals that would best align Mr. Musk with stockholder interests, the Compensation Committee recommended, and in December 2009, the Board adopted a compensation approach for Mr. Musk which provides compensation primarily through stock options designed to promote long-term stockholder interests.

Among the accomplishments achieved during Mr. Musk's involvement that the Compensation Committee felt deserved recognition, the Compensation Committee considered our successful launch of the Tesla Roadster in 2008, the extension of sales to Europe in 2009, our early success in building a well-recognized worldwide brand, and our success in fundraising during the 2008-2009 time period, when despite difficult external conditions, we raised equity financing and entered into the DOE Loan Facility, together totaling more than \$500 million.

In recognition of these achievements and to create incentives for future success, the Compensation Committee recommended, and the Board of Directors approved a grant to Mr. Musk of 3,355,986 options to purchase shares of our common stock at an exercise price of \$6.63 per share representing 4% of our fully-diluted share base prior to such grant as of December 4, 2009, with 1/4<sup>th</sup> of the shares subject to the option vesting immediately, and 1/48<sup>th</sup> of the shares subject to the option scheduled to vest each month thereafter over the next three years, assuming Mr. Musk's continued service to us through each vesting date.

In addition, to create incentives for the attainment of clear performance objectives around a key element of our current business plan—the successful launch and commercialization of the Model S—the Compensation Committee recommended and the Board of Directors approved on December 4, 2009, an additional grant to Mr. Musk of 3,355,986 options to purchase shares of our common stock at an exercise price of \$6.63 per share totaling an additional 4% of our fully-diluted shares prior to such grant as of December 4, 2009, with a vesting schedule based entirely on the attainment of performance objectives as follows, assuming Mr. Musk's continued service to us through each vesting date:

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the successful completion of the Model S Engineering Prototype (Alpha);

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the successful completion of the Model S Validation Prototype (Beta);

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the completion of the first Model S Production Vehicle; and

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the completion of 10,000<sup>th</sup> Model S Production Vehicle. The milestones for this option award were designed to reward Mr. Musk for company-based performance goals that align Mr. Musk's compensation with the long-term interests of stockholders and the United States Department of Energy. The milestones were set at levels that are attainable and critical to our success. If Mr. Musk does not meet any of the above milestones prior to the fourth anniversary of the date of the grant he will forfeit his right to the unvested portion of the option. The first milestone—the successful completion of the Model S engineering prototype (Alpha build)—was completed in December 2010 and approved by the Board of Directors in January 2011. The second milestone—the successful completion of the first Model S validation prototype (Beta build)—was completed and approved by the Board of Directors in October 2011. As of the date of this filing, these are the only milestones to have been met.

In 2010 and 2011, Mr. Musk did not receive any equity grants, because the Compensation Committee believed his existing grants already provided sufficient motivation for Mr. Musk to perform his duties as CEO.

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Our current executive compensation program, which was set by our Compensation Committee, consists of the following components:

base salary;

equity-based incentives;

severance and change of control benefits; and

other benefits.

We combine these elements in order to formulate compensation packages that provide competitive pay, reward achievement of financial, operational and strategic objectives and align the interests of our named executive officers and other senior personnel with those of our stockholders.

***Base Salary***

Our Compensation Committee is responsible for setting our CEO's and other executives' base salaries. The base salaries of all executive officers are reviewed annually and adjusted when necessary to reflect individual roles and performance and the competitive market. The completion of key projects or technical milestones is also a factor in salary determinations. Because we typically do not provide cash bonuses to our executive officers, we also view salary as a key motivation and reward for our executives' overall performance. In January 2012, the Compensation Committee discussed our named executive officers' annual performance reviews and increased the base salaries of Messrs. Straubel, Ahuja, Blankenship and Passin as part of the company's annual merit increases and to keep such executive officers' base salaries consistent with those of officers performing comparable jobs at comparable public companies.

We provide base salary to our named executive officers and other employees to compensate them for services rendered on a day-to-day basis during the fiscal year. The following table sets forth information regarding the base salary for fiscal year 2011 and 2012 for our named executive officers:

<b>Named Executive Officer</b>	<b>Fiscal 2011 Base Salary (\$)</b>	<b>Fiscal 2012 Base Salary (\$)</b>
Elon Musk	33,280 (1)	33,280 (1)
Deepak Ahuja	325,000	338,000
Jeffrey B. Straubel	240,000	249,600
George Blankenship	325,000	344,500
Gilbert Passin	260,000	270,400

- (1) Mr. Musk's salary is based on minimum wage requirements under California law and he is subject to income taxes based on such base salary. Mr. Musk, however, currently only accepts \$1 per year for his services. Under California law, Mr. Musk is entitled to the portion of the base salary that he does not receive each year.

***Equity-based incentives***

Our equity award program is the primary vehicle for offering long-term incentives to our named executive officers. Our equity-based incentives have historically been granted in the form of options to purchase shares of our common stock, including the grant of options at the commencement of employment for the majority of our current named executive officers. We believe that equity grants align the interests of our named executive officers with our stockholders, provide our named executive officers with incentives linked to long-term performance and

create an ownership culture. In addition, the vesting feature of our equity grants contributes to executive retention because this feature provides an incentive to our named executive officers to remain in our



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employ during the vesting period. To date, we have not had an established set of criteria for granting equity awards; instead the Compensation Committee exercises its judgment and discretion, in consultation with our CEO, and considers, among other things, the role and responsibility of the named executive officer, competitive factors, the amount of stock-based equity compensation already held by the named executive officer, and the cash-based compensation received by the named executive officer to determine the level of equity awards that it approves.

We do not have, nor do we plan to establish, any program, plan, or practice to time stock option grants in coordination with releasing material non-public information. The Compensation Committee meets monthly to approve stock option grants, which grants become effective as of the second Monday of the month, in accordance with our equity incentive award grant policy.

In the second quarter of 2010, we made stock option grants to certain members of our management team, each with a vesting schedule based entirely on the attainment of the following performance objectives which are identical to those performance milestones included in the stock option we granted to our CEO in December 2009:

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the successful completion of the Model S Engineering Prototype (Alpha);

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the successful completion of the Model S Validation Prototype (Beta);

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the completion of the first Model S Production Vehicle; and

1/4<sup>th</sup> of the shares subject to the option are scheduled to vest upon the completion of 10,000th Model S Production Vehicle.

If one or more of these milestones is not achieved on or prior to December 4, 2013, each executive officer will forfeit his right to the unvested portion of the option. The first milestone – the successful completion of the Model S engineering prototype (Alpha build) – was completed in December 2010 and approved by the Board of Directors in January 2011. The second milestone – the successful completion of the first Model S validation prototype (Beta build) – was completed and approved by the Board of Directors in October 2011. As of the date of this filing, these are the only milestones to have been met.

The following table sets forth these performance-based stock option grants to our named executive officers:

Name	Date of Grant	Number of Shares Underlying Option	Exercise Price (\$)	Vesting Start Date	Vesting Schedule (1)
Deepak Ahuja	6/12/2010	83,300	14.17		Vesting upon the achievement of milestones as described above
Jeffrey B. Straubel	6/12/2010	116,650	14.17		Vesting upon the achievement of milestones as described above
George Blankenship	6/12/2010	33,300	14.17		Vesting upon the achievement of milestones as described above
Gilbert Passin	6/12/2010	33,300	14.17		Vesting upon the achievement of milestones as described above

(1) In each case, vesting remains subject to continued service through each vesting date.

In addition, during fiscal 2010 the Compensation Committee granted time-based vesting options to our named executive officers as described below.



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In June 2010, as an award for his contributions to various patents we were granted, Mr. Straubel was granted an additional option to purchase 2,450 shares of common stock at an exercise price per share of \$14.17. This option vests as to 1/48<sup>th</sup> of the shares subject to the option each month over 48 months, subject to Mr. Straubel's continued service through each such vesting date.

In June 2010, in connection with the commencement of his employment with us, Mr. Blankenship was granted an option to purchase 100,000 shares of common stock at an exercise price per share of \$14.17. This option vests as to 1/4<sup>th</sup> of the shares subject to the option on May 10, 2011 and the remaining shares subject to the option vest at a rate of 1/48<sup>th</sup> of the total number of shares subject to the option each month thereafter over the next 36 months, subject to Mr. Blankenship's continued service through each such vesting date.

In September 2010, in connection with the commencement of his employment with us, Mr. Blankenship was granted an additional option to purchase 25,000 shares of common stock at an exercise price per share of \$20.72. This option vests as to 1/48<sup>th</sup> of the shares subject to the option each month over 48 months, subject to Mr. Blankenship's continued service through each such vesting date.

In October 2010, in connection with his promotion to Vice President, Sales and Ownership Experience, Mr. Blankenship was granted an additional option to purchase 50,000 shares of common stock at an exercise price per share of \$20.24. This option vests as to 1/48<sup>th</sup> of the shares subject to the option each month over 48 months, subject to Mr. Blankenship's continued service through each such vesting date.

In the first quarter of 2011, we completed performance reviews for our employees and executive officers, and in some cases as a result of these reviews, executive officers received additional stock option grants. The following table sets forth the stock option grants we made to our named executive officers in the first quarter of 2011:

Name	Date of Grant	Number of Shares Underlying Option	Exercise Price (\$)	Vesting Start Date	Vesting Schedule (1)
Deepak Ahuja	1/10/11	30,000	28.45	1/10/11	1/48 <sup>th</sup> per month
Jeffrey B. Straubel	1/10/11	50,000	28.45	1/10/11	1/48 <sup>th</sup> per month
George Blankenship	1/10/11	25,000	28.45	1/10/11	1/48 <sup>th</sup> per month
Gilbert Passin	1/10/11	10,000	28.45	1/10/11	1/48 <sup>th</sup> per month

(1) In each case, vesting remains subject to continued service through each vesting date.

In addition, during fiscal 2011 the Compensation Committee granted options to our named executive officers as described below.

In March and December 2011, as awards for his contributions to various patents we were granted, Mr. Straubel was granted additional options to purchase 350 shares and 350 shares of common stock, respectively, at an exercise price per share of \$23.25 and \$30.41, respectively. These options were fully vested on the date of grant and were granted as part of our company-wide patent incentive program.

In June 2011, in recognition of the significant progress made at the Tesla Factory, Mr. Passin was granted an additional option to purchase 10,000 shares of common stock at an exercise price per share of \$28.43. This option vests as to 1/48<sup>th</sup> of the shares subject to the option each month over 48 months, subject to Mr. Passin's continued service through each such vesting date.

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In the first quarter of 2012, we completed performance reviews for our employees and executive officers, and in some cases as a result of these reviews, executive officers received additional stock option grants. The following table sets forth the stock option grants we made to our named executive officers in the first quarter of 2012:

Name	Date of Grant	Number of Shares Underlying Option	Exercise Price (\$)	Vesting Start Date	Vesting Schedule (1)
Deepak Ahuja	2/13/12	30,000	31.49	2/13/12	1/48 <sup>th</sup> per month
Jeffrey B. Straubel	2/13/12	50,000	31.49	2/13/12	1/48 <sup>th</sup> per month
George Blankenship	2/13/12	40,000	31.49	2/13/12	1/48 <sup>th</sup> per month
Gilbert Passin	2/13/12	30,000	31.49	2/13/12	1/48 <sup>th</sup> per month

(1) In each case, vesting remains subject to continued service through each vesting date.

*Severance and Change of Control Benefits*

We have entered into offer letters and other agreements that require specific payments and benefits to be provided to certain of our named executive officers in the event of termination of employment in connection with a change of control. See *Executive Compensation Potential Payments Upon Termination or Change of Control*.

*Bonus*

Except for cash awards of \$1,000 and \$11,000 pursuant to our company-wide patent incentive program we paid to Mr. Straubel in 2010 and 2011, respectively, and a sign-on bonus of \$100,000 we paid to Mr. Blankenship in 2010, we did not provide any cash-based bonus awards to our named executive officers in 2010 or 2011.

*Non-Equity Incentive Plan Compensation*

We paid Mr. Blankenship a sales commission of \$15,800 and \$136,600 based on the number of Tesla Roadsters delivered in 2010 and 2011, respectively. We did not provide any non-equity incentive plan compensation to any of our other named executive officers in 2010 or 2011.

*Perks*

We generally do not provide any additional perquisites to our named executive officers except in certain limited circumstances. For example, in 2009 we entered into a relocation agreement with Deepak Ahuja, our Chief Financial Officer, to reimburse him for certain relocation expenses. We also provide George Blankenship, our Vice President of Sales and Ownership Experience, with the use of a Tesla Roadster.

*Benefits*

We provide the following benefits to our named executive officers on the same basis provided to all of our employees:

health, dental and vision insurance;

life insurance and accidental death and dismemberment insurance;

a 401(k) plan for which no company match is provided;

an employee stock purchase plan;

short-and long-term disability;

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medical and dependent care flexible spending account; and

a health savings account.

***Tax Considerations***

We have not provided any executive officer or director with a gross-up or other reimbursement for tax amounts the executive might pay pursuant to Section 280G or Section 409A of the Code. Section 280G and related Code sections provide that executive officers, directors who hold significant stockholder interests and certain other service providers could be subject to significant additional taxes if they receive payments or benefits in connection with a change in control of us that exceeds certain limits, and that we or our successor could lose a deduction on the amounts subject to the additional tax. Section 409A also imposes additional significant taxes on the individual in the event that an executive officer, director or service provider receives deferred compensation that does not meet the requirements of Section 409A.

Because of the limitations of Internal Revenue Code Section 162(m), we generally receive a federal income tax deduction for compensation paid to our CEO and to certain other highly compensated officers only if the compensation is less than \$1,000,000 per person during any fiscal year or is performance-based under Code Section 162(m). In addition to salary and bonus compensation, upon the exercise of stock options that are not treated as incentive stock options, the excess of the current market price over the option price, or option spread, is treated as compensation and accordingly, in any year, such exercise may cause an officer's total compensation to exceed \$1,000,000. Option spread compensation from options that meet certain requirements will not be subject to the \$1,000,000 cap on deductibility, and in the past we have granted options that we believe met those requirements. Additionally, under a special Code Section 162(m) exception, any compensation paid pursuant to a compensation plan in existence before the effective date of our initial public offering will not be subject to the \$1,000,000 limitation until the earliest of: (i) the expiration of the compensation plan, (ii) a material modification of the compensation plan (as determined under Code Section 162(m)), (iii) the issuance of all the employer stock and other compensation allocated under the compensation plan, or (iv) the first meeting of stockholders at which directors are elected after the close of the third calendar year following the year in which the initial public offering occurs. While the Compensation Committee cannot predict how the deductibility limit may impact our compensation program in future years, the Compensation Committee intends to maintain an approach to executive compensation that strongly links pay to performance. In addition, while the Compensation Committee has not adopted a formal policy regarding tax deductibility of compensation paid to our named executive officers, the Compensation Committee intends to consider tax deductibility under Code Section 162(m) as a factor in compensation decisions.

**Compensation Committee Report**

The Compensation Committee oversees Tesla's compensation policies, plans and benefit programs. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

*Respectfully submitted by the members of the Compensation Committee of the Board of Directors*

Ira Ehrenpreis (Chair)

Brad W. Buss

Antonio J. Gracias

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The following table presents information concerning the total compensation of (i) our principal executive officer, (ii) our principal financial officer, and (iii) our three most highly compensated executive officers, other than our principal executive officer and principal financial officer, who were serving as executive officers at the end of our fiscal year ended December 31, 2011 (our named executive officers). No disclosure is provided for 2009 or 2010 for those persons who were not named executive officers in 2009 or 2010.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Elon Musk	2011	33,280					33,280
Chief Executive Officer, Product Architect and Chairman	2010	33,280					33,280
	2009	33,280		23,893,283		206,245 (2)	24,132,808
Deepak Ahuja	2011	325,000		544,464			869,464
Chief Financial Officer	2010	310,417		686,809		6,410 (3)	1,003,636
	2009	287,200		225,178		156,344 (4)	668,722
Jeffrey B. Straubel	2011	240,000	11,000 (5)	918,531			1,169,531
Chief Technology Officer	2010	220,055	1,000 (5)	1,243,498			1,464,503
	2009	192,922		540,832			733,754
George Blankenship	2011	325,000		453,720	136,600 (6)	10,285 (7)	925,605
Vice President, Sales and Ownership Experience	2010	160,417	100,000 (8)	2,064,261	15,800 (6)		2,340,478
Gilbert Passin	2011	260,000		360,152			620,152
Vice President, Manufacturing							

- (1) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 27, 2012.
- (2) Includes reimbursement for filing fees in the amount of \$125,000 paid by Mr. Musk on behalf of the Elon Musk Revocable Trust dated July 22, 2003, or the Trust, in connection with a filing made under the Hart Scott-Rodino Antitrust Improvements Act of 1976, as amended, as a result of the acquisition of additional shares of our voting securities by the Trust as part of our Series E convertible preferred stock financing plus an additional tax gross-up amount of \$81,245.
- (3) Includes reimbursement of \$4,059 for expenses incurred in connection with our initial public offering and a gross-up of \$2,351.
- (4) Includes reimbursement for relocation expenses in the amount of \$70,789 and reimbursement for temporary housing expenses in the amount of \$85,555.
- (5) Amount consists of patent award bonuses pursuant to our company-wide patent incentive program.
- (6) Amount consists of sales commissions.
- (7) Reflects the taxable benefit associated with the provision and use of a vehicle to Mr. Blankenship effective October 1, 2011.
- (8) Amount consists of sign-on bonus.

**Table of Contents****Grants of Plan-Based Awards in 2011**

The following table presents information concerning each grant of an award made to a named executive officer in fiscal 2011 under any plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Option Awards \$(1)(2)
		Threshold (\$)	Target (\$)	Maximum (\$)			
Elon Musk							
Deepak Ahuja	1/10/2011				30,000	28.45	544,464
Jeffrey B. Straubel	1/10/2011				50,000	28.45	907,440
	3/14/2011				350	23.25	4,821
	12/12/2011				350	30.41	6,270
George Blankenship	1/10/2011				25,000	28.45	453,720
		(3)	(3)	(3)			
Gilbert Passin	1/10/2011				10,000	28.45	181,488
	6/13/2011				10,000	28.43	178,664

- (1) The vesting schedule applicable to each award is set forth below in the section entitled *Outstanding Equity Awards at 2011 Fiscal Year-End*.
- (2) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 27, 2012. These amounts do not necessarily correspond to the actual value that may be recognized by the named executive officers.
- (3) In connection with his promotion to Vice President, Sales and Ownership Experience in October 2010, Mr. Blankenship entered into a sales commission plan which provides that he shall receive \$200 for each Tesla Roadster delivered. There is no Threshold, Target or Maximum payable under the plan. During the year ended December 31, 2011, we paid Mr. Blankenship \$136,600 under this plan, which is reflected in the Non-Equity Incentive Plan Compensation column of the *Summary Compensation Table* above. We did not provide any non-equity incentive plan compensation to any of our other named executive officers in 2011.



**Table of Contents****Outstanding Equity Awards at 2011 Fiscal Year-End**

The following table presents information concerning unexercised options and stock that has not vested for each named executive officer outstanding as of the end of fiscal 2011.

Name	Grant Date	Option Awards		Option Exercise Price	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		
Elon Musk	12/4/09(1)	2,516,989	838,997	6.63	12/3/16
	12/4/09(2)	1,677,992		6.63	12/3/16
Deepak Ahuja	1/10/11(3)	6,875	23,125	28.45	1/10/21
	6/12/10(2)	41,648		14.17	6/11/17
	12/4/09(4)	31,596	22,570	6.63	12/3/16
	4/13/09(5)	19,444	9,722	2.70	4/12/16
	9/3/08(6)	50,281	6,752	2.70	9/2/15
Jeffrey B. Straubel	12/12/11(7)	350		30.41	12/12/21
	3/14/11(8)	350		23.25	3/14/21
	1/10/11(9)	11,458	38,542	28.45	1/10/21
	9/13/10(2)	10,000		20.72	9/13/20
	6/12/10(10)	918	1,532	14.17	6/11/17
	6/12/10(2)	58,324		14.17	6/11/17
	12/4/09(11)	68,297	48,786	6.63	12/3/16
	4/13/09(12)	71,944	35,972	2.70	4/12/16
	6/4/08(13)	29,860	3,473	2.70	6/3/15
	11/9/07	9,334		2.10	11/8/14
5/31/06	10,416		0.36	5/30/13	
George Blankenship	1/10/11(14)	5,729	19,271	28.45	1/10/21
	10/12/10(15)	14,583	35,417	20.24	10/12/20
	9/13/10(16)	8,854	16,146	20.72	9/13/20
	6/12/10(17)	39,583	60,417	14.17	6/11/17
	6/12/10(2)	16,650		14.17	6/11/17
Gilbert Passin	6/13/11(18)	250	8,750	28.43	6/13/21
	1/10/11(19)	291	7,709	28.45	1/10/21
	6/12/10(2)	6,650		14.17	6/11/17
	3/3/10(20)	19,845	34,721	9.96	3/2/17

- (1) 1/4th of the total number of shares subject to the option became vested and exercisable on the grant date and the remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to Mr. Musk's continued service to us on each such vesting date.
- (2) 1/4th of the total number of shares subject to the option became vested and exercisable upon the completion of the Model S engineering prototype as determined by our board of directors, 1/4th of the total number of shares subject to the option became vested and exercisable upon the completion of the Model S validation prototype as determined by our board of directors, 1/4th of the total number of shares subject to the option subject to the option will vest upon the first production of the Model S vehicle as determined by our board of directors and 1/4th of the total number of shares subject to the option will vest upon completion of production of the 10,000th Model S vehicle as determined by our board of directors, in each case subject to the optionee's continued service to us on each such vesting date and the completion of the objective on or prior to December 4, 2013.

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- (3) 1/48th of the total number of shares subject to the option shall vest monthly starting January 10, 2011, subject to Mr. Ahuja's continued service to us on each such vesting date.
- (4) 1/48th of the total number of shares subject to the option shall vest monthly starting August 16, 2009, subject to Mr. Ahuja's continued service to us on each such vesting date.
- (5) 1/48th of the total number of shares subject to the option shall vest monthly starting April 13, 2009, subject to Mr. Ahuja's continued service to us on each such vesting date.
- (6) 1/4th of the total number of shares subject to the option became vested and exercisable on July 31, 2009 and the remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to Mr. Ahuja's continued service to us on each such vesting date.
- (7) Total number of shares subject to the option was vested and exercisable on December 12, 2011.
- (8) Total number of shares subject to the option was vested and exercisable on March 14, 2011.
- (9) 1/48th of the total number of shares subject to the option shall vest monthly starting January 10, 2011, subject to Mr. Straubel's continued service to us on each such vesting date.
- (10) 1/48th of the total number of shares subject to the option shall vest monthly starting June 3, 2010, subject to Mr. Straubel's continued service to us on each such vesting date.
- (11) 1/48th of the total number of shares subject to the option shall vest monthly starting August 16, 2009, subject to Mr. Straubel's continued service to us on each such vesting date.
- (12) 1/48th of the total number of shares subject to the option shall vest monthly starting April 13, 2009, subject to Mr. Straubel's continued service to us on each such vesting date.
- (13) 1/48th of the total number of share subject to the option shall vest monthly starting May 7, 2008, subject to Mr. Straubel's continued service to us on each such vesting date.
- (14) 1/48th of the total number of shares subject to the option shall vest monthly starting January 10, 2011, subject to Mr. Blankenship's continued service to us on each such vesting date.
- (15) 1/48th of the total number of share subject to the option shall vest monthly starting October 1, 2010, subject to Mr. Blankenship's continued service to us on each such vesting date.
- (16) 1/48th of the total number of share subject to the option shall vest monthly starting July 5, 2010, subject to Mr. Blankenship's continued service to us on each such vesting date.
- (17) 1/4th of the total number of shares subject to the option became vested and exercisable on May 10, 2011 and the remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to Mr. Blankenship's continued service to us on each such vesting date.
- (18) 1/48th of the total number of shares subject to the option shall vest monthly starting June 13, 2011, subject to Mr. Passin's continued service to us on each such vesting date.
- (19) 1/48th of the total number of shares subject to the option shall vest monthly starting January 10, 2011, subject to Mr. Passin's continued service to us on each such vesting date.
- (20) 1/4th of the total number of shares subject to the option became vested and exercisable on January 25, 2011 and the remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to Mr. Passin's continued service to us on each such vesting date.

**2011 Option Exercises**

The following table presents information concerning each exercise of stock options during fiscal 2011 for each of the named executive officers.

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise\$(1)
Elon Musk		
Deepak Ahuja	26,300	678,853
Jeffrey B. Straubel		
George Blankenship		
Gilbert Passin	25,100	473,414

- (1) Reflects the difference between the market price of Tesla common stock at the time of exercise on the exercise date and the exercise price of the option.



**Table of Contents****Potential Payments Upon Termination or Change of Control****Termination or Change of Control Arrangements***Offer Letter with Deepak Ahuja*

We entered into an offer letter agreement with Deepak Ahuja, our Chief Financial Officer, on June 13, 2008. The offer letter agreement has no specific term and constitutes at-will employment. Pursuant to the offer letter, Mr. Ahuja was granted options to purchase 83,333 shares of our common stock at an exercise price per share of \$2.70, which was equal to the fair market value of our common stock on the date the options were granted as determined by our board of directors. The offer letter agreement provides for 12 months of additional vesting of these options in the event Mr. Ahuja is terminated without cause within one year following a change in control of us.

**Estimated Payments Upon Termination or Change in Control**

The following table provides information concerning the estimated payments and benefits that would be provided in the circumstances described above for each of the named executive officers. Payments and benefits are estimated assuming that the triggering event took place on the last business day of fiscal 2011 (December 31, 2011), and the price per share of Tesla's common stock is the closing price on the NASDAQ Global Select Market as of that date (\$28.56). There can be no assurance that a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date or at any other price, or if any other assumption used to estimate potential payments and benefits is not correct. Due to the number of factors that affect the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

Name	Type of Benefit	Termination Without Cause not in Connection with a Change of Control (\$)	Termination Without Cause After Change of Control (\$)
Elon Musk	Cash Severance Payments Equity Acceleration Health Care Benefits		
<i>Total Termination Benefits:</i>			
Deepak Ahuja	Cash Severance Payments Equity Acceleration Health Care Benefits		314,302(1)
<i>Total Termination Benefits:</i>			314,302
Jeffrey B. Straubel	Cash Severance Payments Equity Acceleration Health Care Benefits		
<i>Total Termination Benefits:</i>			
George Blankenship	Cash Severance Payments Equity Acceleration Health Care Benefits		
<i>Total Termination Benefits:</i>			
Gilbert Passin	Cash Severance Payments Equity Acceleration Health Care Benefits		—

*Total Termination Benefits:* \_\_\_\_\_

- (1) As of December 31, 2011, 12,154 shares of common stock subject to Mr. Ahuja's options would accelerate if he were terminated without Cause in connection with a Change of Control within a 12-month period after such Change of Control. The amount indicated in the table is calculated as the spread value of the options subject to accelerated vesting on December 31, 2011.

**Table of Contents****Compensation of Directors****Compensation for Fiscal 2011**

The following table provides information concerning the compensation paid by us to each of our non-employee directors for fiscal 2011 board service. Elon Musk, who is our Chief Executive Officer, does not receive additional compensation for his services as a director.

Name	Fees Earned or	Option Awards	All Other Compensation(4)	Total (\$)
	Paid in Cash (\$)(1)	(\$)(2)(3)		
<i>Current non-employee directors:</i>				
H.E. Ahmed Saif Al Darmaki	20,000	265,053		285,053
Brad W. Buss	45,000	265,053		310,053
Ira Ehrenpreis.	37,500	265,053		302,553
Antonio J. Gracias	37,500	265,053	7,581	310,134
Stephen T. Jurevson	27,500	265,053		292,553
Herbert Kohler (1)		265,053		265,053
Kimbal Musk	20,000	265,053	9,100	294,153

- (1) Herbert Kohler has waived any cash compensation for his services as a director. In addition, Mr. Kohler has transferred his option awards to his employer, Daimler North America Corporation.
- (2) Reflects the aggregate grant date fair value dollar amount computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 27, 2012. These amounts do not correspond to the actual value that may be recognized by the directors.
- (3) As of December 31, 2011, the aggregate number of shares underlying option awards outstanding for each of our non-employee directors was:

Name	Aggregate Number of Shares Underlying Options Outstanding
H.E. Ahmed Saif Al Darmaki	49,999
Brad W. Buss	49,999
Ira Ehrenpreis.	66,665
Antonio J. Gracias	33,332
Stephen T. Jurevson	49,999
Herbert Kohler	49,999
Kimbal Musk	33,332

- (4) Consists of reimbursements for out-of-pocket travel expenses incurred in connection with attendance at board or committee meetings.

**Standard Director Compensation Arrangements**

In January 2010, our Board of Directors adopted an outside director compensation policy that is applicable to all of Tesla's non-employee directors and became effective upon completion of our initial public offering. This policy provides that each such non-employee director will receive the following compensation for board services:

an annual cash retainer for general board service of \$20,000;

no cash awards for attendance of general board meetings;

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an annual cash retainer for serving as the chairman of the Audit Committee of \$15,000, for serving as the chairman of the Compensation Committee of \$10,000 and for serving as the chairman of the Nominating and Corporate Governance Committee of \$7,500;

an annual cash retainer for serving on the Audit Committee of \$7,500 per member, for serving on the Compensation Committee of \$5,000 per member, and for serving on the Nominating and Corporate Governance committee of \$5,000 per member;

upon first joining the board, an automatic initial grant of a stock option to purchase 33,333 shares of our common stock vesting 1/4th on the one year anniversary of the vesting commencement date and 1/48th per month thereafter for the next three years, subject to continued service through each vesting date; and

each year shortly following the annual meeting an automatic annual grant of a stock option to purchase 16,666 shares of our common stock vesting on the earlier of (i) the one year anniversary of the vesting commencement date or (ii) the day prior to the next annual meeting, subject to continued service through the vesting date.

If, following a change of control, a director is terminated, all options granted to the director pursuant to the compensation policy shall fully vest and become immediately exercisable.

Non-employee directors also have their travel, lodging and related expenses associated with attending Board or Committee meetings reimbursed by Tesla.

Finally, as discussed above, Compensia has recently been retained to analyze director compensation for 2012.

**Equity Compensation Plan Information**

The following table summarizes the number of outstanding options, warrants and rights granted to employees and directors, as well as the number of securities remaining available for future issuance, under Tesla's equity compensation plans as of December 31, 2011.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	(b) Weighted-average exercise price of outstanding options, warrants and rights (\$)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#)
Equity compensation plans approved by security holders (1)	15,806,663	\$ 13.35	9,919,107
Equity compensation plans not approved by security holders	33,333	1.80	
<b>Total</b>	<b>15,839,996</b>		<b>9,919,107</b>

(1) Includes the following plans: 2010 Equity Incentive Plan, 2003 Equity Incentive Plan and 2010 Employee Stock Purchase Plan. Our 2010 Equity Incentive Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal



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year, beginning with the 2011 fiscal year, equal to the least of (i) 5,333,333 shares of our common stock, (ii) four percent (4%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year, or (iii) such lesser amount as our board of directors may determine. Our board of directors determined that the number of shares available for issuance under our 2010 Equity Incentive Plan would be increased by one million shares for the 2012 fiscal year. Our 2010 Employee Stock Purchase Plan provides for annual increases in the

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number of shares available for issuance thereunder on the first day of each fiscal year, beginning with the 2011 fiscal year, equal to the least of (i) 1,000,000 shares of our common stock, (ii) one percent (1%) of the outstanding shares of our common stock on the first day of the fiscal year, or (iii) such lesser amount as our board of directors or a designated committee acting as administrator of the plan may determine. Our board of directors determined that there would be no increase in the number of shares available for issuance under our 2010 Employee Stock Purchase Plan for the 2012 fiscal year.

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

**Related Party Transactions**

*Daimler Agreements*

In connection with a Series E preferred stock financing in May 2009, Tesla entered into certain agreements with Daimler, Daimler North America Corporation (DNAC) and Blackstar Investco LLC. Herbert Kohler, a member of Tesla's board of directors, is a Vice President of Blackstar and Daimler.

Tesla entered into a side agreement with Blackstar pursuant to which Tesla was obligated to give Blackstar notice of any proposal it receives relating to an acquisition of Tesla for which Tesla determines to engage in discussions with a potential acquiror or otherwise pursue. The notice shall include the material terms and conditions of such proposal and the identity of the proposed acquiror. The agreement further provided that Blackstar may, within a specified time period, submit a competing acquisition proposal. Blackstar's rights under this agreement were not transferable except to Daimler or a controlled affiliate of Daimler. This agreement terminated on December 31, 2011.

Elon Musk, Tesla's Chief Executive Officer and Chairman, entered into a letter agreement with Blackstar pursuant to which Mr. Musk agreed not to transfer any shares of Tesla capital stock beneficially owned by him to any automobile original equipment manufacturer, other than Daimler, without Blackstar's consent. Mr. Musk had

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further agreed not to vote any shares of Tesla capital stock beneficially owned by him in favor of a deemed liquidation transaction to which any automobile original equipment manufacturer, other than Daimler, is a party without Blackstar's consent. This agreement terminated on December 31, 2011.

In addition, we have granted certain covenants to Daimler as part of our investors' rights agreement. These covenants provide that if Mr. Musk is not serving as Tesla's Chief Executive Officer at any time until the later of December 31, 2012 or the launch of the Model S, Mr. Musk shall promptly propose a successor Chief Executive Officer and Dr. Kohler, or his successor, must consent to any appointment of such person by the Board of Directors. Furthermore, if at any time during the period from January 1, 2011 through December 31, 2012, Mr. Musk is not serving as either Tesla's Chief Executive Officer or Chairman of the Board of Directors for reasons other than his death or disability, and Dr. Kohler, or his successor, has not consented to the appointment of a new Chief Executive Officer or if during such period Mr. Musk renders services to, or invests in, any other automotive OEM other than us, Daimler has the right to terminate any or all of its strategic collaboration agreements with Tesla.

We entered into two agreements with Daimler and DNAC in May 2009, including a contract under which we agreed to develop and supply battery systems to Daimler for use in a Smart EV Project. All development work related to the development agreement had been completed as of December 31, 2009. Through December 2011, we had sold over 2,100 battery packs and chargers for the Smart fortwo electric drive program. Subsequently, on May 11, 2009, in connection with the Series E convertible preferred stock financing transaction in which Blackstar purchased shares of Tesla's Series E convertible preferred stock, Tesla and DNAC entered into the EIP Agreement. Under the EIP Agreement, Tesla and DNAC agreed to begin the process of negotiating, in good faith, to enter into further agreements regarding areas of strategic cooperation, or the Strategic Agreements. In particular, the parties agreed to negotiate in good faith to enter into up to four additional agreements covering among other areas, strategic cooperation, the joint development of technology, and the supply of electric vehicle components to each other. To date, Tesla and Daimler have only entered into one of these agreements which is for the development and production of a battery pack and charger for a pilot fleet of Daimler's A-Class electric vehicles to be introduced in Europe in 2011. In October 2010, we completed the development of the A-Class battery pack and charger and began shipping production components for a demonstration fleet in February 2011. Through December 2011, we had sold over 500 battery packs and chargers for the A-Class EV program.

In addition to providing an exclusivity period for negotiation of the Strategic Agreements, the EIP Agreement specified certain terms that the parties would agree to include in those agreements. In particular Tesla agreed that certain of the Strategic Agreements would include exclusivity provisions which would limit Tesla from entering into competitive arrangements with other automotive companies; however, Tesla would not be subject to any restrictions with respect to the Tesla Roaster and Model S vehicles. Further, if a third party offers to enter into a competitive transaction with Tesla, Tesla is required to give DNAC notice of such offer. If DNAC declines to enter into such transaction on the same terms as offered by the third party, then Tesla would be free to enter into the competitive transaction with the third party, subject to certain limitations. The EIP Agreement also provides for the allocation of each party's right to patent, copyright and other intellectual property rights in the event Tesla does enter into any of the Strategic Agreements and places limitations on Daimler's and Tesla's rights to license this intellectual property to competitors. Tesla's obligations under the EIP Agreement terminate on June 29, 2013.

*Other Arrangements with Daimler*

In the first quarter of 2010, we completed the development and sale of modular battery packs for electric delivery vans for Freightliner Custom Chassis Corporation (Freightliner), an affiliate of Daimler. Freightliner plans to use these electric vans in a limited number of customer trials. Tesla recognized an aggregate amount of \$227,000 from these sales in the first quarter of 2010.

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In February 2012, we announced the receipt of an initial purchase order for the development of a full powertrain system for an additional Mercedes Benz vehicle from Daimler.

### *Investors Rights Agreement*

We have entered into an investors rights agreement with certain holders of our common stock, including the Elon Musk Revocable Trust dated July 22, 2003, Blackstar, Al Wahada, VantagePoint, Valor, Toyota and Panasonic. This agreement provides for certain rights relating to the registration of their shares of common stock. In addition, our investors rights agreement contains certain covenants relating to Elon Musk's employment as our Chief Executive Officer, as described above.

### *Indemnification Agreements*

We have 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.

### *Other Transactions*

In the ordinary course of business, we enter into offer letters and employment agreements with our executive officers.

In January 2011, we entered into a professional services agreement with SolarCity, a solar installation company, under which Tesla has subcontracted with SolarCity to provide a variety of design, engineering and consulting services to the California Public Utilities Commission. The total amount payable by SolarCity to us under this agreement is approximately \$534,000. Mr. Elon Musk is a significant stockholder of SolarCity Corporation and has been the Chairman of SolarCity since July 2006. Mr. Jurvetson, a member of our board of directors, is a managing director of Draper Fisher Jurvetson (DFJ) which is a significant stockholder of SolarCity. Mr. Gracias, a member of our board of directors, is a minor shareholder of SolarCity and a member of the board of directors of SolarCity. JB Straubel, our Chief Technical Officer, is a member of the board of directors of SolarCity.

We have an informal arrangement with Space Exploration Technologies Corporation (SpaceX) for the use of building space and information technology services in the facilities of SpaceX in Hawthorne, California. In August 2009, we began paying for the use of such facilities on a per square foot basis and for information technology services. We continued to utilize these facilities and services through the middle of 2011, when we moved Tesla personnel to our own facilities. During the year ended December 31, 2011, we reimbursed SpaceX for an aggregate of \$116,000. In addition, SpaceX has from time to time in the past paid for facilities and services expenses on our behalf, for which we subsequently reimbursed SpaceX. We also receive approximately \$3,200 per month from SpaceX for leasing them certain car parking spaces located in the south parking lot of our Los Angeles, CA Design Studio. Elon Musk, our Chief Executive Officer, Product Architect and Chairman, is also the Chief Executive Officer and a significant stockholder of SpaceX. Steve Jurvetson and Kimbal Musk, two members of our board of directors, are also members of the board of directors of SpaceX and Antonio Gracias, another member of our board of directors, holds a minority interest in SpaceX and is also a member of the board of directors of SpaceX.

In addition to use of commercial airlines, Elon Musk has made his private airplane available to expedite Tesla business travel. In his role as CEO of two companies with headquarters located in different cities and with international operations, Mr. Musk must travel extensively and often at times when there are no commercial flights scheduled. We believe it would be physically impossible for him to conduct his duties effectively if commercial airport wait time and flight schedules added several hundred hours to that total. Where possible, trips also include other Tesla personnel, both executives and non-executives, to maximize efficiency.

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For approximately the first five years of our existence, Mr. Musk fully paid for these expenses himself at a cumulative cost in excess of \$1 million and has not sought reimbursement. Following the Blackstar investment, in which Daimler required that he commit considerable additional time to Tesla for an extended period, our independent board members approved paying a portion of the operating expenses of the plane starting in mid 2009. The amount paid by Tesla is well under half the full cost per hour of the aircraft. Operating expenses which Tesla paid directly to third parties against invoices, amounted to \$235,000 for the year ended December 31, 2011. These included fuel costs and landing fees, but do not include costs related to the aircraft lease, depreciation, hangar, maintenance and flight crew salaries.

It is worth noting that Mr. Musk's total cash compensation is \$1 per year, whereas the salary and bonus for a chief executive officer of a comparable company would ordinarily be larger. While he does possess a significant investment and option incentive, the vast majority of that ownership can only be monetized following the long term success of Tesla and the DOE loan project completion, which is aligned with the interests of other stockholders and the government.

The DOE Loan Facility, although conditionally approved in June 2009, only began disbursing funds to us in February 2010 and exclusively covers costs relating to engineering and production of the Model S and powertrain factory. It does not cover overhead expenses, such as travel by the CEO. Such overhead expenses have been paid for out of privately invested capital to date, and Mr. Musk is himself the largest contributor of such capital.

The following directors have made refundable reservation payments for Model S: Elon Musk, Brad Buss, Ira Ehrenpreis, Antonio Gracias, Kimbal Musk and Steven Jurvetson. The directors have not received a discount on the reservation payment amount and will not receive a discount on the purchase price of the Model S, except for Elon Musk who received a small discount afforded to all Tesla employees on certain options when purchasing a Signature series Model S. Each director's reservation payment was in the amount of \$80,000, except for Elon Musk whose reservation payment was \$10,000 because Mr. Musk was only required to make a \$10,000 reservation payment pursuant to a lower reservation amount afforded to all Tesla employees.

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under Section 16 of the Exchange Act, Tesla's directors, executive officers and any persons holding more than 10% of the Tesla's common stock are required to report initial ownership of the Tesla common stock and any subsequent changes in ownership to the SEC. Specific due dates have been established by the SEC, and Tesla is required to disclose in this proxy statement any failure to file required ownership reports by these dates. Based solely upon the copies of Section 16(a) reports that Tesla received from such persons for their 2011 fiscal year transactions, and the written representations received from certain of such persons that no reports were required to be filed for them for the 2011 fiscal year, Tesla is aware of no late Section 16(a) filings.

**Table of Contents****OWNERSHIP OF SECURITIES**

The following table sets forth certain information regarding the beneficial ownership of Tesla's common stock, as of December 31, 2011, 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.

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

Beneficial Owner Name	Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<b>5% Stockholders</b>		
Elon Musk (1)	31,466,379	28.90%
FMR LLC (2)	15,644,795	15.00%
Blackstar Investco LLC (3)	8,113,215	7.80%
Al Wahada Capital Investment LLC	7,297,139	7.00%
BlackRock, Inc. (4)	5,897,207	5.65%
<b>Executive Officers &amp; Directors</b>		
Elon Musk (1)	31,466,379	28.90%
Deepak Ahuja (5)	157,394	*
Jeffrey B. Straubel (6)	424,334	*
Gilbert Passin (7)	30,845	*
George Blankenship (8)	93,930	*
Eric S. Whitaker (9)	56,666	*
H.E. Ahmed Saif Al Darmaki (10)	20,833	*
Brad W. Buss (11)	30,514	*
Ira Ehrenpreis (12)	1,646,735	1.57%
Antonio J. Gracias (13)	2,140,566	2.05%
Stephen T. Jurvetson (14)	285,774	*
Herbert Kohler (3)	8,136,131	7.78%
Kimbal Musk (15)	375,025	*
All current executive officers and directors as a group (13 persons) (16)	44,865,126	41.72%

\* Represents beneficial ownership of less than 1%.

- (1) Includes 27,131,565 shares held of record by the Elon Musk Revocable Trust dated July 22, 2003; and 4,334,814 shares issuable to Mr. Musk upon exercise of options exercisable within 60 days after December 31, 2011. Includes 4,500,000 shares pledged as collateral to secure certain personal indebtedness.
- (2) Based solely on Schedule 13G filed on February 13, 2012, Fidelity Management and Research Company, or Fidelity, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 15,644,095 shares. FMR LLC is owned by members of the family of Edward C. Johnson, III, Chairman of FMR LLC. Neither

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FMR LLC nor Edward C. Johnson, III has the sole power to vote or direct the voting of the shares owned directly by the Fidelity, which power resides with Fidelity's Boards of Trustees. Pyramis Global Advisors Trust Company, or PGATC, an indirect wholly-owned subsidiary of FRM LLC and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, owns 700 shares. The address for these entities and individuals is 82 Devonshire Street, Boston, MA 02109.



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- (3) Includes 22,916 shares issuable to Daimler North America Corporation upon exercise of options exercisable within 60 days after December 31, 2011. Dr. Kohler is vice president of Blackstar Investco LLC, or Blackstar, which is 60% owned by Daimler North America Corporation, or DNAC, and 40% owned by Aabar Blackstar Holdings GmbH, or Aabar. DNAC is a direct, wholly owned subsidiary of Daimler AG. Aabar is a direct, wholly owned subsidiary of Aabar Europe Holdings GmbH, or Aabar Europe, and Aabar Europe is a direct, wholly owned subsidiary of Aabar Investments PJS. Representatives of International Petroleum Investment Company constitute a majority of the board of directors of Aabar Investments. Dr. Kohler disclaims beneficial ownership of shares held by Blackstar, except to the extent of his pecuniary interest therein. The address for this entity is c/o Daimler North America Corporation, One Mercedes Drive, Montvale, NJ 07645.
- (4) Based solely on Schedule 13G filed on February 13, 2012, BlackRock, Inc., a parent holding company or control person, in accordance with Rule 13d-1(b)(1)(ii)(G) of the Securities Exchange Act of 1934, of BlackRock Japan Co. Ltd., BlackRock Advisors (UK) Limited, BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Asset Management Canada Limited, BlackRock Asset Management Australia Limited, BlackRock Advisors, LLC, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock (Luxembourg) S.A., BlackRock Fund Managers Limited, and BlackRock International Limited, owns 5,897,207 shares. The address for these entities is 40 East 52<sup>nd</sup> Street, New York, NY 10022.
- (5) Includes 156,495 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (6) Includes 284,200 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (7) Includes 30,645 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (8) Includes 93,730 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (9) Includes 56,666 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (10) Includes 20,833 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (11) Includes 18,750 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (12) Includes (i) 1,593,290 shares held of record by Technology Partners Fund VIII, L.P.; and (ii) 49,999 shares issuable to TP Management VIII, LLC upon exercise of options exercisable within 60 days after December 31, 2011. Ira Ehrenpreis, James Glasheen, Sheila Mutter and Roger J. Quyn are managing members of the general partner of the entity that directly holds such shares, and as such, they may be deemed to have voting and investment power with respect to such shares. These individuals disclaim beneficial ownership with respect to such shares except to the extent of their pecuniary interest therein. The address for these entities is 550 University Avenue, Palo Alto, CA 94301.
- (13) Includes (i) 1,822,985 shares held of record by Valor Equity Partners, L.P. ( VEP I ); (ii) 89,678 shares held of record by Valor Equity Management II ( VEP II ); (iii) 164,611 shares owned by AJG Growth Fund LLC; and (iv) 16,666 shares issuable to VEP I upon exercise of options exercisable within 60 days after December 31, 2011. VEP I and VEP II are advised directly and/or indirectly by Valor Management Corp., which may be deemed to be the beneficial owner of the shares held of record by VEP I and VEP II. Valor Management Corp. disclaims beneficial ownership of any shares held of record by VEP I and VEP II pursuant to the rules under the Securities Exchange Act of 1934, as amended. Mr. Gracias is a shareholder and director of Valor Management Corp., and may be deemed to be the beneficial owner of shares held of record by VEP I and VEP II. He is also fund manager for AJG Growth Fund LLC. Mr. Gracias disclaims beneficial ownership of shares held of record by VEP I, VEP II, and AJG Growth Fund LLC, except, in each case, to the extent of his pecuniary interest therein. The address for all the entities above is 200 South Michigan Avenue, Suite 1020, Chicago, IL 60604.

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- (14) Includes 41,959 shares held by the Jurvetson Trust and 22,222 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011. Also includes (i) 216,776 shares held of record by Draper Fisher Jurvetson Fund VIII, L.P. ( Fund VIII ); and (ii) 4,817 shares held of record by Draper Fisher Jurvetson Partners VIII, LLC ( Partners VIII ). Timothy C. Draper, John H.N. Fisher and Steven T. Jurvetson are managing directors of the general partner entities of Fund VIII and also managing members of Partners VIII, that directly hold shares and as such, they may be deemed to have voting and investment power with respect to such shares. These individuals disclaim beneficial ownership with respect to such shares except to the extent of their pecuniary interest therein. The investing and voting power of the shares held by Draper Associates, L.P. is controlled by its general partner, Draper Associates, Inc. which is controlled by its president and majority shareholder, Timothy C. Draper. John H.N. Fisher, Mark W. Bailey and Barry Schuler are managing directors of the general partner entities of Growth Fund that directly hold shares and as such, they may be deemed to have voting and investment power with respect to such shares. Timothy C. Draper, John H.N. Fisher, Steven T. Jurvetson, Mark W. Bailey and Barry Schuler are managing members of Growth Partners Fund that directly holds shares and as such, they may be deemed to have voting and investment power with respect to such shares. These individuals disclaim beneficial ownership with respect to such shares except to the extent of their pecuniary interest therein. The address for all the entities above is 2882 Sand Hill Road, Suite 150, Menlo Park, CA 94025.
- (15) Includes 371,033 shares held of record by Jasper Holdings LLC, which is owned by Mr. Musk and his spouse. Also includes 16,666 shares issuable upon exercise of options exercisable within 60 days after December 31, 2011.
- (16) Includes (i) 5,124,602 shares issuable upon exercise of options held by our current executive officers and directors exercisable within 60 days after December 31, 2011.

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**AUDIT COMMITTEE REPORT**

The Audit Committee assists the Board of Directors in fulfilling its responsibilities for oversight of the integrity of Tesla's consolidated financial statements, our internal accounting and financial controls, our compliance with legal and regulatory requirements, the organization and performance of our internal audit function and the qualifications, independence and performance of our independent registered public accounting firm.

The management of Tesla is responsible for establishing and maintaining internal controls and for preparing Tesla's consolidated financial statements. The independent registered public accounting firm is responsible for auditing the financial statements. It is the responsibility of the Audit Committee to oversee these activities.

The Audit Committee has:

Reviewed and discussed the audited financial statements with Tesla management and with PricewaterhouseCoopers LLP, Tesla's independent registered public accounting firm;

Discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended, and as adopted by the Public Company Accounting Oversight Board; and

Received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence and has discussed with PricewaterhouseCoopers LLP their independence.

Based upon these discussions and review, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Tesla's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for filing with the United States Securities and Exchange Commission.

*Respectfully submitted by the members of the Audit Committee of the Board of Directors*

Brad W. Buss (Chairman)

Antonio J. Gracias

Stephen T. Jurvetson

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**OTHER MATTERS**

Tesla knows of no other matters to be submitted at the 2012 Annual Meeting. If any other matters properly come before the 2012 Annual Meeting, it is the intention of the persons named in the proxy card to vote the shares they represent as the Board of Directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the proxy, whether through telephonic or Internet voting or, alternatively, by using a paper copy of the proxy card that has been requested.

It is important that your shares be represented at the 2012 Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone or by using the Internet as instructed on the proxy card or, if so requested, by executing and returning, at your earliest convenience, the requested proxy card in the envelope that will have been provided.

**THE BOARD OF DIRECTORS**

Palo Alto, California

April 13, 2012

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