

TESLA MOTORS INC
Form S-1/A
June 15, 2010
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As filed with the Securities and Exchange Commission on June 15, 2010

Registration No. 333-164593

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 5
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Tesla Motors, Inc.

(Exact name of Registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	3711 (Primary Standard Industrial Classification Code Number) 3500 Deer Creek Road Palo Alto, California 94304 (650) 681-5000	91-2197729 (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Elon Musk

Chief Executive Officer

Tesla Motors, Inc.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 15, 2010

11,100,000 Shares

Common Stock

This is an initial public offering of shares of common stock of Tesla Motors, Inc.

Tesla Motors is offering 10,000,000 of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional 1,100,000 shares. Tesla Motors will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$14.00 and \$16.00.

Application has been made for listing on The Nasdaq Global Market under the symbol TSLA .

See the section entitled Risk Factors on page 15 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Tesla Motors	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

To the extent that the underwriters sell more than 11,100,000 shares of common stock, the underwriters have the option to purchase up to an additional 565,000 shares from Tesla Motors and 1,100,000 shares from the selling stockholders at the initial public offering price less the

underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2010.

Goldman, Sachs & Co.

Morgan Stanley

J.P. Morgan

Deutsche Bank Securities

Prospectus dated _____, 2010

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You should rely only on the information contained in this prospectus and in any free writing prospectus. We, the underwriters and the selling stockholders have not authorized anyone to provide you with information different from that contained in this prospectus. We, the underwriters and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock.

Neither we, the selling stockholders, nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the following summary together with the more detailed information appearing in this prospectus, including Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors, Business and our consolidated financial statements and related notes before deciding whether to purchase shares of our capital stock. Unless the context otherwise requires, the terms Tesla Motors, Tesla, the Company, we, us and our in this prospectus refer to Tesla Motors, Inc., and its subsidiaries and the term Tesla store means Tesla retail locations as well as Tesla galleries where we show potential customers our vehicles but do not consummate sales.

Overview

We design, develop, manufacture and sell high-performance fully electric vehicles and advanced electric vehicle powertrain components. We have intentionally departed from the traditional automotive industry model by both exclusively focusing on electric powertrain technology and owning our vehicle sales and service network. We are the first and currently only company to commercially produce a federally-compliant highway-capable electric vehicle, the Tesla Roadster, which combines a market-leading range on a single charge with attractive design, driving performance and zero tailpipe emissions. Introducing the Tesla Roadster required us to develop a proprietary electric powertrain that incorporates four key components – an advanced battery pack, power electronics module, high-efficiency motor and extensive control software. We believe our core intellectual property contained within our electric powertrain will form the foundation for our planned future electric vehicles. Since our team combines the innovation and speed to market characteristics of Silicon Valley firms with the experience of leading automotive companies, we believe that we will be able to rapidly and cost effectively introduce additional vehicles, such as our planned Tesla Model S sedan, and stay at the forefront of the electric automobile industry.

We operate in a fundamentally different manner and structure than traditional automobile manufacturers to pursue what we believe is a historic opportunity – to create an integrated company which successfully commercializes electric vehicles without compromising on range, performance or styling. In addition to designing and manufacturing our vehicles, we sell and service them through our own sales and service network. This is different from the incumbent automobile companies in the United States who typically franchise their sales and service. We believe our approach will enable us to operate more cost effectively, provide a better experience for our customers and incorporate customer feedback more quickly into our product development and manufacturing processes. We are continuing to expand our distribution network globally and as of June 14, 2010, operated 12 Tesla stores in North America and Europe.

The Tesla Roadster, our first vehicle, showcases our technology and illustrates our leadership in electric vehicle innovation. Introduced in 2008, the Tesla Roadster can accelerate from zero to 60 miles per hour in 3.9 seconds and produces zero tailpipe emissions. The Tesla Roadster has a battery pack capable of storing approximately 53 kilowatt-hours of usable energy, almost double the energy of any other commercially available electric vehicle battery pack. The Tesla Roadster has a range of 236 miles on a single charge, as determined using the United States Environmental Protection Agency's, or EPA's, combined two-cycle city/highway test. Further improvements in the energy efficiency of the Tesla Roadsters that we will begin producing in the next several months will increase the range of these vehicles to 245 miles on a single charge, as determined using the EPA's combined two-cycle city/highway test. Recently, the EPA announced its intention to develop and establish new energy efficiency testing methodologies for electric vehicles, which we believe could result in a significant decrease to the advertised ranges of all electric vehicles, including ours. The Tesla Roadster reportedly set a new world distance record of 313 miles on a single charge for a production electric car in a rally across Australia as part of the 2009 Global Green Challenge. To date, our customers have driven their Tesla Roadsters an estimated aggregate of over 4.0 million miles.

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As of March 31, 2010 we had sold 1,063 Tesla Roadsters to customers in 22 countries. In July 2009, less than one year after the date of the commercial introduction of the Tesla Roadster, we introduced a new Roadster model, the Tesla Roadster 2, with improved electric powertrain performance and interior styling and lower production costs. At the same time we introduced the Roadster Sport, which accelerates from zero to 60 miles per hour in 3.7 seconds. We delivered our first right-hand drive model of the Tesla Roadster in January 2010, which we believe further demonstrates our ability to rapidly launch new products. Using a 240 volt, 40 amp outlet that is widely available in many homes in the United States for electric appliances, charging the Tesla Roadster battery pack to full capacity will take approximately 7 hours, which can be reduced to 4.5 hours with a professionally installed 70 amp circuit.

We intend to continue to develop our electric powertrain technology and introduce additional electric vehicles, such as our planned Model S sedan. We are designing the Model S to be a four door, five passenger premium sedan that offers exceptional performance, functionality and attractive styling with zero tailpipe emissions at a compelling cost of ownership. We are designing the Model S to include a third row with two rear-facing child seats, subject to applicable safety regulations and requirements, allowing us to offer a seven passenger sedan. The drivable early prototype of the Model S was revealed to the public in March 2009 and despite a limited marketing effort, as of March 31, 2010, we had received approximately 2,200 customer reservations with a minimum refundable payment of \$5,000.

The Model S, which is planned to compete in the premium vehicle market, is intended to have a significantly broader customer base than the Tesla Roadster. We currently intend to begin volume production of the Model S in 2012 with a target annual production of up to approximately 20,000 cars per year. We currently anticipate introducing the base Model S at an effective price of \$49,900 in the United States, assuming and after giving effect to the continuation of a currently available United States federal tax credit of \$7,500 for the purchase of alternative fuel vehicles. Even without this tax credit, we believe the Model S will be competitive from a pricing perspective with other premium vehicles.

In order to meet customer range expectations, we are designing the planned Model S to offer a variety of range options from 160 miles to 300 miles on a single charge, as projected using the EPA's combined two-cycle city/highway test. The EPA has announced its intention to develop and establish new energy efficiency testing methodologies for electric vehicles, which we believe could result in a significant decrease to the advertised ranges of all electric vehicles, including ours. The Model S is being designed to be charged at home, but we are also planning to offer the capability to fast charge the vehicle in as little as 45 minutes at commercial charging stations that we anticipate may be available in the future. The Model S battery pack is also being designed with the capability of being rapidly swapped out at specialized commercial battery pack exchange facilities that we anticipate may be available in the future.

We are designing the Model S to have an adaptable platform architecture and common electric powertrain in order to allow us to efficiently create other electric vehicles, which may include, as examples, a crossover/sport utility vehicle, van or a cabriolet. By developing our future vehicles from this common platform, we believe we can reduce their development time and, as a result, reduce the required additional capital investment. Our long-term goal is to offer consumers a full range of electric vehicles, including a product line at a lower price point than the planned Model S. In May 2010, we publicly announced our intent to develop a third generation electric vehicle to be produced at our planned manufacturing facility in Fremont, California. We intend to offer this vehicle at a lower price point and expect to produce it at higher volumes than our planned Model S. We expect that this vehicle will be produced a few years after the introduction of the Model S.

We have developed a purpose-built electric powertrain to deliver the performance objectives of the Tesla Roadster and our planned future vehicles. The battery pack has been designed to use high volume lithium-ion battery cells and allows for flexibility with respect to specific lithium-ion chemistry and battery cell

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manufacturers. This enables us to leverage the significant investments being made globally by the battery industry to improve battery cell performance and lower cost. Harnessing the energy of a large number of lithium-ion battery cells into an electric vehicle required us to develop sophisticated battery cooling, power, safety and management systems. Delivering the instant power and torque of electric technology also required us to develop a proprietary alternating current 3-phase induction motor and its associated power electronics. In addition, we developed extensive software systems to manage the overall efficiency, safety and controls of the Tesla Roadster and our planned future vehicles. These technology innovations have resulted in an extensive intellectual property portfolio. By utilizing a combination of standard components and innovative technology, we believe we have engineered what is currently the lowest cost battery pack when measured as a function of cost per kilowatt-hour.

Our electric powertrain is modular and compact, with fewer moving parts than an internal combustion engine. We believe this will enable us to easily adapt our technology to a variety of vehicle applications. We have developed a relationship with Daimler AG, or Daimler, since March 2008 to apply our technology in a battery pack and charger for Daimler's Smart fortwo electric drive. Blackstar Investco LLC, an affiliate of Daimler, holds more than 5% of our outstanding capital stock. We have been selected by Daimler to supply it with up to 1,000 battery packs and chargers to support a trial of the Smart fortwo electric drive in at least five European cities. Daimler has notified us that it intends to increase its purchase commitment by 50% to 1,500 battery packs and chargers. We began shipping the first of these battery packs and chargers in November 2009 and started to recognize revenue for these sales in the quarter ended December 31, 2009. In the first quarter of 2010, Daimler engaged us to assist with the development and production of a battery pack and charger for a pilot fleet of its A-Class electric vehicles to be introduced in Europe during 2011 and we entered into a formal agreement for this arrangement in May 2010. In May 2010, Tesla and Toyota Motor Corporation, or Toyota, announced their intention to cooperate on the development of electric vehicles, and for Tesla to receive Toyota's support with sourcing parts and production and engineering expertise for the Model S. We intend to expand our electric powertrain production facility in Palo Alto, California to develop and market powertrain components to Daimler, Toyota and other automobile manufacturers.

In January 2010, we entered into a \$465.0 million long-term loan under the United States Department of Energy's Advanced Technology Vehicles Manufacturing Incentive Program which will be used to finance the development of our planned integrated manufacturing facility for the Model S as well as our electric powertrain production facility. Through June 14, 2010, we had received draw-downs under our loan facility with the DOE for an aggregate of \$45.4 million. We also have been granted up to approximately \$31 million in tax incentives by the California Alternative Energy and Advanced Transportation Financing Authority. We believe these loans and incentives will help accelerate the time to volume production for both the planned Model S and our electric powertrain business. In addition, we believe these loans and incentives provide us significant long-term financing that should enable us to focus more of our resources on the execution of our business plans.

We were incorporated in 2003 and began selling the Tesla Roadster in 2008. As of May 31, 2010, we had 646 employees worldwide.

Since inception through March 31, 2010, we had generated \$147.6 million in revenue. As of March 31, 2010, we had an accumulated deficit of \$290.2 million and had experienced net losses of \$78.2 million for the year ended December 31, 2007, \$82.8 million for the year ended December 31, 2008, \$55.7 million for the year ended December 31, 2009, and \$29.5 million for the three months ended March 31, 2010.

Recent Developments

In May 2010, we entered into a stock purchase agreement with Toyota pursuant to which Toyota will purchase \$50.0 million of our common stock at a price per share equal to the initial public offering price in a private placement to close immediately subsequent to the closing of this offering. In addition, Tesla and Toyota

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announced their intention to cooperate on the development of electric vehicles, and for Tesla to receive Toyota's support with sourcing parts and production and engineering expertise for the Model S. Active discussions are now underway, but we have not entered into any agreements with Toyota for any such arrangements, including any purchase orders. We also entered into an agreement to purchase an existing automobile production facility in Fremont, California from New United Motor Manufacturing, Inc., or NUMMI, which is a joint venture between Toyota and Motors Liquidation Company, the owner of selected assets of General Motors. The purchase totals 207 acres, or approximately 55% of the land at the site, and includes all of the manufacturing facilities located thereon. The purchase price for the land and the facility, excluding whatever manufacturing equipment we may subsequently acquire from NUMMI, is approximately \$42 million. We anticipate that this purchase will close within a few months following the completion of this offering. We intend to use this facility for the production of our planned Model S and future vehicles. We are in an early stage of planning for this facility.

In June 2010, we identified an error related to the understatement in stock-based compensation expense subsequent to the issuance of the consolidated financial statements for the year ended December 31, 2009. This error had the effect of understating selling, general and administrative expenses and net loss for the year ended December 31, 2009 by \$2.7 million. The error did not have an effect on the valuation of the stock options. As stock-based compensation expense is a non-cash item, there was no impact on net cash used in operating activities for the year ended December 31, 2009. We determined that the impact of this error was not material and will correct the error by recording additional stock-based compensation expense of \$2.4 million in the three month period ending June 30, 2010. See Note 16 to our consolidated financial statements included elsewhere in this prospectus.

Industry Overview

We believe incumbent automobile manufacturers are at a crossroads and face significant industry-wide challenges. The reliance on the gasoline-powered internal combustion engine as the principal automobile powertrain technology has raised environmental concerns, created dependence among industrialized and developing nations on oil largely imported from foreign nations and exposed consumers to volatile fuel prices. In addition, we believe the legacy investments made by incumbent automobile manufacturers in manufacturing and technology related to the internal combustion engine have to date inhibited rapid innovation in alternative fuel powertrain technologies.

We believe that shifting consumer preferences together with increasing government regulation and incentives will result in significant growth in the market for electric vehicles. We believe many consumers are increasingly willing to consider buying electric-based vehicles due to the environmental, economic and national security consequences of using gasoline-powered vehicles, as demonstrated by the increased sales of hybrid electric vehicles in recent years. We also believe government regulations and incentives are accelerating the growth of the electric vehicle market. Many governments in countries throughout the world are regulating vehicle emissions and fuel economy standards and offering incentives to consumers to purchase more energy efficient vehicles. According to Frost & Sullivan, a business research and consulting firm, the market for electric-based vehicles, which includes electric vehicles, hybrid electric vehicles and plug-in hybrid electric vehicles, is expected to grow to approximately 10.6 million units worldwide, or approximately 14% of new vehicles sold by 2015 from approximately 1.75 million units or 3% of new vehicles sold in 2008.

We believe incumbent automobile manufacturers have faced significant challenges that to date have inhibited their ability to capitalize fully on the electric vehicle opportunity, including:

Dependence on the Internal Combustion Engine. While GM and Toyota have each invested over \$1 billion in hybrid and plug-in electric vehicle programs, we believe many incumbent automobile

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manufacturers continue to emphasize investment in internal combustion engine technologies over investment in fully electric technologies because of their need to support their existing revenue base and core competencies.

Limited Electric Powertrain Expertise. To date, many incumbent automobile manufacturers have pursued multiple alternative fuel programs and, in doing so, have outsourced key components of alternative fuel powertrain development. By exploring a diverse range of alternative fuel programs while simultaneously continuing to invest in the internal combustion engine, we believe incumbent automobile manufacturers have inhibited their ability to focus on a specific alternative fuel powertrain technology such as electric powertrains.

Profitability Pressures and Reduced Operating Flexibility. Many incumbent automobile manufacturers have recently faced deteriorating margins and liquidity, which we believe has significantly reduced their operating flexibility and to date has constrained their liquid capital resources.

Expensive New Product Development Process. While certain incumbent automobile manufacturers have already introduced or anticipate introducing plug-in hybrid or fully electric vehicles, new product launches by incumbent automobile manufacturers from development to production have historically required significant capital investments.

Despite the automobile industry's challenges, incumbent automobile manufacturers have attempted over time to respond to shifting consumer desires and government mandates by incorporating elements of electric propulsion into their vehicles by introducing hybrid powertrains. Although hybrid electric vehicles address some of the concerns associated with the historical reliance on the internal combustion engine, we believe they are a transitional technology between internal combustion engine vehicles and fully electric vehicles. The increased complexity and weight of the dual powertrain system inherent in hybrid and plug-in hybrid electric vehicles forces engineering compromises which result in a less energy efficient vehicle and generally limits performance. Consequently, these hybrid vehicles do not realize the full benefits of electric propulsion, and still consume gasoline and produce emissions. While incumbent automobile manufacturers may recognize the benefits of electric propulsion, we believe that due to technology limitations and their relatively limited expertise in battery, software and electric powertrain technologies, incumbent automobile manufacturers have to date been unable to design and offer a commercially successful electric vehicle that offers compelling range, vehicle design and performance at an affordable cost.

Our Solution

We design, develop, manufacture and sell high-performance fully electric vehicles and advanced electric vehicle powertrain components through our highly differentiated business model. We intend to leverage our proprietary electric powertrain system developed for the Tesla Roadster to form the basis for our planned Model S sedan. We believe our combination of engineering and management expertise from Silicon Valley and the automotive industry, together with our operational structure, will help us to rapidly innovate and to cost efficiently introduce new vehicles and technologies. By owning our sales and service network, we believe we can offer a compelling customer experience while achieving operating efficiencies and capturing sales and service revenues that incumbent automobile manufacturers do not receive in the traditional franchised dealer model. We also plan to leverage our electric powertrain technology to develop and sell powertrain components to other manufacturers, such as the battery packs and chargers we have recently begun to sell to Daimler.

We believe our proprietary electric powertrain system will enable us to design and develop zero emission vehicles that overcome the design, styling and performance issues that have historically limited broad consumer adoption of electric vehicles. As a result, we believe customers of our vehicles will enjoy many benefits, including:

Long Range and Recharging Flexibility. The Tesla Roadster has been designed to provide range capabilities significantly in excess of any current and prior generation electric vehicles. We are

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designing our planned Model S to offer a variety of intermediate range options as well as a range option extending beyond that of the Tesla Roadster. In addition, the Tesla Roadster incorporates our proprietary on-board charging system, permitting recharging from almost any available electrical outlet, and we are designing the Model S to offer fast charging capability from higher power electrical outlets.

Energy Efficiency and Cost of Ownership. We believe our Tesla Roadster offers and our planned Model S will offer consumers an attractive cost of ownership when compared to similar internal combustion engine or hybrid electric vehicles. By using a single powertrain and customizing the systems within the electric powertrain and the rest of the vehicle, our vehicles are more energy efficient, and therefore less expensive to operate, than currently available hybrid or internal combustion engine vehicles.

High-Performance Without Compromised Design or Functionality. With the Tesla Roadster, we believe we have been able to successfully overcome the design and performance tradeoff issues that encumbered earlier electric vehicle designs. We believe the Tesla Roadster offers our customers an unparalleled driving experience with instantaneous and sustained acceleration through an extended range of speed. We intend to apply such advancements to our future vehicles.

Our Competitive Strengths

We believe the following strengths position us well to capitalize on the expected growth in the electric vehicle market:

Singular Focus and Leadership in Electric Powertrain Technology. We are focused exclusively on developing our electric vehicles and electric powertrain technology to achieve a compelling combination of range and performance in our vehicles. We intend to use our electric powertrain expertise to innovate rapidly and sustain technological and time to market advantages over incumbent automobile manufacturers. In March 2010, we were named one of the top 50 most innovative companies in the world by *Technology Review*, a publication owned by the Massachusetts Institute of Technology.

Combination of Expertise from Silicon Valley and the Traditional Automotive Industry. Our roots in Silicon Valley have enabled us to recruit engineers with strong skills in electrical engineering, software and controls, which we have complemented with significant automotive expertise in vehicle engineering and manufacturing from other members of our team.

Proprietary Systems Integration of Vehicle and Electric Powertrain. We believe that our ability to combine our electric powertrain expertise with our vehicle engineering expertise provides a broad capability in electric vehicle design and systems integration.

Rapid Customer Focused Product Development. We have designed our product development process to rapidly react to data collected from our vehicles and the direct interaction with our customers at our company-owned Tesla stores, which we believe will enable us to rapidly introduce new vehicles and features.

Ownership of Sales and Service Network. We intend for our distribution and service network to offer a compelling customer experience while achieving operating efficiencies and capturing sales and service revenues incumbent automobile manufacturers do not generally receive in the traditional franchised distribution and service network model.

Brand Leadership. We believe the Tesla brand is well recognized in our target market and is associated with high performance, long range electric vehicles, despite limited marketing spending to date. In November 2009, *Advertising Age* selected Tesla as one of America's hottest brands in a special report highlighting the year's 50 top brands.

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Substantial Funding in Place to Accelerate Growth. We believe our \$465.0 million loan facility agreement under the United States Department of Energy's Advanced Technology Vehicles Manufacturing Incentive Program provides significant long-term financing that will enable us to focus on executing our business plans.

Capital Efficiency. We believe our rapid product development process, our modular and adaptable powertrain, our plan to design and manufacture multiple product types on a singular platform and our ability to hold lower inventory levels while still meeting customer demand will help reduce the capital required to reach operating efficiencies. This approach is designed with the aim of allowing us to achieve profitability at relatively low volumes and create a viable long-term business. For example, the cumulative capital expenditures and research and development costs for the Tesla Roadster from our inception to the date we delivered our first Tesla Roadster equaled approximately \$125 million.

Our Strategy

We intend to be a leading global manufacturer and direct seller of electric vehicles and electric vehicle technologies. Key elements of our strategy include:

Successfully Launch the Model S. We believe the successful launch of the planned Model S is critical to our ability to capitalize on the electric vehicle market opportunity. We are currently executing a plan to finish the design, engineering and component sourcing for the Model S and to build out our planned manufacturing facility in Fremont, California and obtain the equipment to support its production with the goal of commercial introduction of the Model S in 2012.

Use a Common Platform to Introduce New Models. We intend to design the Model S with an adaptable platform architecture and common electric powertrain, to provide us the flexibility to use the Model S platform to cost efficiently launch new electric vehicle models subsequent to the start of production of the Model S.

Develop Integrated Engineering and Manufacturing Capabilities. We intend to develop our planned substantially integrated electric vehicle manufacturing facility in Fremont, California, allowing our vehicle engineering and manufacturing teams to work alongside one another to streamline the feedback loop for rapid product enhancements and quality improvements.

Continue to Focus on Technological Advancement and Cost Improvement. We intend to continue to further develop our proprietary electric powertrain system, specifically its range capabilities, while continuing to reduce its manufacturing cost.

Expand our Company-Owned Sales and Service Network. As of June 14, 2010, we had opened 12 Tesla stores in the United States and Europe, and we plan to open additional stores during 2010, with a goal of establishing approximately 50 Tesla stores globally within the next several years in connection with the planned Model S rollout.

Leverage Industry Advancements in Battery Cells. We intend to leverage the substantial investments being made globally by battery cell manufacturers, as we have designed our powertrain technology to permit flexibility with respect to battery cell chemistry, form factor and vendor.

Build and Leverage Strategic Relationships. We intend to establish and develop strategic relationships with industry leaders to launch our planned electric vehicles and sell our electric vehicle powertrain components.

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Risks Affecting Us

Our business is subject to a number of risks and uncertainties that you should understand before making an investment decision. These risks are discussed more fully in the section entitled "Risk Factors" following this prospectus summary. These include:

our limited operating history makes evaluating our business and future prospects difficult, and may increase the risk of your investment;

we have a history of losses and we expect significant increases in our costs and expenses to result in continuing losses for at least the foreseeable future;

our future growth is dependent upon consumers' willingness to adopt electric vehicles;

we are dependent upon our ability to fully draw down on our loan facility from the United States Department of Energy, which may restrict our ability to conduct our business;

our distribution model is different from the predominant current distribution model for automobile manufacturers, which makes evaluating our business, operating results and future prospects difficult;

we are significantly dependent upon revenue generated from the sale of our electric vehicles, specifically the Tesla Roadster, in the near term, and our future success will be dependent upon our ability to design and achieve market acceptance of new vehicle models, and, in particular, the Model S;

we anticipate that we will experience an increase in losses and may experience a decrease in automotive sales revenues prior to the launch of the Model S;

our production model for the non-powertrain portion of the Model S is unproven, still evolving and is very different from the non-powertrain portion of the production model for the Tesla Roadster; and

we may experience significant delays in the design, manufacture, launch and financing of the Model S, including in the build out of our planned Model S manufacturing facility.

Corporate Information

We are headquartered in Palo Alto, California. Our principal executive offices are located at 3500 Deer Creek Road, Palo Alto, California 94304, and our telephone number at this location is (650) 681-5000. Our website address is www.teslamotors.com. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information on our website to be part of this prospectus. We were incorporated in 2003.

The Tesla Motors design logo, Tesla Motors, Tesla Roadster, Model S and other trademarks or service marks of Tesla Motors appearing in this prospectus are the property of Tesla Motors. When used herein, the term "Tesla store" means Tesla retail locations as well as Tesla galleries where we show potential customers our vehicles but do not consummate sales. This prospectus contains additional trade names, trademarks and service marks of other companies. We do not intend our use or display of other companies' tradenames, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

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THE OFFERING

Common stock we are offering	10,000,000 shares (or 10,565,000 shares if the underwriters exercise their option to purchase shares from us in full)
Common stock offered by the selling stockholders	1,100,000 shares (or 2,200,000 shares if the underwriters exercise their option to purchase shares from the selling stockholders in full)
Common stock sold by us in the concurrent private placement	Immediately subsequent to the closing of this offering, Toyota Motor Corporation, or Toyota, will purchase from us in a private placement, the number of shares of our common stock equal to \$50.0 million, at a price per share equal to the initial public offering price. Based on an assumed initial public offering price of \$15.00 per share, which is the midpoint of the range set forth on the cover of this prospectus, this would be 3,333,333 shares. We will receive the full proceeds and will not pay any underwriting discounts or commissions with respect to the shares that are sold in the private placement. The sale of these shares to Toyota will not be registered in this offering and will be subject to a lock-up of 180 days. We refer to the private placement of these shares of common stock as the concurrent private placement.
Common stock to be outstanding after this offering and the concurrent private placement	91,598,096 shares (or 92,163,096 shares if the underwriters exercise their option to purchase shares from us and the selling stockholders in full)
Use of proceeds	We may use a portion of the net proceeds from this offering and the concurrent private placement to fund planned capital expenditures, working capital and other general corporate purposes. Under our loan facility with the United States Department of Energy, which we refer to herein as our DOE Loan Facility, we have agreed to spend up to \$33 million plus any cost overruns we may encounter in developing our Model S and our planned Model S manufacturing facility as well as any cost overruns we encounter in developing our powertrain facility. In addition to this obligation, we have agreed to set aside 50% of the net proceeds from this offering and the concurrent private placement to fund a separate, dedicated account under our DOE Loan Facility to fund project costs for our anticipated powertrain and Model S manufacturing facilities that would otherwise have been funded through advances made under the DOE Loan Facility. This will not affect our ability to draw down the full amount of the DOE loans, but will require us to use the dedicated account to fund certain project costs up front, which costs may then be reimbursed by loans under the DOE Loan Facility once the dedicated account is depleted, or as part of the final advance for the applicable project. We currently anticipate making aggregate capital expenditures of between \$100 million and \$125 million during the year ended December 31, 2010. These capital expenditures will include approximately \$42 million to purchase our

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planned manufacturing facility for the Model S in Fremont, California, exclusive of any manufacturing equipment we may subsequently acquire. Our aggregate capital expenditures will also include funding the expansion of our Tesla stores. See Use of Proceeds.

Directed share program

The underwriters have reserved for sale, at the initial public offering price, up to 888,000 shares of our common stock being offered for sale to business associates, directors, employees and friends and family members of our employees and Tesla customers who have received delivery of a Tesla Roadster from Tesla. We will offer these shares to the extent permitted under applicable regulations in the United States and in the various countries where we have delivered Tesla Roadsters. The number of shares available for sale to the general public in this offering will be reduced to the extent these persons purchase reserved shares. Any reserved shares not purchased will be offered by the underwriters to the general public on the same terms as the other shares.

Proposed Nasdaq Global Market symbol

TSLA

The number of shares of common stock that will be outstanding after this offering and the concurrent private placement is based on 78,264,763 shares outstanding as of March 31, 2010, assuming the automatic conversion of all outstanding shares of our convertible preferred stock into common stock immediately prior to the closing of this offering and the issuance of 422,193 shares of common stock upon the assumed net exercise of warrants that otherwise expire upon the completion of this offering at an assumed initial public offering price of \$15.00 per share, and excludes:

11,564,743 shares of common stock issuable upon the exercise of options outstanding at March 31, 2010 a weighted average exercise price of \$5.71 per share;

1,392,030 shares of common stock issuable upon the exercise of options granted after March 31, 2010 at a weighted average exercise price of \$14.00 per share;

3,085,011 shares of common stock issuable upon the exercise of a warrant granted to the DOE in connection with the closing of our DOE Loan Facility on January 20, 2010, at an exercise price of \$7.54 per share and 5,100 shares of common stock issuable upon the exercise of a warrant granted to the DOE on May 21, 2010, at an exercise price of \$8.94 per share (if we prepay our DOE Loan Facility in full or in part, the total amount of shares exercisable under these warrants will be proportionately reduced); and

13,759,096 shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of 10,666,666 shares of common stock reserved for issuance under our 2010 Equity Incentive Plan, 1,425,764 shares of common stock reserved for future grant or issuance under our 2003 Equity Incentive Plan as of March 31, 2010, which shares will be added to the shares to be reserved under our 2010 Equity Incentive Plan upon the effectiveness of the 2010 Equity Incentive Plan, and 1,666,666 shares of common stock reserved for issuance under our 2010 Employee Stock Purchase Plan and shares that become available under the 2010 Equity Incentive Plan and 2010 Employee Stock Purchase Plan, pursuant to provisions thereof that automatically increase the share reserves under the plans each year, as more fully described in Management Employee Benefit Plans. The 2010 Equity Incentive Plan and the 2010 Employee Stock Purchase Plan will become effective on the date of this offering.

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Unless otherwise indicated, all information in this prospectus assumes:

the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 70,226,844 shares of common stock effective immediately prior to the closing of this offering;

the issuance of 322,193 shares of common stock upon the net exercise of outstanding warrants that would otherwise expire upon the completion of this offering at an assumed initial public offering price of \$15.00 per share;

the issuance of 100,000 shares of common stock upon the net exercise of common stock warrants that will automatically occur upon the completion of this offering;

the issuance of 3,333,333 shares of common stock to Toyota upon the closing of the concurrent private placement based on an assumed initial public offering price of \$15.00 per share;

the filing of our amended and restated certificate of incorporation upon the completion of this offering; and

no exercise by the underwriters of their right to purchase up to an additional 1,665,000 shares of common stock from us and the selling stockholders.

The information in this prospectus also reflects the 1-for-3 reverse stock split of our outstanding common stock effected in May 2010.

Brad W. Buss, who is a member of our Board of Directors, has indicated his interest in purchasing up to an aggregate of \$200,000 of our common stock in the offering from the underwriters, at the initial public offering price.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial data for the years ended December 31, 2007, 2008 and 2009 are derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The summary unaudited consolidated financial data for the three months ended March 31, 2009 and 2010 and as of March 31, 2010 are derived from unaudited consolidated financial statements for such periods and dates, which are included elsewhere in this prospectus. The unaudited consolidated financial statements were prepared on a basis consistent with our audited consolidated financial statements and include, in the opinion of management, all adjustments necessary for the fair presentation of the financial information contained in those statements. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods.

The following summary consolidated financial data table reflects the 1-for-3 reverse stock split of our outstanding common stock effected in May 2010.

In June 2010, we identified an error related to the understatement in stock-based compensation expense subsequent to the issuance of the consolidated financial statements for the year ended December 31, 2009. This error had the effect of understating selling, general and administrative expenses and net loss for the year ended December 31, 2009 by \$2.7 million. The error did not have an effect on the valuation of the stock options. As stock-based compensation expense is a non-cash item, there was no impact on net cash used in operating activities for the year ended December 31, 2009. We determined that the impact of this error was not material and will correct the error by recording additional stock-based compensation expense of \$2.4 million in the three month period ending June 30, 2010. See Note 16 to our consolidated financial statements included elsewhere in this prospectus.

Prospective investors should read these summary consolidated financial data together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

Years Ended December 31,			Three Months Ended
2007	2008	2009	March 31,