

TESLA MOTORS INC
 Form 424B5
 May 17, 2013
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Filed Pursuant to Rule 424(b)(5)
 Registration No. 333-188625

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount To Be Registered	Maximum Offering Price per Unit	Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
1.50% Convertible Senior Notes due 2018	\$660,000,000(1)	100%	\$660,000,000	\$90,024
Common Stock, \$0.001 par value per share	(3)		(3)	(4)

- (1) Includes 1.50% Convertible Senior Notes due 2018 that may be purchased by the underwriters pursuant to their option to purchase additional 1.50% Convertible Senior Notes due 2018 to cover over-allotments, if any.
- (2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended (the Securities Act).
- (3) Includes an indeterminate number of shares of common stock issuable upon conversion of the convertible senior notes at the initial conversion price of approximately \$124.52 per share of common stock. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.
- (4) Pursuant to Rule 457(i), there is no additional filing fee with respect to the shares of common stock issuable upon conversion of the convertible senior notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

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Prospectus Supplement to Prospectus dated May 15, 2013

Tesla Motors, Inc.

\$600,000,000

1.50% Convertible Senior Notes due 2018

Interest payable June 1 and December 1

We are offering \$600,000,000 principal amount of our 1.50% Convertible Senior Notes due 2018. The notes will bear interest at a rate of 1.50% per year, payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2013. The notes will mature on June 1, 2018.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding March 1, 2018 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2013 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined below) per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after March 1, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time. Upon conversion, we will deliver cash and, if applicable, shares of our common stock (subject to our right to deliver cash in lieu of such shares of our common stock), as described in this prospectus supplement.

The conversion rate will initially be 8.0306 shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$124.52 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

We may not redeem the notes prior to the maturity date.

If we undergo a fundamental change, holders may require us to purchase for cash all or part of their notes at a purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest to, but not including, the fundamental change purchase date.

The notes will be our senior unsecured obligations and will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes, will rank equally in right of payment with any of our unsecured indebtedness that is not so subordinated, will be effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

Concurrently with this offering of notes, we are offering 3,393,793 shares of our common stock (or up to 3,902,862 shares of our common stock if the underwriters of that offering exercise their option to purchase additional shares in full), in an underwritten offering pursuant to a separate prospectus supplement. The closing of this offering of notes is not contingent upon the closing of the concurrent offering of common stock, and the closing of the concurrent offering of common stock is not contingent upon the closing of this offering of notes.

Mr. Elon Musk, our Chief Executive Officer and Chairman of our Board of Directors, has indicated his preliminary interest in purchasing up to an aggregate of 1,084,129 shares of our common stock for an aggregate purchase price of approximately \$100 million, of which 487,857 shares of our common stock would be purchased in our concurrent common stock offering at the public offering price, for a purchase price of approximately \$45 million, and of which 596,272 shares of our common stock would be purchased directly from us at the public offering price in a subsequent private placement, subject only to necessary regulatory

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approvals, for an additional purchase price of approximately \$55 million.

We intend to use (1) approximately \$452.4 million of the net proceeds from this offering and our concurrent common stock offering for the prepayment of the DOE Loan Facility, (2) approximately \$50.9 million of the net proceeds from these offerings to pay the cost of the convertible note hedge transactions entered into in connection with this offering (after such cost is partially offset by the proceeds to us from the warrant transactions described in Description of Convertible Note Hedge and Warrant Transactions) and (3) the remaining net proceeds from these offerings and our subsequent private placement to Mr. Musk, if any, for general corporate purposes. See Use of Proceeds .

We do not intend to apply to list the notes on any securities exchange or any automated dealer quotation system. Our common stock is listed on The NASDAQ Global Select Market under the symbol TSLA . The last reported sale price of our common stock on the NASDAQ Global Select Market on May 16, 2013 was \$92.20 per share.

Investing in the notes involves a high degree of risk. See Risk Factors beginning on page S-12 of this prospectus supplement and page 6 of the accompanying prospectus for a discussion of certain risks that you should consider in connection with an investment in the notes.

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 supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price(1)	\$ 1,000.00	\$ 600,000,000
Underwriting discounts and commissions(2)	\$ 17.50	\$ 10,500,000
Proceeds, before offering expenses, to us	\$ 982.50	\$ 589,500,000

(1) Plus accrued interest, if any, from May 22, 2013.

(2) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See Underwriting.

We have granted the underwriters an option to purchase, exercisable within a 30-day period beginning on, and including, the date of this prospectus supplement, up to an additional \$60,000,000 principal amount of notes, solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about May 22, 2013.

Goldman, Sachs & Co.

Morgan Stanley

J.P. Morgan

Prospectus Supplement dated May 16, 2013

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Prospectus

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Unless we have indicated otherwise, references in this prospectus to Tesla, we, us, our and similar terms refer to Tesla Motors, Inc. and its subsidiaries.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate or complete as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information. You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding the purchase of the notes offered by this prospectus supplement. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act with respect to the notes offered by this prospectus supplement. This prospectus supplement, filed as part of the registration statement, does not contain all the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us, we refer you to the registration statement and to its exhibits and schedules.

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any materials we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC also maintains an internet website at www.sec.gov that contains periodic and current reports, proxy and information statements, and other information regarding registrants that are filed electronically with the SEC.

These documents are also available, free of charge, through the Investors section of our website, which is located at www.teslamotors.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information on our website to be part of this prospectus supplement or the accompanying prospectus.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents incorporated or deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus, may include forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). All statements other than statements of historical facts contained in this prospectus supplement and the accompanying prospectus, including statements relating to European and Asian launch expectations of Model S; schedule for the introduction of future options and variants, production, delivery and volume expectations of Model S; vehicle demand, revenue, volume, gross margin, and spending targets; the schedule, development, and features of, and our ability to leverage the Model S platform for, Model X; our ability to execute multiple product development programs simultaneously; the expected benefits from working on the development programs with Daimler and Toyota; our ability to repay our loan facility with the Federal Financing Bank (FFB) and the United States Department of Energy (DOE), which we refer to as the DOE Loan Facility, including prior to the vesting of the related DOE warrants; and future store, service center and Tesla Supercharger opening and expansion plans are forward-looking statements that are subject to risks and uncertainties. These forward-looking statements are based on management's current expectations, and as a result of certain risks and uncertainties actual results may differ materially from those projected. The following important factors, without limitation, could cause actual results to differ materially from those in the forward-looking statements: delays in maintaining current and future levels of production of Model S, including the ability of suppliers to supply parts at desired quality and quantity levels; our ability to achieve planned cost reductions and manufacturing and logistics efficiencies; our ability to design and achieve market acceptance of new vehicle models, specifically Model S and Model X; consumers' willingness to adopt electric vehicles; our ability to manage our business consistent with the requirements of our DOE Loan Facility; risks associated with the ability to achieve the expected financial results from the development and production of powertrain systems for the Toyota RAV4 EV and vehicles for Daimler, including the completion of negotiations for an agreement for the supply of production powertrains for the Mercedes-Benz B-Class EV; competition in the automotive market generally and the alternative fuel vehicle market in particular; our ability to establish, maintain and strengthen our brand; the unavailability, reduction or elimination of governmental and economic incentives for electric vehicles; our ability to establish, maintain and strengthen our relationships with strategic partners such as Daimler, Toyota and Panasonic; customers' uptake of vehicles under our unique financing program and our ability to execute and manage such program effectively; and our ability to execute on our plans for our interactive retail strategy and for new store, service center and Tesla Supercharger openings. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, or future events, except as required by law.

More information on potential factors that could affect our financial results is included from time to time in our SEC filings and reports, including the risks identified under the section captioned "Risk Factors" in our periodic reports on Form 10-K and Form 10-Q that we file with the SEC. We disclaim any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law, you are advised to consult any additional disclosures we make in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. See "Where You Can Find More Information."

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary sets forth the material terms of this offering, but does not contain all of the information you should consider before investing in our notes. You should read carefully this entire prospectus supplement and the accompanying base prospectus, including the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision to purchase our notes, especially the risks of investing in our notes discussed in the section entitled "Risk Factors" in this prospectus supplement as well as the consolidated financial statements and notes to those consolidated financial statements incorporated by reference into this prospectus supplement and the accompanying prospectus. In addition, any reference to or description of our concurrent common stock offering herein is wholly subject to the other prospectus supplement pursuant to which our notes are being offered, and you should not rely on this prospectus supplement in making an investment decision to purchase our common stock.

TESLA MOTORS, INC.

Overview

We design, develop, manufacture and sell high-performance fully electric vehicles and advanced electric vehicle powertrain components. We own our sales and service network and have operationally structured our business in a manner that we believe will enable us to rapidly develop and launch advanced electric vehicles and technologies. We believe our vehicles, electric vehicle engineering expertise, and operational structure differentiates us from incumbent automobile manufacturers.

We are the first company to commercially produce a federally-compliant electric vehicle, the Tesla Roadster, which achieves a market-leading range on a single charge combined with attractive design, driving performance and zero tailpipe emissions. As of March 31, 2013, we had delivered approximately 2,450 Tesla Roadsters to customers in over 30 countries. While we have concluded the production run of the Tesla Roadster, its proprietary electric vehicle powertrain system is the foundation of our business. We modified this system for our Model S sedan and plan to continue to enhance it for use in our future electric vehicles, including our Model X crossover.

We began shipments of our second vehicle, the Model S sedan, in June 2012, and achieved our steady-state production run rate of 20,000 vehicles per year in December 2012. In the quarter ended March 31, 2013, we delivered approximately 4,900 Model S vehicles to customers. Model S is a four door, five-passenger premium sedan that offers exceptional performance, functionality and attractive styling. Model S has won several awards, including the prestigious Motor Trend Car of the Year for 2013.

In addition, Consumer Reports recently gave the Model S a score of 99 out of 100 and commented that the Model S performs better than any car that they have ever tested before. As of March 31, 2013, we had delivered over 7,500 Model S vehicles to customers in North America, and we plan to start deliveries of the Model S into select European countries this summer and Asian deliveries later in 2013.

We are adapting the platform architecture of the Model S to develop our Model X crossover, a prototype of which we revealed in February 2012. This unique vehicle has been designed to fill the niche between the roominess of a minivan and the style of an SUV, while having high performance features such as a dual motor all-wheel drive system.

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In addition to developing our own vehicles, we provide services for the development of full electric powertrain systems and components, and sell electric powertrain components to other automotive manufacturers. We have provided development services and powertrain components to Daimler AG (Daimler) for its Smart fortwo and Mercedes-Benz A-Class and B-Class electric vehicles. We also have developed a full electric powertrain system for Toyota Motor Corporation (Toyota) for use in its RAV4 EV and began shipping production components to Toyota in 2012.

We were incorporated in 2003 in Delaware. As of March 31, 2013, we had 3,179 full-time employees worldwide. 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. We completed our initial public offering in July 2010 and our common stock is listed on the Nasdaq Global Select Market under the symbol TSLA. Our website address is www.teslamotors.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information on our website to be part of this prospectus supplement or the accompanying prospectus.

The Tesla design logo, Tesla, Tesla Motors, Tesla Roadster, Model S, Model X and other trademarks or service marks of Tesla appearing in this prospectus supplement and the accompanying prospectus are the property of Tesla.

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THE OFFERING

Issuer	Tesla Motors, Inc., a Delaware corporation
Securities	\$600 million aggregate principal amount of 1.50% Convertible Senior Notes due 2018 (plus up to an additional \$60 million principal amount of additional notes that our underwriters have the option to acquire from us).
Issue price	100% plus accrued interest, if any, from May 22, 2013.
Maturity	June 1, 2018, unless earlier purchased or converted.
Interest	1.50% per year. Interest will accrue from May 22, 2013 and will be payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2013.

Conversion rights

We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under *Description of Notes* *Events of Default* .

Holders may convert their notes at their option prior to the close of business on the business day immediately preceding March 1, 2018 in multiples of \$1,000 principal amount, only under the following circumstances:

during any calendar quarter commencing after the calendar quarter ending on September 30, 2013 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

during the five business day period after any five consecutive trading day period (the *measurement period*) in which the *trading price* (as defined under *Description of Notes* *Conversion Rights* *Conversion upon Satisfaction of Trading Price Condition*) per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of

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the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or

upon the occurrence of specified corporate events described under [Description of Notes Conversion Rights Conversion upon Specified Corporate Events](#) .

On or after March 1, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes, in multiples of \$1,000 principal amount, at the option of the holder.

The conversion rate for the notes is initially 8.0306 shares per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$124.52 per share of common stock), subject to adjustment as described in this prospectus supplement.

Upon conversion, we will deliver cash and, if applicable, shares of our common stock (subject to our right to deliver cash in lieu of all or a portion of such shares of our common stock) based on a daily conversion value (as described herein) for each VWAP trading day (as described herein) in a 20 consecutive VWAP trading day observation period (as described herein). See [Description of Notes Conversion Rights Settlement upon Conversion](#) .

In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances, as described under [Description of Notes Conversion Rights Adjustment to Conversion Rate upon Conversion In Connection With a Make-Whole Fundamental Change](#) .

You will not receive any additional cash payment or additional shares representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances described under [Description of Notes Conversion Rights General](#) . Instead, interest will be deemed to be paid in full by the cash paid and, if applicable, shares of our common stock issued to the converting holder upon conversion.

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No redemption

We may not redeem the notes prior to the maturity date, and no sinking fund is provided for the notes, which means that we are not required to retire the notes periodically.

Fundamental change

If we undergo a fundamental change (as defined in this prospectus supplement under Description of Notes Fundamental Change Permits Holders to Require Us to Purchase Notes), subject to certain conditions, holders may require us to purchase for cash all or part of their notes in principal amounts of \$1,000 or an integral multiple thereof. The fundamental change purchase price will be equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest to, but not including, the fundamental change purchase date. See Description of Notes Fundamental Change Permits Holders to Require Us to Purchase Notes .

Ranking

The notes will be our senior unsecured obligations and will:

rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes;

rank equally in right of payment with any of our unsecured indebtedness that is not so subordinated;

be effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and

be structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

As of March 31, 2013, on an as adjusted basis after giving effect to this offering and the use of proceeds therefrom and from our concurrent common stock offering to repay our DOE Loan Facility, we would have had \$600 million in outstanding indebtedness (which amount reflects the face amount of the notes).

The indenture governing the notes does not limit the amount of debt that we or our subsidiaries may incur.

Events of default

Except as described under Description of the Notes Events of Default, if an event of default on the notes occurs, the principal amount of the

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notes plus accrued and unpaid interest may be declared immediately due and payable, subject to certain conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving Tesla Motors, Inc.

Book-entry form

The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Absence of a public market for the notes

The notes are new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.

NASDAQ Global Select Market symbol for our common stock

Our common stock is listed on the NASDAQ Global Select Market under the symbol TSLA .

Trustee, paying agent and conversion agent

U.S. Bank National Association.

Concurrent offering of common stock

Concurrently with this offering of our notes, we are offering 3,393,793 shares of our common stock (3,902,862 shares if the underwriter exercises its option in full to purchase additional shares) pursuant to a separate prospectus supplement in an underwritten public offering. Through this offering, our concurrent common stock offering and our subsequent private placement of shares of common stock to Mr. Musk, we intend to raise gross proceeds of approximately \$968.0 million (up to \$1.075 billion if the underwriter in the concurrent common stock offering exercises in full its option to

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purchase additional shares and the underwriters in this offering exercise in full their over-allotment option to purchase additional notes). This offering is not contingent upon our common stock offering and our common stock offering is not contingent upon this notes offering. We cannot assure you that our common stock offering will be completed.

Elon Musk share purchase

Mr. Elon Musk, our Chief Executive Officer and Chairman of our Board of Directors, has indicated his preliminary interest in purchasing up to an aggregate of 1,084,129 shares of our common stock for an aggregate purchase price of approximately \$100 million, of which 487,857 shares of our common stock would be purchased in our concurrent common stock offering at the public offering price, for a purchase price of approximately \$45 million, and of which 596,272 shares of our common stock would be purchased directly from us at the public offering price in a subsequent private placement, subject only to necessary regulatory approvals, for an aggregate purchase price of approximately \$55 million.

Convertible note hedge and warrant transactions

In connection with the pricing of the notes, we intend to enter into privately negotiated convertible note hedge transactions with one or more of the underwriters or their respective affiliates or other financial institutions (hedge counterparties). The convertible note hedge transactions will cover, subject to customary anti-dilution adjustments, the number of shares of our common stock that will initially underlie the notes. We also intend to enter into warrant transactions with the hedge counterparties relating to the same number of shares of our common stock, with a strike price of \$184.48, subject to customary anti-dilution adjustments.

The convertible note hedge transactions are expected to reduce potential dilution to our common stock and/or offset potential cash payments we are required to make in excess of the principal amount upon any conversion of notes. However, the warrant transactions could separately have a dilutive effect to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants on the applicable expiration dates.

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Use of proceeds

If the underwriters exercise their option to purchase additional notes, we may enter into additional convertible note hedge and warrant transactions.

We estimate that the net proceeds from this offering will be approximately \$589.0 million (or approximately \$648.0 million if the

underwriters exercise their option to purchase

additional notes in full), after deducting underwriters' discounts and commissions and estimated offering expenses payable by us.

We intend to use (1) approximately \$452.4 million of the net proceeds from this offering and our concurrent common stock offering for the prepayment of the DOE Loan Facility, (2) approximately \$50.9 million of the net proceeds from these offerings to pay the cost of the convertible note hedge transactions entered into in connection with this offering (after such cost is partially offset by the proceeds to us from the sale of the warrant transactions described in "Description of Convertible Note Hedge and Warrant Transactions") and (3) the remaining net proceeds from these offerings and our subsequent private placement to Mr. Musk, if any, for general corporate purposes. See "Use of Proceeds."

If the underwriters exercise their option to purchase additional notes, we may sell additional warrants and use a portion of the net proceeds from the sale of the additional notes, together with the proceeds from the additional warrants, to enter into additional convertible note hedge transactions and for general corporate purposes.

Risk factors

See "Risk Factors" beginning on page S-12 and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should consider carefully before investing in the notes.

Unless otherwise specifically indicated, all information in this prospectus supplement assumes no exercise by the underwriters of their right to purchase up to an additional \$60 million of notes from us in this offering and no exercise by the underwriter in our concurrent common stock offering of its right to purchase up to an additional 509,069 shares of common stock from us in our concurrent common stock offering.

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The consolidated statements of operations data for the years ended December 31, 2010, 2011 and 2012, are derived from our audited consolidated financial statements that are incorporated by reference into this prospectus supplement. The summary unaudited consolidated financial data for the three months ended March 31, 2012 and 2013 and as of March 31, 2013 are derived from our unaudited consolidated financial statements that are incorporated into this prospectus supplement. 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 statement 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 selected consolidated financial data should be read in conjunction with our consolidated financial statements and the related notes included in our annual and quarterly reports which are incorporated by reference into this prospectus supplement.

	2010	Year Ended December 31, 2011 2012		(unaudited) Three Months Ended March 31, 2012 2013	
	(in thousands, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Automotive sales	\$ 97,078	\$ 148,568	\$ 385,699	\$ 19,245	\$ 555,203
Development services	19,666	55,674	27,557	10,922	6,589
Total revenues	116,744	204,242	413,256	30,167	561,792
Cost of revenues(1):					
Automotive sales	79,982	115,482	371,658	13,932	461,818
Development services	6,031	27,165	11,531	6,025	3,654
Total cost of revenues	86,013	142,647	383,189	19,957	465,472
Gross profit	30,731	61,595	30,067	10,210	96,320
Operating expenses(1):					
Research and development	92,996	208,981	273,978	68,391	54,859
Selling, general and administrative	84,573	104,102	150,372	30,582	47,045
Total operating expenses	177,569	313,083	424,350	98,973	101,904
Loss from operations	(146,838)	(251,488)	(394,283)	(88,763)	(5,584)
Interest income	258	255	288	90	10
Interest expense	(992)	(43)	(254)	(65)	(118)
Other income (expense), net(2)	(6,583)	(2,646)	(1,828)	(1,076)	17,091
Income (loss) before income taxes	(154,155)	(253,922)	(396,077)	(89,814)	11,399
Provision for income taxes	173	489	136	59	151
Net income (loss)	\$ (154,328)	\$ (254,411)	\$ (396,213)	\$ (89,873)	\$ 11,248
Net income (loss) per share of common stock, basic(3)	\$ (3.04)	\$ (2.53)	\$ (3.69)	\$ (0.86)	\$ 0.10
Shares used in computing net income (loss) per share of common stock, basic(3)	50,718,302	100,388,815	107,349,188	104,784,343	114,711,899
Net income (loss) per share of common stock, diluted(3)	\$ (3.04)	\$ (2.53)	\$ (3.69)	\$ (0.86)	\$ 0.00
Shares used in computing net income (loss) per share of common stock, diluted(3)	50,718,302	100,388,815	107,349,188	104,784,343	124,265,292
Supplemental pro forma net income per share of common stock, basic(4)					\$ 0.10

114,711,899

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Shares used in computing supplemental pro forma net
income per share of common stock, basic(4)

Supplemental pro forma net income per share of common stock, diluted(4)	\$	0.00
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Shares used in computing supplemental pro forma net income per share of common stock, diluted(4)		121,813,574
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- (1) Includes stock-based compensation expense as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2011	2012	2012	2013
	(in thousands)				
Cost of sales	\$ 243	\$ 670	\$ 2,194	\$ 7	\$ 1,536
Research and development	4,139	13,377	26,580	5,932	7,644
Selling, general and administrative	16,774	15,372	21,371	4,772	5,688
Total	\$ 21,156	\$ 29,419	\$ 50,145	\$ 10,711	\$ 14,868

- (2) In January 2010, we issued a warrant to the DOE in connection with the closing of the DOE Loan Facility to purchase shares of our Series E convertible preferred stock. This convertible preferred stock warrant became a warrant to purchase shares of our common stock upon the closing of our initial public offering (IPO). The warrant provides that beginning on December 15, 2018 and until December 14, 2022, the shares subject to purchase under the warrant will become exercisable in quarterly amounts depending on the average outstanding balance of the DOE Loan Facility, if any, during the prior quarter. Since the number of shares of common stock ultimately issuable under the warrant will vary, this warrant will be carried at its estimated fair value with changes in the fair value of this common stock warrant liability reflected in other expense, net, until its expiration or vesting. We entered into an amendment with the DOE effective March 1, 2013. We agreed among other things to: (i) modify certain future financial covenants; (ii) accelerate the maturity date of the DOE Loan Facility to December 15, 2017; (iii) create an obligation to repay approximately 1.0% of the outstanding principal under the DOE Loan Facility on or before June 15, 2013; and (iv) create additional contingent obligations based on excess cash flow that may result in accelerated repayment of the DOE Loan Facility starting in 2015. Accordingly, the DOE warrants are no longer expected to vest and we therefore recognized a one-time non-cash gain of \$10.7 million from the elimination of this warrant liability in the quarter ended March 31, 2013. Potential shares of common stock issuable upon exercise of the DOE warrant are excluded from the calculation of diluted net loss per share of common stock. We intend to use approximately \$452.4 million of the net proceeds from this offering and our concurrent common stock offering to repay the DOE Loan Facility, which will result in termination of the warrants.
- (3) Our basic net income (loss) per share of common stock is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding for the period. The diluted net income (loss) per share of common stock is computed by dividing the net income (loss) by the weighted-average number of shares of common stock, excluding common stock subject to repurchase, and, if dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of stock options to purchase shares of our common stock and warrants to purchase shares of our common stock (using the treasury stock method). For purposes of these calculations, potential shares of common stock have been excluded from the calculation of diluted net loss per share of common stock, when antidilutive.
- (4) Supplemental pro forma basic and diluted net income (loss) per share of common stock is calculated to give effect to: (i) the number of additional shares related to this offering that would have been required to be issued to repay the balance of DOE Loan Facility that were outstanding at December 31, 2012 and March 31, 2013; and (ii) the elimination of the dilutive shares related to the DOE warrants. Also, the numerator in the supplemental pro forma basic and diluted net income (loss) per share of common stock has been adjusted to reverse the interest expense on the DOE Loan Facility which is assumed to be repaid using a portion of the net proceeds of this offering. Supplemental pro forma basic and diluted net loss per share of common stock is not presented for the year ended December 31, 2012 as the amount does not differ from actual basic and diluted net loss per share of common stock.

	(unaudited) Three Months Ended March 31, 2013 (in thousands, except shares)
Numerator	
Net income used in computing net income per share of common stock, basic	\$ 11,248
Pro forma adjustment to reverse interest expense related to repayment of outstanding DOE Loan Facility	
Net income used in computing supplemental pro forma net income per share of common stock, basic	11,248
Adjustment for change in fair value of common stock warrant liability	(10,692)
Net income used in computing supplemental pro forma net income per share of common stock, diluted	\$ 556
Denominator	
Shares used in calculating net income per share of common stock, basic	114,711,899
Pro forma adjustment to include additional shares related to this offering that would have been required to be issued to repay the outstanding DOE Loan Facility of \$439.6 million	

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Shares used in calculating supplemental pro forma net income per share of common stock, basic	114,711,899
Dilutive securities:	
Stock options	7,057,956
Employee stock purchase plan	43,719
Shares used in calculating supplemental pro forma net income per share of common stock, diluted	121,813,574

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	As of March 31, 2013 Actual (unaudited) (in thousands)
Consolidated Balance Sheet Data:	
Cash and cash equivalents	\$ 214,417
Restricted cash(1)	21,763
Property, plant and equipment, net	581,997
Working deficit	(9,630)
Total assets	1,143,778
Common stock warrant liability	
Capital lease obligations, less current portion	10,460
Long-term debt, less current portion	388,785
Total stockholders' equity	168,583

- (1) The restricted cash includes \$14.6 million deposited in dedicated DOE accounts in accordance with the requirements of our DOE Loan Facility which will be used primarily for repayment of all principal and interest that will come due on June 15, 2013. Restricted cash also includes security deposits held by vendors as part of the vendors' standard credit policies, security deposits related to lease agreements and equipment financing, and certain refundable reservation payments segregated in accordance with state consumer protection regulations. Upon consummation of this offering and the repayment of the DOE Loan Facility in full, the \$14.6 million deposited in dedicated DOE accounts will be returned to us by the DOE.

As we intend to use approximately \$452.4 million of the net proceeds from this offering and our concurrent common stock offering for the prepayment of the DOE Loan Facility, and the ratio of earnings to fixed charges would change by ten percent or more, pro forma ratio of earnings to fixed charges is presented below (unaudited):

	Fiscal Year Ended December 31, 2012	Three Months Ended March 31, 2013
Pro forma ratio of earnings to fixed charges(1)(2)		1.4x

- (1) For the purpose of calculating such ratios, earnings consist of income from continuing operations before income taxes plus fixed charges and fixed charges consist of interest expense (net of capitalized portion), capitalized interest, amortization of debt discount and the portion of rental expense representative of interest expense. Earnings were inadequate to cover the fixed charges by \$427.1 million for the year ended December 31, 2012.
- (2) Pro forma ratio of earnings to fixed charges is calculated as follows:

	Fiscal Year Ended 2012	Three Months Ended March 31, 2013
	(in thousands)	
Earnings:		
As calculated based on historical earnings	\$ (391,510)	\$ 13,156
Pro forma fixed charges:		
Fixed charges as calculated based on historical fixed charges	\$ 11,811	\$ 3,545
Add: Interest expense related to convertible senior notes used to repay DOE Loan Facility	31,303	8,055
Subtract: Interest expense related to DOE Loan Facility previously outstanding during the period	(7,532)	(2,068)
Total fixed charges, as adjusted	\$ 35,582	\$ 9,532
Pro forma ratio of earnings to fixed charges		1.4x

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RISK FACTORS

Investing in our notes involves a high degree of risk. In addition to the other information contained in this prospectus supplement, the accompanying prospectus and in documents that we incorporate by reference, you should carefully consider the risks discussed below and in Part I, Item 1A, Risk Factors, in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013, together with the other information set forth in this prospectus supplement before making a decision about investing in our securities. The risks and uncertainties discussed below and in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013 are not the only ones facing us. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business. If any of these risks occur, our business, financial condition and operating results could be harmed, the trading price of our notes and our common stock could decline and you could lose part or all of your investment.

Risks Related to the Ownership of our Notes

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

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

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

We and our subsidiaries may be able to incur substantial additional debt in the future. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

The notes will be effectively junior to any secured debt we may incur and structurally subordinated to any liabilities of our subsidiaries.

The notes are our unsecured obligations exclusively and are not guaranteed by any of our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes or to make any funds available for that purpose. In addition, the indenture for the notes does not restrict us or our subsidiaries from incurring additional debt or other liabilities. Accordingly, the notes will rank senior in right of payment to any future indebtedness we may incur that is expressly subordinated in right of payment to the notes, will rank equally in right of payment with any of our liabilities that are not so subordinated, will be effectively junior in right of payment to any secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to any indebtedness and other liabilities (including trade payables) of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization

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or other winding up, our assets that secure any of our debt will be available to pay obligations on the notes only after such secured debt has been repaid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding.

Our right to receive assets from any of our subsidiaries upon its liquidation or reorganization, and the right of holders of the notes to participate in those assets, is structurally subordinated to claims of that subsidiary's creditors, including trade creditors. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by us. Furthermore, none of our subsidiaries will be under any obligation to make payments to us, and any payments to us would depend on the earnings or financial condition of our subsidiaries and various business considerations. Statutory, contractual or other restrictions may also limit our subsidiaries' ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make payments on the notes.

The notes are not protected by restrictive covenants.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the making of investments, the incurrence of indebtedness or the issuance purchase or prepayment of securities by us or any of our subsidiaries. In addition, the limited covenants applicable to the notes do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change or other corporate transaction involving us except to the extent described under [Description of Notes Fundamental Change Permits Holders to Require Us to Purchase Notes](#), [Description of Notes Conversion Rights Adjustment to Conversion Rate upon Conversion In Connection With a Make-Whole Fundamental Change](#) and [Description of Notes Consolidation, Merger and Sale of Assets](#). For these reasons, you should not consider the repurchase feature of the notes as a significant factor in evaluating whether to invest in the notes.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due, and require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of cash flow to fund our operations, working capital and capital expenditures.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to purchase the notes.

Upon the occurrence of a fundamental change, you have the right to require us to purchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us to purchase the notes. In the event of any such transaction, the holders would not have the right to require us to purchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

Recent regulatory actions may adversely affect the trading price and liquidity of the notes.

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors that employ a convertible

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arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the convertible notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock. As a result, any specific rules regulating equity swaps or short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales or equity swaps with respect to our common stock could adversely affect the ability of investors in, or potential purchasers of, the notes to conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and may adopt additional rules in the future that may impact those engaging in short selling activity involving equity securities (including our common stock). In particular, Rule 201 of SEC Regulation SHO generally restricts short selling when the price of a covered security triggers a circuit breaker by falling 10% or more from the security's closing price as of the end of regular trading hours on the prior day. If this circuit breaker is triggered, short sale orders can be displayed or executed only if the order price is above the current national best bid, subject to certain limited exceptions. Because our common stock is a covered security, these Rule 201 restrictions, if triggered, may interfere with the ability of investors in, and potential purchasers of, the notes, to effect short sales in our common stock and conduct the convertible arbitrage strategy that we believe they will employ, or seek to employ, with respect to the notes.

On June 1, 2012, the SEC, jointly with the national securities exchanges and the Financial Industry Regulatory Authority, Inc. (FINRA), established the Limit Up-Limit Down mechanism which prevents trades in individual listed equity securities from occurring outside of specific price bands during regular trading hours. If trading is unable to occur within those price bands for more than 15 seconds, there would be a five-minute trading pause. The exchanges and FINRA implemented this change on April 8, 2013. The SEC approved the proposal for a one-year pilot period, during which the exchanges, FINRA, and the SEC will assess its operation and consider whether any modifications are appropriate. A second initiative will change existing stock exchange and FINRA rules that establish a market-wide circuit breaker system. The existing market-wide circuit breaker system provides for specified market-wide halts in trading of stock for certain periods following specified market declines. The changes will lower the percentage-decline thresholds for triggering a market-wide trading halt and shorten the amount of time that trading is halted. Market declines under the new system will be measured by reference to the S&P 500 Index rather than the Dow Jones Industrial Average, and the trigger thresholds will be calculated daily rather than quarterly. The changes to the market-wide circuit breaker system are effective for a one-year pilot basis from April 8, 2013.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act on July 21, 2010 also introduces regulatory uncertainty that may impact trading activities relevant to the notes. This new legislation will require many over-the-counter swaps and security-based swaps to be centrally cleared through regulated clearinghouses and traded on exchanges or comparable trading facilities. In addition, swap dealers, security-based swap dealers, major swap participants and major security-based swap participants will be required to comply with margin and capital requirements as well as public reporting requirements to provide transaction and pricing data on both cleared and uncleared swaps. These requirements could adversely affect the ability of investors in, or potential purchasers of, the notes to maintain a convertible arbitrage strategy with respect to the notes (including increasing the costs incurred by such investors in implementing such strategy). This could, in turn, adversely affect the trading price and liquidity of the notes. The implementation dates for these requirements are subject to regulatory action and at this time cannot be determined with certainty. We cannot predict how this legislation will ultimately be implemented by the SEC and other regulators or the magnitude of the effect that this legislation will have on the trading price or liquidity of the notes.

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Although the direction and magnitude of the effect that the amendments to Regulation SHO, FINRA and securities exchange rule changes and/or implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act may have on the trading price and the liquidity of the notes will depend on a variety of factors, many of which cannot be determined at this time, past regulatory actions have had a significant impact on the trading prices and liquidity of convertible debt instruments. For example, in September 2008, the SEC issued emergency orders generally prohibiting short sales of the common stock of certain financial services companies while Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets. The orders made the convertible arbitrage strategy that many convertible debt investors employ difficult to execute and adversely affected both the liquidity and trading price of convertible debt instruments issued by many of the financial services companies subject to the prohibition. Any governmental action that similarly restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common stock, including the amendments to Regulation SHO, FINRA and exchange rule changes and the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, could similarly adversely affect the trading price and the liquidity of the notes.

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

The conversion of some or all of the notes will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could be used to satisfy short positions, or anticipated conversion of the notes into shares of our common stock could depress the price of our common stock.

The convertible note hedge and warrant transactions may affect the value of the notes and our common stock.

In connection with the pricing of the notes, we intend to enter into convertible note hedge transactions with the hedge counterparties. The convertible note hedge transactions cover, subject to customary anti-dilution adjustments, the number of shares of our common stock that will initially underlie the notes. The convertible note hedge transactions are expected to reduce the potential dilution and/or offset potential cash payments we are required to make in excess of the principal amount upon conversion of the notes. We also intend to enter into warrant transactions with the hedge counterparties relating to the same number of shares of our common stock, subject to customary anti-dilution adjustments. However, the warrant transactions could separately have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants on the applicable expiration dates. If the underwriters exercise their option to purchase additional notes, we may enter into additional convertible note hedge transactions and additional warrant transactions.

In connection with establishing their initial hedge of the convertible note hedge and warrant transactions, the hedge counterparties or their affiliates expect to enter into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the notes, including with certain investors in the notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the notes at that time.

In addition, the hedge counterparties or their affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the

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pricing of the notes and prior to the maturity of the notes (and are likely to do so during any observation period related to a conversion of notes). This activity could also cause or prevent an increase or a decrease in the market price of our common stock or the notes, which could affect your ability to convert the notes and, to the extent the activity occurs during any observation period related to a conversion of notes, it could affect the amount and value of the consideration that you will receive upon conversion of the notes.

In addition, if any such convertible note hedge and warrant transactions fail to become effective, whether or not this offering of notes is completed, the hedge counterparties (or their affiliates) may unwind their hedge positions with respect to our common stock, which could adversely affect the price of our common stock and the value of the notes.

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

Volatility in the market price and trading volume of our common stock could adversely impact the trading price of the notes.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section, elsewhere in the accompanying prospectus, this prospectus supplement or the documents we have incorporated by reference in the accompanying prospectus and this prospectus supplement or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would likely adversely impact the trading price of the notes. The market price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading prices of the notes. Holders who receive common stock upon conversion of the notes will also be subject to the risk of volatility and depressed prices of our common stock.

The ability of holders of the notes to convert the notes prior to the close of business on the business day immediately preceding March 1, 2018 is conditioned on, among other events, the closing price of our common stock reaching and maintaining a closing price no less than a specified threshold for a given period of time, the trading price of the notes falling below a certain level or the occurrence of specified corporate events or distributions. If the closing price threshold is not satisfied, the trading price of the notes does not fall below the relevant threshold and none of the specified distributions or corporate events that would permit a holder to convert occurs, holders would not be able to convert notes except during the period after March 1, 2018 and prior to the maturity date of the notes.

Future sales of our common stock in the public market could lower the market price for our common stock and adversely impact the trading price of the notes.

In the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options and upon conversion of the notes. We cannot predict the size of future issuances or the effect,

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if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of the notes and the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

We may not have the ability to raise the funds necessary to settle conversions of the notes or to purchase the notes upon a fundamental change.

Holders of the notes will have the right to require us to purchase their notes upon the occurrence of a fundamental change at a purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, to, but not including, the fundamental change purchase date, as described under [Description of Notes Fundamental Change Permits Holders to Require Us to Purchase Notes](#) . In addition, upon conversion of the notes, we will be required to make cash payments in respect of the notes being converted as described under [Description of Notes Conversion Rights Settlement upon Conversion](#) . However, we may not have enough available cash or be able to obtain financing at the time we are required to make purchases of notes surrendered therefor or notes being converted. In addition, our ability to purchase the notes or to pay cash upon conversions of the notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to purchase notes at a time when the purchase is required by the indenture or to pay cash payable on future conversions of the notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the notes or make cash payments upon conversions thereof.

The conditional conversion feature of the notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the notes is triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option. See [Description of Notes Conversion Rights](#) . If one or more holders elect to convert their notes, we would be required to settle a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The conditional conversion feature of the notes could result in your receiving less than the value of our common stock into which the notes would otherwise be convertible.

Prior to the close of business on the business day immediately preceding March 1, 2018, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of the cash and, if applicable, shares of our common stock (subject to our right to deliver cash in lieu of all or a portion of such shares of our common stock) into which the notes would otherwise be convertible.

Upon conversion of the notes, you may receive less valuable consideration than expected because the value of our common stock may decline after you exercise your conversion right but before we settle our conversion obligation.

Under the notes, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation.

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Upon conversion of the notes, the amount of consideration that you will receive upon conversion of your notes will be determined by reference to the volume weighted average prices of our common stock for each VWAP trading day in a 20 VWAP trading day observation period. Although the number of shares (if any) that you receive upon conversion of your notes with respect to any VWAP trading day during the observation period will be determined based on the volume weighted average price of our common stock on such VWAP trading day, we will not deliver such shares until the third business day following the end of the applicable observation period. Accordingly, if the price of our common stock decreases during this period, the amount and/or value of consideration you receive will be adversely affected.

The accounting method for convertible debt securities that may be settled in cash, such as the notes, may have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, which we refer to as FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the notes to their face amount over the term of the notes. We will report lower net income (or greater net loss) in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the market price of our common stock and the trading price of the notes.

In addition, convertible debt instruments (such as the notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the notes, then our diluted earnings per share would be adversely affected.

Holders of notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to them.

Holders of notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the last VWAP trading day of the applicable observation period, but holders of notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the last VWAP trading day of the applicable observation period such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

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The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost option value of your notes as a result of such transaction.

If a make-whole fundamental change occurs prior to the maturity date, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such make-whole fundamental change. The increase in the conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid (or deemed to be paid) per share of our common stock in such transaction, as described below under [Description of Notes Conversion Rights Adjustment to Conversion Rate upon Conversion In Connection With a Make-Whole Fundamental Change](#) . The adjustment to the conversion rate for notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost option value of your notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than \$225.00 per share or less than \$92.24 per share (in each case, subject to adjustment), no adjustment will be made to the conversion rate. Moreover, in no event will the conversion rate per \$1,000 principal amount of notes as a result of this adjustment exceed 10.8413, subject to adjustments in the same manner as the conversion rate as set forth under [Description of Notes Conversion Rights Conversion Rate Adjustments](#) .

Our obligation to increase the conversion rate upon the occurrence of a make-whole fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

The fundamental change repurchase feature of the notes may delay or prevent an otherwise beneficial attempt to take over our company.

The terms of the notes require us to repurchase the notes in the event of a fundamental change. A takeover of our company would trigger an option of the holders of the notes to require us to repurchase the notes. This may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to investors in the notes. See [Description of Notes Fundamental Change Permits Holders to Require Us to Purchase Notes](#).

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants to holders of our common stock, subdivisions or combinations of our common stock, distributions of capital stock, indebtedness, or assets to holders of our common stock, cash dividends and certain issuer tender or exchange offers as described under [Description of Notes Conversion Rights Conversion Rate Adjustments](#) . However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of common stock for cash or in connection with an acquisition, that may adversely affect the trading price of the notes or our common stock. We are not restricted from issuing additional common stock during the term of the notes and have no obligation to consider the interests of holders of the notes in deciding whether to issue common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

We cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there has been no trading market for the notes, and we do not intend to apply to list the notes on any securities exchange or to arrange for quotation on any automated dealer

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quotation system. We have been informed by the underwriters that they intend to make a market in the notes after the offering is completed. However, the underwriters may cease their market-making at any time without notice. If the underwriters cease to act as market makers for the notes, we cannot assure you that another firm or person will make a market in the notes. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market will develop for the notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. In that case you may not be able to sell your notes at a particular time or you may not be able to sell your notes at a favorable price.

Any adverse rating of the notes may cause their trading price to fall.

We do not intend to seek a rating on the notes. However, if a rating service were to rate the notes and if such rating service were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announces its intention to put the notes on credit watch, the trading price of the notes could decline.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though you do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. If a make-whole fundamental change occurs on or prior to the maturity date, under some circumstances, we will increase the conversion rate for notes converted in connection with the make-whole fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. See Material U.S. Federal Income Tax Considerations . If you are a non-United States holder (as defined in Material U.S. Federal Income Tax Considerations), any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the notes. See Material U.S. Federal Income Tax Considerations .

Risks Related to Our Concurrent Common Stock Offering and Our Common Stock

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

Our shares of common stock began trading on the Nasdaq Global Select Market on June 29, 2010 and therefore, the trading history for our common stock has been limited. In addition, the trading price of our common stock has been highly volatile and could continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control. Our common stock has experienced an intra-day trading high of \$97.12 per share and a low of \$25.52 per share over the last 52 weeks. In addition, the stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. These fluctuations may be even more pronounced in the trading market for our

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stock during the period following a securities offering. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

A substantial portion of our total outstanding shares are held by a small number of insiders and investors and may be sold in the near future. The large number of shares eligible for public sale or subject to rights requiring us to register them for public sale could depress the market price of our common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market in the future, and the perception that these sales could occur may also depress the market price of our common stock. Stockholders owning a substantial portion of our total outstanding shares are entitled, under contracts providing for registration rights, to require us to register shares of our common stock owned by them for public sale in the United States, subject to the restrictions of Rule 144. In addition, we have registered shares previously issued or reserved for future issuance under our equity compensation plans and agreements, a portion of which are related to outstanding option awards. Subject to the satisfaction of applicable exercise periods and, in certain cases, lock-up agreements, the shares of common stock issued upon exercise of outstanding options will be available for immediate resale in the United States in the open market. Sales of our common stock as restrictions end or pursuant to registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause our stock price to fall and make it more difficult for you to sell shares of our common stock.

Mr. Musk has borrowed funds from affiliates of our underwriters and pledged shares of our common stock to secure these borrowings. The forced sale of these shares pursuant to a margin call could cause our stock price to decline and negatively impact our business.

Goldman Sachs Bank USA, an affiliate of Goldman, Sachs & Co., has made extensions of credit in the aggregate amount of \$125 million to Elon Musk and the Elon Musk Revocable Trust dated July 22, 2003, or the Trust, a portion of the proceeds of which Mr. Musk used to purchase our common stock. Goldman Sachs Bank USA has agreed to make additional extensions of credit in an aggregate amount of \$150 million to Elon Musk and the Trust, which together with the currently outstanding \$125 million would total \$275 million. Mr. Musk will pay the purchase price for up to 487,857 shares of common stock he has indicated a preliminary interest in purchasing in our concurrent common stock offering and the 596,272 shares of our common stock being purchased in a subsequent private placement with a portion of the proceeds of these additional extensions of credit to be made by Goldman Sachs Bank USA. Interest on these loans accrue at market rates. Goldman Sachs Bank USA received and will receive customary fees and expense reimbursements in connection with these loans. As a regulated entity, Goldman Sachs Bank USA makes decisions regarding making and managing its loans independent of Goldman, Sachs & Co. In addition, Morgan Stanley Smith Barney LLC, an affiliate of Morgan Stanley & Co. LLC, has made a loan to Mr. Musk in the aggregate amount of \$25 million. Interest on this loan accrues at market rates. Morgan Stanley Smith Barney LLC received and may receive customary fees and expense reimbursements in connection with this loan.

We are not party to these loans, which are full recourse against Mr. Musk and the Trust and other shares of capital stock of unrelated entities owned by Mr. Musk and the Trust. The terms of these loans were negotiated directly between Mr. Musk and Goldman Sachs Bank USA and Morgan Stanley Smith Barney LLC, respectively.

If the price of our common stock declines, Mr. Musk may be forced by Goldman Sachs Bank USA and/or Morgan Stanley Smith Barney LLC to provide additional collateral for the loans or to sell shares

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

Concentration of ownership among our existing executive office