

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

FORM 10-K

(Mark One)
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-34756

Tesla, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3500 Deer Creek Road
Palo Alto, California
(Address of principal executive offices)

91-2197729
(I.R.S. Employer
Identification No.)

94304
(Zip Code)

(650) 681-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.001 par value

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the registrant, as of June 30, 2018, the last day of the registrant's most recently completed second fiscal quarter, was \$46.57 billion (based on the closing price for shares of the registrant's Common Stock as reported by the NASDAQ Global Select Market on June 30, 2018). Shares of Common Stock held by each executive officer, director, and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 12, 2019, there were 172,721,487 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2018.

TESLA, INC.

ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2018

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Forward-Looking Statements

The discussions in this Annual Report on Form 10-K contain forward-looking statements reflecting our current expectations that involve risks and uncertainties. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, profitability, expected cost reductions, capital adequacy, expectations regarding demand and acceptance for our technologies, growth opportunities and trends in the market in which we operate, prospects and plans and objectives of management. The words "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission. We do not assume any obligation to update any forward-looking statements.

PART I

ITEM 1. BUSINESS

Overview

We design, develop, manufacture and sell high-performance fully electric vehicles (“EVs”) and energy generation and storage systems, and also install and maintain such energy systems and sell solar electricity. We are the world’s first vertically integrated sustainable energy company, offering end-to-end clean energy products, including generation, storage and consumption. We have established and continue to grow a global network of stores, galleries, vehicle service centers, Mobile Service technicians, body shops, Supercharger stations and Destination Chargers to accelerate the widespread adoption of our products, and we continue to develop self-driving capability in order to improve vehicle safety. Our sustainable energy products, engineering expertise, intense focus to accelerate the world’s transition to sustainable energy, and business model differentiate us from other companies.

We currently produce and sell three fully electric vehicles: the Model S sedan, the Model X sport utility vehicle (“SUV”) and the Model 3 sedan. All of our vehicles offer high performance and functionality as well as attractive styling.

We commenced deliveries of Model S in June 2012 and have continued to improve Model S by introducing performance, all-wheel drive dual motor, and Autopilot options, as well as free over-the-air software updates. We commenced deliveries of Model X in September 2015. Model X offers seating for up to seven people, all-wheel drive, and our Autopilot functionality. We commenced deliveries of Model 3, a lower-priced sedan designed for the mass market, in July 2017, and we have significantly ramped its production. We are now embarking on the delivery of Model 3 in international markets and are focusing on lowering manufacturing costs while continuing to increase its production rate.

We also intend to bring additional all-electric vehicles to market in the future, including Model Y, the Tesla Semi truck, a pickup truck and a new version of the Tesla Roadster. The production of fully electric vehicles that meet consumers’ range and performance expectations requires substantial design, engineering, and integration work on almost every system of our vehicles. Our design and vehicle engineering capabilities, combined with the technical advancements of our powertrain system, have enabled us to design and develop electric vehicles that we believe overcome the design, styling, and performance issues that have historically limited broad adoption of electric vehicles. As a result, our customers enjoy several benefits, including:

- *Long Range and Recharging Flexibility.* Our vehicles offer ranges that significantly exceed those of any other commercially available electric vehicle. In addition, our vehicles incorporate our proprietary on-board charging system, permitting recharging from almost any available electrical outlet, and also offer fast charging capability from our proprietary Supercharger network.
- *High-Performance Without Compromised Design or Functionality.* Our vehicles deliver instantaneous and sustained acceleration, an advanced Autopilot system with active safety and convenience features, and over-the-air software updates.
- *Energy Efficiency and Cost of Ownership.* Our vehicles offer an attractive cost of ownership compared to internal combustion engine or hybrid electric vehicles. Using only an electric powertrain enables us to create more energy-efficient vehicles that are mechanically simpler than currently available hybrid or internal combustion engine vehicles. The cost to charge our vehicles is less compared to fueling internal combustion vehicles. We also expect our electric vehicles will have lower relative maintenance costs than other vehicles due to fewer moving parts and the absence of certain components, including oil, oil filters, spark plugs and engine valves.

We sell our vehicles through our own sales and service network which we are continuing to grow globally. The benefits we receive from distribution ownership enable us to improve the overall customer experience, the speed of product development and the capital efficiency of our business. We are also continuing to build our network of Superchargers and Destination Chargers in North America, Europe and Asia to provide alternative convenient options for fast charging.

In addition, we are leveraging our technological expertise in batteries, power electronics, and integrated systems to manufacture and sell energy storage products. In late 2016, we began production and deliveries of our latest generation energy storage products, Powerwall 2 and Powerpack 2. Powerwall 2 is a 14 kilowatt hour (“kWh”) home battery with an integrated inverter. Powerpack 2 is an infinitely scalable energy storage system for commercial, industrial and utility applications, comprised of up to 210 kWh (AC) battery packs and up to 650 kVa (at 480V) inverters. Similar to our electric vehicles, our energy storage products have been developed to receive over-the-air firmware and software updates that enable additional features over time.

Finally, we sell and lease solar energy systems (with or without accompanying energy storage systems) to residential and commercial customers and sell renewable energy to residential and commercial customers at prices that are typically below utility rates. Since 2006, we have installed solar energy systems for hundreds of thousands of customers. However, the electricity produced by our solar installations represents a very small fraction of total U.S. electricity generation. With tens of millions of single-family homes and businesses in our primary service territories, and many more in other locations, we have a large opportunity to expand and grow this business. We believe that residential solar energy generation is gaining momentum, as exemplified in part by the state of California recently requiring that new homes be built with solar generation starting in 2020. We also intend to ramp production of our innovative Solar Roof product.

We manufacture our vehicle products primarily at our facilities in Fremont, California, Lathrop, California, Tilburg, Netherlands and at our Gigafactory 1 near Reno, Nevada. We manufacture our energy storage products at Gigafactory 1 and Tesla solar products at our U.S. facilities including in Buffalo, New York (Gigafactory 2). In January 2019, we began construction of our Gigafactory Shanghai in China, where we intend to commence production of certain trims of Model 3 for the local market by the end of 2019.

Our Products and Services

Vehicles

Model S

Model S is a fully electric, four-door, five-adult passenger sedan that offers compelling range and high performance and our all-wheel drive dual motor system, which we also offer in a performance version. Model S 100D is the longest range all-electric production sedan in the world, and the performance version with the Ludicrous speed upgrade is the quickest accelerating production vehicle available.

Model S introduced a 17 inch touch screen driver interface, our advanced Autopilot hardware to enable both active safety and convenience features, and over-the-air software updates. We believe the combination of performance, safety, styling, convenience and energy efficiency of Model S positions it as a compelling alternative to other vehicles in the luxury and performance segments.

Model X

Model X is the longest range all-electric production sport utility vehicle in the world, and offers high performance features such as our fully electric, all-wheel drive dual motor system and our Autopilot system. Model X can seat up to seven adults and incorporates a unique falcon wing door system for easy access to the second and third seating rows. Model X is sold in all markets where Model S is available.

Model 3

Model 3 is our third generation electric vehicle, which we began delivering in July 2017. Model 3 and its drive units are currently produced at high volumes at the Tesla Factory in Fremont, California and at Gigafactory 1, respectively, and we intend to begin production of certain vehicle trims for China at our Gigafactory Shanghai by the end of 2019. We have offered a number of variants of Model 3, including performance, dual motor, single motor, long-range and medium-range, and intend to offer in the future a variant of Model 3 at a starting price of \$35,000. We are now embarking on the delivery of Model 3 in international markets and are focusing on lowering manufacturing costs while continuing to increase its production rate.

Future Consumer and Commercial EVs

In addition to our volume-produced consumer EVs, including future vehicles such as Model Y and a pickup truck, we are planning to introduce additional types of vehicles to address a broader cross-section of the vehicle market, including commercial EVs such as the Tesla Semi truck, and a new version of the Tesla Roadster. We have started to accept reservations for the Tesla Semi truck and the new Tesla Roadster.

Energy Storage

Using the energy management technologies and manufacturing processes developed for our vehicle powertrain systems, we developed energy storage products for use in homes, commercial facilities and on the utility grid. Advances in battery architecture, thermal management and power electronics that were originally commercialized in our vehicles are now being leveraged in our energy storage products. Our energy storage systems are used for numerous applications including backup power, grid independence, peak demand reduction, demand response, reducing intermittency of renewable generation, replacement of fossil fuel generation and wholesale electric market services.

Our energy product portfolio includes systems with a wide range of applications, from residential to large grid-scale projects. Powerwall 2 is a 14 kWh rechargeable lithium-ion battery designed to store energy at a home or small commercial facility and can be used to provide seamless backup power in a grid outage and to maximize self-consumption of solar power generation. In addition, we offer the Powerpack 2 system, a fully integrated energy storage solution comprised of up to 210kWh (AC) battery packs and up to 650 kVa (at 480V) inverters that can be grouped together to form megawatt hour ("MWh") and gigawatt hour ("GWh") sized installations. The Powerpack 2 system can be used by commercial and industrial customers for peak shaving, load shifting, self-consumption of solar generation and demand response, as well as to provide backup power during grid outages, and by utilities and independent power producers to smooth and firm the output of renewable power generation sources, provide dynamic energy capacity to the grid, defer or eliminate the need to upgrade transmission or distribution infrastructure, and provide a variety of other grid services such as frequency regulation and voltage control. Powerpack 2 can also be combined with renewable energy generation sources to create microgrids that provide communities with clean, resilient and affordable power.

Along with designing and manufacturing energy storage products, we continue to develop and advance our software capabilities for the control and optimal dispatch of energy storage systems across a wide range of markets and applications.

Solar Energy Systems

The major components of our solar energy systems include solar panels that convert sunlight into electrical current, inverters that convert the electrical output from the panels to a usable current compatible with the electric grid, racking that attaches the solar panels to the roof or ground, electrical hardware that connects the solar energy system to the electric grid, and our monitoring device. While we have recently started manufacturing solar panels at Gigafactory 2 in collaboration with Panasonic, we currently purchase the majority of system components from vendors, maintaining multiple sources for each major component to ensure competitive pricing and an adequate supply of materials. We also design and manufacture other system components.

The residential solar energy systems that we sell enable our customers to take direct advantage of federal tax credits to reduce their electricity costs. Our solar loan offering enables customers to own their solar energy systems with little upfront cost. We also continue to offer lease and power purchase agreement ("PPA") options to both residential and commercial customers. Our current standard leases and PPAs have a 20-year term, and we typically offer customers the opportunity to renew their agreements.

In October 2016, we unveiled Solar Roof, which integrates solar energy production with aesthetically pleasing and durable glass roofing tiles and is designed to complement the architecture of homes and commercial buildings while turning sunlight into electricity. We have been installing this product at a slow pace to gather learnings about our design and installation processes, and plan to ramp the production of Solar Roof with significantly improved manufacturing capabilities during 2019.

Technology

Vehicles

Our core competencies are powertrain engineering, vehicle engineering, innovative manufacturing and energy storage. Our core intellectual property includes our electric powertrain, our ability to design vehicles that utilize the unique advantages of an electric powertrain and our development of self-driving technologies. Our powertrain consists of our battery pack, power electronics, motor, gearbox and control software. We offer several powertrain variants for our vehicles that incorporate years of research and development. In addition, we have designed our vehicles to incorporate the latest advances in consumer technologies, such as mobile computing, sensing, displays, and connectivity.

Battery Pack

We design our battery packs to achieve high energy density at a low cost while also maintaining safety, reliability and long life. Our proprietary technology includes systems for high density energy storage, cooling, safety, charge balancing, structural durability, and electronics management. We have also pioneered advanced manufacturing techniques to manufacture large volumes of battery packs with high quality at low cost.

We have significant expertise in the safety and management systems needed to use lithium-ion cells in the automotive environment, and have further optimized cell designs to increase overall performance. These advancements have enabled us to improve over time the cost and performance of our batteries.

Our engineering and manufacturing efforts have been performed with a longer-term goal of building a foundation for further development. For instance, we have designed our battery pack to permit flexibility with respect to battery cell chemistry and form factor. We maintain extensive testing and R&D capabilities at the individual cell level, the full battery-pack level and on other critical battery pack systems, and have built an expansive body of knowledge on lithium-ion cell vendors, chemistry types, and performance characteristics. We believe that the flexibility of our designs, combined with our research and real-world performance data, will enable us to continue to evaluate new battery cells and optimize battery pack system performance and cost for our current and future vehicles.

Power Electronics

The power electronics in our electric vehicle powertrain govern the flow of high voltage electrical current throughout our vehicles and serve to power our electric motor to generate torque while driving and deliver energy into the battery pack while charging.

The drive inverter converts direct current from the battery pack into alternating current to drive our induction and permanent magnet motors and provides “regenerative braking” functionality, which captures energy from the wheels to charge the battery pack. The primary technological advantages to our designs include the ability to drive large amounts of current in a small physical package with high efficiency and low cost.

The charger charges the battery pack by converting alternating current (usually from a wall outlet or other electricity source) into direct current that can be accepted by the battery. Tesla vehicles can recharge on a wide variety of electricity sources due to the design of this charger, from a common household outlet to high power circuits meant for more industrial uses.

Dual Motor Powertrain

We offer dual motor powertrain vehicles, which use two electric motors to maximize traction and performance in an all-wheel drive configuration. Tesla’s dual motor powertrain digitally and independently controls torque to the front and rear wheels. The near-instantaneous response of the motors, combined with low centers of gravity, provides drivers with controlled performance and increased traction control.

Vehicle Control and Infotainment Software

The performance and safety systems of our vehicles and their battery packs require sophisticated control software. There are numerous processors in our vehicles to control these functions, and we write custom firmware for many of these processors. Software algorithms control traction, vehicle stability, the acceleration and regenerative braking of the vehicle, climate control and thermal management, and are also used extensively to monitor the charge state of the battery pack and to manage all of its safety systems. Drivers use the information and control systems in our vehicles to optimize performance, customize vehicle behavior, manage charging modes and times and control all infotainment functions. We develop almost all of this software, including most of the user interfaces, internally.

Self-Driving Development

We have expertise in developing self-driving systems, and currently offer in our vehicles an advanced driver assist system that we refer to as Autopilot, including auto-steering, traffic aware cruise control, automated lane changing, automated parking, Summon and driver warning systems. In October 2016, we began equipping all Tesla vehicles with hardware needed for full self-driving capability, including cameras that provide 360 degree visibility, updated ultrasonic sensors for object detection, a forward-facing radar with enhanced processing, and a powerful new onboard computer. Our Autopilot systems relieve our drivers of the most tedious and potentially dangerous aspects of road travel. Although, at present, the driver is ultimately responsible for controlling the vehicle, our system provides safety and convenience functionality that allows our customers to rely on it much like the system that airplane pilots use when conditions permit. This hardware suite, along with over-the-air firmware updates and field data feedback loops from the onboard camera, radar, ultrasonics, and GPS, enables the system to continually learn and improve its performance.

Additionally, we continue to make significant advancements in the development of fully self-driving technologies.

Energy Storage

We are leveraging many of the component-level technologies from our vehicles to advance our energy storage products, including high density energy storage, cooling, safety, charge balancing, structural durability, and electronics management. By taking a modular approach to the design of battery systems, we are able to maximize manufacturing capacity to produce both Powerwall and Powerpack products. Additionally, we are making significant strides in the area of bi-directional, grid-tied power electronics that enable us to interconnect our battery systems seamlessly with global electricity grids while providing fast-acting systems for power injection and absorption.

Solar Energy Systems

We are continually innovating and developing new technologies to facilitate the growth of our solar energy systems business. For example, Solar Roof is being designed to work seamlessly with Tesla Powerwall 2 and we have developed proprietary software to reduce system design and installation timelines and costs.

Design and Engineering

Vehicles

In addition to the design, development and production of the powertrain, we have created significant in-house capabilities in the design and engineering of electric vehicles and their components and systems. We design and engineer bodies, chassis, interiors, heating and cooling and low voltage electrical systems in-house, and to a lesser extent, in conjunction with our suppliers. Our team has core competencies in computer aided design and crash test simulations, which reduces the product development time of new models.

Additionally, our team has expertise in lightweight materials, a very important characteristic for electric vehicles given the impact of mass on range. Model S and Model X are built with a lightweight aluminum body and chassis which incorporate a variety of materials and production methods that help optimize the weight of the vehicle. Moreover, we have designed Model 3 with a mix of materials to be lightweight and safe while also increasing cost-effectiveness for this mass-market vehicle. We are designing Model Y on the Model 3 platform and expect that Model Y will share about 75% of its components with Model 3, which we expect will reduce the cost and time to ramp production of Model Y.

Energy Storage

We have an in-house engineering team that both designs our energy storage products themselves, and works with our residential, commercial and utility customers to design bespoke systems incorporating our products. Our team's expertise in electrical, mechanical, civil and software engineering enables us to create integrated energy storage solutions that meet the particular needs of all customer types.

Solar Energy Systems

We also have an in-house engineering team that designs a customized solar energy system or Solar Roof for each of our customers, and which works closely with our energy storage engineering teams to integrate an energy storage system when requested by the customer. We have developed software that simplifies and expedites the design process and optimizes the design to maximize the energy production of each system. Our engineers complete a structural analysis of each building and produce a full set of structural design and electrical blueprints that contain the specifications for all system components. Additionally, we design complementary mounting and grounding hardware where required.

Sales and Marketing

Vehicles

Company-Owned Stores and Galleries

We market and sell our vehicles directly to consumers through an international network of company-owned stores and galleries, which we believe enables us to better control costs of inventory, manage warranty service and pricing, maintain and strengthen the Tesla brand, and obtain rapid customer feedback. Our Tesla stores and galleries are highly visible, premium outlets in major metropolitan markets, some of which combine retail sales and service. We have also found that opening a service center in a new geographic area can increase demand. As a result, we have complemented our store strategy with sales facilities and personnel in service centers to more rapidly expand our retail footprint. We refer to these as "Service Plus" locations.

Used Car Sales

Our used car business supports new car sales by integrating the sale of a new Tesla vehicle with a customer's trade-in needs for their existing Tesla and non-Tesla vehicles. The Tesla and non-Tesla vehicles we acquire through trade-ins are subsequently remarketed, either directly by us or through third-party auto auctions. We also receive used Tesla vehicles to resell through lease returns and other sources.

Charging

When not charging at home or at work, Tesla customers can also charge using our Supercharger and Destination Charging networks. In addition, our vehicles can charge at a variety of public charging stations around the world, either natively or through a suite of adapters. This flexibility provides our customers with many charging options to suit various situations.

We continue to build out our Tesla Supercharger network throughout North America, Europe, Asia and other markets for our customers' convenience, including to enable long-distance travel and urban ownership. Our Supercharger network is a strategic corporate initiative designed to provide publicly accessible fast charging solutions, and remove a barrier to the broader adoption of electric vehicles caused by the perception of limited vehicle range. The Tesla Supercharger is an industrial grade, high speed charger designed to recharge a Tesla vehicle significantly more quickly than other charging options, and we continue to evolve our technology to allow for even faster charging times at lower cost to us. To satisfy growing demand, Supercharger stations typically have between six and thirty Superchargers and are strategically placed along well-traveled routes and in dense city centers to allow Tesla vehicle owners the ability to enjoy quick, reliable and ubiquitous charging with convenient, minimal stops. Use of the Supercharger network is either free or requires a competitive fee.

We work with a wide variety of hospitality, retail, and public destinations, as well as businesses with commuting employees, to offer additional charging options for our customers. These Destination Charging and workplace locations deploy Tesla Wall Connectors to provide charging to Tesla vehicle owners who patronize or are employed at their businesses. We also work with single-family homeowners and multi-family residential entities to deploy home charging solutions in our communities.

Where possible, we are co-locating Superchargers with our solar and energy storage systems to reduce the cost of electricity and promote the use of renewable electricity by Tesla vehicle owners.

Orders

We offer our customers the flexibility to order vehicles with their desired trims and options by visiting us online at our website or in person at our Tesla stores.

Marketing

Historically, we have been able to generate significant media coverage of our company and our vehicles, and we believe we will continue to do so. To date, media coverage and word of mouth have been the primary drivers of our vehicle sales leads and have helped us achieve sales without traditional advertising and at relatively low marketing costs.

Solar and Energy Storage

We market and sell our solar and energy storage products to individuals, commercial and industrial customers and utilities through a variety of channels.

In the U.S., we have been transitioning the direct sales channel for residential solar and energy storage products from former partners to our stores and galleries. We are also continuing to sell residential energy storage products through our network of channel partners. Outside of the U.S., we use our international sales organization and a network of channel partners to market and sell residential energy storage products, and we have recently launched pilot programs for the sale of residential solar in certain countries. We also sell Powerwall 2 directly to utilities, who then deploy the product in customer homes.

We sell Powerpack 2 systems to commercial and utility customers through our international sales organization, which consists of experienced energy industry professionals in all of our target markets, as well as through our channel partner network. In the U.S and Mexico, we also sell installed solar energy systems (with or without energy storage) to commercial customers through cash, lease and PPA transactions.

Service and Warranty

Vehicles

Service

We provide service for our electric vehicles at our company-owned service centers, at our Service Plus locations or through an expanding fleet of Tesla Mobile Service technicians who provide services that do not require a vehicle lift. Performing vehicle service ourselves allows us to identify problems, find solutions, and incorporate improvements faster than incumbent automobile manufacturers.

Our vehicles are designed with the capability to wirelessly upload data to us via an on-board system with cellular connectivity, allowing us to diagnose and remedy many problems before ever looking at the vehicle. When maintenance or service is required, a customer can schedule service by contacting one of our Tesla service centers or our Mobile Service technicians can perform an array of services from a customer's home or other remote location.

New Vehicle Limited Warranty, Maintenance and Extended Service Plans

We provide a four year or 50,000 mile New Vehicle Limited Warranty with every new vehicle, subject to separate limited warranties for the supplemental restraint system and battery and drive unit. For the battery and drive unit on our current new Model S and Model X vehicles, we offer an eight year, infinite mile limited warranty, although the battery's charging capacity is not covered. For the battery and drive unit on our current new Model 3 vehicles, we offer an eight year or 100,000 mile limited warranty for our standard or mid-range battery and an eight year or 120,000 mile limited warranty for our long range battery, with minimum 70% retention of battery capacity over the warranty period.

In addition to the New Vehicle Limited Warranty, we currently offer for Model S and Model X a comprehensive maintenance program for every new vehicle, which includes plans covering prepaid maintenance for up to four years or up to 50,000 miles and an Extended Service plan. The maintenance plans cover annual inspections and the replacement of certain wear and tear parts, excluding tires and the battery. The Extended Service plan covers the repair or replacement of vehicle parts for up to an additional four years or up to an additional 50,000 miles after the New Vehicle Limited Warranty.

Energy Storage

We generally provide a 10 year "no defect" and "energy retention" warranty with every Powerwall 2 and a 15 year "no defect" and "energy retention" warranty with every Powerpack 2 system. For Powerwall 2, the energy retention warranty involves us guaranteeing that the energy capacity of the product will be 70% or 80% (depending on the region of installation) of its nameplate capacity after 10 years of use. For Powerpack 2, the energy retention warranty involves us guaranteeing a minimum energy capacity in each of its first 15 years of use. For both products, our warranty is subject to specified use restrictions or kWh throughput caps. In addition, we offer certain extended warranties, which customers are able to purchase from us at the time they purchase an energy storage system, including a 20 year extended protection plan for Powerwall 2 and a selection of 10 or 20 year performance guarantees for Powerpack 2. We agree to repair or replace our energy storage products in the event of a valid warranty claim. In circumstances where we install a Powerwall 2 or Powerpack 2 system, we also provide warranties of up to 20 years on our installation workmanship. All of the warranties for our energy storage systems are subject to customary limitations and exclusions.

Solar Energy Systems

For traditional solar energy systems, we provide a workmanship warranty for up to 20 years from installation and a separate warranty against roof leaks. We also pass-through the inverter and module manufacturer warranties (typically 12 years and 25 years respectively). When we lease a traditional solar energy system, we compensate the customer if their system produces less energy than guaranteed over a specified period. For Solar Roof, we provide a warranty against glass tile chipping or cracking for the lifetime of the home, a 30 year installation warranty, a 30 year weatherization warranty and a power output warranty. For all systems (traditional and Solar Roof) we also provide service and repair (either under warranty or for a fee) during the entire term of the customer relationship.

Financial Services

Vehicles

We offer financing arrangements for our vehicles in North America, Europe and Asia primarily through various financial institutions. We also currently offer Model S and Model X leasing directly through our local subsidiaries in the U.S. and Canada. We intend to broaden our financial services offerings during the next few years.

Certain of our current financing programs outside of North America provide customers with a resale value guarantee under which those customers have the option of selling their vehicle back to us at a preset future date, generally at the end of the term of the applicable loan or financing program, for a pre-determined resale value. In certain markets, we also offer vehicle buyback guarantees to financial institutions, which may obligate us to repurchase the vehicles for a pre-determined price.

Solar Energy Systems

We are an industry leader in offering innovative financing alternatives that allow our customers to take direct advantage of available tax credits and incentives to reduce the cost of owning a solar energy system through a solar loan, or to make the switch to solar energy with little to no upfront costs under a lease or PPA. Our solar loan offers third-party financing directly to a qualified customer to enable the customer to purchase and own a solar energy system. We are not a party to the loan agreement between the customer and the third-party lender, and the third-party lender has no recourse against us with respect to the loan. Our solar lease offers customers a fixed monthly fee, at rates that typically translate into lower monthly utility bills, and an electricity production guarantee. Our solar PPA charges customers a fee per kWh based on the amount of electricity produced by our solar energy systems. We monetize the customer payments we receive from our leases and PPAs through funds we have formed with investors. We also intend to introduce financial services offerings for our Solar Roof customers in the future.

Energy Storage

We currently offer a loan product to residential customers who purchase Powerwall 2 together with a new solar energy system, and lease and PPAs to commercial customers who purchase a Powerpack 2 system together with a new solar energy system. We intend to introduce financial services offerings for customers who purchase standalone energy storage products in the future.

Manufacturing

Vehicles

We conduct vehicle manufacturing and assembly operations at our facilities in Fremont, California; Lathrop, California; and Tilburg, Netherlands. We have also built and continue to expand Gigafactory 1, a manufacturing facility for battery cells, modules, packs and storage products and vehicle components, outside of Reno, Nevada. We are also constructing Gigafactory Shanghai, a manufacturing facility in China, for the production of Model 3 vehicles for the local market.

Manufacturing Facilities in Fremont, CA and Lathrop, CA

We manufacture our vehicles, and certain parts and components that are critical to our intellectual property and quality standards, at our manufacturing facilities in Fremont, CA, including the Tesla Factory, and our manufacturing facility in Lathrop, CA. Our Fremont facilities contain several manufacturing operations, including stamping, machining, casting, plastics, body assembly, paint operations, drive unit production, seat assembly, final vehicle assembly and end-of-line testing. In addition, we manufacture lithium-ion battery packs, electric motors, gearboxes and components for Model S and Model X at the Tesla Factory. Some major vehicle component systems are purchased from suppliers; however, we have a high level of vertical integration in our manufacturing processes at the Tesla Factory.

The Netherlands

Our European headquarters and manufacturing facilities are located in Amsterdam and Tilburg. Our operations in Tilburg include final assembly, testing and quality control for Model S and Model X vehicles delivered within the European Union, a parts distribution warehouse for service centers throughout Europe, a center for remanufacturing work and a customer service center.

Gigafactory 1 outside of Reno, Nevada

Gigafactory 1 is a facility where we work together with our suppliers to integrate battery material, cell, module and battery pack production in one location. We use the battery packs manufactured at Gigafactory 1 for our vehicles, including Model 3, and energy storage products. We also manufacture Model 3 drive units at Gigafactory 1.

Gigafactory 1 is being built in phases. Tesla, Panasonic and other partners are currently manufacturing inside the finished sections. Our present plan is to continue expanding Gigafactory 1 over the next few years so that its capacity significantly exceeds the approximately 500,000 vehicle per year capacity that we announced when we first started developing it, and we have additionally added capacity for manufacturing our energy storage products. We have also announced that we will likely manufacture Model Y, which we intend to produce at high volumes by the end of 2020, at Gigafactory 1.

We believe that Gigafactory 1 will allow us to achieve a significant reduction in the cost of our battery packs with our volume production of Model 3. We have an agreement with Panasonic to partner with us on Gigafactory 1 with investments in production equipment that it is using to manufacture and supply us with battery cells. Through our ownership of Gigafactory 1 and our partnership with Panasonic, we own sole access to a facility designed to be the highest-volume and lowest-cost source of lithium-ion batteries in the world.

Gigafactory Shanghai

We are constructing Gigafactory Shanghai in order to significantly increase the affordability of Model 3 for customers in China by reducing transportation and manufacturing costs and eliminating certain tariffs on vehicles imported from the U.S. We broke ground in January 2019, and subject to a number of uncertainties, including regulatory approval, supply chain constraints, and the pace of installing production equipment and bringing the factory online, we expect to begin production of certain trims of Model 3 at Gigafactory Shanghai by the end of 2019. We expect much of the investment in Gigafactory Shanghai to be provided through local debt financing, supported by limited direct capital expenditures by us. Moreover, we are targeting the capital expenditures per unit of production capacity at this factory to be less than that of our Model 3 production at the Tesla Factory, from which we have drawn learnings that should allow us to simplify our manufacturing layout and processes at Gigafactory Shanghai.

Supply Chain

Our vehicles use thousands of purchased parts which we source globally from hundreds of suppliers. We have developed close relationships with several key suppliers particularly in the procurement of cells and certain other key system parts. While we obtain components from multiple sources in some cases, similar to other automobile manufacturers, many of the components used in our vehicles are purchased by us from a single source. In addition, while several sources of the battery cell we have selected for our battery packs are available, we have currently fully qualified only one cell supplier for the battery packs we use in our production vehicles. We are working to fully qualify additional cells from other manufacturers.

We use various raw materials in our business including aluminum, steel, cobalt, lithium, nickel and copper. The prices for these raw materials fluctuate depending on market conditions and global demand for these materials. We believe that we have adequate supplies or sources of availability of the raw materials necessary to meet our manufacturing and supply requirements.

Energy Storage

Our energy storage products are manufactured at Gigafactory 1. We leverage the same supply chain process and infrastructure as we use for our vehicles. The battery architecture and many of the components used in our energy storage products are the same or similar to those used in our vehicles' battery pack, enabling us to take advantage of manufacturing efficiencies and supply chain economies of scale. The power electronics and inverters for the Powerwall and Powerpack systems are also manufactured at Gigafactory 1, allowing us to ship deployment-ready systems directly to customers.

Solar Energy Systems

We currently purchase major components such as solar panels and inverters directly from multiple manufacturers. We typically purchase solar panels and inverters on an as-needed basis from our suppliers at then-prevailing prices pursuant to purchase orders issued under our master contractual arrangements. In December 2016, we entered into a long-term agreement with Panasonic to manufacture photovoltaic ("PV") cells and modules with negotiated pricing provisions at our Gigafactory 2 in Buffalo, New York with the intended capacity to manufacture at least 1.0 gigawatt ("GW") of solar products annually. We have recently started manufacturing solar panels at this facility in collaboration with Panasonic.

Governmental Programs, Incentives and Regulations

Vehicles

California Alternative Energy and Advanced Transportation Financing Authority Tax Incentives

We have entered into multiple agreements over the past few years with the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA") that provide multi-year sales tax exclusions on purchases of manufacturing equipment that will be used for specific purposes, including the expansion and ongoing development of Model S, Model X, Model 3 and future electric vehicles and the expansion of electric vehicle powertrain production in California.

Nevada Tax Incentives

In connection with the construction of Gigafactory 1, we have entered into agreements with the State of Nevada and Storey County in Nevada that provide abatements for sales, use, real property, personal property and employer excise taxes, discounts to the base tariff energy rates and transferable tax credits. These incentives are available for the applicable periods beginning on October 17, 2014 and ending on either June 30, 2024 or June 30, 2034 (depending on the incentive). Under these agreements, we were eligible for a maximum of \$195.0 million of transferable tax credits, subject to capital investments by us and our partners for Gigafactory 1 of at least \$3.50 billion, which we exceeded during 2017, and specified hiring targets for Gigafactory 1, which we exceeded during 2018. As a result, as of December 31, 2018, we had earned the maximum amount of credits.

Tesla Regulatory Credits

In connection with the production, delivery, placement into service and ongoing operation of our zero emission vehicles, charging infrastructure and solar systems in global markets, we have earned and will continue to earn various tradable regulatory credits. We have sold these credits, and will continue to sell future credits, to automotive companies and other regulated entities who can use the credits to comply with emission standards and other regulatory requirements. For example, under California's Zero Emission Vehicle Regulation and those of states that have adopted California's standard, vehicle manufacturers are required to earn or purchase credits, referred to as ZEV credits, for compliance with their annual regulatory requirements. These laws provide that automakers may bank or sell to other regulated parties their excess credits if they earn more credits than the minimum quantity required by those laws. Tesla also earns other types of salable regulatory credits in the United States and abroad, including greenhouse gas, fuel economy and clean fuels credits. Likewise, several U.S. states have adopted procurement requirements for renewable energy production. These requirements enable companies deploying solar energy to earn tradable credits known as Solar Renewable Energy Certificates ("SRECs").

Regulation—Vehicle Safety and Testing

Our vehicles are subject to, and comply with or are otherwise exempt from, numerous regulatory requirements established by the National Highway Traffic Safety Administration ("NHTSA"), including all applicable United States Federal Motor Vehicle Safety Standards ("FMVSS"). Our vehicles fully comply with all applicable FMVSSs without the need for any exemptions, and we expect future Tesla vehicles to either fully comply or comply with limited exemptions related to new technologies. Additionally, there are regulatory changes being considered for several FMVSS, and while we anticipate compliance, there is no assurance until final regulation changes are enacted.

As a manufacturer, we must self-certify that our vehicles meet all applicable FMVSS, as well as the NHTSA bumper standard, or otherwise are exempt, before the vehicles can be imported or sold in the U.S. Numerous FMVSS apply to our vehicles, such as crash-worthiness requirements, crash avoidance requirements, and electric vehicle requirements. We are also required to comply with other federal laws administered by NHTSA, including the CAFE standards, Theft Prevention Act requirements, consumer information labeling requirements, Early Warning Reporting requirements regarding warranty claims, field reports, death and injury reports and foreign recalls, and owner's manual requirements.

The Automobile Information and Disclosure Act requires manufacturers of motor vehicles to disclose certain information regarding the manufacturer's suggested retail price, optional equipment and pricing. In addition, this law allows inclusion of city and highway fuel economy ratings, as determined by EPA, as well as crash test ratings as determined by NHTSA if such tests are conducted.

Our vehicles sold outside of the U.S. are subject to similar foreign safety, environmental and other regulations. Many of those regulations are different from those applicable in the U.S. and may require redesign and/or retesting. The European Union has established new rules regarding additional compliance oversight that are scheduled to commence in 2020, and there is also regulatory uncertainty related to the United Kingdom's impending withdrawal from the European Union. These changes could impact the rollout of new vehicle features in Europe.

Regulation - Self Driving

There are no federal U.S. regulations pertaining to the safety of self-driving vehicles; however, NHTSA has established recommended guidelines. Certain U.S. states have legal restrictions on self-driving vehicles, and many other states are considering them. This patchwork increases the legal complexity for our vehicles. In Europe, certain vehicle safety regulations apply to self-driving braking and steering systems, and certain treaties also restrict the legality of certain higher levels of self-driving vehicles. Self-driving laws and regulations are expected to continue to evolve in numerous jurisdictions in the U.S. and foreign countries, and may create restrictions on self-driving features that we develop.

Regulation—Battery Safety and Testing

Our battery pack conforms to mandatory regulations that govern transport of "dangerous goods," defined to include lithium-ion batteries, which may present a risk in transportation. The regulations vary by mode of shipping transportation, such as by ocean vessel, rail, truck, or air. We have completed the applicable transportation tests for our battery packs, demonstrating our compliance with applicable regulations.

We use lithium-ion cells in our high voltage battery packs. The use, storage, and disposal of our battery packs is regulated under federal law. We have agreements with third party battery recycling companies to recycle our battery packs.

Automobile Manufacturer and Dealer Regulation

State laws regulate the manufacture, distribution, and sale of automobiles, and generally require motor vehicle manufacturers and dealers to be licensed in order to sell vehicles directly to consumers in the state. As we open additional Tesla stores and service centers, we secure dealer licenses (or their equivalent) and engage in sales activities to sell our vehicles directly to consumers. A few states, such as Michigan and Connecticut, do not permit automobile manufacturers to be licensed as dealers or to act in the capacity of a dealer, or otherwise restrict a manufacturer's ability to deliver or service vehicles. To sell vehicles to residents of states where we are not licensed as a dealer, we generally conduct the sale out of the state via the Internet, phone or mail. In such states, we have opened "galleries" that serve an educational purpose and are not sales locations.

As we expand our retail footprint in the U.S., some automobile dealer trade associations have both challenged the legality of our operations in court and used administrative and legislative processes to attempt to prohibit or limit our ability to operate existing stores or expand to new locations. We expect that the dealer associations will continue to mount challenges to our business model. In addition, we expect the dealer associations to actively lobby state licensing agencies and legislators to interpret existing laws or enact new laws in ways not favorable to Tesla's ownership and operation of its own retail and service locations, and we intend to actively fight any such efforts to limit our ability to sell our own vehicles.

Energy Storage

The regulatory regime for energy storage projects is still under development. Nevertheless, there are various policies, incentives and financial mechanisms at the federal, state and local levels that support the adoption of energy storage. For example, energy storage systems that are charged using solar energy are eligible for the 30% tax credit under Section 48(a)(3) of the Internal Revenue Code, or the IRC, as described below. In addition, California and a number of other states have adopted procurement targets for energy storage, and behind the meter energy storage systems qualify for funding under the California Self Generation Incentive Program.

The Federal Energy Regulatory Commission (“FERC”) has also taken steps to enable the participation of energy storage in wholesale energy markets. In 2011 and 2013, FERC removed many barriers for systems like energy storage to provide frequency regulation service, thus increasing the value these systems can obtain in wholesale energy markets. More recently, in late 2016, FERC released a Notice of Proposed Rulemaking that, if it becomes a final rule, would further break down barriers preventing energy storage from fully participating in wholesale energy markets. Finally, in January 2017, FERC issued a statement supporting the use of energy storage as both electric transmission and as electric generation concurrently, thus enabling energy storage systems to provide greater value to the electric grid.

Solar Energy Systems

Government and Utility Programs and Incentives

U.S. federal, state and local governments have established various policies, incentives and financial mechanisms to reduce the cost of solar energy and to accelerate the adoption of solar energy. These incentives include tax credits, cash grants, tax abatements and rebates.

The federal government currently provides an uncapped investment tax credit (“ITC”) under two sections of the IRC: Section 48 and Section 25D. Section 48(a)(3) of the IRC allows a taxpayer to claim a credit of 30% of qualified expenditures for a commercial solar energy system that commences construction by December 31, 2019. The credit then declines to 26% in 2020, 22% in 2021, and a permanent 10% thereafter. We claim the Section 48 commercial credit when available for both our residential and commercial projects, based on ownership of the solar energy system. The federal government also provides accelerated depreciation for eligible commercial solar energy systems. Section 25D of the IRC allows a homeowner-taxpayer to claim a credit of 30% of qualified expenditures for a residential solar energy system owned by the homeowner that is placed in service by December 31, 2019. The credit then declines to 26% in 2020 and 22% in 2021, and is scheduled to expire thereafter. Customers who purchase their solar energy systems for cash or through our solar loan offering are eligible to claim the Section 25D investment tax credit.

In addition to the federal ITC, many U.S. states offer personal and corporate tax credits and incentives for solar energy systems.

Regulation - General

We are not a “regulated utility” in the U.S. To operate our systems, we obtain interconnection agreements from the utilities. In most cases, interconnection agreements are standard form agreements that have been pre-approved by the public utility commission or other regulatory body.

Sales of electricity and non-sale equipment leases by third parties, such as our leases and PPAs, face regulatory challenges in some states and jurisdictions.

Regulation - Net Metering

Most states in the U.S. have a regulatory policy known as net energy metering, or net metering, available to solar customers. Net metering typically allows solar customers to interconnect their on-site solar energy systems to the utility grid and offset their utility electricity purchases by receiving a bill credit for excess energy generated by their solar energy system that is exported to the grid. In certain jurisdictions, regulators or utilities have reduced or eliminated the benefit available under net metering, or have proposed to do so.

Regulation - Mandated Renewable Capacity

Many states also have adopted procurement requirements for renewable energy production, such as an enforceable renewable portfolio standard, or RPS, or other policies that require covered entities to procure a specified percentage of total electricity delivered to customers in the state from eligible renewable energy sources, such as solar energy systems. In SREC state markets, the RPS requires electricity suppliers to secure a portion of their electricity from solar generators. The SREC program provides a means for SRECs to be created. A SREC represents the renewable energy associated with 1,000 kWhs of electricity produced from a solar energy system. When a solar energy system generates 1,000 kWhs of electricity, one SREC is issued by a government agency, which can then be sold separately from the energy produced to covered entities who surrender the SRECs to the state to prove compliance with the state's renewable energy mandate.

Competition

Vehicles

The worldwide automotive market is highly competitive and we expect it will become even more competitive in the future as we introduce additional vehicles in a broader cross-section of the passenger and commercial vehicle market.

We believe that our vehicles compete in the market both based on their traditional segment classification as well as based on their propulsion technology. For example, Model S and Model X compete primarily with premium sedans and premium SUVs and Model 3 competes with small to medium-sized sedans, which are extremely competitive markets with internal combustion vehicles from more established automobile manufacturers.

Moreover, many established and new automobile manufacturers have entered or have announced plans to enter the alternative fuel vehicle market. Overall, we believe these announcements and vehicle introductions promote the development of the alternative fuel vehicle market by highlighting the attractiveness of alternative fuel vehicles, particularly those fueled by electricity, relative to the internal combustion vehicle. Many major automobile manufacturers have electric vehicles available today, and other current and prospective automobile manufacturers are also developing electric vehicles. Electric vehicles have also already been brought to market in China and other foreign countries and we expect a number of those manufacturers to enter the U.S. market as well. In addition, several manufacturers offer hybrid vehicles, including plug-in versions.

Energy Storage

The market for energy storage products is also highly competitive. Established companies, such as AES Energy Storage, Siemens, LG Chem and Samsung, as well as various emerging companies, have introduced products that are similar to our product portfolio. There are several companies providing individual components of energy storage systems (such as cells, battery modules, and power electronics) as well as others providing integrated systems. We compete with these companies based on price, energy density and efficiency. We believe that the specifications of our products, our strong brand, and the modular, scalable nature of our Powerpack 2 product give us a competitive advantage when marketing our products.

Solar Energy Systems

The primary competitors to our solar energy business are the traditional local utility companies that supply energy to our potential customers. We compete with these traditional utility companies primarily based on price, predictability of price and the ease by which customers can switch to electricity generated by our solar energy systems. We also compete with solar energy companies that provide products and services similar to ours. Many solar energy companies only install solar energy systems, while others only provide financing for these installations. In the residential solar energy system installation market, our primary competitors include Vivint Solar Inc., Sunrun Inc., Trinity Solar, SunPower Corporation, and many smaller local solar companies.

Intellectual Property

As part of our business, we seek to protect our intellectual property rights such as with respect to patents, trademarks, copyrights, trade secrets, including through employee and third party nondisclosure agreements, and other contractual arrangements. Additionally, we previously announced a patent policy in which we irrevocably pledged that we will not initiate a lawsuit against any party for infringing our patents through activity relating to electric vehicles or related equipment for so long as such party is acting in good faith. We made this pledge in order to encourage the advancement of a common, rapidly-evolving platform for electric vehicles, thereby benefiting ourselves, other companies making electric vehicles, and the world.

Segment Information

We operate as two reportable segments: automotive and energy generation and storage.

The automotive segment includes the design, development, manufacturing, sales, and leasing of electric vehicles as well as sales of automotive regulatory credits. Additionally, the automotive segment is also comprised of services and other, which includes non-warranty after-sales vehicle services, sales of used vehicles, sales of electric vehicle components and systems to other manufacturers, retail merchandise, and sales by our acquired subsidiaries to third party customers. The energy generation and storage segment includes the design, manufacture, installation, and sale or leasing of stationary energy storage products and solar energy systems, and sale of electricity generated by our solar energy systems to customers.

Employees

As of December 31, 2018, Tesla, Inc. had 48,817 full-time employees. To date, we have not experienced any work stoppages, and we consider our relationship with our employees to be good.

Available Information

We file or furnish periodic reports and amendments thereto, including our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission ("SEC"). In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically. Our website is located at www.tesla.com, and our reports, amendments thereto, proxy statements and other information are also made available, free of charge, on our investor relations website at ir.tesla.com as soon as reasonably practicable after we electronically file or furnish such information with the SEC. The information posted on our website is not incorporated by reference into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

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

Risks Related to Our Business and Industry

We have experienced in the past, and may experience in the future, delays or other complications in the design, manufacture, launch, production, delivery and servicing ramp of new vehicles and other products such as Model 3, Model Y, our energy storage products and Solar Roof, which could harm our brand, business, prospects, financial condition and operating results.

We have previously experienced launch, manufacturing, production and delivery ramp delays or other complications in connection with new vehicle models such as Model S, Model X and Model 3, new vehicle features such as the all-wheel drive dual motor drivetrain on Model S and the second version of Autopilot hardware, and a significant increase in automation introduced in the manufacture of Model 3. For example, we encountered unanticipated challenges, such as certain supply chain constraints, that led to initial delays in producing Model X. Similarly, we experienced certain challenges in the production of Model 3 that led to delays in its ramp. Moreover, in the areas of Model 3 production where we had challenges ramping fully automated processes, such as portions of the battery module assembly line, material flow system and the general assembly line, we reduced the levels of automation and introduced semi-automated or manual processes. If issues like these arise or recur, if our remediation measures and process changes do not continue to be successful, if we experience issues with transitioning to full automation in certain production lines or to other planned manufacturing improvements, or if we experience issues or delays in building our Gigafactory Shanghai in China or commencing and ramping Model 3 production there, we could experience issues in sustaining the Model 3 ramp or delays in increasing Model 3 production further. Also, if we encounter difficulties in scaling our delivery or servicing capabilities for Model 3 or future vehicles and products to high volumes in the U.S. or internationally, our financial condition and operating results could suffer. In addition, because our vehicle models share certain production facilities with other vehicle models, the volume or efficiency of production with respect to one model may impact the production of other models or lead to bottlenecks that impact the production of all models.

We may also experience similar future delays or other complications in bringing to market and ramping production of new vehicles, such as Model Y, the Tesla Semi, our planned pickup truck and new Tesla Roadster, our energy storage products and Solar Roof. Any significant additional delay or other complication in the production of and delivery capabilities for our current products or the development, manufacture, launch, production and delivery and servicing capability ramp of our future products, including complications associated with expanding our production capacity, supply chain and delivery systems or obtaining or maintaining regulatory approvals, could materially damage our brand, business, prospects, financial condition and operating results.

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

Our future business depends in large part on our ability to execute on our plans to manufacture, market and sell the Model 3 vehicle, which we are offering at a lower price point and which we are producing at significantly higher volumes than the Model S or Model X vehicles. We commenced production and initial customer deliveries of Model 3 in July 2017, and since then have achieved a stabilized production rate. At the Tesla Factory, we expect to continue to increase our Model 3 production rate to approximately 7,000 units per week on a sustained basis by the end of 2019. Moreover, in China, we expect to commence production of certain trims of Model 3 for the local market in China in the initial phase of our Gigafactory Shanghai by the end of 2019, and then progressively increase levels of localization through local sourcing and manufacturing. Inclusive of Gigafactory Shanghai, our goal is to be able to produce 10,000 Model 3 vehicles per week on a sustained basis, and an annualized output rate in excess of 500,000 Model 3 vehicles sometime between the fourth quarter of 2019 and the second quarter of 2020. However, the timeframe for commencing Model 3 production at Gigafactory Shanghai is subject to a number of uncertainties, including regulatory approval, supply chain constraints, and the pace of installing production equipment and bringing the factory online.

We have limited experience to date in manufacturing vehicles at the high volumes that we recently achieved and to which we anticipate ramping further for Model 3, and to be successful, we will need to complete the implementation and ramp of efficient and cost-effective manufacturing capabilities, processes and supply chains necessary to support such volumes, including at Gigafactory Shanghai. We are employing a higher degree of automation in the manufacturing processes for Model 3 than we have previously employed and to continue to implement additional automation. In some cases, we have temporarily reduced the levels of automation and introduced semi-automated or manual processes, at additional labor cost. Additional bottlenecks may also arise as we continue to ramp production at the Tesla Factory and commence the initial phase of Model 3 production at Gigafactory Shanghai, and it will be important that we address them promptly and in a cost-effective manner. Moreover, our Model 3 production plan has generally required to date significant investments of cash and management resources, and we expect to deploy some level of additional resources as we further progress our ramp and begin production in new locations in the future, such as China.

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

- that we will be able to sustain and further expand our high-volume production of Model 3 at the Tesla Factory without exceeding our projected costs and on our projected timeline;
- that we will be able to continue to expand Gigafactory 1 in a timely manner to produce high volumes of quality lithium-ion cells to be integrated into battery modules and finished battery packs and drive unit components for Model 3, including in part to support production in China as the level of local sourcing and manufacturing there progressively increases, all at costs that allow us to sell Model 3 at our target gross margins;
- that we will be able to build and commence production at additional future facilities, such as at Gigafactory Shanghai, to support our international ramp for Model 3 in accordance with our projected costs and timeline;
- that the equipment and processes which we have selected for Model 3 production will be able to accurately manufacture high volumes of Model 3 vehicles within specified design tolerances and with high quality;
- that we will be able to maintain suppliers for the necessary components on terms and conditions that are acceptable to us and that we will be able to obtain high-quality components on a timely basis and in the necessary quantities to support high-volume production; and
- that we will be able to attract, recruit, hire, train and retain skilled employees to operate our planned high-volume production facilities to support Model 3, including at the Tesla Factory, Gigafactory 1 and Gigafactory Shanghai.

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

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

Our plans call for sustaining and further ramping from our significant increases in vehicle production and deliveries, particularly for Model 3. Our ability to achieve these plans will depend upon a number of factors, including our ability to utilize installed manufacturing capacity to achieve the planned production yield, further install and increase capacity in accordance with our planned timelines and costs, maintain our desired quality levels and optimize design and production changes, as well as our suppliers' ability to support our needs. In addition, we have used and may use in the future a number of new manufacturing technologies, techniques and processes for our vehicles, which we must successfully introduce and scale for high-volume production. For example, we have introduced highly automated production lines, aluminum spot welding systems and high-speed blow forming of certain difficult to stamp vehicle parts. We have also introduced unique design features in our vehicles with different manufacturing challenges, such as large display screens, dual motor drivetrain, Autopilot hardware and falcon-wing doors. We have limited experience developing, manufacturing, selling and servicing, and allocating our available resources among, multiple products simultaneously. If we are unable to realize our plans, our brand, business, prospects, financial condition and operating results could be materially damaged.

Concurrent with our increasing vehicle production levels, we will also need to continue to significantly increase sales and deliveries of our vehicles. Although we have a plan for selling and delivering increased volumes of vehicles, we have limited experience in marketing, selling and delivering vehicles at the higher volumes at which we are manufacturing Model 3, and we may face difficulties meeting our sales and delivery goals in both existing markets as well as new markets into which we expand, such as Europe and China where we are beginning to deliver Model 3 for the first time in the first quarter of 2019. In particular, we are targeting for the first time with Model 3 a mass demographic with a broad range of potential customers, in which we have limited experience projecting demand and pricing our products. While we are producing numerous variants (including regional versions) of Model 3 in accordance with the demand that we expect for them, if our projections are inaccurate, we may not be able to generate sales matched to the specific vehicles that we have the capacity to produce, based on vehicle production line constraints and long lead times for procuring certain parts.

Moreover, because we do not have independent dealer networks, we are responsible for delivering all of our vehicles to our customers and meeting their vehicle servicing needs. To date, we have limited experience with such deliveries and servicing at the scale to which we expect to grow, particularly in international markets. To accommodate our volumes, we have deployed a number of delivery models, such as deliveries to customers' homes and workplaces, some of which have not been previously tested at scale and in different geographies. Moreover, significant transit time may be required to transport vehicles such as Model 3 in volume into new markets for the first time. To the extent that such factors lead to delays in our deliveries, our results may be negatively impacted. Finally, because of our unique expertise with our vehicles, we recommend that our vehicles be serviced by our service centers, Mobile Service technicians or certain authorized professionals that we have specifically trained and equipped. If we experience delays in adding such servicing capacity or experience unforeseen issues with the reliability of Model 3, which we recently commenced producing at volume, it could overburden our servicing capabilities. If we are unable to ramp up to meet our sales, delivery and servicing targets globally, or our projections on which such targets are based are inaccurate, this could result in negative publicity and damage to our brand and have a material adverse effect on our business, prospects, financial condition and operating results.

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

Our growth is highly dependent upon the adoption by consumers of alternative fuel vehicles in general and electric vehicles in particular. Although we have successfully grown demand for our vehicles thus far, there is no guarantee of such future demand, or that our vehicles will not compete with one another in the market. Moreover, the Model 3 mass market demographic is larger, but more competitive, than the demographic for Model S and Model X, and additional electric vehicles are entering the market.

If the market for electric vehicles in general and Tesla vehicles in particular does not develop as we expect, or develops more slowly than we expect, or if demand for our vehicles decreases in our markets, our business, prospects, financial condition and operating results could be harmed. We have only recently begun high volume production of vehicles, are still at an earlier stage and have limited resources relative to our competitors, and the market for alternative fuel vehicles is rapidly evolving. As a result, the market for our vehicles could be affected by numerous factors, such as:

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

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

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

This limited, and in many cases single source, supply chain exposes us to multiple potential sources of delivery failure or component shortages for the production of our products, such as those which we experienced in 2012 and 2016 in connection with our slower-than-planned Model S and Model X ramps. Furthermore, unexpected changes in business conditions, materials pricing, labor issues, wars, governmental changes, natural disasters such as the March 2011 earthquakes in Japan and other factors beyond our and our suppliers' control, could also affect our suppliers' ability to deliver components to us on a timely basis. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to product design changes and delays in product deliveries to our customers, which could hurt our relationships with our customers and result in negative publicity, damage to our brand and a material and adverse effect on our business, prospects, financial condition and operating results.

Changes in our supply chain have also resulted in the past, and may result in the future, in increased cost. We have also experienced cost increases from certain of our suppliers in order to meet our quality targets and development timelines as well as due to our design changes, and we may experience similar cost increases in the future. Certain suppliers have sought to renegotiate the terms of supply arrangements. Additionally, we are negotiating with existing suppliers for cost reductions, seeking new and less expensive suppliers for certain parts, and attempting to redesign certain parts to make them less expensive to produce. If we are unsuccessful in our efforts to control and reduce supplier costs, our operating results will suffer.

In particular, because we are producing Model 3 at significantly higher volumes than any of our other products to date, the negative impact of any delays or other constraints with respect to our suppliers for Model 3 could be substantially greater than any supply chain-related issues experienced with respect to our other products. We need our Model 3 suppliers to sustainably ramp in accordance with our ongoing ramp of Model 3 and deliver according to our schedule. There is no assurance that these suppliers will ultimately be able to sustainably and timely meet our cost, quality and volume needs. For example, we may experience issues or delays increasing the level of localization in China through local sourcing and manufacturing at our Gigafactory Shanghai. Furthermore, as the scale of our vehicle production increases, we will need to accurately forecast, purchase, warehouse and transport to our manufacturing facilities components at much higher volumes. If we are unable to accurately match the timing and quantities of component purchases to our actual needs, or successfully implement automation, inventory management and other systems to accommodate the increased complexity in our supply chain, we may incur unexpected production disruption, storage, transportation and write-off costs, which could have a material adverse effect on our financial condition and operating results.

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

To lower the cost of cell production and produce cells in high volume, we have vertically integrated the production of lithium-ion cells and finished battery packs for Model 3 and energy storage products at Gigafactory 1. While Gigafactory 1 began producing lithium-ion cells for energy storage products in January 2017 and has since begun producing lithium-ion cells for Model 3, we have no other direct experience in the production of lithium-ion cells. Given the size and complexity of this undertaking, it is possible that future events could result in issues or delays in further ramping and expanding production at Gigafactory 1. Moreover, we expect that we will need additional production at Gigafactory 1 to support vehicle production at Gigafactory Shanghai in part when we commence Model 3 production there. In order to achieve our volume and gross margin targets for Model 3 and the anticipated ramp in production of energy storage products, we must continue to sustain and ramp significant cell production at Gigafactory 1, which, among other things, requires Panasonic to successfully operate and further ramp its cell production lines at significant volumes. Although Panasonic has a long track record of producing high-quality cells at significant volume at its factories in Japan, it has limited experience with cell production at Gigafactory 1. In addition, we produce several components for Model 3, such as battery modules incorporating the lithium-ion cells produced by Panasonic, and drive units, at Gigafactory 1. Some of the manufacturing lines for such components took longer than anticipated to ramp to their full capacity. While we have largely overcome this bottleneck after deploying multiple semi-automated lines and improving our original lines, additional bottlenecks may arise as we continue to increase the production rate. Finally, we have announced that we will likely manufacture Model Y at Gigafactory 1. If we are unable to maintain Gigafactory 1 production, ramp additionally over time as needed, and do so cost-effectively, or if we or Panasonic are unable to attract, hire and retain a substantial number of highly skilled personnel, our ability to supply battery packs or other components for Model 3 and our other products could be negatively impacted, which could negatively affect our brand and harm our business, prospects, financial condition and operating results.

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

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

Any product defects, delays or legal restrictions on product features, or other failure of our products to perform as expected, could harm our reputation and result in delivery delays, product recalls, product liability claims, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

If we fail to scale our business operations and otherwise manage future growth and adapt to new conditions effectively as we rapidly grow our company, including internationally, we may not be able to produce, market, sell and service our products successfully.

Any failure to manage our growth effectively could materially and adversely affect our business, prospects, operating results and financial condition. We expect to continue to expand our operations significantly, including internationally and with our increasing production of Model 3, and the worldwide sales, delivery and servicing of a significantly higher number of vehicles than our current vehicle fleet in the coming years. Furthermore, we are developing and growing our energy storage product and solar business worldwide, including in countries where we have limited or no previous operating experience. Our future operating results depend to a large extent on our ability to manage our expansion and growth successfully. We may not be successful in undertaking this global expansion if we are unable to control expenses and avoid cost overruns and other unexpected operating costs, establish sufficient worldwide automobile sales, delivery, service and Supercharger facilities in a timely manner, adapt our products and conduct our operations to meet local requirements, implement required local infrastructure, systems and processes, and find and hire a significant number of additional manufacturing, engineering, service, electrical installation, construction and administrative personnel.

In particular, we plan to expand our manufacturing capabilities outside of the U.S., where we have limited experience operating a factory or managing related regulatory, financing and other challenges. For example, as part of our continuing work to increase Model 3 production to 10,000 vehicles per week on a sustained basis and make Model 3 affordable in the markets where we plan to offer it, we expect to commence the initial phase of Model 3 production at Gigafactory Shanghai for the local market in China by the end of 2019, although the timeframe for that is subject to a number of uncertainties, including regulatory approval, supply chain constraints, and the pace of installing production equipment and bringing the factory online. As we expect to commence our manufacturing activities in China using progressively increased levels of localization through local sourcing and manufacturing, we expect that we will need to initially support manufacturing activities there with production processes at our existing manufacturing facilities, such as Gigafactory 1. Moreover, local manufacturing is critical to our expansion and sales in China, which is the largest market for electric vehicles in the world. Our sales of Model S and Model X in China have been negatively impacted by certain tariffs on automobiles manufactured in the U.S., such as our vehicles, and our costs for producing our vehicles in the U.S. have also been affected by import duties on certain components sourced from China. If we are not able to establish manufacturing activities in China and other jurisdictions to minimize the impact of such unfavorable tariffs, duties or costs, or ramp our production capabilities at Gigafactory 1 or other facilities to support such vehicle manufacturing activities, our ability to compete in such jurisdictions, and our operating results, business and prospects, will be harmed.

If we are unable to achieve our targeted manufacturing costs for our vehicles, including Model 3, our financial condition and operating results will suffer.

While we are continuing to and expect in the future to realize cost reductions by both us and our suppliers, there is no guarantee we will be able to achieve sufficient cost savings to reach our gross margin and profitability goals, including for the least expensive variant of Model 3 that we ultimately expect to produce, or our other financial targets. We incur significant costs related to procuring the materials required to manufacture our vehicles, assembling vehicles and compensating our personnel. If our efforts to continue to decrease manufacturing costs are not successful, we may incur substantial costs or cost overruns in utilizing and increasing the production capability of our vehicle manufacturing facilities, such as for Model 3 both in the U.S. and internationally. Many of the factors that impact our manufacturing costs are beyond our control, such as potential increases in the costs of our materials and components, such as lithium, nickel and other components of our battery cells or aluminum used to produce body panels. If we are unable to continue to control and reduce our manufacturing costs, our operating results, business and prospects will be harmed.

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

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

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

Our business is dependent on the continued supply of battery cells for the battery packs used in our vehicles and energy storage products. While we believe several sources of the battery cells are available for such battery packs, and expect to eventually rely substantially on battery cells manufactured at our own facilities, we have to date fully qualified only a very limited number of suppliers for the cells used in such battery packs and have very limited flexibility in changing cell suppliers. Any disruption in the supply of battery cells from such suppliers could disrupt production of our vehicles and of the battery packs we produce for energy products until such time as a different supplier is fully qualified. Furthermore, fluctuations or shortages in petroleum and other economic conditions may cause us to experience significant increases in freight charges and material costs. Substantial increases in the prices for our materials or prices charged to us, such as those charged by battery cell suppliers, would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased vehicle prices. Any attempts to increase vehicle prices in response to increased material costs could result in cancellations of vehicle orders and reservations and therefore materially and adversely affect our brand, image, business, prospects and operating results.

We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

Although we design our vehicles to be the safest vehicles on the road, product liability claims, even those without merit, could harm our business, prospects, operating results and financial condition. The automobile industry in particular experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform or are claimed to not have performed as expected. As is true for other automakers, our cars have been involved and we expect in the future will be involved in crashes resulting in death or personal injury, and such crashes where Autopilot is engaged are the subject of significant public attention. We have experienced and we expect to continue to face claims arising from or related to misuse or claimed failures of new technologies that we are pioneering, including Autopilot in our vehicles. Moreover, as our solar energy systems and energy storage products generate and store electricity, they have the potential to cause injury to people or property. A successful product liability claim against us could require us to pay a substantial monetary award. Our risks in this area are particularly pronounced given the relatively limited number of vehicles and energy storage products delivered to date and limited field experience of our products. Moreover, a product liability claim could generate substantial negative publicity about our products and business and could have a material adverse effect on our brand, business, prospects and operating results. In most jurisdictions, we generally self-insure against the risk of product liability claims for vehicle exposure, meaning that any product liability claims will likely have to be paid from company funds, not by insurance.

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

The worldwide automotive market, particularly for alternative fuel vehicles, is highly competitive today and we expect it will become even more so in the future. There is no assurance that our vehicles will be successful in the respective markets in which they compete. A significant and growing number of established and new automobile manufacturers, as well as other companies, have entered or are reported to have plans to enter the alternative fuel vehicle market, including hybrid, plug-in hybrid and fully electric vehicles, as well as the market for self-driving technology and applications. In some cases, such competitors have announced an intention to produce electric vehicles exclusively at some point in the future. Most of our current and potential competitors have significantly greater financial, technical, manufacturing, marketing, vehicle sales resources and networks than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. In particular, some competitors have also announced plans to compete with us in important and large markets for electric vehicles, such as China. Increased competition could result in lower vehicle unit sales, price reductions, revenue shortfalls, loss of customers and loss of market share, which could harm our business, prospects, financial condition and operating results. In addition, our Model 3 vehicle faces competition from existing and future automobile manufacturers in the extremely competitive entry-level premium sedan market, including Audi, BMW, Lexus and Mercedes.

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

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

Consumers may be less likely to purchase our products if they are not convinced that our business will succeed or that our service and support and other operations will continue in the long term. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed. Accordingly, in order to build and maintain our business, we must maintain confidence among customers, suppliers, analysts, ratings agencies and other parties in our long-term financial viability and business prospects. Maintaining such confidence may be particularly complicated by certain factors, such as our limited operating history, negative press, customer unfamiliarity with our products, any delays in scaling manufacturing, delivery and service operations to meet demand, competition and uncertainty regarding the future of electric vehicles or our other products and services, our quarterly production and sales performance compared with market expectations, and any other negative publicity related to us. Many of these factors are largely outside our control, and any negative perceptions about our long-term business prospects, even if exaggerated or unfounded, such as speculation regarding the sufficiency or stability of our management team, could harm our business and make it more difficult to raise additional funds if needed.

Our plan to generate ongoing growth and demand, including by expanding and optimizing our retail, service and vehicle charging operations, will require significant cash investments and management resources and may not meet expectations with respect to additional sales, installations or servicing of our products or availability of public charging solutions.

We plan to generate ongoing growth and demand, including by globally expanding and optimizing our retail, service and vehicle charging operations. These plans require significant cash investments and management resources and may not meet our expectations with respect to additional sales or installations of our products. This ongoing global expansion, which includes planned entry into markets in which we have limited or no experience selling, delivering, installing and/or servicing our products at scale, and which may pose legal, regulatory, labor, cultural and political challenges that we have not previously encountered, may not have the desired effect of increasing sales and installations and expanding our brand presence to the degree we are anticipating. Furthermore, the increasing number of Tesla vehicles will require us to continue to increase the number of our Supercharger stations and connectors significantly in locations throughout the world. If we fail to do so in a timely manner, our customers could become dissatisfied, which could adversely affect sales of our vehicles. We will also need to ensure we are in compliance with any regulatory requirements applicable to the sale, installation and service of our products, the sale of electricity generated through our solar energy systems and operation of Superchargers in those jurisdictions, which could take considerable time and expense. If we experience any delays or cannot meet customer expectations in expanding our customer infrastructure network, or our expansion plans are not successful in continuing to grow demand, this could lead to a decrease or stagnation in sales or installations of our products and could negatively impact our business, prospects, financial condition and operating results.

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

We currently have a global footprint, with domestic and international operations and subsidiaries in various countries and jurisdictions, and we continue to expand and optimize our retail, service and Supercharger capabilities internationally. Accordingly, we are subject to a variety of legal, political and regulatory requirements and social and economic conditions over which we have little control. For example, we may be impacted by trade policies, political uncertainty and economic cycles involving geographic regions where we have significant operations. Sales of vehicles in the automotive industry also tend to be cyclical in many markets, which may expose us to increased volatility as we expand and adjust our operations and retail strategies.

We are subject to a number of risks associated in particular with international business activities that may increase our costs, impact our ability to sell our products and require significant management attention. These risks include conforming our products to various international regulatory and safety requirements as well as charging and other electric infrastructures, organizing local operating entities, difficulty in establishing, staffing and managing foreign operations, challenges in attracting customers, foreign government taxes, regulations and permit requirements, our ability to enforce our contractual rights; trade restrictions, customs regulations, tariffs and price or exchange controls, and preferences of foreign nations for domestically manufactured products. For example, in China, which is a key market for us, certain products such as automobiles manufactured in the U.S. have become subject to a recently increased tariff imposed by the government. While such increase has been temporarily suspended, the tariff could remain in place for an undetermined length of time, be further increased in the future and/or lead consumers to postpone or choose another vehicle brand subject to lower tariffs or no tariffs. Moreover, recently increased import duties on certain components used in our products that are sourced from China may increase our costs and negatively impact our operating results.

Our vehicles and energy storage products make use of lithium-ion battery cells, which have been observed to catch fire or vent smoke and flame, and such events have raised concerns, and future events may lead to additional concerns, about the batteries used in automotive applications.

The battery packs that we produce make use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. While we have designed the battery pack to passively contain any single cell's release of energy without spreading to neighboring cells, there can be no assurance that a field or testing failure of our vehicles or other battery packs that we produce will not occur, which could subject us to lawsuits, product recalls or redesign efforts, all of which would be time consuming and expensive. Also, negative public perceptions regarding the suitability of lithium-ion cells for automotive applications or any future incident involving lithium-ion cells such as a vehicle or other fire, even if such incident does not involve our vehicles or energy storage products, could seriously harm our business.

In addition, we store a significant number of lithium-ion cells at our facilities and are producing high volumes of cells and battery modules and packs at Gigafactory 1. Any mishandling of battery cells may cause disruption to the operation of our facilities. While we have implemented safety procedures related to the handling of the cells, there can be no assurance that a safety issue or fire related to the cells would not disrupt our operations. Such damage or injury could lead to adverse publicity and potentially a safety recall. Moreover, any failure of a competitor's electric vehicle or energy storage product may cause indirect adverse publicity for us and our products. Such adverse publicity could negatively affect our brand and harm our business, prospects, financial condition and operating results.

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

We offer financing arrangements for our vehicles in North America, Europe and Asia primarily through various financial institutions. We also currently offer Model S and Model X leasing directly through our local subsidiaries in the U.S. and Canada. Under a lease held directly by us, we typically receive only a very small portion of the total vehicle purchase price at the time of lease, followed by a stream of payments over the term of the lease. The profitability of any vehicles returned to us at the end of their leases depends on our ability to accurately project our vehicles' residual values at the outset of the leases, and such values may fluctuate prior to the end of their terms depending on various factors such as supply and demand of our used vehicles, economic cycles and the pricing of new vehicles. The leasing program also relies on our ability to secure adequate financing and/or business partners to fund and grow this program, and screen for and manage customer credit risk. We expect the availability of leasing and other financing options will be important for our vehicle customers. If we are unable to adequately fund our leasing program with internal funds, or partners or other external financing sources, and compelling alternative financing programs are not available for our customers, we may be unable to grow our sales. Furthermore, if our leasing business grows substantially, our business may suffer if we cannot effectively manage the greater levels of residual and credit risks resulting from growth. Finally, if we do not successfully monitor and comply with applicable national, state and/or local financial regulations and consumer protection laws governing lease transactions, we may become subject to enforcement actions or penalties, either of which may harm our business.

Moreover, we have provided resale value guarantees to customers and partners for certain financing programs, under which such counterparties may sell their vehicles back to us at certain points in time at pre-determined amounts. However, actual resale values, as with residual values for leased vehicles, are subject to similar fluctuations over the term of the financing arrangements. If the actual resale values of any vehicles resold or returned to us pursuant to these programs are materially lower than the pre-determined amounts we have offered, our operating results, profitability and/or liquidity could be negatively impacted.

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

We and our customers currently benefit from certain government and economic incentives supporting the development and adoption of electric vehicles. In the U.S. and abroad, such incentives include, among other things, tax credits or rebates that encourage the purchase of electric vehicles. In Norway, for example, the purchase of electric vehicles is not currently subject to import taxes, the 25% value added tax, or the carbon dioxide and weight-based purchase taxes that apply to the purchase of gas-powered vehicles. Notably, the quantum of incentive programs promoting electric vehicles is a tiny fraction of the amount of subsidies that are provided to gas-powered vehicles through the oil and gas industries. Nevertheless, even the limited benefits from such programs could be reduced, eliminated or exhausted. For example, under current regulations, a \$7,500 federal tax credit that was available in the U.S. for the purchase of our vehicles is being reduced in phases during, and will sunset at the end of, 2019. We believe the first reduction in this tax credit may have pulled forward some near-term demand in the U.S. into 2018, and could create similar pull-forwards in 2019 before each further step reduction in the federal tax credit. Moreover, in July 2018, a previously available incentive for purchases of Model 3 in Ontario, Canada was cancelled and Tesla buyers in Germany lost access to electric vehicle incentives for a short period of time beginning late 2017. In April 2017 and January 2016, respectively, previously available incentives in Hong Kong and Denmark that favored the purchase of electric vehicles expired, negatively impacting sales. Effective March 2016, California implemented regulations phasing out a \$2,500 cash rebate on qualified electric vehicles for high-income consumers. Such developments could have some negative impact on demand for our vehicles, and we and our customers may have to adjust to them.

In addition, certain governmental rebates, tax credits and other financial incentives that are currently available with respect to our solar and energy storage product businesses allow us to lower our installation costs and cost of capital and encourage customers to buy our products and investors to invest in our solar financing funds. However, these incentives may expire on a particular date when the allocated funding is exhausted, reduced or terminated as renewable energy adoption rates increase, often without warning. For example, the U.S. federal government currently offers a 30% ITC for the installation of solar power facilities and energy storage systems that are charged from a co-sited solar power facility. The ITC is currently scheduled to decline in phases, ultimately to 10% for commercial and utility systems and to 0% for customer-owned residential systems by January 2022. Likewise, in jurisdictions where net energy metering is currently available, our customers receive bill credits from utilities for energy that their solar energy systems generate and export to the grid in excess of the electric load they use. Several jurisdictions have reduced or eliminated the benefit available under net energy metering, or have proposed to do so. Such reductions in or termination of governmental incentives could adversely impact our results by making our products less competitive for potential customers, increasing our cost of capital and adversely impacting our ability to attract investment partners and to form new financing funds for our solar and energy storage assets. Additionally, the enactment of the Tax Cuts and Jobs Act in the U.S. could potentially increase the cost, and decrease the availability, of renewable energy financing, by reducing the value of depreciation benefits associated with, and the overall investor tax capacity needed to monetize, renewable energy projects. Such changes could lower the overall investment willingness and capacity for such projects available in the market.

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

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

We own certain PV cell and module manufacturing and technology assets, and a build-to-suit lease arrangement with the Research Foundation for the State University of New York (the "SUNY Foundation"). This agreement with the SUNY Foundation provides for the construction of Gigafactory 2 in Buffalo, New York with the intended capacity to produce at least 1.0 GW of solar products annually. Under this agreement, we are obligated to, among other things, employ specified minimum numbers of personnel in the State of New York and spend or incur \$5.0 billion in combined capital, operational expenses, costs of goods sold and other costs in the State of New York during the 10-year period following the completion of all construction and related infrastructure, the arrival of manufacturing equipment, and the receipt of certain permits and other specified items at Gigafactory 2. If we fail in any year over the course of the term of the agreement to meet these obligations, we would be obligated to pay a "program payment" of \$41.2 million to the SUNY Foundation in such year. Any inability on our part to comply with the requirements of this agreement may result in the payment of significant amounts to the SUNY Foundation, the termination of our lease at Gigafactory 2, and/or the need to secure an alternative supply of PV cells and modules for our solar products. Moreover, if we are unable to utilize our manufacturing and technology assets in accordance with our expectations, we may have to recognize accounting charges pertaining to the write-off of such assets. Any of the foregoing events could have a material adverse effect on our business, prospects, financial condition and operating results.

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

The loss of the services of any of our key employees could disrupt our operations, delay the development and introduction of our vehicles and services, and negatively impact our business, prospects and operating results. In particular, we are highly dependent on the services of Elon Musk, our Chief Executive Officer, and Jeffrey B. Straubel, our Chief Technology Officer.

None of our key employees is bound by an employment agreement for any specific term and we may not be able to successfully attract and retain senior leadership necessary to grow our business. Our future success depends upon our ability to attract and retain executive officers and other key technology, sales, marketing, engineering, manufacturing and support personnel, especially to support our high-volume manufacture of vehicles and expansion plans, and any failure or delay in doing so could adversely impact our business, prospects, financial condition and operating results.

Key talent may leave Tesla due to various factors, such as a very competitive labor market for talented individuals with automotive or technology experience, or any negative publicity related to us. In California, Nevada and other regions where we have operations, there is increasing competition for individuals with skillsets needed for our business, including specialized knowledge of electric vehicles, software engineering, manufacturing engineering, and other skills such as electrical and building construction expertise. This competition affects both our ability to retain key employees and hire new ones. Moreover, we have in the past conducted reductions in force in order to optimize our organizational structure and reduce costs, and certain senior personnel have also departed for various reasons. Our continued success depends upon our continued ability to hire new employees in a timely manner, especially to support our expansion plans, and to retain current employees or replace departed senior employees with qualified and experienced individuals, which is typically a time-consuming process. Additionally, we compete with both mature and prosperous companies that have far greater financial resources than we do and start-ups and emerging companies that promise short-term growth opportunities. Difficulties in retaining current employees or recruiting new ones could have an adverse effect on our performance and results.

Finally, our compensation philosophy for all of our personnel reflects our startup origins, with an emphasis on equity-based awards and benefits in order to closely align their incentives with the long-term interests of our stockholders. Each of our current equity incentive plan and employee stock purchase plan provides for an “evergreen” provision that permits our board of directors to increase on an annual basis, subject to specified limits, the number of equity-based awards that may be granted to, and shares of our common stock that may be purchased by, our personnel thereunder. These plans are currently scheduled to expire in December 2019, and we will need to extend them or establish new plans in order to continue to compensate our employees following their expiration, which will require the approval of our stockholders. Moreover, there is no assurance that these plans as extended or any future plans will contain evergreen provisions, which would mean that we would have to periodically seek and obtain approval from our stockholders for future increases to the number of awards that may be granted and shares that may be purchased under such plans. If we are unable to obtain such stockholder approvals and compensate our personnel in accordance with our compensation philosophy, our ability to retain and hire qualified personnel would be negatively impacted.

We are highly dependent on the services of Elon Musk, our Chief Executive Officer.

We are highly dependent on the services of Elon Musk, our Chief Executive Officer and largest stockholder. Although Mr. Musk spends significant time with Tesla and is highly active in our management, he does not devote his full time and attention to Tesla. Mr. Musk also currently serves as Chief Executive Officer and Chief Technical Officer of Space Exploration Technologies Corp., a developer and manufacturer of space launch vehicles, and is involved in other emerging technology ventures.

We are continuously expanding and improving our information technology systems and use security measures designed to protect our systems against breaches and cyber-attacks. If these efforts are not successful, our business and operations could be disrupted and our operating results and reputation could be harmed.

We are continuously expanding and improving our information technology systems, including implementing new internally developed systems, to assist us in the management of our business. In particular, our volume production of multiple vehicles necessitates continued development, maintenance and improvement of our information technology systems in the U.S. and abroad, which include product data management, procurement, inventory management, production planning and execution, sales, service and logistics, dealer management, financial, tax and regulatory compliance systems. We also maintain information technology measures designed to protect us against intellectual property theft, data breaches and other cyber-attacks. The implementation, maintenance and improvement of these systems require significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving and expanding our core systems as well as implementing new systems, including the disruption of our data management, procurement, manufacturing execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies or manufacture, sell, deliver and service vehicles, or achieve and maintain compliance with, or realize available benefits under, tax laws and other applicable regulations.

We cannot be sure that these systems or their required functionality will be effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these systems as planned, our operations may be disrupted, our ability to accurately and/or timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our proprietary information could be compromised or misappropriated and our reputation may be adversely affected. If these systems or their functionality do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

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

Our products contain complex information technology systems. For example, our vehicles and energy storage products are designed with built-in data connectivity to accept and install periodic remote updates from us to improve or update their functionality. We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks, our products and their systems. However, hackers have reportedly attempted, and may attempt in the future, to gain unauthorized access to modify, alter and use such networks, products and systems to gain control of, or to change, our products' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by our products. We encourage reporting of potential vulnerabilities in the security of our products via our security vulnerability reporting policy, and we aim to remedy any reported and verified vulnerability. Accordingly, we have received reports of potential vulnerabilities in the past and have attempted to remedy them. However, there can be no assurance that vulnerabilities will not be exploited in the future before they can be identified, or that our remediation efforts are or will be successful.

Any unauthorized access to or control of our products or their systems or any loss of data could result in legal claims or proceedings. In addition, regardless of their veracity, reports of unauthorized access to our products, their systems or data, as well as other factors that may result in the perception that our products, their systems or data are capable of being "hacked," could negatively affect our brand and harm our business, prospects, financial condition and operating results. We have been the subject of such reports in the past.

We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and negatively impact our ability to operate our manufacturing facilities.

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

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

It is common for employees at companies with significant manufacturing operations such as us to belong to a union, which can result in higher employee costs and increased risk of work stoppages. Moreover, regulations in some jurisdictions outside of the U.S. mandate employee participation in industrial collective bargaining agreements and work councils with certain consultation rights with respect to the relevant companies' operations. Although we work diligently to provide the best possible work environment for our employees, they may still decide to join or seek recognition to form a labor union, or we may be required to become a union signatory. The United Automobile Workers ("UAW") has been engaged in a campaign to organize manufacturing operations at Tesla. As part of that campaign, the UAW has filed with the National Labor Relations Board ("NLRB") a series of unfair labor practice charges against Tesla on which a hearing recently concluded. We cannot predict the timing of the NLRB's decision, and an unfavorable outcome for Tesla may have a negative impact on the perception of Tesla's treatment of our employees. Furthermore, we are directly or indirectly dependent upon companies with unionized work forces, such as parts suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, financial condition or operating results. If a work stoppage occurs, it could delay the manufacture and sale of our products and have a material adverse effect on our business, prospects, operating results or financial condition.

Our products and services are subject to substantial regulations, which are evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and operating results.

Motor vehicles are subject to substantial regulation under international, federal, state and local laws. We incur significant costs in complying with these regulations and may be required to incur additional costs to comply with any changes to such regulations, and any failures to comply could result in significant expenses, delays or fines. We are subject to laws and regulations applicable to the supply, manufacture, import, sale and service of automobiles internationally. For example, in countries outside of the U.S., we are required to meet standards relating to vehicle safety, fuel economy and emissions, among other things, that are often materially different from requirements in the U.S., thus resulting in additional investment into the vehicles and systems to ensure regulatory compliance in those countries. This process may include official review and certification of our vehicles by foreign regulatory agencies prior to market entry, as well as compliance with foreign reporting and recall management systems requirements.

Additionally, our vehicles are equipped with a suite of driver-assistance features called Autopilot, which help assist drivers with certain tedious and potentially dangerous aspects of road travel, but require drivers to remain engaged. There is a variety of international, federal and state regulations that may apply to self-driving vehicles, which include many existing vehicle standards that were not originally intended to apply to vehicles that may not have a driver. Such regulations continue to rapidly change, which increases the likelihood of a patchwork of complex or conflicting regulations, or may delay products or restrict self-driving features and availability, any of which could adversely affect our business.

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

Failure to comply with various privacy and consumer protection laws to which we are subject could harm the Company.

Our privacy policy is posted on our website, and any failure by us or our vendor or other business partners to comply with it or with federal, state or international privacy, data protection or security laws or regulations could result in regulatory or litigation-related actions against us, legal liability, fines, damages and other costs. Substantial expenses and operational changes may be required in connection with maintaining compliance with such laws, and in particular certain emerging privacy laws are still subject to a high degree of uncertainty as to their interpretation and application. For example, in May 2018, the General Data Protection Regulation (the "GDPR") began to fully apply to the processing of personal information collected from individuals located in the European Union. The GDPR has created new compliance obligations and has significantly increased fines for noncompliance. Although we take steps to protect the security of our customers' personal information, we may be required to expend significant resources to comply with data breach requirements if third parties improperly obtain and use the personal information of our customers or we otherwise experience a data loss with respect to customers' personal information. A major breach of our network security and systems could have negative consequences for our business and future prospects, including possible fines, penalties and damages, reduced customer demand for our vehicles and harm to our reputation and brand.

We may choose to or be compelled to undertake product recalls or take other similar actions, which could adversely affect our brand image and financial performance.

Any product recall with respect to our products may result in adverse publicity, damage our brand and adversely affect our business, prospects, operating results and financial condition. For example, certain vehicle recalls that we initiated have resulted from various causes, including a component that could prevent the parking brake from releasing once engaged, a concern with the firmware in the restraints control module in certain right-hand-drive vehicles, industry-wide issues with airbags from a particular supplier, Model X seat components that could cause unintended seat movement during a collision, and concerns of corrosion in Model S power steering assist motor bolts. Furthermore, testing of our products by government regulators or industry groups may require us to initiate product recalls or may result in negative public perceptions about the safety of our products. In the future, we may at various times, voluntarily or involuntarily, initiate a recall if any of our products or our electric vehicle powertrain components that we have provided to other vehicle OEMs, including any systems or parts sourced from our suppliers, prove to be defective or noncompliant with applicable laws and regulations, such as federal motor vehicle safety standards. Such recalls, whether voluntary or involuntary or caused by systems or components engineered or manufactured by us or our suppliers, could involve significant expense and could adversely affect our brand image in our target markets, as well as our business, prospects, financial condition and results of operations.

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

Subject to separate limited warranties for the supplemental restraint system, battery and drive unit, we provide four-year or 50,000-mile limited warranties for the purchasers of new Model 3, Model S and Model X vehicles and either a four-year or 50,000-mile limited warranty or a two-year or 100,000-mile maximum odometer limited warranty for the purchasers of used Model S or Model X vehicles certified and sold by us. The limited warranty for the battery and drive unit for new Model S and Model X vehicles covers the drive unit for eight years, as well as the battery for a period of eight years (or for certain older vehicles, 125,000 miles if reached sooner than eight years), although the battery's charging capacity is not covered under any of our warranties or Extended Service plans; the limited warranty for used Model S and Model X vehicles does not extend or otherwise alter the terms of the original battery and drive unit limited warranty for such used vehicles specified in their original New Vehicle Limited Warranty. For the battery and drive unit on our current new Model 3 vehicles, we offer an eight-year or 100,000-mile limited warranty for our standard or mid-range battery and an eight-year or 120,000-mile limited warranty for our long-range battery, with minimum 70% retention of battery capacity over the warranty period. In addition, customers of new Model S and Model X vehicles have the opportunity to purchase an Extended Service plan for the period after the end of the limited warranty for their new vehicles to cover additional services for up to an additional four years or 50,000 miles.

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

Finally, customers who lease solar energy system leases or buy energy from us under PPAs are covered by warranties equal to the length of the agreement term, which is typically 20 years. Systems purchased for cash are covered by a workmanship warranty of up to 20 years. In addition, we pass through to our customers the inverter and panel manufacturers' warranties, which generally range from 10 to 25 years. Finally, we provide a performance guarantee with our leased solar energy systems that compensates a customer on an annual basis if their system does not meet the electricity production guarantees set forth in their lease. Under these performance guarantees, we bear the risk of production shortfalls resulting from an inverter or panel failure. These risks are exacerbated in the event the panel or inverter manufacturers cease operations or fail to honor their warranties.

If our warranty reserves are inadequate to cover future warranty claims on our products, our business, prospects, financial condition and operating results could be materially and adversely affected. Warranty reserves include our management's best estimate of the projected costs to repair or to replace items under warranty. These estimates are based on actual claims incurred to-date and an estimate of the nature, frequency and costs of future claims. Such estimates are inherently uncertain and changes to our historical or projected experience, especially with respect to products such as Model 3 and Solar Roof that we have recently introduced and/or that we expect to produce at significantly greater volumes than our past products, may cause material changes to our warranty reserves in the future.

Our insurance strategy may not be adequate to protect us from all business risks.

We may be subject, in the ordinary course of business, to losses resulting from products liability, accidents, acts of God and other claims against us, for which we may have no insurance coverage. As a general matter, we do not maintain as much insurance coverage as many other companies do, and in some cases, we do not maintain any at all. Additionally, the policies that we do have may include significant deductibles or self-insured retentions, and we cannot be certain that our insurance coverage will be sufficient to cover all future losses or claims against us. A loss that is uninsured or which exceeds policy limits may require us to pay substantial amounts, which could adversely affect our financial condition and operating results.

Our financial results may vary significantly from period-to-period due to fluctuations in our operating costs and other factors.

We expect our period-to-period financial results to vary based on our operating costs, which we anticipate will fluctuate as the pace at which we continue to design, develop and manufacture new products and increase production capacity by expanding our current manufacturing facilities and adding future facilities such as Gigafactory Shanghai may not be consistent or linear between periods. Additionally, our revenues from period-to-period may fluctuate as we introduce existing products to new markets for the first time and as we develop and introduce new products. As a result of these factors, we believe that quarter-to-quarter comparisons of our financial results, especially in the short term, are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. Moreover, our financial results may not meet expectations of equity research analysts, ratings agencies or investors, who may be focused only on quarterly financial results. If any of this occurs, the trading price of our stock could fall substantially, either suddenly or over time.

Servicing our indebtedness requires a significant amount of cash, and there is no guarantee that we will have sufficient cash flow from our business to pay our substantial indebtedness.

As of December 31, 2018, we and our subsidiaries had outstanding \$11.00 billion in aggregate principal amount of indebtedness (see Note 13, *Long-Term Debt Obligations*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K). Our substantial consolidated indebtedness may increase our vulnerability to any generally adverse economic and industry conditions. We and our subsidiaries may, subject to the limitations in the terms of our existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize our debt.

Pursuant to their terms, holders of our 0.25% Convertible Senior Notes due 2019, 1.25% Convertible Senior Notes due 2021 and 2.375% Convertible Senior Notes due 2022 (collectively, the "Tesla Convertible Notes") may convert their respective Tesla Convertible Notes at their option prior to the scheduled maturities of the respective Tesla Convertible Notes under certain circumstances. Upon conversion of the applicable Tesla Convertible Notes, we will be obligated to deliver cash and/or shares in respect of the principal amounts thereof and the conversion value in excess of such principal amounts on such Tesla Convertible Notes. Moreover, our subsidiary's 1.625% Convertible Senior Notes due 2019 and Zero-Coupon Convertible Senior Notes due 2020 (together, the "Subsidiary Convertible Notes") are convertible into shares of our common stock at conversion prices ranging from \$300.00 to \$759.36 per share. Finally, holders of the Tesla Convertible Notes and the Subsidiary Convertible Notes will have the right to require us to repurchase their notes upon the occurrence of a fundamental change at a purchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to, but not including, the fundamental change purchase date.

Our ability to make scheduled payments of the principal and interest on our indebtedness when due or to make payments upon conversion or repurchase demands with respect to our convertible notes, or to refinance our indebtedness as we may need or desire, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our existing indebtedness, and any future indebtedness we may incur, and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance existing or future indebtedness will depend on the capital markets and our financial condition at such time. In addition, our ability to make payments may be limited by law, by regulatory authority or by agreements governing our future indebtedness. We may not be able to engage in any of these activities or engage in these activities on desirable terms or at all, which could result in a default on our existing or future indebtedness and have a material adverse effect on our business, results of operations and financial condition.

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

The terms of certain of our credit facilities, including our senior secured asset based revolving credit agreement, contain, and any of our other future debt agreements may contain, covenant restrictions that limit our ability to operate our business, including restrictions on our ability to, among other things, incur additional debt or issue guarantees, create liens, repurchase stock or make other restricted payments, and make certain voluntary prepayments of specified debt. In addition, under certain circumstances we are required to comply with a fixed charge coverage ratio. As a result of these covenants, our ability to respond to changes in business and economic conditions and engage in beneficial transactions, including to obtain additional financing as needed, may be restricted. Furthermore, our failure to comply with our debt covenants could result in a default under our debt agreements, which could permit the holders to accelerate our obligation to repay the debt. If any of our debt is accelerated, we may not have sufficient funds available to repay it.

We may need or want to raise additional funds and these funds may not be available to us when we need them. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected.

The design, manufacture, sale, installation and/or servicing of automobiles, energy storage products and solar products is a capital intensive business, and the specific timing of cash inflows and outflows may fluctuate substantially from period to period. Until we are consistently generating positive free cash flows, we may need or want to raise additional funds through the issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions to fund, together with our principal sources of liquidity, the costs of developing and manufacturing our current or future vehicles, energy storage products and/or solar products, to pay any significant unplanned or accelerated expenses or for new significant strategic investments, or to refinance our significant consolidated indebtedness, even if not required to do so by the terms of such indebtedness. We need sufficient capital to fund our ongoing operations, ramp vehicle production, continue research and development projects, establish sales, delivery and service centers, build and deploy Superchargers, expand Gigafactory 1, ramp production at Gigafactory 2, build and commence Model 3 production at Gigafactory Shanghai and to make the investments in tooling and manufacturing capital required to introduce new vehicles, energy storage products and solar products. We cannot be certain that additional funds will be available to us on favorable terms when required, or at all. If we cannot raise additional funds when we need them, our financial condition, results of operations, business and prospects could be materially and adversely affected.

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

We could be subject to liability, penalties and other restrictive sanctions and adverse consequences arising out of certain governmental investigations and proceedings.

We are cooperating with certain government investigations as discussed in Note 17, *Commitments and Contingencies*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Aside from the settlement with the SEC discussed below relating to Elon Musk's statement that he was considering taking Tesla private, to our knowledge no government agency in any ongoing investigation has concluded that any wrongdoing occurred. However, we cannot predict the outcome or impact of any ongoing matters, and there exists the possibility that we could be subject to liability, penalties and other restrictive sanctions and adverse consequences if the SEC, the DOJ, or any other government agency were to pursue legal action in the future. Moreover, we expect to incur costs in responding to related requests for information and subpoenas, and if instituted, in defending against any governmental proceedings.

For example, on October 16, 2018, the U.S. District Court for the Southern District of New York entered a final judgment approving the terms of a settlement filed with the Court on September 29, 2018, in connection with the actions taken by the SEC relating to Mr. Musk's statement on August 7, 2018 that he was considering taking Tesla private. Pursuant to the settlement, we, among other things, paid a civil penalty of \$20 million, appointed an independent director as the Chair of the Board, appointed two additional independent directors to the Board, and made further enhancements to our disclosure controls and other corporate governance-related matters. Although we intend to continue to comply with the terms and requirements of the settlement, if there is a lack of compliance, additional enforcement actions or other legal proceedings may be instituted against us.

If we update or discontinue the use of our manufacturing equipment more quickly than expected, we may have to shorten the useful lives of any equipment to be retired as a result of any such update, and the resulting acceleration in our depreciation could negatively affect our financial results.

We have invested and expect to continue to invest significantly in what we believe is state of the art tooling, machinery and other manufacturing equipment for our various product lines, and we depreciate the cost of such equipment over their expected useful lives. However, manufacturing technology may evolve rapidly, and we may decide to update our manufacturing process with cutting-edge equipment more quickly than expected. Moreover, we are continually implementing learnings as our engineering and manufacturing expertise and efficiency increase, which may result in our ability to manufacture our products using less of our currently installed equipment. Alternatively, as we ramp production of Model 3 to higher levels, our learnings may cause us to discontinue the use of already installed equipment in favor of different or additional equipment. The useful life of any equipment that would be retired early as a result would be shortened, causing the depreciation on such equipment to be accelerated, and our results of operations could be negatively impacted.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial results.

Our revenues and costs denominated in foreign currencies are not completely matched. As we have increased vehicle deliveries in markets outside of the U.S., we have much higher revenues than costs denominated in other currencies such as the euro, Canadian dollar, Chinese yuan and Norwegian krone. Any strengthening of the U.S. dollar would tend to reduce our revenues as measured in U.S. dollars, as we have historically experienced. In addition, a portion of our costs and expenses have been, and we anticipate will continue to be, denominated in foreign currencies, including the Japanese yen. If we do not have fully offsetting revenues in these currencies and if the value of the U.S. dollar depreciates significantly against these currencies, our costs as measured in U.S. dollars as a percent of our revenues will correspondingly increase and our margins will suffer. Moreover, while we undertake limited hedging activities intended to offset the impact of currency translation exposure, it is impossible to predict or eliminate such impact. As a result, our operating results could be adversely affected.

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

We sell our vehicles directly to consumers using means that we believe will maximize our reach, currently including through our website and our own stores. While we intend to continue to leverage our most effective sales strategies, we may not be able to sell our vehicles through our own stores in each state in the U.S., as some states have laws that may be interpreted to impose limitations on this direct-to-consumer sales model. In certain states in which we are not able to obtain dealer licenses, we have opened galleries, which are not full sales locations.

The application of these state laws to our operations continues to be difficult to predict. Laws in some states have limited our ability to obtain dealer licenses from state motor vehicle regulators and may continue to do so.

In addition, decisions by regulators permitting us to sell vehicles may be challenged by dealer associations and others as to whether such decisions comply with applicable state motor vehicle industry laws. We have prevailed in many of these lawsuits and such results have reinforced our continuing belief that state laws were not designed to prevent our distribution model. In some states, there have also been regulatory and legislative efforts by dealer associations to propose laws that, if enacted, would prevent us from obtaining dealer licenses in their states given our current sales model. A few states have passed legislation that clarifies our ability to operate, but at the same time limits the number of dealer licenses we can obtain or stores that we can operate. We have also filed a lawsuit in federal court in Michigan challenging the constitutionality of the state's prohibition on direct sales as applied to our business.

Internationally, there may be laws in jurisdictions we have not yet entered or laws we are unaware of in jurisdictions we have entered that may restrict our sales or other business practices. Even for those jurisdictions we have analyzed, the laws in this area can be complex, difficult to interpret and may change over time. Continued regulatory limitations and other obstacles interfering with our ability to sell vehicles directly to consumers could have a negative and material impact our business, prospects, financial condition and results of operations.

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

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

Tesla is a highly-visible public company whose products, business, results of operations, statements and actions are often scrutinized by critics whose influence could negatively impact the perception of our brand and the market value of our common stock.

Tesla is a highly-visible public company whose products, business, results of operations, statements and actions are well-publicized. Such attention includes frequent criticism of us by a range of third-parties. Our continued success depends on our ability to focus on executing on our mission and business plan while maintaining the trust of our current and potential customers, employees, stockholders and business partners. Any negative perceived actions of ours could influence the perception of our brand or our leadership by our customers, suppliers or investors, which could adversely impact our business prospects, operating results and the market value of our common stock.

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

Our corporate headquarters, the Tesla Factory and Gigafactory 1 are located in seismically active regions in Northern California and Nevada. If major disasters such as earthquakes or other events occur, or our information system or communications network breaks down or operates improperly, our headquarters and production facilities may be seriously damaged, or we may have to stop or delay production and shipment of our products. We may incur expenses relating to such damages, which could have a material adverse impact on our business, operating results and financial condition.

Risks Related to the Ownership of Our Common Stock

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

The trading price of our common stock has been highly volatile and could continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control. Our common stock has experienced an intra-day trading high of \$387.46 per share and a low of \$244.59 per share over the last 52 weeks. The stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. In particular, a large proportion of our common stock has been and may continue to be traded by short sellers which may put pressure on the supply and demand for our common stock, further influencing volatility in its market price. Public perception and other factors outside of our control may additionally impact the stock price of companies like us that garner a disproportionate degree of public attention, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Moreover, stockholder litigation like this has been filed against us in the past. While we are continuing to defend such actions vigorously, any judgment against us or any future stockholder litigation could result in substantial costs and a diversion of our management's attention and resources.

We may fail to meet our publicly announced guidance or other expectations about our business, which could cause our stock price to decline.

We provide guidance regarding our expected financial and business performance, such as projections regarding sales and production, as well as anticipated future revenues, gross margins, profitability and cash flows. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process and our guidance may not ultimately be accurate. Our guidance is based on certain assumptions such as those relating to anticipated production and sales volumes (which generally are not linear throughout a given period), average sales prices, supplier and commodity costs, and planned cost reductions. If our guidance is not accurate or varies from actual results due to our inability to meet our assumptions or the impact on our financial performance that could occur as a result of various risks and uncertainties, the market value of our common stock could decline significantly.

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

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

Moreover, in connection with each issuance of the Tesla Convertible Notes, we entered into convertible note hedge transactions, which are expected to reduce the potential dilution and/or offset potential cash payments we are required to make in excess of the principal amount upon conversion of the applicable Tesla Convertible Notes. We also entered into warrant transactions with the hedge counterparties, which could separately have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants on the applicable expiration dates. In addition, the hedge counterparties or their affiliates may enter into various transactions with respect to their hedge positions, which could also cause or prevent an increase or a decrease in the market price of our common stock or the convertible notes.

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

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

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

Our certificate of incorporation and bylaws afford certain rights and powers to our board of directors that could contribute to the delay or prevention of an acquisition that it deems undesirable. We are also subject to Section 203 of the Delaware General Corporation Law and other provisions of Delaware law that limit the ability of stockholders in certain situations to effect certain business combinations. In addition, the terms of our convertible notes require us to repurchase such notes in the event of a fundamental change, including a takeover of our company. Any of the foregoing provisions and terms that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the location, approximate current occupancy size and primary use of our principal leased and owned facilities:

Location	Approximate Size of Facilities (in Square Feet)	Primary Use	Lease Expiration Date
Fremont, California	5,500,000	Manufacturing, administration, engineering, service, delivery and warehouse	Owned building
Sparks, Nevada	5,024,350 *	Gigafactory 1, production of lithium-ion battery cells and vehicle drive units	Owned building
Tilburg, Netherlands	1,688,217	Manufacturing, administration, engineering and service	November 2023 - June 2028
Fremont, California	1,237,772	Administration, manufacturing and engineering	October 2025 - June 2030
Livermore, California	1,002,703	Warehouse	October 2026
Lathrop, California	885,867	Warehouse and manufacturing	September 2024 - February 2030
Sparks, Nevada	632,445	Warehouse	December 2019 - December 2020
Lathrop, California	496,888	Manufacturing	Owned building
Palo Alto, California	350,000	Administration and engineering	January 2022
Taipei City, Taiwan	283,790	Warehouse, administration and service	February 2022
Elkridge, Maryland	176,651	Warehouse	October 2023
Grand Rapids, Michigan	176,606	Manufacturing	May 2025
Draper, Utah	154,846	Administration	October 2027
Hawthorne, California	132,250	Engineering	December 2022
Bethlehem, Pennsylvania	130,971	Warehouse	April 2022

* These facilities are currently in construction and the approximate square footage as presented represent the current occupancy as of December 31, 2018.

In addition to the properties included in the table above, we also lease a large number of properties in North America, Europe and Asia for our retail and service locations, Supercharger sites, solar installation and maintenance warehouses and regional administrative and sales offices for our solar business. Our properties are used to support both of our reporting segments.

We will begin leasing a 1.1 million square foot solar manufacturing facility (Gigafactory 2 in Buffalo, New York) for an initial term of 10 years and a 0.9 million square foot warehouse and manufacturing facility in Lathrop, California for an initial term of 11.5 years upon construction completion of the facilities. Additionally, we purchased the land use rights with an initial term of 50 years for Gigafactory Shanghai in December 2018 and began construction of the facility in January 2019. Once construction has completed, we expect the building to have a capacity of 4.5 million square feet.

ITEM 3. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Note 17, *Commitments and Contingencies*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has traded on The NASDAQ Global Select Market under the symbol "TSLA" since it began trading on June 29, 2010. Our initial public offering was priced at \$17.00 per share on June 28, 2010.

Holders

As of January 31, 2018, there were 1,145 holders of record of our common stock. A substantially greater number of holders of our common stock are "street name" or beneficial holders, whose shares are held by banks, brokers and other financial institutions.

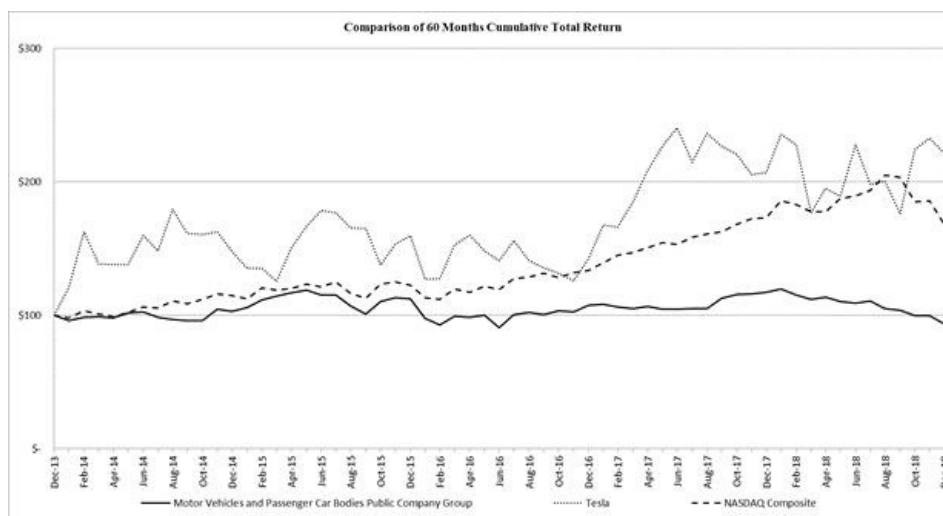
Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Stock Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing of Tesla, Inc. under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph shows a comparison, from January 1, 2014 through December 31, 2018, of the cumulative total return on our common stock, The NASDAQ Composite Index and a group of all public companies sharing the same SIC code as us, which is SIC code 3711, "Motor Vehicles and Passenger Car Bodies" (Motor Vehicles and Passenger Car Bodies Public Company Group). Such returns are based on historical results and are not intended to suggest future performance. Data for The NASDAQ Composite Index and the Motor Vehicles and Passenger Car Bodies Public Company Group assumes an investment of \$100 on January 1, 2014 and reinvestment of dividends. We have never declared or paid cash dividends on our common stock nor do we anticipate paying any such cash dividends in the foreseeable future.



Unregistered Sales of Equity Securities

Exercises of Warrants

In connection with the offering in 2013 of our 1.50% Convertible Senior Notes due 2018, we sold warrants to each of Goldman, Sachs & Co. and Morgan Stanley & Co. LLC (the "Warrantheolders"). Between October 1, 2018 and October 31, 2018, we issued an aggregate of 132,977 shares of our common stock to the Warrantheolders pursuant to their exercise of such warrants, which were net of the applicable exercise prices. Such shares were issued pursuant to an exemption from registration provided by Rule 3(a)(9) of the Securities Act.

Private Placement to CEO

On November 9, 2018, we sold 56,915 shares of our common stock to our CEO in a private placement pursuant to an exemption from registration provided by Rule 4(a)(2) of the Securities Act, at a per share price equal to the last closing price of our stock prior to the execution of the purchase agreement, and received total cash proceeds of \$20.0 million.

Conversion of Convertible Senior Notes

On December 17, 2018, we issued 10 shares of our common stock to a former holder of the 1.625% Convertible Senior Notes due in 2019 issued by our subsidiary in connection with such holder's conversion of \$8,000 in principal amount of such notes. Such shares were issued pursuant to an exemption from registration provided by Rule 3(a)(9) of the Securities Act.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K to fully understand factors that may affect the comparability of the information presented below (in thousands, except per share data).

	Year Ended December 31,				
	2018 (2)	2017	2016 (1)	2015	2014
Consolidated Statements of Operations Data:					
Total revenues	\$ 21,461,268	\$ 11,758,751	\$ 7,000,132	\$ 4,046,025	\$ 3,198,356
Gross profit	\$ 4,042,021	\$ 2,222,487	\$ 1,599,257	\$ 923,503	\$ 881,671
Loss from operations	\$ (388,073)	\$ (1,632,086)	\$ (667,340)	\$ (716,629)	\$ (186,689)
Net loss attributable to common stockholders	\$ (976,091)	\$ (1,961,400)	\$ (674,914)	\$ (888,663)	\$ (294,040)
Net loss per share of common stock attributable to common stockholders, basic and diluted	\$ (5.72)	\$ (11.83)	\$ (4.68)	\$ (6.93)	\$ (2.36)
Weighted average shares used in computing net loss per share of common stock, basic and diluted	170,525	165,758	144,212	128,202	124,539
	As of December 31,				
	2018 (2)	2017	2016 (1)	2015	2014
Consolidated Balance Sheet Data:					
Working (deficit) capital	\$ (1,685,828)	\$ (1,104,150)	\$ 432,791	\$ (29,029)	\$ 1,072,907
Total assets	29,739,614	28,655,372	22,664,076	8,067,939	5,830,667
Total long-term obligations	13,433,874	15,348,310	10,923,162	4,125,915	2,753,595

- (1) We acquired SolarCity Corporation (“SolarCity”) on November 21, 2016. SolarCity’s financial positions have been included in our financial positions from the acquisition date. See Note 3, *Business Combinations*, of the notes to the consolidated financial statements for additional information regarding this transaction.
- (2) Includes the impact of the adoption of the new revenue recognition accounting standard in 2018. Prior periods have not been revised. See Note 2, *Summary of Significant Accounting Policies*, of the notes to the consolidated financial statements for further details.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

Overview and 2018 Highlights

Our mission is to accelerate the world's transition to sustainable energy. We design, develop, manufacture, lease and sell high-performance fully electric vehicles, solar energy generation systems and energy storage products. We also offer maintenance, installation, operation and other services related to our products.

Automotive

Our production vehicle fleet includes our Model S premium sedan and our Model X SUV, which are our highest-performance vehicles, and our Model 3, a lower-priced sedan designed for the mass market. We continue to enhance our vehicle offerings with enhanced Autopilot options, internet connectivity and free over-the-air software updates to provide additional safety, convenience and performance features. In addition, we have several future electric vehicles in our product pipeline, including Model Y, Tesla Semi, a pickup truck and a new version of the Tesla Roadster.

In 2018, we continued to scale our automotive operations, particularly our ramp of Model 3, and achieved total production of 254,530 vehicles and delivered 245,506 vehicles, representing year-over-year increases of approximately 152% and 138%, respectively.

Energy Generation and Storage

We lease and sell retrofit solar energy systems and sell renewable energy and energy storage products to our customers, and are ramping our Solar Roof product that combines solar energy generation with attractive, integrated styling. Our energy storage products, which we manufacture at Gigafactory 1, consist of Powerwall, mostly for residential applications, and Powerpack, for commercial, industrial and utility-scale applications.

During 2018, we deployed 1.04 GWh of energy storage products, nearly tripling our 358 MWh of energy storage deployments during 2017. We also deployed 326 megawatts ("MW") of solar energy generation during 2018.

Management Opportunities, Challenges and Risks and 2019 Outlook

Automotive Demand, Production and Deliveries

Our goal is to produce the world's highest quality vehicles as quickly and as cost-effectively as possible with a priority on workplace health and safety. The worldwide automotive markets for alternative fuel vehicles and self-driving technology are highly competitive and we expect them to become even more so. A growing number of companies, including established automakers, have announced plans to expand, and in some cases fully transition to, production of electric or environmentally friendly vehicles, and/or to develop self-driving technologies. However, we believe that the unique features of our vehicles, the safety aspects of each of our vehicles, our constant innovation, our growing brand, the increased affordability introduced with Model 3, the innovation and expansion of our global retail, service and charging operations and infrastructure and our future vehicles will continue to generate incremental demand for our vehicles by making our vehicles accessible to larger and previously untapped consumer and commercial markets.

Model 3 was the best-selling premium vehicle in the United States in 2018. Vehicles traded in to us by Model 3 customers continue to suggest the existence of a wider addressable market for this vehicle than existing owners of mid-sized premium sedans. Moreover, as we have offered only the long-range, mid-range and performance variants of Model 3 thus far, we believe that we will see increased demand with the introduction of less expensive variants, such as a version with a base price of \$35,000 that we intend to offer in the future, and additional financing options. We commenced in January 2019 production of Model 3 for Europe and China, each of which we believe has a much larger mid-sized premium sedan market than North America, where we have exclusively delivered Model 3 to date. We also believe that we have an advantage over our competitors with respect to our battery and powertrain technology, as our vehicles' EPA-rated range per kWh is expected to be superior to that of other electric vehicles to be introduced in the near term, and we have the ability to improve our vehicles through over-the-air software updates. We are producing variants (including regional versions) of Model 3 in accordance with the demand that we expect for them, however, and we have finite production capabilities with long lead times associated with procuring certain parts. If our Model 3 demand expectations prove inaccurate or we experience delays in introducing planned additional variants, including as we begin offering Model 3 in new markets, we may not be able to timely generate sales matched to the specific vehicles that we have the capacity to produce. We may also be impacted by trade policies, political uncertainty and economic cycles involving geographic regions where we have significant operations. Sales of vehicles in the automotive industry also tend to be cyclical in many markets, which may expose us to increased volatility as we expand and adjust our operations and retail strategies. In addition, the federal tax credit for the purchase of a qualified electric vehicle in the U.S. was reduced to \$3,750 for any Tesla vehicle delivered during the first or second quarter of 2019, and will be further reduced to \$1,875 for each Tesla vehicle delivered in the third or fourth quarter of 2019 and to \$0 for each Tesla vehicle delivered thereafter. We believe that this phase-out likely pulled forward some vehicle demand into 2018 and could create similar pull-forwards in 2019 before each further step reduction in the federal tax credit. In the long run, we do not expect a meaningful impact to our sales in the U.S., as we believe that each of our vehicle models offers a compelling proposition even without incentives. Globally, we are also working to, and in some cases have already begun to, increase the value proposition and affordability of our offerings to customers and offer other financing arrangements over time. For example, we intend to introduce leasing options for Model 3.

Our Model 3 production ramped dramatically during 2018, and we expect to continue to grow Model 3 production to a sustained rate of 7,000 vehicles per week at our Tesla Factory by the end of 2019 as we ramp international deliveries. We remain focused on further cost improvements and on increasing the affordability of Model 3. Furthermore, in January 2019 we commenced construction of our Gigafactory Shanghai in China. We expect to build a production process that is optimized and simplified for Model 3 production, comprised of stamping, body joining and paint shops and general assembly, at Gigafactory Shanghai to begin production of certain trims of Model 3 for China by the end of 2019. We believe that the efficiencies of local production, as well as avoiding certain tariffs on U.S.-manufactured vehicles, will allow us to offer Model 3 at a lower average selling price in the largest market for electric vehicles in the world. Inclusive of Gigafactory Shanghai, our goal is to be able to produce 10,000 Model 3 vehicles per week on a sustained basis, and an annualized output rate in excess of 500,000 Model 3 vehicles sometime between the fourth quarter of 2019 and the second quarter of 2020. However, the timeframe for Gigafactory Shanghai is subject to a number of uncertainties, including regulatory approval, supply chain constraints, and the pace of installing production equipment and bringing the factory online. Ultimately, achieving increased Model 3 production cost-effectively will require that we timely address any additional bottlenecks that may arise as we continue to ramp, and establish sustained supplier capacity, including locally at Gigafactory Shanghai.

We also recently discontinued new custom orders for the 75 kWh versions of Model S and Model X to focus on longer range versions of our highest-performance flagship vehicles and further differentiate them from Model 3. We have gradually increased the level of option standardization across these models, and this latest step and our increasing production efficiency have allowed us to reduce the production hours for them while preserving the flexibility to increase output as necessary. As Model S and Model X are produced in the U.S., for the foreseeable future we could be impacted by increased import duties on components sourced from China, as well as by tariffs on vehicles exported to China, although we intend to partially divert such deliveries to North America and Europe, if necessary.

Advancing our customer-facing infrastructure remains a top priority. Delivering vehicles to our customers and the related logistics were challenging during 2018, but we continue to improve these processes to maximize customer satisfaction, including by purchasing our own car-hauling trucks. We are also expanding our servicing capabilities for our rapidly growing customer vehicle fleet, including by growing our service locations and Mobile Service fleet, moving to two-shift operations at service centers where needed, and optimizing our parts distribution network. We are also updating the Tesla mobile app for scheduling service appointments in order to increase customer convenience. As sales of Tesla vehicles ramp further, we plan to continue to open new Tesla retail locations, service centers and body shops around the world, and we plan to continue to expand our Mobile Service fleet. We also plan to continue to significantly increase the number of Superchargers and Destination Charging connectors globally, as well as evolve our Supercharger technology to enable faster charging times while reducing our related costs. However, we will have to stabilize and sustain our delivery and logistics model to deliver an increasing number of vehicles, and we have only limited experience with this at scale, particularly in markets outside of North America. Moreover, if our growing fleet of customer vehicles, particularly Model 3, experiences unexpected reliability issues, it could overburden our servicing capabilities.

Finally, we are making progress with our self-driving technology, as well as the Autopilot features in our vehicles. Our neural net and functionality continue to improve, and we frequently release minor software updates and from time to time release key version updates. Recently, we launched a "Navigate on Autopilot" feature that allows enabled Tesla vehicles under appropriate circumstances and driver input to change lanes, transition between freeways and exit freeways. While we are subject to regulatory constraints over which we have no control, our ultimate goal is to achieve full autonomy. Additionally, there is growing competition from other automobile and technology companies in the area of self-driving.

Energy Generation and Storage Demand, Production and Deployment

We are continuing to reduce customer acquisition costs of our energy generation products, transitioning away from former channel partners and shifting our sales strategy significantly to sell these products in Tesla stores and on our website and through cross-selling opportunities to our expanding base of vehicle owners. As we continue to implement this strategy, we expect that our retrofit solar system deployments will decrease slightly before stabilizing and growing in the second half of the year, including through cross-selling opportunities to our expanding base of vehicle owners. Our emphasis for retrofit solar products remains on executing projects for upfront cash generation and profitability, rather than absolute volume growth, such as by reducing the mix of leased systems and prioritizing residential installations that are combined with our energy storage products.

We are continuing with the design iterations and testing on our Solar Roof product, and we are continuing installations at a slow pace with the expectation that we will ramp production with significantly improved manufacturing capabilities during 2019.

We expect our energy storage products to continue to experience significant growth, and we are targeting to more than double our deployments to over 2 GWh in 2019. We see opportunities in North America as well as in Australia and Europe, where energy storage coupled with solar generation may mitigate typically higher electricity rates, as well as for projects to increase energy grid reliability. We are continuing to ramp production for these products at Gigafactory 1, including through a new production line, and we have seen further manufacturing efficiencies and improvements in our installation processes as we ramp.

Trends in Cash Flow, Capital Expenditures and Operating Expenses

Capital expenditures in 2019 are projected to be approximately \$2.5 billion, mostly to support increases in Model 3 production capacity at Gigafactory 1 and the Tesla Factory, the establishment of Model 3 production capacity at Gigafactory Shanghai, and the addition of manufacturing capacity for Model Y, which we intend to produce in volume by the end of 2020, as well as the ongoing expansion of our retail locations, service centers, body shops, Mobile Service fleet, and Supercharger stations.

Generally, we expect operating expenses as a percentage of revenue to continue to decrease in the future due to increases in expected revenues and as we focus on increasing operational efficiency. In addition, due to our cost management efforts to maximize operational efficiency, we expect operating expenses in 2019 to grow by less than 10% from 2018.

In March 2018, our stockholders approved a new 10-year CEO performance award for Elon Musk with vesting contingent on achieving market capitalization and operational milestones (the "2018 CEO Performance Award"). Consequently, we may incur significant additional non-cash stock-based compensation expense over the term of the award as each operational milestone becomes probable of vesting.

Automotive Financing Options

We offer financing arrangements for our vehicles in certain markets in North America, Europe and Asia primarily through various financial institutions. We offer resale value guarantees or similar buy-back terms to certain customers who purchase vehicles and who finance their vehicles through one of our specified commercial banking partners. We also offer resale value guarantees in connection with automotive sales to certain leasing partners. Currently, both programs are available only in certain international markets. Resale value guarantees available for exercise within the 12 months following December 31, 2018 totaled \$149.7 million in value.

We have adopted the new revenue recognition standard ASC 606 effective January 1, 2018. This impacts the way we account for vehicle sales with a resale value guarantee and vehicles leased through our leasing partners, which now generally qualify to be accounted for as sales with a right of return. In addition, for certain vehicles sales with a resale value guarantee and vehicles leased through leasing partners prior to 2018, we have ceased recognizing lease revenue starting in 2018 and record the associated cumulative adjustment to equity under the modified retrospective approach.

Vehicle deliveries with the resale value guarantee do not impact our near-term cash flows and liquidity, since we receive the full amount of cash for the vehicle sales price at delivery. While we do not assume any credit risk related to the customer, if a customer exercises the option to return the vehicle to us, we are exposed to liquidity risk that the resale value of vehicles under these programs may be lower than our guarantee, or the volume of vehicles returned to us may be higher than our estimates or we may be unable to resell the used vehicles in a timely manner, all of which could adversely impact our cash flows. To date, we have only had an insignificant number of customers who exercised their resale value guarantees and returned their vehicles to us. Based on current market demand for our vehicles, we estimate the resale prices for our vehicles will continue to be above our resale value guarantee amounts, but resale prices may inherently fluctuate depending on various factors such as supply and demand of our used vehicles, economic cycles and the pricing of new vehicles. Should market values of our vehicles or customer demand decrease, these estimates may be impacted materially.

We currently offer Model S and Model X leasing directly through our local subsidiaries in the U.S. and Canada. We also offer leasing through leasing partners in certain jurisdictions. Leasing through our captive financing entities and our leasing partners exposes us to residual value risk. In addition, for leases offered directly from our captive financing entities, we assume customer credit risk. We plan to continue expanding our financing offerings, including our lease financing options and the financial sources to support them, and to support the overall financing needs of our customers. To the extent that we are unable to arrange such options for our customers on terms that are attractive, our sales, financial results and cash flows could be negatively impacted.

Energy Generation and Storage Financing Options

We offer our customers the choice to either purchase and own solar energy systems or to purchase the energy that our solar energy systems produce through various contractual arrangements. These contractual arrangements include long-term leases and PPAs. In both structures, we install our solar energy systems at our customer's premises and charge the customer a monthly fee. In the lease structure, this monthly payment is fixed with a minimum production guarantee. In the PPA structure, we charge customers a fee per kilowatt-hour, or kWh, based on the amount of electricity the solar energy system actually produces. The leases and PPAs are typically for 20 years with a renewal option, and the specified monthly fees are subject to annual escalations.

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

Gigafactory 1

We continue to develop Gigafactory 1 as a facility where we work together with our suppliers to integrate production of battery material, cells, modules, battery packs and drive units in one location for vehicles and energy storage products. We also continue to invest in the future expansion of Gigafactory 1 and in additional production capacity there. For example, we have announced that we will likely manufacture Model Y at Gigafactory 1.

Panasonic has partnered with us on Gigafactory 1 with investments in the production equipment that it uses to manufacture and supply us with battery cells. Under our arrangement with Panasonic, we plan to purchase the full output from their production equipment at negotiated prices. As these terms convey to us the right to use, as defined in ASC 840, *Leases*, their production equipment, we consider them to be leased assets when production commences. This results in us recording the value of their production equipment within property, plant and equipment, net, on the consolidated balance sheets with a corresponding liability recorded to financing obligations. For all suppliers and partners for which we plan to purchase the full output from their production equipment located at Gigafactory 1, we will apply similar accounting. During the year ended December 31, 2018, we recorded \$766.6 million on the consolidated balance sheet.

While we currently believe that our progress at Gigafactory 1 will allow us to reach our production targets, our ultimate ability to do so will require us to resolve the types of challenges that are typical of a production ramp. For example, we have in the past experienced bottlenecks in the assembly of battery modules at Gigafactory 1, which negatively affected our production of Model 3. While we continue to resolve such issues at Gigafactory 1 as they arise, given the size and complexity of this undertaking, it is possible that future events could result in the cost of building and operating Gigafactory 1 exceeding our current expectations and Gigafactory 1 taking longer to expand than we currently anticipate.

Gigafactory 2

We have an agreement with the SUNY Foundation for the construction of a factory with the intended capacity to produce at least 1.0 GW of solar products annually in Buffalo, New York, referred to as Gigafactory 2. In December 2016, we entered into an agreement with Panasonic under which it manufactures custom PV cells and modules for us, primarily at Gigafactory 2, and we purchase certain quantities of PV cells and modules from Panasonic during the 10-year term.

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

Gigafactory Shanghai

We are constructing Gigafactory Shanghai in order to significantly increase the affordability of Model 3 for customers in China by reducing transportation and manufacturing costs and eliminating certain tariffs on vehicles imported from the U.S. We broke ground in January 2019, and subject to a number of uncertainties, including regulatory approval, supply chain constraints, and the pace of installing production equipment and bringing the factory online, we expect to begin production of certain trims of Model 3 at Gigafactory Shanghai by the end of 2019. We expect much of the investment in Gigafactory Shanghai to be provided through local debt financing, supported by limited direct capital expenditures by us. Moreover, we are targeting the capital expenditures per unit of production capacity at this factory to be less than that of our Model 3 production at the Tesla Factory, from which we have drawn learnings that should allow us to simplify our manufacturing layout and processes at Gigafactory Shanghai.

Other Manufacturing

We continue to expand production capacity at our existing facilities and construct our planned facilities, and continually explore additional production capacity internationally.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”). The preparation of the consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience, as appropriate, and on various other assumptions that we believe to be reasonable under the circumstances. Changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the following critical accounting policies involve a greater degree of judgment and complexity than our other accounting policies. Accordingly, these are the policies we believe are the most critical to understanding and evaluating the consolidated financial condition and results of operations.

Revenue Recognition

Adoption of new revenue standard

On January 1, 2018, we adopted ASC 606, Revenue from Contracts with Customers, (“new revenue standard”) using the modified retrospective method. The new revenue standard had a material impact in our consolidated financial statements. For further discussion, refer to Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Automotive Segment

Automotive Sales Revenue

Automotive Sales without Resale Value Guarantee

Automotive sales revenue includes revenues related to deliveries of new vehicles, and specific other features and services that meet the definition of a performance obligation under the new revenue standard, including access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. We recognize revenue on automotive sales upon delivery to the customer, which is when the control of a vehicle transfers. Payments are typically received at the point control transfers or in accordance with payment terms customary to the business. Other features and services such as access to our Supercharger network, internet connectivity and over-the-air software updates are provisioned upon control transfer of a vehicle and recognized over time on a straight-line basis as we have a stand-ready obligation to deliver such services to the customer. We recognize revenue related to these other features and services over the performance period, which is generally the expected ownership life of the vehicle or the eight-year life of the vehicle. Revenue related to Autopilot and full self-driving features is recognized when functionality is delivered to the customer. For our obligations related to automotive sales, we estimate standalone selling price by considering costs used to develop and deliver the service, third-party pricing of similar options and other information that may be available.

At the time of revenue recognition, we reduce the transaction price and record a reserve against revenue for estimated variable consideration related to future product returns. Such estimates are based on historical experience and are immaterial in all periods presented. In addition, any fees that are paid or payable by us to a customer’s lender when we arrange the financing are recognized as an offset against automotive sales revenue.

Costs to obtain a contract mainly relate to commissions paid to our sales personnel for the sale of vehicles. Commissions are not paid on other obligations such as access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. As our contract costs related to automotive sales are typically fulfilled within one year, the costs to obtain a contract are expensed as incurred. Amounts billed to customers related to shipping and handling are classified as automotive revenue, and we have elected to recognize the cost for freight and shipping when control over vehicles, parts, or accessories have transferred to the customer as an expense in cost of revenues. Our policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.

Automotive Sales with Resale Value Guarantee

We offer resale value guarantees or similar buy-back terms to certain international customers who purchase vehicles and who finance their vehicles through one of our specified commercial banking partners. We also offer resale value guarantees in connection with automotive sales to certain leasing partners. Under these programs, we receive full payment for the vehicle sales price at the time of delivery and our counterparty has the option of selling their vehicle back to us during the guarantee period, which currently is generally at the end of the term of the applicable loan or financing program, for a pre-determined resale value.

With the exception of two programs which are discussed within the *Automotive Leasing* section, we now recognize revenue when control transfers upon delivery to customers in accordance with the new revenue standard as a sale with a right of return as we do not believe the customer has a significant economic incentive to exercise the resale value guarantee provided to them. The process to determine whether there is a significant economic incentive includes a comparison of a vehicle's estimated market value at the time the option is exercisable with the guaranteed resale value to determine the customer's economic incentive to exercise. The performance obligations and the pattern of recognizing automotive sales with resale value guarantees are consistent with automotive sales without resale value guarantees with the exception of our estimate for sales return reserve. Sales return reserves for automotive sales with resale value guarantees are estimated based on historical experience plus consideration for expected future market values. The two programs that are still being recorded as operating leases are discussed in further detail below in *Vehicle Sales to Leasing Partners with a Resale Value Guarantee and a Buyback Option* and *Vehicle Sales to Customers with a Resale Value Guarantee where Exercise is Probable*.

Prior to the adoption of the new revenue standard, all transactions with resale value guarantees were recorded as operating leases. The amount of sale proceeds equal to the resale value guarantee was deferred until the guarantee expired or was exercised. For certain transactions that were considered interest bearing collateralized borrowings as required under ASC 840, *Leases*, we also accrued interest expense based on our borrowing rate. The remaining sale proceeds were deferred and recognized on a straight-line basis over the stated guarantee period to automotive leasing revenue. The guarantee period expired at the earlier of the end of the guarantee period or the pay-off of the initial loan. We capitalized the cost of these vehicles on the consolidated balance sheet as operating lease vehicles, net, and depreciated their value, less estimated residual value, to cost of automotive leasing revenue over the same period.

In cases where our counterparty retained ownership of the vehicle at the end of the guarantee period, the resale value guarantee liability and any remaining deferred revenue balances related to the vehicle were settled to automotive leasing revenue, and the net book value of the leased vehicle was expensed to cost of automotive leasing revenue. If our counterparty returned the vehicle to us during the guarantee period, we purchased the vehicle from our counterparty in an amount equal to the resale value guarantee and settled any remaining deferred balances to automotive leasing revenue, and we reclassified the net book value of the vehicle on the consolidated balance sheet to used vehicle inventory.

Automotive Regulatory Credits

California and certain other states have laws in place requiring vehicle manufacturers to ensure that a portion of the vehicles delivered for sale in that state during each model year are zero-emission vehicles. These laws and regulations provide that a manufacturer of zero-emission vehicles may earn regulatory credits ("ZEV credits") and may sell excess credits to other manufacturers who apply such credits to comply with these regulatory requirements. Similar regulations exist at the federal level that require compliance related to greenhouse gas ("GHG") emissions and also allow for the sale of excess credits by one manufacturer to other manufacturers. As a manufacturer solely of zero-emission vehicles, we have earned emission credits, such as ZEV and GHG credits, on our vehicles, and we expect to continue to earn these credits in the future. We enter into contractual agreements with third-parties to purchase our regulatory credits. Payments for regulatory credits are typically received at the point control transfers to the customer, or in accordance with payment terms customary to the business. We recognize revenue on the sale of regulatory credits at the time control of the regulatory credits is transferred to the purchasing party as automotive revenue in the consolidated statement of operations.

Automotive Leasing Revenue

Automotive leasing revenue includes revenue recognized under lease accounting guidance for our direct leasing programs as well as the two programs with resale value guarantees which continue to qualify for operating lease treatment. Prior to the adoption of the new revenue standard, all programs with resale value guarantees were accounted for as operating leases.

Direct Vehicle Leasing Program

We have outstanding leases under our direct vehicle leasing programs in certain locations in the U.S., Canada and Europe. Currently, the direct vehicle leasing program is only offered for new leases to qualified customers in the U.S. and Canada. Qualifying customers are permitted to lease a vehicle directly from Tesla for up to 48 months. At the end of the lease term, customers have the option of either returning the vehicle to us or purchasing it for a pre-determined residual value. We account for these leasing transactions as operating leases. We record leasing revenues to automotive leasing revenue on a straight-line basis over the contractual term, and we record the depreciation of these vehicles to cost of automotive leasing revenue.

We capitalize shipping costs and initial direct costs such as the incremental cost of contract administration, referral fees and sales commissions from the origination of automotive lease agreements as an element of operating lease vehicles, net, and subsequently amortize these costs over the term of the related lease agreement. Our policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.

Vehicle Sales to Leasing Partners with a Resale Value Guarantee and a Buyback Option

We offer buyback options in connection with automotive sales with resale value guarantees to certain leasing partner sales in the United States. These transactions entail a transfer of leases, which we have originated with an end-customer, to our leasing partner. As control of the vehicles has not been transferred in accordance with the new revenue standard, these transactions continue to be accounted for as interest bearing collateralized borrowings in accordance with ASC 840, *Leases*. Under this program, cash is received for the full price of the vehicle and the collateralized borrowing value is generally recorded within resale value guarantees and the customer upfront deposit is recorded within deferred revenue. We amortize the deferred revenue amount to automotive leasing revenue on a straight-line basis over the option period and accrue interest expense based on our borrowing rate. We capitalize vehicles under this program to operating lease vehicles, net, on the consolidated balance sheet, and we record depreciation from these vehicles to cost of automotive leasing revenue during the period the vehicle is under a lease arrangement. Cash received for these vehicles, net of revenue recognized during the period, is classified as collateralized lease (repayments) borrowings within cash flows from financing activities in the consolidated statement of cash flows.

At the end of the lease term, we settle our liability in cash by either purchasing the vehicle from the leasing partner for the buyback option amount or paying a shortfall to the option amount the leasing partner may realize on the sale of the vehicle. Any remaining balances within deferred revenue and resale value guarantee will be settled to automotive leasing revenue. In cases where the leasing partner retains ownership of the vehicle after the end of our option period, we expense the net value of the leased vehicle to cost of automotive leasing revenue.

On a quarterly basis, we assess the estimated market values of vehicles under our buyback options program to determine if we have sustained a loss on any of these contracts. As we accumulate more data related to the buyback values of our vehicles or as market conditions change, there may be material changes to their estimated values, although we have not experienced any material losses during any period to date.

Vehicle Sales to Customers with a Resale Value Guarantee where Exercise is Probable

For certain international programs where we have offered resale value guarantees to certain customers who purchased vehicles and where we expect the customer has a significant economic incentive to exercise the resale value guarantee provided to them, we continue to recognize these transactions as operating leases. The process to determine whether there is a significant economic incentive includes a comparison of a vehicle's estimated market value at the time the option is exercisable with the guaranteed resale value to determine the customer's economic incentive to exercise. We have not sold any vehicles under this program since the first half of 2017 and all current period activity relates to the exercise or cancellation of active transactions. The amount of sale proceeds equal to the resale value guarantee is deferred until the guarantee expires or is exercised. The remaining sale proceeds are deferred and recognized on a straight-line basis over the stated guarantee period to automotive leasing revenue. The guarantee period expires at the earlier of the end of the guarantee period or the pay-off of the initial loan. We capitalize the cost of these vehicles on the consolidated balance sheet as operating lease vehicles, net, and depreciate their value, less salvage value, to cost of automotive leasing revenue over the same period.

In cases where a customer retains ownership of a vehicle at the end of the guarantee period, the resale value guarantee liability and any remaining deferred revenue balances related to the vehicle are settled to automotive leasing revenue, and the net book value of the leased vehicle is expensed to cost of automotive leasing revenue. If a customer returns the vehicle to us during the guarantee period, we purchase the vehicle from the customer in an amount equal to the resale value guarantee and settle any remaining deferred balances to automotive leasing revenue, and we reclassify the net book value of the vehicle on the consolidated balance sheet to used vehicle inventory.

Services and Other Revenue

Services and other revenue consists of non-warranty after-sales vehicle services, sales of used vehicles, sales of electric vehicle components and systems to other manufacturers, retail merchandise, and sales by our acquired subsidiaries to third party customers. There were no significant changes to the timing or amount of revenue recognition as a result of our adoption of the new revenue standard.

Revenues related to repair and maintenance services are recognized over time as services are provided and extended service plans are recognized over the performance period of the service contract as the obligation represents a stand-ready obligation to the customer. We sell used vehicles, services, service plans, vehicle components and merchandise separately and thus use standalone selling prices as the basis for revenue allocation to the extent that these items are sold in transactions with other performance obligations. Payment for used vehicles, services, and merchandise are typically received at the point when control transfers to the customer or in accordance with payment terms customary to the business. Payments received for prepaid plans are refundable upon customer cancellation of the related contracts and are included within customer deposits on the consolidated balance sheet.

Energy Generation and Storage Segment

Energy Generation and Storage Sales

Energy generation and storage revenues consists of the sale of solar energy systems and energy storage systems to residential, small commercial, and large commercial and utility grade customers. Sales of solar energy systems to residential and small scale commercial customers consist of the engineering, design, and installation of the system. Post-installation, residential and small scale commercial customers receive a proprietary monitoring system that captures and displays historical energy generation data. Residential and small scale commercial customers pay the full purchase price of the solar energy system upfront. Revenue for the design and installation obligation is recognized when control transfers, which is when we install a solar energy system and the system passes inspection by the utility or the authority having jurisdiction. Revenue for the monitoring service is recognized ratably as a stand-ready obligation over the warranty period of the solar energy system. Sales of energy storage systems to residential and small scale commercial customers consist of the installation of the energy storage system and revenue is recognized when control transfers, which is when the product has been delivered or, if we are performing installation, when installed and accepted by the customer. Payment for such storage systems is made upon invoice or in accordance with payment terms customary to the business.

For large commercial and utility grade solar energy system and energy storage system sales which consist of the engineering, design, and installation of the system, customers make milestone payments that are consistent with contract-specific phases of a project. Revenue from such contracts is recognized over time using percentage of completion method based on cost incurred as a percentage of total estimated contract costs. Certain large-scale commercial and utility grade solar energy system and energy storage system sales also include operations and maintenance service which are negotiated with the design and installation contracts and are thus considered to be a combined contract with the design and installation service. For certain large commercial and utility grade solar energy systems and energy storage systems where percentage of completion method does not apply, revenue is recognized when control transfers, which is when the product has been delivered to the customer for energy storage systems and when the project has received permission to operate from the utility for solar energy systems. Operations and maintenance service revenue is recognized ratably over the respective contract term. Customer payments for such services are usually paid annually or quarterly in advance.

In instances where there are multiple performance obligations in a single contract, we allocate the consideration to the various obligations in the contract based on the relative standalone selling price method. Standalone selling prices are estimated based on estimated costs plus margin or using market data for comparable products. Costs incurred on the sale of residential installations before the solar energy systems are completed are included as work in process within inventory in the consolidated balance sheets. However, any fees that are paid or payable by us to a solar loan lender would be recognized as an offset against revenue. Costs to obtain a contract relate mainly to commissions paid to our sales personnel related to the sale of solar energy systems and energy storage systems. As our contract costs related to solar energy system and energy storage system sales are typically fulfilled within one year, the costs to obtain a contract are expensed as incurred.

As part of our solar energy system and energy storage system contracts, we may provide the customer with performance guarantees that warrant that the underlying system will meet or exceed the minimum energy generation or retention requirements specified in the contract. In certain instances, we may receive a bonus payment if the system performs above a specified level. Conversely, if a solar energy system or energy storage system does not meet the performance guarantee requirements, we may be required to pay liquidated damages. Other forms of variable consideration related to our large commercial and utility grade solar energy system and energy storage system contracts include variable customer payments that will be made based on our energy market participation activities. Such guarantees and variable customer payments represent a form of variable consideration and are estimated at contract inception at their most likely amount and updated at the end of each reporting period as additional performance data becomes available. Such estimates are included in the transaction price only to the extent that it is probable a significant reversal of revenue will not occur.

We record as deferred revenue any non-refundable amounts that are collected from customers related to fees charged for prepayments and remote monitoring service and operations and maintenance service, which is recognized as revenue ratably over the respective customer contract term.

Energy Generation and Storage Leasing

For revenue arrangements where we are the lessor under operating lease agreements for energy generation and storage products, we record lease revenue from minimum lease payments, including upfront rebates and incentives earned from such systems, on a straight-line basis over the life of the lease term, assuming all other revenue recognition criteria have been met. The difference between the payments received and the revenue recognized is recorded as deferred revenue on the consolidated balance sheet.

For solar energy systems where customers purchase electricity from us under PPAs, we have determined that these agreements should be accounted for as operating leases pursuant to ASC 840. Revenue is recognized based on the amount of electricity delivered at rates specified under the contracts, assuming all other revenue recognition criteria are met.

We record as deferred revenue any amounts that are collected from customers, including lease prepayments, in excess of revenue recognized and operations and maintenance service, which is recognized as revenue ratably over the respective customer contract term. Deferred revenue also includes the portion of rebates and incentives received from utility companies and various local and state government agencies, which is recognized as revenue over the lease term.

We capitalize initial direct costs from the origination of solar energy system leases or PPAs, which include the incremental cost of contract administration, referral fees and sales commissions, as an element of solar energy systems, leased and to be leased, net, and subsequently amortize these costs over the term of the related lease or PPA.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Cost is computed using standard cost for vehicles and energy storage products, which approximates actual cost on a first-in, first-out basis. In addition, cost for solar energy systems is recorded using actual cost. We record inventory write-downs for excess or obsolete inventories based upon assumptions about on current and future demand forecasts. If our inventory on-hand is in excess of our future demand forecast, the excess amounts are written-off.

We also review our inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires us to determine the estimated selling price of our vehicles less the estimated cost to convert the inventory on-hand into a finished product. Once inventory is written-down, a new, lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Should our estimates of future selling prices or production costs change, additional and potentially material increases to this reserve may be required. A small change in our estimates may result in a material charge to our reported financial results.

Warranties

We provide a manufacturer's warranty on all new and used vehicles, production powertrain components and systems and energy storage products we sell. In addition, we also provide a warranty on the installation and components of the solar energy systems we sell for periods typically between 10 to 30 years. We accrue a warranty reserve for the products sold by us, which includes our best estimate of the projected costs to repair or replace items under warranties and recalls when identified. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given our relatively short history of sales, and changes to our historical or projected warranty experience may cause material changes to the warranty reserve in the future. The warranty reserve does not include projected warranty costs associated with our vehicles subject to lease accounting and our solar energy systems under lease contracts or PPAs, as the costs to repair these warranty claims are expensed as incurred. The portion of the warranty reserve expected to be incurred within the next 12 months is included within accrued liabilities and other while the remaining balance is included within other long-term liabilities on the consolidated balance sheet. Due to the adoption of the new revenue standard, automotive sales with resale value guarantees that were previously recorded within operating lease assets require a corresponding warranty accrual. Warranty expense is recorded as a component of cost of revenues in the consolidated statements of operations.

Stock-Based Compensation

We use the fair value method of accounting for our stock options and restricted stock units ("RSUs") granted to employees and our employee stock purchase plan (the "ESPP") to measure the cost of employee services received in exchange for the stock-based awards. The fair value of stock option awards with only service conditions and ESPP is estimated on the grant or offering date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs such as the risk-free interest rate, expected term and expected volatility. These inputs are subjective and generally require significant judgment. The fair value of RSUs is measured on the grant date based on the closing fair market value of our common stock. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the awards, usually the vesting period, which is generally four years for stock options and RSUs and six months for the ESPP. Stock-based compensation expense is recognized on a straight-line basis, net of actual forfeitures in the period (prior to 2017, net of estimated projected forfeitures).

For performance-based awards, stock-based compensation expense is recognized over the expected performance achievement period of individual performance milestones when the achievement of each individual performance milestone becomes probable. For performance-based awards with a vesting schedule based entirely on the attainment of both performance and market conditions, stock-based compensation expense is recognized for each pair of performance and market conditions over the longer of the expected achievement period of the performance and market conditions, beginning at the point in time that the relevant performance condition is considered probable of achievement. The fair value of such awards is estimated on the grant date using Monte Carlo simulations.

As we accumulate additional employee stock-based awards data over time and as we incorporate market data related to our common stock, we may calculate significantly different volatilities and expected lives, which could materially impact the valuation of our stock-based awards and the stock-based compensation expense that we will recognize in future periods. Stock-based compensation expense is recorded in cost of revenues, research and development expense and selling, general and administrative expense in the consolidated statements of operations.

Income Taxes

We are subject to federal and state taxes in the U.S. and in many foreign jurisdictions. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We make these estimates and judgments about our future taxable income that are based on assumptions that are consistent with our future plans. Tax laws, regulations, and administrative practices may be subject to change due to economic or political conditions including fundamental changes to the tax laws applicable to corporate multinationals. The U.S., many countries in the European Union and a number of other countries are actively considering changes in this regard. As of December 31, 2018, we had recorded a full valuation allowance on our net U.S. deferred tax assets because we expect that it is more likely than not that our U.S. deferred tax assets will not be realized in the foreseeable future. Should the actual amounts differ from our estimates, the amount of our valuation allowance could be materially impacted.

Furthermore, significant judgment is required in evaluating our tax positions. In the ordinary course of business, there are many transactions and calculations for which the ultimate tax settlement is uncertain. As a result, we recognize the effect of this uncertainty on our tax attributes based on our estimates of the eventual outcome. These effects are recognized when, despite our belief that our tax return positions are supportable, we believe that it is more likely than not that those positions may not be fully sustained upon review by tax authorities. We are required to file income tax returns in the U.S. and various foreign jurisdictions, which requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions. Such returns are subject to audit by the various federal, state and foreign taxing authorities, who may disagree with respect to our tax positions. We believe that our consideration is adequate for all open audit years based on our assessment of many factors, including past experience and interpretations of tax law. We review and update our estimates in light of changing facts and circumstances, such as the closing of a tax audit, the lapse of a statute of limitations or a change in estimate. To the extent that the final tax outcome of these matters differs from our expectations, such differences may impact income tax expense in the period in which such determination is made. The eventual impact on our income tax expense depends in part if we still have a valuation allowance recorded against our deferred tax assets in the period that such determination is made.

On December 22, 2017, the 2017 Tax Cuts and Jobs Act ("Tax Act") was enacted into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21% for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system and a one-time transition tax on the mandatory deemed repatriation of foreign earnings. We were required to recognize the effect of the tax law changes in the period of enactment, such as re-measuring our U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities. The Tax Act did not give rise to any material impact on the consolidated balance sheets and consolidated statements of operations due to our historical worldwide loss position and the full valuation allowance on our net U.S. deferred tax assets.

In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”), which allowed us to record provisional amounts during a measurement period not to extend beyond one year from the enactment date. As such, in accordance with SAB 118, we completed our analysis during the fourth quarter of 2018 considering current legislation and guidance resulting in no material adjustments from the provisional amounts recorded during the prior year.

Principles of Consolidation

The consolidated financial statements reflect our accounts and operations and those of our subsidiaries in which we have a controlling financial interest. In accordance with the provisions of ASC 810, *Consolidation*, we consolidate any variable interest entity (“VIE”) of which we are the primary beneficiary. We form VIEs with our financing fund investors in the ordinary course of business in order to facilitate the funding and monetization of certain attributes associated with our solar energy systems and leases under our direct vehicle leasing programs. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests. ASC 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. We do not consolidate a VIE in which we have a majority ownership interest when we are not considered the primary beneficiary. We have determined that we are the primary beneficiary of a number of VIEs. We evaluate our relationships with all the VIEs on an ongoing basis to ensure that we continue to be the primary beneficiary. All intercompany transactions and balances have been eliminated upon consolidation.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Noncontrolling interests and redeemable noncontrolling interests represent third-party interests in the net assets under certain funding arrangements, or funds, that we enter into to finance the costs of solar energy systems and vehicles under operating leases. We have determined that the contractual provisions of the funds represent substantive profit sharing arrangements. We have further determined that the appropriate methodology for calculating the noncontrolling interest and redeemable noncontrolling interest balances that reflects the substantive profit sharing arrangements is a balance sheet approach using the hypothetical liquidation at book value (“HLBV”) method. We, therefore, determine the amount of the noncontrolling interests and redeemable noncontrolling interests in the net assets of the funds at each balance sheet date using the HLBV method, which is presented on the consolidated balance sheet as noncontrolling interests in subsidiaries and redeemable noncontrolling interests in subsidiaries. Under the HLBV method, the amounts reported as noncontrolling interests and redeemable noncontrolling interests in the consolidated balance sheet represent the amounts the third-parties would hypothetically receive at each balance sheet date under the liquidation provisions of the funds, assuming the net assets of the funds were liquidated at their recorded amounts determined in accordance with GAAP and with tax laws effective at the balance sheet date and distributed to the third-parties. The third-parties’ interests in the results of operations of the funds are determined as the difference in the noncontrolling interest and redeemable noncontrolling interest balances in the consolidated balance sheets between the start and end of each reporting period, after taking into account any capital transactions between the funds and the third-parties. However, the redeemable noncontrolling interest balance is at least equal to the redemption amount. The redeemable noncontrolling interest balance is presented as temporary equity in the mezzanine section of the consolidated balance sheet since these third-parties have the right to redeem their interests in the funds for cash or other assets.

Business Combinations

We account for business acquisitions under ASC 805, *Business Combinations*. The total purchase consideration for an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the acquisition date. Costs that are directly attributable to the acquisition are expensed as incurred. Identifiable assets (including intangible assets), liabilities assumed (including contingent liabilities) and noncontrolling interests in an acquisition are measured initially at their fair values at the acquisition date. We recognize goodwill if the fair value of the total purchase consideration and any noncontrolling interests is in excess of the net fair value of the identifiable assets acquired and the liabilities assumed. We recognize a bargain purchase gain within other income (expense), net, on the consolidated statement of operations if the net fair value of the identifiable assets acquired and the liabilities assumed is in excess of the fair value of the total purchase consideration and any noncontrolling interests. We include the results of operations of the acquired business in the consolidated financial statements beginning on the acquisition date.

When determining such fair values, we make significant estimates and assumptions. Critical estimates include, but are not limited to, future expected cash flows from the underlying assets and discount rates. Our estimate of fair values is based on assumptions believed to be reasonable but that are inherently uncertain and unpredictable. As a result, actual results may differ from our estimates. Furthermore, our estimates might change as additional information becomes available, as more fully discussed in Note 3, *Business Combinations*, included elsewhere in this Annual Report on Form 10-K.

Results of Operations

Revenues

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Automotive sales	\$ 17,631,522	\$ 8,534,752	\$ 5,589,007	\$ 9,096,770	107%	\$ 2,945,745	53%
Automotive leasing	883,461	1,106,548	761,759	(223,087)	-20%	344,789	45%
Total automotive revenues	18,514,983	9,641,300	6,350,766	8,873,683	92%	3,290,534	52%
Services and other	1,391,041	1,001,185	467,972	389,856	39%	533,213	114%
Total automotive & services and other segment revenue	19,906,024	10,642,485	6,818,738	9,263,539	87%	3,823,747	56%
Energy generation and storage segment revenue	1,555,244	1,116,266	181,394	438,978	39%	934,872	515%
Total revenues	\$ 21,461,268	\$ 11,758,751	\$ 7,000,132	\$ 9,702,517	83%	\$ 4,758,619	68%

Automotive & Services and Other Segment

Automotive sales revenue includes revenues related to sale of new Model S, Model X and Model 3 vehicles, including access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates, as well as sales of regulatory credits to other automotive manufacturers. Our revenue from non-ZEV regulatory credits generally follows our production and delivery trends as we have long-term contracts with existing customers for the sale of these credits. However, as we do not have long-term contracts for ZEV credit sales, revenue from sale of ZEV credits fluctuate by quarter depending on when a contract is executed with a buyer. For example, our revenue from ZEV credit sales in the three months ended December 31, 2017 was \$179.1 million while it was \$0 in the three months ended June 30, 2018.

Automotive leasing revenue includes the amortization of revenue for Model S and Model X vehicles under direct lease agreements as well as those sold with resale value guarantees accounted for as operating leases under lease accounting. We do not yet offer leasing for Model 3 vehicles.

Services and other revenue consists of non-warranty after-sales vehicle services, sales of used vehicles, sales of electric vehicle components and systems to other manufacturers, retail merchandise, and sales by our acquired subsidiaries to third party customers.

2018 Compared to 2017

Automotive sales revenue increased \$9.10 billion, or 107%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017, primarily due to an increase of approximately 144,330 Model 3 deliveries from our significant production ramp in the year ended December 31, 2018, delivered at average selling prices that remained relatively consistent year-over-year. Additionally, we recognized \$1.40 billion of additional automotive sales revenue due to the adoption of the new revenue standard and an increase of \$58.3 million in sales of regulatory credits to \$418.6 million in the year ended December 31, 2018. ZEV credits sales were \$103.4 million and non-ZEV regulatory credits sales were \$315.2 million in the year ended December 31, 2018, compared to \$279.7 million ZEV credit sales and \$80.6 million in non-ZEV regulatory credit sales in the year ended December 31, 2017. The growth in non-ZEV regulatory credits year-over-year was generally consistent with the delivery volume growth. The above increases in revenue were offset by a decrease of approximately 3,240 Model S and Model X deliveries during the year ended December 31, 2018, excluding the impact of adoption of the new revenue standard, at average selling prices that remained relatively consistent as compared to the year ended December 31, 2017.

Automotive leasing revenue decreased \$223.1 million, or 20%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The decrease was primarily due to a downward adjustment of \$832.7 million from the adoption of the new revenue standard, partially offset by an increase in cumulative vehicles under our direct vehicle leasing program and an increase in the number of vehicles under leasing programs where our counterparty has retained ownership of the vehicle during or at the end of the guarantee period when compared to the year ended December 31, 2017. When our counterparty retains ownership, any remaining balances within deferred revenue and resale value guarantee are settled to automotive leasing revenue.

Services and other revenue increased \$389.9 million, or 39%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily due to an increase in used vehicle sales from an increased volume of trade-in vehicles, partially offset by lower average selling prices for used vehicles sales due to an increase in trade-ins of relatively lower priced non-Tesla vehicles in the year ended December 31, 2018. Additionally, there was an increase in non-warranty maintenance services revenue as our fleet continues to grow. These increases were partially offset by a decrease in powertrain sales to another automobile manufacturer as we wound down the program in 2017.

2017 Compared to 2016

Automotive sales revenue increased \$2.95 billion, or 53%, in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily related to a 58% increase in deliveries to 80,060 vehicles resulting from increased sales of Model S and Model X, at average selling prices that remained relatively consistent as compared to the prior period, as well as sales of 1,764 Model 3 vehicles since its launch in the third quarter of 2017. Additionally, sales of regulatory credits increased by \$58.0 million to \$360.3 million in the year ended December 31, 2017. ZEV credits sales were \$279.7 million and non-ZEV regulatory credits sales were \$80.6 million in the year ended December 31, 2017, compared to \$215.4 million ZEV credit sales and \$86.9 million in non-ZEV regulatory credit sales in the year ended December 31, 2016. The increases were partially offset by additional deferrals of Autopilot 2.0 revenue in the year ended December 31, 2017.

Automotive leasing revenue increased \$344.8 million, or 45%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase was primarily due to an approximately 30% increase in the number of vehicles under leasing programs or programs with a resale value guarantee compared to the year ended December 31, 2016. In addition, during the year ended December 31, 2017, we recognized an increase of \$23.4 million of automotive leasing revenue upon early payoff and expiration of resale value guarantees as compared to the year ended December 31, 2016.

Service and other revenue increased \$533.2 million, or 114%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. This was primarily due to an increase in used vehicle sales as a result of increased automotive sales as well as from the expansion of our trade-in program. Additionally, there was a \$41.1 million increase from the inclusion of engineering service revenue from Grohmann Engineering GmbH (now Tesla Grohmann Automation GmbH, which we acquired on January 3, 2017), and a \$68.4 million increase in non-warranty maintenance services revenue as our fleet continued to grow during the year ended December 31, 2017.

Energy Generation and Storage Segment

Energy generation and storage revenue includes sale of solar energy systems and energy storage products, leasing revenue from solar energy systems under operating leases and PPAs and the sale of solar energy systems incentives.

2018 Compared to 2017

Energy generation and storage revenue increased by \$439.0 million, or 39%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily due to increases in deployments of Powerpack, Powerwall, and cash and loan solar energy systems projects. The increase in Powerpack revenue was significant year-over-year due to increases in revenue recognized for commercial projects, most predominantly \$81.2 million for the South Australia battery project. Additionally, we increased Powerwall production in the year ended December 31, 2018, which helped us to continue to work through our energy storage order backlog.

2017 Compared to 2016

Energy generation and storage revenue increased by \$934.9 million, or 515%, in the year ended December 31, 2017 compared to the year ended December 31, 2016, predominantly due to the inclusion of the full-year of revenue from our solar business, which we gained by acquiring SolarCity on November 21, 2016.

Cost of Revenues and Gross Margin

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Cost of revenues							
Automotive sales	\$ 13,685,572	\$ 6,724,480	\$ 4,268,087	\$ 6,961,092	104%	\$ 2,456,393	58%
Automotive leasing	488,425	708,224	481,994	(219,799)	-31%	226,230	47%
Total automotive cost of revenues	14,173,997	7,432,704	4,750,081	6,741,293	91%	2,682,623	56%
Services and other	1,880,354	1,229,022	472,462	651,332	53%	756,560	160%
Total automotive & services and other segment cost of revenues	16,054,351	8,661,726	5,222,543	7,392,625	85%	3,439,183	66%
Energy generation and storage segment	1,364,896	874,538	178,332	490,358	56%	696,206	390%
Total cost of revenues	\$ 17,419,247	\$ 9,536,264	\$ 5,400,875	\$ 7,882,983	83%	\$ 4,135,389	77%
Gross profit total automotive	\$ 4,340,986	\$ 2,208,596	\$ 1,600,685				
Gross margin total automotive	23%	23%	25%				
Gross profit total automotive & services and other segment	\$ 3,851,673	\$ 1,980,759	\$ 1,596,195				
Gross margin total automotive & services and other segment	19%	19%	23%				
Gross profit energy generation and storage segment	\$ 190,348	\$ 241,728	\$ 3,062				
Gross margin energy generation and storage segment	12%	22%	2%				
Total gross profit	\$ 4,042,021	\$ 2,222,487	\$ 1,599,257				
Total gross margin	19%	19%	23%				

Automotive & Services and Other Segment

Cost of automotive sales revenue includes direct parts, material and labor costs, manufacturing overhead, including depreciation costs of tooling and machinery, shipping and logistic costs, vehicle connectivity costs, allocations of electricity and infrastructure costs related to our Supercharger network, and reserves for estimated warranty expenses. Cost of automotive sales revenues also includes adjustments to warranty expense and charges to write down the carrying value of our inventory when it exceeds its estimated net realizable value and to provide for obsolete and on-hand inventory in excess of forecasted demand.

Cost of automotive leasing revenue includes primarily the amortization of operating lease vehicles over the lease term, as well as warranty expenses recognized as incurred. Cost of automotive leasing revenue also includes vehicle connectivity costs and allocations of electricity and infrastructure costs related to our Supercharger network for vehicles under our leasing programs.

Costs of services and other revenue includes costs associated with providing non-warranty after-sales services, costs to acquire and certify used vehicles, and costs for retail merchandise. Cost of services and other revenue also includes direct parts, material and labor costs, manufacturing overhead associated with the sales of electric vehicle components and systems to other manufacturers and sales by our acquired subsidiaries to third party customers.

2018 Compared to 2017

Cost of automotive sales revenue increased \$6.96 billion, or 104%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily due to a significantly higher volume of Model 3 vehicles deliveries in 2018 and the recognition of \$969.8 million of additional cost of automotive sales revenue due to the adoption of the new revenue standard. These increases were partially offset by significant reductions in Model 3 average costs per unit compared to the year ended December 31, 2017 primarily due to temporary under-utilization of manufacturing capacity at lower production volumes in 2017 and other cost efficiencies. Additionally, there were lower overall costs for Model S and Model X cash deliveries from approximately 3,240 fewer units delivered year-over-year and reductions in combined Model S and Model X average costs per unit as a result of increased manufacturing efficiencies.

Cost of automotive leasing revenue decreased \$219.8 million, or 31%, in the year ended December 31, 2018 compared to the year ended December 31, 2017. The decrease was primarily due to a downward adjustment of \$624.4 million from the adoption of the new revenue standard, partially offset by increased cost of automotive leasing revenue from an increase in cumulative vehicles under our direct vehicle leasing program and an increase in the number of vehicles under leasing programs where our counterparty has retained ownership of the vehicle during or at the end of the guarantee period when compared to the year ended December 31, 2017. When our counterparty retains ownership, the net book value of the leased vehicle of the lease vehicle is expensed to cost of automotive leasing revenue.

Cost of services and other revenue increased \$651.3 million, or 53%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily due to the increase in the cost of our new service centers, additional service personnel in existing and new service centers, Mobile Service capabilities, parts distribution centers and investment in new body shops to provide maintenance services to our rapidly growing fleet of vehicles. Additionally, there was an overall increase in the cost of used vehicle sales from the increased volume of relatively lower priced non-Tesla trade-in vehicles. These increases were partially offset by a decrease in cost of powertrain sales to another automobile manufacturer as we wound down the program in 2017.

Gross margin for total automotive remained relatively consistent at 23% in the years ended December 31, 2018 and 2017. There were increases from improved Model S and Model X combined margins as costs per unit decreased year-over-year from continuing manufacturing efficiencies and an increase in regulatory credits sales, which have no associated costs. The increases were partially offset by margin dilution from Model 3 despite Model 3 margins improving year-over-year. The higher proportion of Model 3 as a percentage of our total automotive sales in the year ended December 31, 2018 lowered our overall gross margin for total automotive as Model 3 had a lower annualized margin than Model S and Model X due to temporary under-utilization of manufacturing capacity at lower production volumes in the first half of 2018 and as we have yet to achieve significant manufacturing efficiencies in the production of Model 3.

Gross margin for total automotive & services and other segment remained relatively consistent at 19% in the years ended December 31, 2018 and 2017 primarily due to the automotive gross margin impacts discussed above. Services and other has historically operated at lower margins than our automotive sales and leasing business but has a small impact on the overall segment margin because of its relatively small revenue base.

2017 Compared to 2016

Cost of automotive sales revenues increased \$2.46 billion, or 58%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. This was primarily due to a 58% increase in vehicle deliveries resulting from increased sales of Model S and Model X, as well as the commencement of deliveries of Model 3 in the third quarter of 2017.

Cost of automotive leasing revenue increased \$226.2 million, or 47%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. This was primarily due to an approximately 30% increase in the number of vehicles under leasing programs or programs with a resale value guarantee compared to the year ended December 31, 2016. In addition, during the year ended December 31, 2017, we recognized an increase of \$23.4 million in cost of automotive leasing revenue upon early payoff and the expiration of resale value guarantees.

Cost of services and other revenue increased \$756.6 million, or 160%, in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to the increase in cost of used vehicle sales due to increased volume and the increase in cost to provide maintenance services as our fleet continues to grow.

Gross margin for total automotive decreased from 25% to 23% in the year ended December 31, 2017 compared to the year ended December 31, 2016. The commencement of deliveries of Model 3 in the third quarter of 2017 whereby the full operating costs and depreciation were recorded at much lower production volumes as production ramps and increases in early payoffs and expirations of resale value guarantees year-over-year contributed to the lower gross margin. Lower material and manufacturing costs for Model S and Model X, as we further improved our vehicle production processes and the partial recognition of autopilot 2.0 revenue in the year ended December 31, 2017 partially offset the overall decrease.

Gross margin for total automotive & services and other segment decreased from 23% to 19% in the year ended December 31, 2017 compared to the year ended December 31, 2016. These decreases are driven by the factors impacting gross margin for total automotive, as explained above, as well as higher costs of maintenance service.

Energy Generation and Storage Segment

Cost of energy generation and storage revenue includes direct and indirect material and labor costs, warehouse rent, freight, warranty expense, other overhead costs and amortization of certain acquired intangible assets. In addition, where arrangements are accounted for as operating leases, the cost of revenue is primarily comprised of depreciation of the cost of leased solar energy systems, maintenance costs associated with those systems and amortization of any initial direct costs.

2018 Compared to 2017

Cost of energy generation and storage revenue increased by \$490.4 million, or 56%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017 primarily due to increases in deployments of Powerpack, Powerwall, and cash and loan solar energy system projects. The increase in Powerpack cost of revenue was significant year-over-year due to increases in cost of revenue recognized for commercial projects, most predominantly \$72.5 million for the South Australia battery project. Additionally, costs for cash and loan solar energy system projects have increased from higher installation costs, higher allocation of overhead costs from lower deployment of solar projects overall, and certain warranty related one-time charges. There were also higher costs for our solar energy system leasing arrangements due to impairment charges and higher costs from temporary manufacturing under-utilization of our Solar Roof ramp.

Gross margin for energy generation and storage decreased from 22% to 12% in the year ended December 31, 2018 compared to the year ended December 31, 2017. The decrease was primarily due to the higher proportion of energy storage of our overall energy generation and storage portfolio, due to a three-fold growth of MWh of energy storage deployments in the year ended December 31, 2018. Although energy storage margins have improved significantly as compared to the year ended December 31, 2017, it continues to operate at a lower margin than our solar business, thereby having a greater dilutive impact on our gross margin in the year ended December 31, 2018. Additionally, increases in costs for our cash and loan solar energy system projects, impairment charges on solar energy system leasing arrangements, and temporary manufacturing under-utilization of our Solar Roof ramp have further contributed to the decrease in gross margin.

2017 Compared to 2016

Cost of energy generation and storage revenue increased by \$696.2 million, or 390%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. This was primarily due to the inclusion of the full-year of costs from our solar business, which we gained by acquiring SolarCity on November 21, 2016.

Gross margin for energy generation and storage increased from 2% to 22% in the year ended December 31, 2017 compared to the year ended December 31, 2016. This was predominantly due to the inclusion of the full-year of revenue and costs from our solar business, which we gained by acquiring SolarCity.

Research and Development Expense

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Research and development	\$ 1,460,370	\$ 1,378,073	\$ 834,408	\$ 82,297	6%	\$ 543,665	65%
As a percentage of revenues	7%	12%	12%				

Research and development ("R&D") expenses consist primarily of personnel costs for our teams in engineering and research, manufacturing engineering and manufacturing test organizations, prototyping expense, contract and professional services and amortized equipment expense.

R&D expenses increased \$82.3 million, or 6%, in the year ended December 31, 2018 compared to the year ended December 31, 2017. This increase was primarily due to an \$84.2 million increase in employee and labor related expenses from headcount growth to support our business expansion and \$45.2 million increase in stock-based compensation expense related to an increase in headcount and number of employee stock awards granted for new hire and refresher employee stock grants. Additionally, there was an increase of \$16.0 million in facilities, freight, and depreciation expenses due to business expansion, offset by a \$69.7 million decrease in expensed materials as there were higher costs in the year ended December 31, 2017 primarily related to Model 3 development.

R&D expenses increased \$543.7 million, or 65%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. This increase was primarily due to a \$274.9 million increase in employee and labor related expenses from increased headcount as a result of our acquisitions as well as headcount growth from the expansion of our automotive and energy generation and storage businesses, and a \$44.3 million increase in stock-based compensation expense related to an increase in headcount and number of employee stock awards granted for new hire and refresher employee stock grants. Additionally, there were increases in facilities expenses, depreciation expenses, professional and outside service expenses and expensed materials to support the development of future products.

Selling, General and Administrative Expense

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Selling, general and administrative	\$ 2,834,491	\$ 2,476,500	\$ 1,432,189	\$ 357,991	14%	\$ 1,044,311	73%
As a percentage of revenues	13%	21%	20%				

Selling, general and administrative ("SG&A") expenses generally consist of personnel and facilities costs related to our stores, marketing, sales, executive, finance, human resources, information technology and legal organizations, as well as fees for professional and contract services and litigation settlements.

SG&A expenses increased \$358.0 million, or 14%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily due to a \$193.1 million increase in stock-based compensation expense related to the 2018 CEO Performance Award and stock awards granted for new hires and refresher employee stock grants. Additionally, there was a \$153.9 million increase in office, information technology and facilities-related expenses and sales and marketing activities to support our business expansion.

SG&A expenses increased \$1.04 billion, or 73%, in the year ended December 31, 2017 compared to the year ended December 31, 2016. This increase was primarily due to a \$524.0 million increase in employee and labor related expenses from increased headcount as a result of our acquisitions as well as headcount growth from the expansion of our automotive and energy generation and storage businesses, and a \$64.9 million increase in stock-based compensation expense related to an increase in headcount and number of employee stock awards granted for new hire and refresher employee stock grants. Additionally, the increase was due to a \$310.6 million increase in office, information technology and facilities-related expenses to support the growth of our business as well as sales and marketing activities to handle our expanding market presence and a \$140.6 million increase in professional and outside service expenses to support the growth of our business.

Restructuring and other

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Restructuring and other	\$ 135,233	\$ —	\$ —	\$ 135,233	N/A	\$ —	N/A
As a percentage of revenues	1%	0%	0%				

During 2018, we carried out certain restructuring actions in order to reduce costs and improve efficiency and recognized \$36.6 million of employee termination expenses and estimated losses from sub-leasing a certain facility. The employee termination cash expenses of \$27.3 million were substantially paid by the end of 2018, while the remaining amounts were non-cash. Also included within restructuring and other activities was \$55.2 million of expenses (materially all of which were non-cash) from restructuring the energy generation and storage segment, which comprised of disposals of certain tangible assets, the shortening of the useful life of a trade name intangible asset and a contract termination penalty. In addition, we concluded that a small portion of the in-process research and development asset is not commercially feasible. Consequently, we recognized an impairment loss of \$13.3 million.

In October 2018, a final court order was entered approving the terms of a settlement in connection with the SEC's legal actions relating to Elon Musk's prior consideration during the third quarter of 2018 of a take-private proposal for Tesla. Consequently, we recognized settlement and legal expenses of \$30.1 million in the year ended December 31, 2018. These expenses were substantially paid by the end of 2018.

There were no restructuring actions in the years ended December 31, 2017 and 2016.

Interest Expense

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Interest expense	\$ (663,071)	\$ (471,259)	\$ (198,810)	\$ (191,812)	41%	\$ (272,449)	137%
As a percentage of revenues	3%	4%	3%				

Interest expense increased by \$191.8 million, or 41%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily due to an increase in our average outstanding indebtedness at relatively consistent weighted average interest rates as compared to the year ended December 31, 2017. Additionally, there was a decrease of \$70.0 million in the amount of interest we capitalized from the consolidated statement of operations to property, plant, and equipment on the consolidated balance sheets. Lower capitalization results in higher interest expense. The amount of interest we capitalize is driven by our construction in progress balance, which decreased year-over-year due to significant Model 3 capital expenditure ramp in the year ended December 31, 2017.

Interest expense increased by \$272.4 million, or 137%, in the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase was primarily due to the inclusion of the full-year of interest expense from SolarCity of \$185.5 million for the year ended December 31, 2017. In addition, our average outstanding indebtedness has increased in the year ended December 31, 2017 as compared to the year ended December 31, 2016 mainly due to the Convertible Senior Notes due in 2022 and the Senior Notes due in 2025, both of which we issued during 2017.

Other Income (Expense), Net

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Other income (expense), net	\$ 21,866	\$ (125,373)	\$ 111,272	\$ 147,239	Not meaningful	\$ (236,645)	Not meaningful
As a percentage of revenues	0%	-1%	2%				

Other income (expense), net, consists primarily of foreign exchange gains and losses related to our foreign currency-denominated monetary assets and liabilities and changes in the fair values of our fixed-for-floating interest rate swaps. We expect our foreign exchange gains and losses will vary depending upon movements in the underlying exchange rates.

Other income (expense), net, changed favorably by \$147.2 million to a gain of \$21.9 million in the year ended December 31, 2018 from a loss of \$125.4 million in the year ended December 31, 2017. The change was primarily due to favorable fluctuations in foreign currency exchange rates and gains from interest rate swaps related to our debt facilities year-over-year. Additionally, we had \$57.7 million of losses in the year ended December 31, 2017 for measurement period adjustments to the acquisition date fair values of certain SolarCity liabilities as previously reported in our Annual Report on Form 10-K for the year ended December 31, 2016, with no corresponding expense in the year ended December 31, 2018.

Other income (expense), net, changed unfavorably by \$236.7 million to a loss of \$125.4 million in the year ended December 31, 2017 from a gain of \$111.3 million in the year ended December 31, 2016. The decrease was primarily due to \$57.7 million of losses in the year ended December 31, 2017 for measurement period adjustments to the acquisition date fair value of SolarCity and fluctuations in foreign currency exchange rates.

Provision for Income Taxes

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Provision for income taxes	\$ 57,837	\$ 31,546	\$ 26,698	\$ 26,291	83%	\$ 4,848	18%
Effective tax rate	-6%	-1%	-4%				

Our provision for income taxes increased by \$26.3 million, or 83%, in the year ended December 31, 2018 as compared to the year ended December 31, 2017. The increase was primarily due to the increase in taxable profits in certain foreign jurisdictions year-over-year.

Our provision for income taxes increased by \$4.9 million, or 18%, in the year ended December 31, 2017 as compared to the year ended December 31, 2016. This increase was primarily due to the increase in vehicle deliveries in foreign tax jurisdictions, partially offset by \$10.5 million of future U.S. alternative minimum tax refunds as a result of the Tax Act, which previously had an associated valuation allowance.

Net Income (Loss) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

(Dollars in thousands)	Year Ended December 31,			2018 vs. 2017 Change		2017 vs. 2016 Change	
	2018	2017	2016	\$	%	\$	%
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	\$ (86,491)	\$ (279,178)	\$ (98,132)	\$ 192,687	-69%	\$ (181,046)	184%

Our net income (loss) attributable to noncontrolling interests and redeemable noncontrolling interests was related to financing fund arrangements.

Liquidity and Capital Resources

As of December 31, 2018, we had \$3.69 billion of cash and cash equivalents. Balances held in foreign currencies had a U.S. dollar equivalent of \$749.0 million and consisted primarily of Chinese yuan, euros and Japanese yen. Our sources of cash are predominately from our deliveries of vehicles, sales and installations of our energy storage products and solar energy systems, proceeds from debt facilities, proceeds from financing funds and proceeds from equity offerings.

Our sources of liquidity and cash flows enable us to fund ongoing operations, research and development projects for new products, increases in Model 3 production capacity at the Tesla Factory, the establishment of Model 3 production capacity at Gigafactory Shanghai, the continued expansion of Gigafactory 1, the addition of manufacturing capacity for Model Y with the expectation to achieve volume production by the end of 2020, and the continued expansion of our retail and service locations, body shops, Mobile Service fleet and Supercharger network. We currently expect total 2019 capital expenditures to be approximately \$2.5 billion.

In 2019, we will continue to utilize our increasing experience and learnings from past and current product ramps to do so at a level of capital efficiency per dollar of spend that we expect to be significantly greater than historical levels. For example, based on our experience with ramping Model 3 at the Tesla Factory, we expect that the capital spend per unit of Model 3 manufacturing capacity at Gigafactory Shanghai will be less than that of our line in Fremont. Likewise, based on such experience and the substantial commonality of components we expect between Model Y and Model 3, we believe that the production ramp of Model Y will be significantly faster than that of Model 3 and cost less per unit of manufacturing capacity than that of Model 3 at Fremont. Considering the pipeline of new products planned at this point, and consistent with our current strategy of using a partner to manufacture cells, as well as considering all other infrastructure growth and expansion of Gigafactory 1, Gigafactory 2 and Gigafactory Shanghai, we currently estimate that capital expenditures will be between \$2.5 to \$3.0 billion annually for the next two fiscal years. Moreover, we expect that the cash we generate from our core operations will generally be sufficient to cover our future capital expenditures and to pay down our near-term debt obligations (including the repayment of \$920.0 million for our 0.25% Convertible Senior Notes due on March 1, 2019), although we may choose to seek alternative financing sources. For example, we expect that much of our investment in Gigafactory Shanghai will be funded through indebtedness arranged through local financial institutions in China. As always, we continually evaluate our capital expenditure needs and may decide it is best to raise additional capital to fund the rapid growth of our business.

We have an agreement to spend or incur \$5.0 billion in combined capital, operational expenses, costs of goods sold and other costs in the State of New York during the 10-year period following full production at Gigafactory 2. We anticipate meeting these obligations through our operations at this facility and other operations within the State of New York, and we do not believe that we face a significant risk of default.

We expect that our current sources of liquidity together with our projection of cash flows from operating activities will provide us with adequate liquidity over at least the next 12 months. A large portion of our future expenditures is to fund our growth, and we can adjust our capital and operating expenditures by operating segment, including future expansion of our product offerings, retail and service locations, body shops, Mobile Service fleet, and Supercharger network. We may need or want to raise additional funds in the future, and these funds may not be available to us when we need or want them, or at all. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected.

In addition, we had \$1.50 billion of unused committed amounts under our credit facilities and financing funds as of December 31, 2018, some of which are subject to satisfying specified conditions prior to draw-down (such as pledging to our lenders sufficient amounts of qualified receivables, inventories, leased vehicles and our interests in those leases, solar energy systems and the associated customer contracts, our interests in financing funds or various other assets; and contributing or selling qualified solar energy systems and the associated customer contracts or qualified leased vehicles and our interests in those leases into the financing funds). Upon the draw-down of any unused committed amounts, there are no restrictions on the use of such funds for general corporate purposes. For details regarding our indebtedness and financing funds, refer to Note 13, *Long-Term Debt Obligations*, and Note 18, *Variable Interest Entity Arrangements*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Summary of Cash Flows

(Dollars in thousands)	Year Ended December 31,		
	2018	2017	2016
Net cash provided by (used in) operating activities	\$ 2,097,802	\$ (60,654)	\$ (123,829)
Net cash used in investing activities	\$ (2,337,428)	\$ (4,195,877)	\$ (1,081,085)
Net cash provided by financing activities	\$ 573,755	\$ 4,414,864	\$ 3,743,976

Cash Flows from Operating Activities

Our cash flows from operating activities are significantly affected by our cash investments to support the growth of our business in areas such as research and development and selling, general and administrative and working capital, especially inventory, which includes vehicles in transit. Our operating cash inflows include cash from vehicle sales, lease payments directly from customers, customer deposits, sales of regulatory credits and energy generation and storage products. These cash inflows are offset by our payments to suppliers for production materials and parts used in our manufacturing process, employee compensation, operating lease payments and interest payments on our financings.

Net cash from operating activities changed favorably by \$2.16 billion to net cash provided by operating activities of \$2.10 billion during the year ended December 31, 2018 from net cash used in operating activities of \$60.7 million during the year ended December 31, 2017. This favorable change was primarily due to the increase in net income, excluding non-cash expenses and gains, of \$1.60 billion and the decrease in net operating assets and liabilities of \$554.6 million. The decrease in net operating assets and liabilities was mainly driven by an increase in accounts payable and accrued liabilities, as a result of increased expenditures to support our ramp of Model 3 deliveries and a net decrease in operating lease vehicles and resale value guarantee liability primarily due to the adoption of the new revenue standard, wherein certain vehicle sales to customer or leasing partners with a resale value guarantee were previously accounted for as an in-substance operating leases are now accounted for as sales with a right of return upon control transfer. The increase in cash from certain operating activities was partially offset by the increase in accounts receivable and inventory, as a result of increased Model 3 and energy products deliveries and production. Additionally, there was a decrease in customer deposits primarily due to Model 3 fulfillments and an increase in other assets as we paid \$141.3 million for the land use rights for Gigafactory Shanghai.

Net cash used in operating activities during the year ended December 31, 2017 decreased by \$63.2 million as compared to the year ended December 31, 2016 due to the decrease in net operating assets and liabilities of \$197.3 million partially offset by the decrease in net loss, excluding non-cash expenses and gains, of \$134.1 million. The decrease in working capital was mainly driven by faster processing of payments for our vehicles and our focus on reducing inventory in the fourth quarter of 2017.

During the year ended December 31, 2016, cash used in operating activities was primarily a result of our net loss of \$773.0 million, the increase in accounts payable and accrued liabilities of \$750.6 million as our business expanded, the increase in resale value guarantees of \$326.9 million and deferred revenue of \$383.0 million as the number of vehicles with a resale value guarantee increased and the increase in customer deposits of \$388.4 million primarily due to Model 3 reservations. These increases were partially offset by the increase in inventories and operating lease vehicles of \$2.47 billion as we expanded our program for direct leases and vehicles with a resale value guarantee.

Cash Flows from Investing Activities

Cash flows from investing activities and their variability across each period related primarily to capital expenditures, which were \$2.32 billion during 2018, \$4.08 billion during 2017 and \$1.44 billion during 2016. Capital expenditures during 2018 were \$2.10 billion from purchases of property and equipment, mainly for Model 3 production and the expansion of our customer support infrastructure, and \$218.8 million for the design, acquisition and installation of solar energy systems under operating leases with customers.

Capital expenditures during 2017 were \$3.41 billion from purchases of property and equipment mainly for Model 3 production and \$666.5 million for the design, acquisition and installation of solar energy systems under operating leases with customers. We also paid \$114.5 million, net of the cash acquired, for acquisitions in 2017.

Capital expenditures during 2016 were \$1.28 billion from purchases of property and equipment and \$159.7 million for the design, acquisition and installation of solar energy systems under operating leases with customers. These expenditures were partially offset by the assumed cash of \$342.7 million as a result of the SolarCity acquisition in 2016.

In 2014, we began construction of Gigafactory 1. We used \$687.0 million, \$1.45 billion, and \$455.3 million of cash towards Gigafactory 1 construction during the years ended December 31, 2018, 2017, and 2016 respectively.

Cash Flows from Financing Activities

Cash flows from financing activities during the year ended December 31, 2018 consisted primarily of \$1.18 billion of net borrowings under automobile asset-backed notes, \$431.0 million of net borrowings under the senior secured asset-based revolving credit agreement (the "Credit Agreement"), \$334.1 million from the issuance of solar asset-backed notes and \$295.7 million of proceeds from exercises of stock options and other stock issuances. These cash inflows were partially offset by net repayments of \$581.9 million under our vehicle lease-backed loan and security agreements (the "Warehouse Agreements"), collateralized lease repayments of \$559.2 million, repayments of \$230.0 million of the 2.75% Convertible Senior Notes due on November 1, 2018, and repayments of \$210.2 million under the revolving aggregation credit facility. See Note 13, *Long-Term Debt Obligations*, and Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details regarding our debt obligations and collateralized borrowings, respectively.

Cash flows from financing activities during the year ended December 31, 2017 consisted primarily of \$966.4 million from the issuance of the 2.375% Convertible Senior Notes due in 2022, \$1.77 billion from the issuance of the 5.3% Senior Notes due in 2025 and \$400.2 million from our March 2017 public offering of common stock, net of underwriter fees. However, we paid \$151.2 million for the purchase of bond hedges net of the amount we received from the sale of warrants. Furthermore, we received \$511.3 million of net proceeds from collateralized lease borrowings and \$527.5 million of net proceeds from fund investors.

Cash flows from financing activities during the year ended December 31, 2016 consisted primarily of \$1.70 billion from our May 2016 public offering of common stock, net of underwriter fees, \$995.4 million of proceeds from issuances of debt net of repayments and \$769.7 million of net proceeds from collateralized lease borrowings. The net proceeds from issuances of debt consisted primarily of \$834.0 million of net borrowings under the Credit Agreement and \$390.0 million of borrowings under the Warehouse Agreements, partially offset by settlements of \$454.7 million for certain conversions of the 1.50% Convertible Senior Notes due in June 2018. Furthermore, we received \$180.3 million of net proceeds from fund investors.

Contractual Obligations

We are party to contractual obligations involving commitments to make payments to third parties, including certain debt financing arrangements and leases, primarily for stores, service centers, certain manufacturing and corporate offices. These also include, as part of our normal business practices, contracts with suppliers for purchases of certain raw materials, components and services to facilitate adequate supply of these materials and services and capacity reservation contracts. The following table sets forth, as of December 31, 2018, certain significant obligations that will affect our future liquidity (in thousands):

	Total	Year Ended December 31,					Thereafter
		2019	2020	2021	2022	2023	
Operating lease obligations	\$ 1,628,154	\$ 275,654	\$ 256,931	\$ 230,406	\$ 182,911	\$ 157,662	\$ 524,590
Capital lease obligations, including interest	1,461,236	416,952	503,545	506,197	23,828	4,776	5,938
Purchase obligations (1)	18,088,100	4,860,431	3,255,968	3,391,637	3,985,336	2,570,730	23,998
Long-term debt, including scheduled interest (2)	12,570,082	2,583,160	2,485,372	2,260,528	1,629,556	302,345	3,309,121
Total	<u>\$33,747,572</u>	<u>\$8,136,197</u>	<u>\$6,501,816</u>	<u>\$6,388,768</u>	<u>\$5,821,631</u>	<u>\$3,035,513</u>	<u>\$3,863,647</u>

- (1) These amounts represent (i) purchase orders of \$2.40 billion issued under binding and enforceable agreements with all vendors as of December 31, 2018 and (ii) \$15.69 billion in other estimable purchase obligations pursuant to such agreements, primarily relating to the purchase of lithium-ion cells produced by Panasonic at Gigafactory 1, including any additional amounts we may have to pay vendors if we do not meet certain minimum purchase obligations. In cases where no purchase orders were outstanding under binding and enforceable agreements as of December 31, 2018, we have included estimated amounts based on our best estimates and assumptions or discussions with the relevant vendors as of such date or, where applicable, on amounts or assumptions included in such agreements for purposes of discussion or reference. In certain cases, such estimated amounts were subject to contingent events. Furthermore, these amounts do not include future payments for purchase obligations that were recorded in accounts payable or accrued liabilities as of December 31, 2018.
- (2) Long-term debt, including scheduled interest, includes our non-recourse indebtedness of \$3.61 billion. Non-recourse debt refers to debt that is recourse to only specified assets of our subsidiaries. Short-term scheduled interest payments and amortization of convertible senior note conversion features, debt discounts and deferred financing costs for the year ended December 31, 2019 is \$361.2 million. Long-term scheduled interest payments and amortization of convertible senior note conversion features, debt discounts and deferred financing costs for the years thereafter is \$1.58 billion.

The table above excludes unrecognized tax benefits of \$243.8 million because if recognized, they would be an adjustment to our deferred tax assets.

Off-Balance Sheet Arrangements

During the periods presented, we did not have relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

We transact business globally in multiple currencies and hence have foreign currency risks related to our revenue, costs of revenue and operating expenses denominated in currencies other than the U.S. dollar (primarily the euro, Japanese yen, Canadian dollar, Chinese yuan and Norwegian krone). In general, we are a net receiver of currencies other than the U.S. dollar for our foreign subsidiaries. Accordingly, changes in exchange rates and, in particular, a strengthening of the U.S. dollar have in the past, and may in the future, negatively affect our revenue and other operating results as expressed in U.S. dollars.

We have also experienced, and will continue to experience, fluctuations in our net income (loss) as a result of gains (losses) on the settlement and the re-measurement of monetary assets and liabilities denominated in currencies that are not the local currency (primarily consisting of our intercompany and cash and cash equivalents balances). For the year ended December 31, 2018, we recognized a net foreign currency gain of \$1.5 million in other income (expense), net, with our largest re-measurement exposures from the euro, New Taiwan dollar and Canadian dollar. For the year ended December 31, 2017, we recognized a net foreign currency loss of \$52.3 million in other income (expense), net, with our largest re-measurement exposures from the euro, Canadian dollar and Norwegian krone.

We considered the historical trends in foreign currency exchange rates and determined that it is reasonably possible that adverse changes in foreign currency exchange rates of 10% for all currencies could be experienced in the near-term. These changes were applied to our total monetary assets and liabilities denominated in currencies other than our local currencies at the balance sheet dates to compute the impact these changes would have had on our net income (loss) before income taxes. These changes would have resulted in an adverse impact of \$175.7 million at December 31, 2018 and \$116.0 million at December 31, 2017.

Interest Rate Risk

We are exposed to interest rate risk on our borrowings that bear interest at floating rates. Pursuant to our risk management policies, in certain cases, we utilize derivative instruments to manage some of this risk. We do not enter into derivative instruments for trading or speculative purposes. A hypothetical 10% change in our interest rates would have increased our interest expense for the years ended December 31, 2018 and 2017 by \$8.5 million and \$7.6 million, respectively.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Tesla, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Tesla, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, of comprehensive loss, of redeemable noncontrolling interests and equity, and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenue from contracts with customers in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP

San Jose, California
February 19, 2019

We have served as the Company's auditor since 2005.

Tesla, Inc.
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 3,685,618	\$ 3,367,914
Restricted cash	192,551	155,323
Accounts receivable, net	949,022	515,381
Inventory	3,113,446	2,263,537
Prepaid expenses and other current assets	365,671	268,365
Total current assets	8,306,308	6,570,520
Operating lease vehicles, net	2,089,758	4,116,604
Solar energy systems, leased and to be leased, net	6,271,396	6,347,490
Property, plant and equipment, net	11,330,077	10,027,522
Intangible assets, net	282,492	361,502
Goodwill	68,159	60,237
MyPower customer notes receivable, net of current portion	421,548	456,652
Restricted cash, net of current portion	398,219	441,722
Other assets	571,657	273,123
Total assets	\$ 29,739,614	\$ 28,655,372
Liabilities		
Current liabilities		
Accounts payable	\$ 3,404,451	\$ 2,390,250
Accrued liabilities and other	2,094,253	1,731,366
Deferred revenue	630,292	1,015,253
Resale value guarantees	502,840	787,333
Customer deposits	792,601	853,919
Current portion of long-term debt and capital leases	2,567,699	796,549
Current portion of promissory notes issued to related parties	—	100,000
Total current liabilities	9,992,136	7,674,670
Long-term debt and capital leases, net of current portion	9,403,672	9,418,319
Deferred revenue, net of current portion	990,873	1,177,799
Resale value guarantees, net of current portion	328,926	2,309,222
Other long-term liabilities	2,710,403	2,442,970
Total liabilities	23,426,010	23,022,980
Commitments and contingencies (Note 17)		
Redeemable noncontrolling interests in subsidiaries	555,964	397,734
Convertible senior notes (Note 13)	—	70
Equity		
Stockholders' equity		
Preferred stock; \$0.001 par value; 100,000 shares authorized; no shares issued and outstanding	—	—
Common stock; \$0.001 par value; 2,000,000 shares authorized; 172,603 and 168,797 shares issued and outstanding as of December 31, 2018 and 2017, respectively	173	169
Additional paid-in capital	10,249,120	9,178,024
Accumulated other comprehensive (loss) income	(8,218)	33,348
Accumulated deficit	(5,317,832)	(4,974,299)
Total stockholders' equity	4,923,243	4,237,242
Noncontrolling interests in subsidiaries	834,397	997,346
Total liabilities and equity	\$ 29,739,614	\$ 28,655,372

The accompanying notes are an integral part of these consolidated financial statements.

Tesla, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Automotive sales	\$ 17,631,522	\$ 8,534,752	\$ 5,589,007
Automotive leasing	883,461	1,106,548	761,759
Total automotive revenues	18,514,983	9,641,300	6,350,766
Energy generation and storage	1,555,244	1,116,266	181,394
Services and other	1,391,041	1,001,185	467,972
Total revenues	21,461,268	11,758,751	7,000,132
Cost of revenues			
Automotive sales	13,685,572	6,724,480	4,268,087
Automotive leasing	488,425	708,224	481,994
Total automotive cost of revenues	14,173,997	7,432,704	4,750,081
Energy generation and storage	1,364,896	874,538	178,332
Services and other	1,880,354	1,229,022	472,462
Total cost of revenues	17,419,247	9,536,264	5,400,875
Gross profit	4,042,021	2,222,487	1,599,257
Operating expenses			
Research and development	1,460,370	1,378,073	834,408
Selling, general and administrative	2,834,491	2,476,500	1,432,189
Restructuring and other	135,233	—	—
Total operating expenses	4,430,094	3,854,573	2,266,597
Loss from operations	(388,073)	(1,632,086)	(667,340)
Interest income	24,533	19,686	8,530
Interest expense	(663,071)	(471,259)	(198,810)
Other income (expense), net	21,866	(125,373)	111,272
Loss before income taxes	(1,004,745)	(2,209,032)	(746,348)
Provision for income taxes	57,837	31,546	26,698
Net loss	(1,062,582)	(2,240,578)	(773,046)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	(86,491)	(279,178)	(98,132)
Net loss attributable to common stockholders	\$ (976,091)	\$ (1,961,400)	\$ (674,914)
Net loss per share of common stock attributable to common stockholders			
Basic	\$ (5.72)	\$ (11.83)	\$ (4.68)
Diluted	\$ (5.72)	\$ (11.83)	\$ (4.68)
Weighted average shares used in computing net loss per share of common stock			
Basic	170,525	165,758	144,212
Diluted	170,525	165,758	144,212

The accompanying notes are an integral part of these consolidated financial statements.

Tesla, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Net loss attributable to common stockholders	\$ (976,091)	\$ (1,961,400)	\$ (674,914)
Unrealized gains (losses) on derivatives:			
Change in net unrealized gain	—	—	43,220
Less: Reclassification adjustment for net gains into net loss	—	(5,570)	(44,904)
Net unrealized loss on derivatives	—	(5,570)	(1,684)
Foreign currency translation adjustment	(41,566)	62,658	(18,500)
Other comprehensive (loss) income	(41,566)	57,088	(20,184)
Comprehensive loss	<u>\$ (1,017,657)</u>	<u>\$ (1,904,312)</u>	<u>\$ (695,098)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Tesla, Inc.

Consolidated Statements of Redeemable Noncontrolling Interests and Equity
(in thousands, except per share data)

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
		Shares	Amount						
Balance as of December 31, 2015	\$ —	131,425	\$ 131	\$ 3,409,452	\$ (2,322,323)	\$ (3,556)	\$ 1,083,704	\$ —	\$ 1,083,704
Reclassification from mezzanine equity to equity for 1.50% Convertible Senior Notes due in 2018	—	—	—	38,501	—	—	38,501	—	38,501
Exercises of conversion feature of convertible senior notes	—	—	—	(15,056)	—	—	(15,056)	—	(15,056)
Common stock issued, net of shares withheld for employee taxes	—	11,096	11	163,817	—	—	163,828	—	163,828
Issuance of common stock in May 2016 public offering at \$215.00 per share, net of issuance costs of \$14,595	—	7,915	8	1,687,139	—	—	1,687,147	—	1,687,147
Issuance of common stock upon acquisition of SolarCity and assumed awards	—	11,125	11	2,145,977	—	—	2,145,988	—	2,145,988
Stock-based compensation	—	—	—	347,357	—	—	347,357	—	347,357
Assumption of capped calls	—	—	—	(3,460)	—	—	(3,460)	—	(3,460)
Assumption of noncontrolling interests through acquisition	315,943	—	—	—	—	—	—	750,574	750,574
Contributions from noncontrolling interests through acquisition	100,996	—	—	—	—	—	—	100,531	100,531
Distributions to noncontrolling interests through acquisition	(7,137)	—	—	—	—	—	—	(10,561)	(10,561)
Net loss	(42,763)	—	—	—	(674,914)	—	(674,914)	(55,369)	(730,283)
Other comprehensive loss	—	—	—	—	—	(20,184)	(20,184)	—	(20,184)
Balance as of December 31, 2016	367,039	161,561	161	7,773,727	(2,997,237)	(23,740)	4,752,911	785,175	5,538,086
Adjustment of prior periods due to adoption of Accounting Standards Update No. 2016-09	—	—	—	15,662	(15,662)	—	—	—	—
Conversion feature of Convertible Senior Notes due in 2022	—	—	—	145,613	—	—	145,613	—	145,613
Purchases of bond hedges	—	—	—	(204,102)	—	—	(204,102)	—	(204,102)
Sales of warrants	—	—	—	52,883	—	—	52,883	—	52,883
Reclassification from mezzanine equity to equity for 1.50% Convertible Senior Notes due in 2018	—	—	—	8,714	—	—	8,714	—	8,714
Exercises of conversion feature of convertible senior notes	—	1,408	2	230,151	—	—	230,153	—	230,153
Common stock issued, net of shares withheld for employee taxes	—	4,257	4	259,381	—	—	259,385	—	259,385
Issuance of common stock in March 2017 public offering at \$262.00 per share, net of issuance costs of \$2,854	—	1,536	2	399,645	—	—	399,647	—	399,647
Issuance of common stock upon acquisitions and assumed awards	—	35	0	10,528	—	—	10,528	—	10,528
Stock-based compensation	—	—	—	485,822	—	—	485,822	—	485,822
Contributions from noncontrolling interests	192,421	—	—	—	—	—	—	597,282	597,282
Distributions to noncontrolling interests	(100,703)	—	—	—	—	—	—	(163,626)	(163,626)
Buy-outs of noncontrolling interests	(2,921)	—	—	—	—	—	—	(409)	(409)
Net loss	(58,102)	—	—	—	(1,961,400)	—	(1,961,400)	(221,076)	(2,182,476)
Other comprehensive income	—	—	—	—	—	57,088	57,088	—	57,088
Balance as of December 31, 2017	397,734	168,797	169	9,178,024	(4,974,299)	33,348	4,237,242	997,346	5,234,588
Adjustments for prior periods from adopting ASC 606	8,101	—	—	—	623,172	—	623,172	(89,084)	534,088
Adjustments for prior periods from adopting Accounting Standards Update No. 2017-05	—	—	—	—	9,386	—	9,386	—	9,386
Reclassification from mezzanine equity to equity for 1.50% Convertible Senior Notes due in 2018	—	—	—	70	—	—	70	—	70
Exercises of conversion feature of convertible senior notes	—	238	0	(40)	—	—	(40)	—	(40)
Common stock issued, net of shares withheld for employee taxes	—	3,568	4	295,719	—	—	295,723	—	295,723
Stock-based compensation	—	—	—	775,554	—	—	775,554	—	775,554
Contributions from noncontrolling interests	275,736	—	—	—	—	—	—	161,399	161,399
Distributions to noncontrolling interests	(61,557)	—	—	—	—	—	—	(209,994)	(209,994)
Buy-outs of noncontrolling interests	(2,829)	—	—	(207)	—	—	(207)	—	(207)
Net loss	(61,221)	—	—	—	(976,091)	—	(976,091)	(25,270)	(1,001,361)
Other comprehensive loss	—	—	—	—	—	(41,566)	(41,566)	—	(41,566)
Balance as of December 31, 2018	\$ 555,964	172,603	\$ 173	\$ 10,249,120	\$ (5,317,832)	\$ (8,218)	\$ 4,923,243	\$ 834,397	\$ 5,757,640

The accompanying notes are an integral part of these consolidated financial statements.

Tesla, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash Flows from Operating Activities			
Net loss	\$ (1,062,582)	\$ (2,240,578)	\$ (773,046)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation, amortization and impairment	1,901,050	1,636,003	947,099
Stock-based compensation	749,024	466,760	334,225
Amortization of debt discounts and issuance costs	158,730	91,037	94,690
Inventory write-downs	85,272	131,665	65,520
Loss on disposals of fixed assets	161,361	105,770	34,633
Foreign currency transaction (gains) losses	(1,511)	52,309	(29,183)
Loss (gain) related to SolarCity acquisition	—	57,746	(88,727)
Non-cash interest and other operating activities	48,507	135,237	(15,179)
Changes in operating assets and liabilities, net of effect of business combinations:			
Accounts receivable	(496,732)	(24,635)	(216,565)
Inventory	(1,023,264)	(178,850)	(632,867)
Operating lease vehicles	(214,747)	(1,522,573)	(1,832,836)
Prepaid expenses and other current assets	(82,125)	(72,084)	56,806
Other assets and MyPower customer notes receivable	(207,409)	(15,453)	(49,353)
Accounts payable and accrued liabilities	1,722,850	388,206	750,640
Deferred revenue	406,661	468,902	382,962
Customer deposits	(96,685)	170,027	388,361
Resale value guarantee	(110,564)	208,718	326,934
Other long-term liabilities	159,966	81,139	132,057
Net cash provided by (used in) operating activities	<u>2,097,802</u>	<u>(60,654)</u>	<u>(123,829)</u>
Cash Flows from Investing Activities			
Purchases of property and equipment excluding capital leases, net of sales	(2,100,724)	(3,414,814)	(1,280,802)
Maturities of short-term marketable securities	—	—	16,667
Purchases of solar energy systems, leased and to be leased	(218,792)	(666,540)	(159,669)
Business combinations, net of cash acquired	(17,912)	(114,523)	342,719
Net cash used in investing activities	<u>(2,337,428)</u>	<u>(4,195,877)</u>	<u>(1,081,085)</u>
Cash Flows from Financing Activities			
Proceeds from issuances of common stock in public offerings	—	400,175	1,701,734
Proceeds from issuances of convertible and other debt	6,176,173	7,138,055	2,852,964
Repayments of convertible and other debt	(5,247,057)	(3,995,484)	(1,857,594)
Repayments of borrowings issued to related parties	(100,000)	(165,000)	—
Collateralized lease (repayments) borrowings	(559,167)	511,321	769,709
Proceeds from exercises of stock options and other stock issuances	295,722	259,116	163,817
Principal payments on capital leases	(180,805)	(103,304)	(46,889)
Common stock and debt issuance costs	(14,973)	(63,111)	(20,042)
Purchases of convertible note hedges	—	(204,102)	—
Proceeds from settlement of convertible note hedges	—	287,213	—
Proceeds from issuances of warrants	—	52,883	—
Payments for settlements of warrants	(11)	(230,385)	—
Proceeds from investments by noncontrolling interests in subsidiaries	437,134	789,704	201,527
Distributions paid to noncontrolling interests in subsidiaries	(227,304)	(261,844)	(21,250)
Payments for buy-outs of noncontrolling interests in subsidiaries	(5,957)	(373)	—
Net cash provided by financing activities	<u>573,755</u>	<u>4,414,864</u>	<u>3,743,976</u>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(22,700)	39,726	(6,553)
Net increase in cash and cash equivalents and restricted cash	311,429	198,059	2,532,509
Cash and cash equivalents and restricted cash, beginning of period	3,964,959	3,766,900	1,234,391
Cash and cash equivalents and restricted cash, end of period	<u>\$ 4,276,388</u>	<u>\$ 3,964,959</u>	<u>\$ 3,766,900</u>
Supplemental Non-Cash Investing and Financing Activities			
Shares issued in connection with business combinations and assumed vested awards	\$ —	\$ 10,528	\$ 2,145,977
Acquisitions of property and equipment included in liabilities	\$ 249,141	\$ 914,108	\$ 663,771
Estimated fair value of facilities under build-to-suit leases	\$ 94,445	\$ 313,483	\$ 307,879
Supplemental Disclosures			
Cash paid during the period for interest, net of amounts capitalized	\$ 380,836	\$ 182,571	\$ 38,693
Cash paid during the period for taxes, net of refunds	\$ 35,409	\$ 65,695	\$ 16,385

The accompanying notes are an integral part of these consolidated financial statements.

Tesla, Inc.
Notes to Consolidated Financial Statements

Note 1 - Overview

Tesla, Inc. (“Tesla”, the “Company”, “we”, “us” or “our”) was incorporated in the State of Delaware on July 1, 2003. We design, develop, manufacture and sell high-performance fully electric vehicles and design, manufacture, install and sell solar energy generation and energy storage products. Our Chief Executive Officer, as the chief operating decision maker (“CODM”), organizes the Company, manages resource allocations and measures performance among two operating and reportable segments: (i) automotive and (ii) energy generation and storage.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) and reflect our accounts and operations and those of our subsidiaries in which we have a controlling financial interest. In accordance with the provisions of Accounting Standards Codification (“ASC”) 810, *Consolidation*, we consolidate any variable interest entity (“VIE”) of which we are the primary beneficiary. We form VIEs with financing fund investors in the ordinary course of business in order to facilitate the funding and monetization of certain attributes associated with solar energy systems and leases under our direct vehicle leasing programs. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests. ASC 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. We do not consolidate a VIE in which we have a majority ownership interest when we are not considered the primary beneficiary. We have determined that we are the primary beneficiary of a number of VIEs (see Note 18, *Variable Interest Entity Arrangements*). We evaluate our relationships with all the VIEs on an ongoing basis to ensure that we continue to be the primary beneficiary. All intercompany transactions and balances have been eliminated upon consolidation.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation in the consolidated financial statements and the accompanying notes as a result of the adoption of the Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows: Restricted Cash*.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures in the accompanying notes. Estimates are used for, but not limited to, determining the transaction price of products and services in arrangements with multiple performance obligations and determining the amortization period of these obligations, significant economic incentive for residual value guarantee arrangements, sales return reserves, the collectability of accounts receivable, inventory valuation, fair value of long-lived assets, goodwill, fair value of financial instruments, residual value of operating lease vehicles, depreciable lives of property and equipment and solar energy systems, fair value and residual value of solar energy systems subject to leases, warranty liabilities, income taxes, contingencies, the accrued liability for solar energy system performance guarantees, determining lease pass-through financing obligations, the discount rates used to determine the fair value of investment tax credits, the valuation of build-to-suit lease assets, fair value of interest rate swaps and inputs used to value stock-based compensation. In addition, estimates and assumptions are used for the accounting for business combinations, including the fair values and useful lives of acquired assets, assumed liabilities and noncontrolling interests. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates.

Revenue Recognition

Adoption of new accounting standards

ASU 2014-09, *Revenue - Revenue from Contracts with Customers*. On January 1, 2018, we adopted the new accounting standard ASC 606, *Revenue from Contracts with Customers* and all the related amendments (“new revenue standard”) using the modified retrospective method. As a policy election, the new revenue standard was applied only to contracts that were not substantially completed as of the date of adoption. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the January 1, 2018 opening balance of accumulated deficit. The prior period consolidated financial statements have not been retrospectively adjusted and continue to be reported under the accounting standards in effect for those periods.

A majority of our automotive sales revenue is recognized when control transfers upon delivery to customers. For certain vehicle sales where revenue was previously deferred as an in-substance operating lease, such as certain vehicle sales to customers or leasing partners with a resale value guarantee, we now recognize revenue when the vehicles are shipped as a sale with a right of return. As a result, the corresponding operating lease asset, deferred revenue, and resale value guarantee balances as of December 31, 2017, were reclassified to accumulated deficit as part of our adoption entry. Furthermore, the warranty liability related to such vehicles has been accrued as a result of the change from in-substance operating leases to vehicle sales. Prepayments on contracts that can be cancelled without significant penalties, such as vehicle maintenance plans, have been reclassified from deferred revenue to customer deposits. Refer to the *Automotive Revenue* and *Automotive Leasing Revenue* sections below for further discussion of the impact on various categories of vehicle sales.

Following the adoption of the new revenue standard, the revenue recognition for our other sales arrangements, including sales of solar energy systems, energy storage products, services, and sales of used vehicles, remained consistent with our historical revenue recognition policy. Under our lease pass-through fund arrangements, we do not have any further performance obligations and therefore reclassified all investment tax credit (“ITC”) deferred revenue as of December 31, 2017, to accumulated deficit as part of our adoption entry. The corresponding effects of the changes to lease pass-through fund arrangements are also reflected in our non-controlling interests in subsidiaries. Additionally, we have considered the impact from any new revenue arrangements in the current year that would have been accounted for differently under ASC 605, *Revenue Recognition*, as an adjustment from adoption of the new revenue standard.

Accordingly, the cumulative effect of the changes made to our consolidated January 1, 2018 consolidated balance sheet for the adoption of the new revenue standard was as follows (in thousands):

	Balances at December 31, 2017	Adjustments from Adoption of New Revenue Standard	Balances at January 1, 2018
Assets			
Inventory	\$ 2,263,537	\$ (27,009)	\$ 2,236,528
Prepaid expenses and other current assets	268,365	51,735	320,100
Operating lease vehicles, net	4,116,604	(1,808,932)	2,307,672
Other assets	273,123	68,355	341,478
Liabilities			
Accrued liabilities and other	1,731,366	74,487	1,805,853
Deferred revenue	1,015,253	(436,737)	578,516
Resale value guarantees	787,333	(295,909)	491,424
Customer deposits	853,919	56,081	910,000
Deferred revenue, net of current portion	1,177,799	(429,771)	748,028
Resale value guarantees, net of current portion	2,309,222	(1,346,179)	963,043
Other long-term liabilities	2,442,970	104,767	2,547,737
Redeemable noncontrolling interests in subsidiaries	397,734	8,101	405,835
Equity			
Accumulated other comprehensive income	33,348	15,221	48,569
Accumulated deficit	(4,974,299)	623,172	(4,351,127)
Noncontrolling interests in subsidiaries	997,346	(89,084)	908,262

In accordance with the new revenue standard requirements, the impact of adoption on our consolidated balance sheet was as follows (in thousands):

	December 31, 2018		
	As Reported	Balances Without Adoption of New Revenue Standard	Effect of Change Higher / (Lower)
Assets			
Inventory	3,113,446	3,183,615	(70,169)
Prepaid expenses and other current assets	365,671	278,929	86,742
Operating lease vehicles, net	2,089,758	4,103,277	(2,013,519)
Other assets	571,657	463,558	108,099
Liabilities			
Accrued liabilities and other	2,094,253	2,005,180	89,073
Deferred revenue	630,292	1,122,427	(492,135)
Resale value guarantees	502,840	831,350	(328,510)
Customer deposits	792,601	734,241	58,360
Deferred revenue, net of current portion	990,873	1,432,566	(441,693)
Resale value guarantees, net of current portion	328,926	1,994,442	(1,665,516)
Other long-term liabilities	2,710,403	2,587,794	122,609
Redeemable noncontrolling interests in subsidiaries	555,964	549,520	6,444
Equity			
Accumulated other comprehensive loss	(8,218)	6,314	(14,532)
Accumulated deficit	(5,317,832)	(6,163,834)	846,002
Noncontrolling interests in subsidiaries	834,397	903,346	(68,949)

In accordance with the new revenue standard requirements, the impact of adoption on our consolidated statement of operations and consolidated statement of comprehensive loss was as follows (in thousands):

	Year Ended December 31, 2018		
	As Reported	Balances Without Adoption of New Revenue Standard	Effect of Change Higher / (Lower)
Revenues			
Automotive sales	\$ 17,631,522	\$ 16,228,508	\$ 1,403,014
Automotive leasing	883,461	1,716,136	(832,675)
Energy generation and storage	1,555,244	1,540,419	14,825
Cost of revenues			
Automotive sales	13,685,572	12,715,818	969,754
Automotive leasing	488,425	1,112,828	(624,403)
Provision for income taxes	57,837	59,332	(1,495)
Net loss	(1,062,582)	(1,303,890)	241,308
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	(86,491)	(104,969)	18,478
Net loss attributable to common stockholders	(976,091)	(1,198,921)	222,830
Foreign currency translation adjustment	(41,566)	(11,813)	(29,753)
Comprehensive loss	(1,017,657)	(1,210,734)	193,077

In accordance with the new revenue standard requirements, the impact of adoption on our consolidated statement of cash flows for the year ended December 31, 2018 was an increase in collateralized lease repayments of \$474.2 million, from a net financing cash outflow of \$84.9 million to a net financing cash outflow of \$559.2 million as presented, with an offsetting increase to cash outflows from operations. Additionally, the adjustments to the consolidated balance sheet, consolidated statement of operations and consolidated statement of comprehensive income (loss) identified above would have corresponding impacts within the operating section of the consolidated statement of cash flows.

Automotive Segment

Automotive Sales Revenue

Automotive Sales without Resale Value Guarantee

Automotive sales revenue includes revenues related to deliveries of new vehicles, and specific other features and services that meet the definition of a performance obligation under the new revenue standard, including access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. We recognize revenue on automotive sales upon delivery to the customer, which is when the control of a vehicle transfers. Payments are typically received at the point control transfers or in accordance with payment terms customary to the business. Other features and services such as access to our Supercharger network, internet connectivity and over-the-air software updates are provisioned upon control transfer of a vehicle and recognized over time on a straight-line basis as we have a stand-ready obligation to deliver such services to the customer. We recognize revenue related to these other features and services over the performance period, which is generally the expected ownership life of the vehicle or the eight-year life of the vehicle. Revenue related to Autopilot and full self-driving features is recognized when functionality is delivered to the customer. For our obligations related to automotive sales, we estimate standalone selling price by considering costs used to develop and deliver the service, third-party pricing of similar options and other information that may be available.

At the time of revenue recognition, we reduce the transaction price and record a reserve against revenue for estimated variable consideration related to future product returns. Such estimates are based on historical experience and are immaterial in all periods presented. In addition, any fees that are paid or payable by us to a customer's lender when we arrange the financing are recognized as an offset against automotive sales revenue.

Costs to obtain a contract mainly relate to commissions paid to our sales personnel for the sale of vehicles. Commissions are not paid on other obligations such as access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates. As our contract costs related to automotive sales are typically fulfilled within one year, the costs to obtain a contract are expensed as incurred. Amounts billed to customers related to shipping and handling are classified as automotive revenue, and we have elected to recognize the cost for freight and shipping when control over vehicles, parts, or accessories have transferred to the customer as an expense in cost of revenues. Our policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.

Automotive Sales with Resale Value Guarantee

We offer resale value guarantees or similar buy-back terms to certain international customers who purchase vehicles and who finance their vehicles through one of our specified commercial banking partners. We also offer resale value guarantees in connection with automotive sales to certain leasing partners. Under these programs, we receive full payment for the vehicle sales price at the time of delivery and our counterparty has the option of selling their vehicle back to us during the guarantee period, which currently is generally at the end of the term of the applicable loan or financing program, for a pre-determined resale value.

With the exception of two programs which are discussed within the *Automotive Leasing* section, we now recognize revenue when control transfers upon delivery to customers in accordance with the new revenue standard as a sale with a right of return as we do not believe the customer has a significant economic incentive to exercise the resale value guarantee provided to them. The process to determine whether there is a significant economic incentive includes a comparison of a vehicle's estimated market value at the time the option is exercisable with the guaranteed resale value to determine the customer's economic incentive to exercise. The performance obligations and the pattern of recognizing automotive sales with resale value guarantees are consistent with automotive sales without resale value guarantees with the exception of our estimate for sales return reserve. Sales return reserves for automotive sales with resale value guarantees are estimated based on historical experience plus consideration for expected future market values. The two programs that are still being recorded as operating leases are discussed in further detail below in *Vehicle Sales to Leasing Partners with a Resale Value Guarantee and a Buyback Option* and *Vehicle Sales to Customers with a Resale Value Guarantee where Exercise is Probable*.

Prior to the adoption of the new revenue standard, all transactions with resale value guarantees were recorded as operating leases. The amount of sale proceeds equal to the resale value guarantee was deferred until the guarantee expired or was exercised. For certain transactions that were considered interest bearing collateralized borrowings as required under ASC 840, *Leases*, we also accrued interest expense based on our borrowing rate. The remaining sale proceeds were deferred and recognized on a straight-line basis over the stated guarantee period to automotive leasing revenue. The guarantee period expired at the earlier of the end of the guarantee period or the pay-off of the initial loan. We capitalized the cost of these vehicles on the consolidated balance sheet as operating lease vehicles, net, and depreciated their value, less estimated residual value, to cost of automotive leasing revenue over the same period.

In cases where our counterparty retained ownership of the vehicle at the end of the guarantee period, the resale value guarantee liability and any remaining deferred revenue balances related to the vehicle were settled to automotive leasing revenue, and the net book value of the leased vehicle was expensed to cost of automotive leasing revenue. If our counterparty returned the vehicle to us during the guarantee period, we purchased the vehicle from our counterparty in an amount equal to the resale value guarantee and settled any remaining deferred balances to automotive leasing revenue, and we reclassified the net book value of the vehicle on the consolidated balance sheet to used vehicle inventory.

Deferred revenue activity related to the access to our Supercharger network, internet connectivity, Autopilot, full self-driving and over-the-air software updates on automotive sales with and without resale value guarantee consisted of the following (in thousands):

	Year Ended December 31, 2018
Deferred revenue on automotive sales with and without resale value guarantee— beginning of period (post adoption of new revenue standard)	\$ 475,919
Additions	532,294
Net changes in liability for pre-existing contracts	(13,248)
Revenue recognized	(112,214)
Deferred revenue on automotive sales with and without resale value guarantee— end of period	<u>\$ 882,751</u>

Deferred revenue is equivalent to the total transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, as of December 31, 2018. From the deferred revenue balance as of January 1, 2018, revenue recognized during the year ended December 31, 2018 was \$81.0 million. Of the total deferred revenue on automotive sales with and without resale value guarantees, we expect to recognize \$326.7 million of revenue in the next 12 months. The remaining balance will be recognized over the performance period as discussed above in *Automotive Sales without Resale Value Guarantee*.

Automotive Regulatory Credits

California and certain other states have laws in place requiring vehicle manufacturers to ensure that a portion of the vehicles delivered for sale in that state during each model year are zero-emission vehicles. These laws and regulations provide that a manufacturer of zero-emission vehicles may earn regulatory credits ("ZEV credits") and may sell excess credits to other manufacturers who apply such credits to comply with these regulatory requirements. Similar regulations exist at the federal level that require compliance related to greenhouse gas ("GHG") emissions and also allow for the sale of excess credits by one manufacturer to other manufacturers. As a manufacturer solely of zero-emission vehicles, we have earned emission credits, such as ZEV and GHG credits, on our vehicles, and we expect to continue to earn these credits in the future. We enter into contractual agreements with third-parties to purchase our regulatory credits. Payments for regulatory credits are typically received at the point control transfers to the customer, or in accordance with payment terms customary to the business.

We recognize revenue on the sale of regulatory credits at the time control of the regulatory credits is transferred to the purchasing party as automotive revenue in the consolidated statement of operations. Revenue from the sale of regulatory credits totaled \$418.6 million, \$360.3 million and \$302.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. We had no deferred revenue related to sales of automotive regulatory credits as of December 31, 2018 and 2017.

Automotive Leasing Revenue

Automotive leasing revenue includes revenue recognized under lease accounting guidance for our direct leasing programs as well as the two programs with resale value guarantees which continue to qualify for operating lease treatment. Prior to the adoption of the new revenue standard, all programs with resale value guarantees were accounted for as operating leases.

Direct Vehicle Leasing Program

We have outstanding leases under our direct vehicle leasing programs in certain locations in the U.S., Canada and Europe. Currently, the direct vehicle leasing program is only offered for new leases to qualified customers in the U.S. and Canada. Qualifying customers are permitted to lease a vehicle directly from Tesla for up to 48 months. At the end of the lease term, customers have the option of either returning the vehicle to us or purchasing it for a pre-determined residual value. We account for these leasing transactions as operating leases. We record leasing revenues to automotive leasing revenue on a straight-line basis over the contractual term, and we record the depreciation of these vehicles to cost of automotive leasing revenue. For the years ended December 31, 2018, 2017 and 2016, we recognized \$393.2 million, \$220.6 million and \$112.7 million, respectively. As of December 31, 2018 and 2017, we had deferred \$109.8 million and \$96.6 million, respectively, of lease-related upfront payments, which will be recognized on a straight-line basis over the contractual terms of the individual leases.

We capitalize shipping costs and initial direct costs such as the incremental cost of contract administration, referral fees and sales commissions from the origination of automotive lease agreements as an element of operating lease vehicles, net, and subsequently amortize these costs over the term of the related lease agreement. Our policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.

Vehicle Sales to Leasing Partners with a Resale Value Guarantee and a Buyback Option

We offer buyback options in connection with automotive sales with resale value guarantees with certain leasing partner sales in the United States. These transactions entail a transfer of leases, which we have originated with an end-customer, to our leasing partner. As control of the vehicles has not been transferred in accordance with the new revenue standard, these transactions continue to be accounted for as interest bearing collateralized borrowings in accordance with ASC 840, *Leases*. Under this program, cash is received for the full price of the vehicle and the collateralized borrowing value is generally recorded within resale value guarantees and the customer upfront deposit is recorded within deferred revenue. We amortize the deferred revenue amount to automotive leasing revenue on a straight-line basis over the option period and accrue interest expense based on our borrowing rate. We capitalize vehicles under this program to operating lease vehicles, net, on the consolidated balance sheet, and we record depreciation from these vehicles to cost of automotive leasing revenue during the period the vehicle is under a lease arrangement. Cash received for these vehicles, net of revenue recognized during the period, is classified as collateralized lease (repayments) borrowings within cash flows from financing activities in the consolidated statement of cash flows.

At the end of the lease term, we settle our liability in cash by either purchasing the vehicle from the leasing partner for the buyback option amount or paying a shortfall to the option amount the leasing partner may realize on the sale of the vehicle. Any remaining balances within deferred revenue and resale value guarantee will be settled to automotive leasing revenue. In cases where the leasing partner retains ownership of the vehicle after the end of our option period, we expense the net value of the leased vehicle to cost of automotive leasing revenue. The maximum amount we could be required to pay under this program, should we decide to repurchase all vehicles, was \$479.8 million as of December 31, 2018, including \$309.8 million within a 12-month period. As of December 31, 2018, we had \$558.3 million of such borrowings recorded in resale value guarantees and \$92.5 million recorded in deferred revenue liability. For the year ended December 31, 2018, we recognized \$332.4 million of leasing revenue related to this program.

On a quarterly basis, we assess the estimated market values of vehicles under our buyback options program to determine if we have sustained a loss on any of these contracts. As we accumulate more data related to the buyback values of our vehicles or as market conditions change, there may be material changes to their estimated values, although we have not experienced any material losses during any period to date.

Vehicle Sales to Customers with a Resale Value Guarantee where Exercise is Probable

For certain international programs where we have offered resale value guarantees to certain customers who purchased vehicles and where we expect the customer has a significant economic incentive to exercise the resale value guarantee provided to them, we continue to recognize these transactions as operating leases. The process to determine whether there is a significant economic incentive includes a comparison of a vehicle's estimated market value at the time the option is exercisable with the guaranteed resale value to determine the customer's economic incentive to exercise. We have not sold any vehicles under this program since the first half of 2017 and all current period activity relates to the exercise or cancellation of active transactions. The amount of sale proceeds equal to the resale value guarantee is deferred until the guarantee expires or is exercised. The remaining sale proceeds are deferred and recognized on a straight-line basis over the stated guarantee period to automotive leasing revenue. The guarantee period expires at the earlier of the end of the guarantee period or the pay-off of the initial loan. We capitalize the cost of these vehicles on the consolidated balance sheet as operating lease vehicles, net, and depreciate their value, less salvage value, to cost of automotive leasing revenue over the same period.

In cases where a customer retains ownership of a vehicle at the end of the guarantee period, the resale value guarantee liability and any remaining deferred revenue balances related to the vehicle are settled to automotive leasing revenue, and the net book value of the leased vehicle is expensed to cost of automotive leasing revenue. If a customer returns the vehicle to us during the guarantee period, we purchase the vehicle from the customer in an amount equal to the resale value guarantee and settle any remaining deferred balances to automotive leasing revenue, and we reclassify the net book value of the vehicle on the consolidated balance sheet to used vehicle inventory. As of December 31, 2018, \$149.7 million of the guarantees were exercisable by customers within the next 12 months. For the year ended December 31, 2018, we recognized \$157.9 million of leasing revenue related to this program.

Services and Other Revenue

Services and other revenue consists of non-warranty after-sales vehicle services, sales of used vehicles, sales of electric vehicle components to other manufacturers, retail merchandise, and sales by our acquired subsidiaries to third party customers. There were no significant changes to the timing or amount of revenue recognition as a result of our adoption of the new revenue standard.

Revenues related to repair and maintenance services are recognized over time as services are provided and extended service plans are recognized over the performance period of the service contract as the obligation represents a stand-ready obligation to the customer. We sell used vehicles, services, service plans, vehicle components and merchandise separately and thus use standalone selling prices as the basis for revenue allocation to the extent that these items are sold in transactions with other performance obligations. Payment for used vehicles, services, and merchandise are typically received at the point when control transfers to the customer or in accordance with payment terms customary to the business. Payments received for prepaid plans are refundable upon customer cancellation of the related contracts and are included within customer deposits on the consolidated balance sheet. Deferred revenue related to services and other revenue was immaterial as of December 31, 2018 and 2017.

Energy Generation and Storage Segment

Energy Generation and Storage Sales

Energy generation and storage revenues consists of the sale of solar energy systems and energy storage systems to residential, small commercial, and large commercial and utility grade customers. Sales of solar energy systems to residential and small scale commercial customers consist of the engineering, design, and installation of the system. Post installation, residential and small scale commercial customers receive a proprietary monitoring system that captures and displays historical energy generation data. Residential and small scale commercial customers pay the full purchase price of the solar energy system upfront. Revenue for the design and installation obligation is recognized when control transfers, which is when we install a solar energy system and the system passes inspection by the utility or the authority having jurisdiction. Revenue for the monitoring service is recognized ratably as a stand-ready obligation over the warranty period of the solar energy system. Sales of energy storage systems to residential and small scale commercial customers consist of the installation of the energy storage system and revenue is recognized when control transfers, which is when the product has been delivered or, if we are performing installation, when installed and accepted by the customer. Payment for such storage systems is made upon invoice or in accordance with payment terms customary to the business.

For large commercial and utility grade solar energy system and energy storage system sales which consist of the engineering, design, and installation of the system, customers make milestone payments that are consistent with contract-specific phases of a project. Revenue from such contracts is recognized over time using the percentage of completion method based on cost incurred as a percentage of total estimated contract costs. Certain large-scale commercial and utility grade solar energy system and energy storage system sales also include operations and maintenance service which are negotiated with the design and installation contracts and are thus considered to be a combined contract with the design and installation service. For certain large commercial and utility grade solar energy systems and energy storage systems where the percentage of completion method does not apply, revenue is recognized when control transfers, which is when the product has been delivered to the customer for energy storage systems and when the project has received permission to operate from the utility for solar energy systems. Operations and maintenance service revenue is recognized ratably over the respective contract term. Customer payments for such services are usually paid annually or quarterly in advance.

In instances where there are multiple performance obligations in a single contract, we allocate the consideration to the various obligations in the contract based on the relative standalone selling price method. Standalone selling prices are estimated based on estimated costs plus margin or using market data for comparable products. Costs incurred on the sale of residential installations before the solar energy systems are completed are included as work in process within inventory in the consolidated balance sheets. However, any fees that are paid or payable by us to a solar loan lender would be recognized as an offset against revenue. Costs to obtain a contract relate mainly to commissions paid to our sales personnel related to the sale of solar energy systems and energy storage systems. As our contract costs related to solar energy system and energy storage system sales are typically fulfilled within one year, the costs to obtain a contract are expensed as incurred.

As part of our solar energy system and energy storage system contracts, we may provide the customer with performance guarantees that warrant that the underlying system will meet or exceed the minimum energy generation or retention requirements specified in the contract. In certain instances, we may receive a bonus payment if the system performs above a specified level. Conversely, if a solar energy system or energy storage system does not meet the performance guarantee requirements, we may be required to pay liquidated damages. Other forms of variable consideration related to our large commercial and utility grade solar energy system and energy storage system contracts include variable customer payments that will be made based on our energy market participation activities. Such guarantees and variable customer payments represent a form of variable consideration and are estimated at contract inception at their most likely amount and updated at the end of each reporting period as additional performance data becomes available. Such estimates are included in the transaction price only to the extent that it is probable a significant reversal of revenue will not occur.

We record as deferred revenue any non-refundable amounts that are collected from customers related to fees charged for prepayments and remote monitoring service and operations and maintenance service, which is recognized as revenue ratably over the respective customer contract term. As of December 31, 2018 and 2017, deferred revenue related to such customer payments amounted to \$148.7 million and \$124.0 million, respectively. Revenue recognized from the deferred revenue balance as of January 1, 2018, was \$41.4 million for the year ended December 31, 2018. We have elected the practical expedient to omit disclosure of the amount of the transaction price allocated to remaining performance obligations for energy generation and storage sales with an original expected contract length of one year or less. As of December 31, 2018, total transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied for contracts with an original expected length of more than one year was \$117.9 million. Of this amount, we expect to recognize \$7.0 million in the next 12 months and the remaining over a period up to 30 years.

Energy Generation and Storage Leasing

For revenue arrangements where we are the lessor under operating lease agreements for energy generation and storage products, we record lease revenue from minimum lease payments, including upfront rebates and incentives earned from such systems, on a straight-line basis over the life of the lease term, assuming all other revenue recognition criteria have been met. The difference between the payments received and the revenue recognized is recorded as deferred revenue on the consolidated balance sheet.

For solar energy systems where customers purchase electricity from us under power purchase agreements (“PPAs”), we have determined that these agreements should be accounted for as operating leases pursuant to ASC 840. Revenue is recognized based on the amount of electricity delivered at rates specified under the contracts, assuming all other revenue recognition criteria are met.

We record as deferred revenue any amounts that are collected from customers, including lease prepayments, in excess of revenue recognized and operations and maintenance service, which is recognized as revenue ratably over the respective customer contract term. As of December 31, 2018 and 2017, deferred revenue related to such customer payments amounted to \$225.4 million and \$206.8 million, respectively. Deferred revenue also includes the portion of rebates and incentives received from utility companies and various local and state government agencies, which is recognized as revenue over the lease term. As of December 31, 2018 and December 31, 2017, deferred revenue from rebates and incentives amounted to \$36.8 million and \$27.2 million, respectively.

We capitalize initial direct costs from the origination of solar energy system leases or PPAs, which include the incremental cost of contract administration, referral fees and sales commissions, as an element of solar energy systems, leased and to be leased, net, and subsequently amortize these costs over the term of the related lease or PPA.

Revenue by source

The following table disaggregates our revenue by major source (in thousands):

	Year Ended December 31, 2018
Automotive sales without resale value guarantee	\$ 15,809,890
Automotive sales with resale value guarantee	1,403,014
Automotive regulatory credits	418,618
Energy generation and storage sales	1,056,543
Services and other	1,391,041
Total revenues from sales and services	20,079,106
Automotive leasing	883,461
Energy generation and storage leasing	498,701
Total revenues	<u>\$ 21,461,268</u>

Cost of Revenues

Automotive Segment

Automotive Sales

Cost of automotive sales revenue includes direct parts, material and labor costs, manufacturing overhead, including depreciation costs of tooling and machinery, shipping and logistic costs, vehicle connectivity costs, allocations of electricity and infrastructure costs related to our Supercharger network, and reserves for estimated warranty expenses. Cost of automotive sales revenues also includes adjustments to warranty expense and charges to write down the carrying value of our inventory when it exceeds its estimated net realizable value and to provide for obsolete and on-hand inventory in excess of forecasted demand.

Automotive Leasing

Cost of automotive leasing revenue includes primarily the amortization of operating lease vehicles over the lease term, as well as warranty expenses recognized as incurred. Cost of automotive leasing revenue also includes vehicle connectivity costs and allocations of electricity and infrastructure costs related to our Supercharger network for vehicles under our leasing programs.

Services and Other

Costs of services and other revenue includes costs associated with providing non-warranty after-sales services, costs to acquire and certify used vehicles, and costs for retail merchandise. Cost of services and other revenue also includes direct parts, material and labor costs, manufacturing overhead associated with the sales of electric vehicle components and systems to other manufacturers and sales by our acquired subsidiaries to third party customers.

Energy Generation and Storage Segment

Energy Generation and Storage

Energy generation and storage cost of revenue includes direct and indirect material and labor costs, warehouse rent, freight, warranty expense, other overhead costs and amortization of certain acquired intangible assets. In addition, where arrangements are accounted for as operating leases, the cost of revenue is primarily comprised of depreciation of the cost of leased solar energy systems, maintenance costs associated with those systems and amortization of any initial direct costs.

Research and Development Costs

Research and development costs are expensed as incurred.

Marketing, Promotional and Advertising Costs

Marketing, promotional and advertising costs are expensed as incurred and are included as an element of selling, general and administrative expense in the consolidated statement of operations. We incurred marketing, promotional and advertising costs of \$70.0 million, \$66.5 million and \$48.0 million in the years ended December 31, 2018, 2017 and 2016, respectively.

Income Taxes

Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

We record liabilities related to uncertain tax positions when, despite our belief that our tax return positions are supportable, we believe that it is more likely than not that those positions may not be fully sustained upon review by tax authorities. Accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of unrealized gains and losses on cash flow hedges and available-for-sale marketable securities and foreign currency translation adjustments that have been excluded from the determination of net income (loss).

Stock-Based Compensation

We recognize compensation expense for costs related to all share-based payments, including stock options, restricted stock units ("RSUs") and our employee stock purchase plan (the "ESPP"). The fair value of stock option awards with only service conditions and the ESPP is estimated on the grant or offering date using the Black-Scholes option-pricing model. The fair value of RSUs is measured on the grant date based on the closing fair market value of our common stock. Stock-based compensation expense is recognized on a straight-line basis over the requisite service period, net of actual forfeitures in the period (prior to 2017, net of estimated projected forfeitures). Stock-based compensation associated with awards assumed from the acquisition of SolarCity Corporation ("SolarCity") is measured as of the acquisition date using the relevant assumptions and recognized on a straight-line basis over the remaining requisite service period, net of actual forfeitures in the period (prior to 2017, net of estimated projected forfeitures).

For performance-based awards, stock-based compensation expense is recognized over the expected performance achievement period of individual performance milestones when the achievement of each individual performance milestone becomes probable. For performance-based awards with a vesting schedule based entirely on the attainment of both performance and market conditions, stock-based compensation expense is recognized for each pair of performance and market conditions over the longer of the expected achievement period of the performance and market conditions, beginning at the point in time that the relevant performance condition is considered probable of achievement. The fair value of such awards is estimated on the grant date using Monte Carlo simulations (see Note 15, *Equity Incentive Plans*).

As we accumulate additional employee stock-based awards data over time and as we incorporate market data related to our common stock, we may calculate significantly different volatilities and expected lives, which could materially impact the valuation of our stock-based awards and the stock-based compensation expense that we will recognize in future periods. Stock-based compensation expense is recorded in cost of revenues, research and development expense and selling, general and administrative expense in the consolidated statements of operations.

Noncontrolling Interests and Redeemable Noncontrolling Interests

Noncontrolling interests and redeemable noncontrolling interests represent third-party interests in the net assets under certain funding arrangements, or funds, that we enter into to finance the costs of solar energy systems and vehicles under operating leases. We have determined that the contractual provisions of the funds represent substantive profit sharing arrangements. We have further determined that the appropriate methodology for calculating the noncontrolling interest and redeemable noncontrolling interest balances that reflects the substantive profit sharing arrangements is a balance sheet approach using the hypothetical liquidation at book value (“HLBV”) method. We, therefore, determine the amount of the noncontrolling interests and redeemable noncontrolling interests in the net assets of the funds at each balance sheet date using the HLBV method, which is presented on the consolidated balance sheet as noncontrolling interests in subsidiaries and redeemable noncontrolling interests in subsidiaries. Under the HLBV method, the amounts reported as noncontrolling interests and redeemable noncontrolling interests in the consolidated balance sheet represent the amounts the third-parties would hypothetically receive at each balance sheet date under the liquidation provisions of the funds, assuming the net assets of the funds were liquidated at their recorded amounts determined in accordance with GAAP and with tax laws effective at the balance sheet date and distributed to the third-parties. The third-parties’ interests in the results of operations of the funds are determined as the difference in the noncontrolling interest and redeemable noncontrolling interest balances in the consolidated balance sheets between the start and end of each reporting period, after taking into account any capital transactions between the funds and the third-parties. However, the redeemable noncontrolling interest balance is at least equal to the redemption amount. The redeemable noncontrolling interest balance is presented as temporary equity in the mezzanine section of the consolidated balance sheet since these third-parties have the right to redeem their interests in the funds for cash or other assets.

Net Income (Loss) per Share of Common Stock Attributable to Common Stockholders

Basic net income (loss) per share of common stock attributable to common stockholders is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average shares of common stock outstanding for the period. Potentially dilutive shares, which are based on the weighted-average shares of common stock underlying outstanding stock-based awards, warrants and convertible senior notes using the treasury stock method or the if-converted method, as applicable, are included when calculating diluted net income (loss) per share of common stock attributable to common stockholders when their effect is dilutive. Since we intend to settle in cash the principal outstanding under the 0.25% Convertible Senior Notes due in 2019, the 1.25% Convertible Senior Notes due in 2021 and the 2.375% Convertible Senior Notes due in 2022, we use the treasury stock method when calculating their potential dilutive effect, if any. Furthermore, in connection with the offerings of our bond hedges, we entered into convertible note hedges (see Note 13, *Long-Term Debt Obligations*). However, our convertible note hedges are not included when calculating potentially dilutive shares since their effect is always anti-dilutive.

The following table presents the potentially dilutive shares that were excluded from the computation of diluted net income (loss) per share of common stock attributable to common stockholders, because their effect was anti-dilutive:

	Year Ended December 31,		
	2018	2017	2016
Stock-based awards	9,928,789	10,456,363	12,091,473
Convertible senior notes	1,432,656	2,315,463	841,191
Warrants	214,213	579,137	262,702

Business Combinations

We account for business acquisitions under ASC 805, *Business Combinations*. The total purchase consideration for an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the acquisition date. Costs that are directly attributable to the acquisition are expensed as incurred. Identifiable assets (including intangible assets), liabilities assumed (including contingent liabilities) and noncontrolling interests in an acquisition are measured initially at their fair values at the acquisition date. We recognize goodwill if the fair value of the total purchase consideration and any noncontrolling interests is in excess of the net fair value of the identifiable assets acquired and the liabilities assumed. We recognize a bargain purchase gain within other income (expense), net, on the consolidated statement of operations if the net fair value of the identifiable assets acquired and the liabilities assumed is in excess of the fair value of the total purchase consideration and any noncontrolling interests. We include the results of operations of the acquired business in the consolidated financial statements beginning on the acquisition date.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less at the date of purchase are considered cash equivalents. Our cash equivalents are primarily comprised of money market funds.

Restricted Cash

We maintain certain cash balances restricted as to withdrawal or use. Our restricted cash is comprised primarily of cash as collateral for our sales to lease partners with a resale value guarantee, letters of credit, real estate leases, insurance policies, credit card borrowing facilities and certain operating leases. In addition, restricted cash includes cash received from certain fund investors that have not been released for use by us and cash held to service certain payments under various secured debt facilities.

The following table totals cash and cash equivalents and restricted cash as reported on the consolidated balance sheets; the sums are presented in the consolidated statements of cash flows (in thousands):

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 3,685,618	\$ 3,367,914	\$ 3,393,216	\$ 1,196,908
Restricted cash (1)	192,551	155,323	105,519	5,961
Restricted cash, net of current portion	398,219	441,722	268,165	31,522
Total as presented in the consolidated statements of cash flows	<u>\$ 4,276,388</u>	<u>\$ 3,964,959</u>	<u>\$ 3,766,900</u>	<u>\$ 1,234,391</u>

- (1) In the consolidated balance sheet as of December 31, 2015, the restricted cash and marketable securities balance of \$22.6 million included \$16.7 million of marketable securities. This balance of marketable securities has been excluded in the table above.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily include amounts related to sales of powertrain systems, sales of energy generation and storage products, receivables from financial institutions and leasing companies offering various financing products to our customers, sales of regulatory credits to other automotive manufacturers and maintenance services on vehicles owned by leasing companies. We provide an allowance against accounts receivable to the amount we reasonably believe will be collected. We write-off accounts receivable when they are deemed uncollectible.

We typically do not carry significant accounts receivable related to our vehicle and related sales as customer payments are due prior to vehicle delivery, except for amounts due from commercial financial institutions for approved financing arrangements between our customers and the financial institutions.

MyPower Customer Notes Receivable

We have customer notes receivable under the legacy MyPower loan program. MyPower was offered by SolarCity to provide residential customers with the option to finance the purchase of a solar energy system through a 30-year loan. The outstanding balances, net of any allowance for potentially uncollectible amounts, are presented on the consolidated balance sheet as a component of prepaid expenses and other current assets for the current portion and as MyPower customer notes receivable, net of current portion, for the long-term portion. In determining the allowance and credit quality for customer notes receivable, we identify significant customers with known disputes or collection issues and also consider our historical level of credit losses and current economic trends that might impact the level of future credit losses. Customer notes receivable that are individually impaired are charged-off as a write-off of the allowance for losses. Since acquisition, there have been no new significant customers with known disputes or collection issues, and the amount of potentially uncollectible amounts has been insignificant. In addition, there were no material non-accrual or past due customer notes receivable as of December 31, 2018.

Concentration of Risk

Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk consist of cash, cash equivalents, restricted cash, accounts receivable, convertible note hedges, and interest rate swaps. Our cash balances are primarily invested in money market funds or on deposit at high credit quality financial institutions in the U.S. These deposits are typically in excess of insured limits. As of December 31, 2018 and 2017, no entity represented 10% or more of our total accounts receivable balance. The risk of concentration for our interest rate swaps is mitigated by transacting with several highly-rated multinational banks.

Supply Risk

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

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Cost is computed using standard cost for vehicles and energy storage products, which approximates actual cost on a first-in, first-out basis. In addition, cost for solar energy systems is recorded using actual cost. We record inventory write-downs for excess or obsolete inventories based upon assumptions about on current and future demand forecasts. If our inventory on-hand is in excess of our future demand forecast, the excess amounts are written-off.

We also review our inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires us to determine the estimated selling price of our vehicles less the estimated cost to convert the inventory on-hand into a finished product. Once inventory is written-down, a new, lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Should our estimates of future selling prices or production costs change, additional and potentially material increases to this reserve may be required. A small change in our estimates may result in a material charge to our reported financial results.

Operating Lease Vehicles

Vehicles that are leased as part of our direct vehicle leasing program, vehicles delivered to leasing partners with a resale value guarantee and a buyback option, as well as vehicles delivered to customers with resale value guarantee where exercise is probable are classified as operating lease vehicles as the related revenue transactions are treated as operating leases (refer to the *Automotive Leasing Revenue* section above for details). Operating lease vehicles are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the expected operating lease term. The total cost of operating lease vehicles recorded on the consolidated balance sheets as of December 31, 2018 and 2017 was \$2.55 billion and \$4.85 billion, respectively. Accumulated depreciation related to leased vehicles as of December 31, 2018 and 2017 was \$457.6 million and \$733.3 million, respectively.

Solar Energy Systems, Leased and To Be Leased

We are the lessor of solar energy systems under leases that qualify as operating leases. Our leases are accounted for in accordance with ASC 840. To determine lease classification, we evaluate the lease terms to determine whether there is a transfer of ownership or bargain purchase option at the end of the lease, whether the lease term is greater than 75% of the useful life or whether the present value of the minimum lease payments exceed 90% of the fair value at lease inception. We utilize periodic appraisals to estimate useful lives and fair values at lease inception and residual values at lease termination. Solar energy systems are stated at cost less accumulated depreciation.

Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the respective assets, as follows:

Solar energy systems leased to customers	30 to 35 years
Initial direct costs related to customer solar energy system lease acquisition costs	Lease term (up to 25 years)

Solar energy systems held for lease to customers are installed systems pending interconnection with the respective utility companies and will be depreciated as solar energy systems leased to customers when they have been interconnected and placed in-service. Solar energy systems under construction represents systems that are under installation, which will be depreciated as solar energy systems leased to customers when they are completed, interconnected and leased to customers. Initial direct costs related to customer solar energy system lease acquisition costs are capitalized and amortized over the term of the related customer lease agreements.

Property, Plant and Equipment

Property, plant and equipment, including leasehold improvements, are recognized at cost less accumulated depreciation. Depreciation is generally computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Machinery, equipment, vehicles and office furniture	2 to 12 years
Building and building improvements	15 to 30 years
Computer equipment and software	3 to 10 years

Depreciation for tooling is computed using the units-of-production method whereby capitalized costs are amortized over the total estimated productive life of the respective assets. As of December 31, 2018, the estimated productive life for Model S and Model X tooling was 325,000 vehicles based on our current estimates of production. As of December 31, 2018, the estimated productive life for Model 3 tooling was 1,000,000 vehicles based on our current estimates of production.

Leasehold improvements are depreciated on a straight-line basis over the shorter of their estimated useful lives or the terms of the related leases.

Upon the retirement or sale of our property, plant and equipment, the cost and associated accumulated depreciation are removed from the consolidated balance sheet, and the resulting gain or loss is reflected on the consolidated statement of operations. Maintenance and repair expenditures are expensed as incurred while major improvements that increase the functionality, output or expected life of an asset are capitalized and depreciated ratably over the identified useful life.

Interest expense on outstanding debt is capitalized during the period of significant capital asset construction. Capitalized interest on construction-in-progress is included within property, plant and equipment and is amortized over the life of the related assets.

Furthermore, we are deemed to be the owner, for accounting purposes, during the construction phase of certain long-lived assets under build-to-suit lease arrangements because of our involvement with the construction, our exposure to any potential cost overruns or our other commitments under the arrangements. In these cases, we recognize build-to-suit lease assets under construction and corresponding build-to-suit lease liabilities on the consolidated balance sheet, in accordance with ASC 840. Once construction is completed, if a lease meets certain "sale-leaseback" criteria, we remove the asset and liability and account for the lease as an operating lease. Otherwise, the lease is accounted for as a capital lease.

Long-Lived Assets Including Acquired Intangible Assets

We review our property, plant and equipment, long-term prepayments and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. We measure recoverability by comparing the carrying amount to the future undiscounted cash flows that the asset is expected to generate. If the asset is not recoverable, its carrying amount would be adjusted-down to its fair value. For the year ended December 31, 2018, we have recognized certain material impairments of our long-lived assets (refer to Note 4, *Intangible Assets*, for further details). For the years ended December 31, 2017 and 2016, we have recognized no material impairments of our long-lived assets.

Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives, which range from two to thirty years.

Capitalization of Software Costs

For costs incurred in development of internal use software, we capitalize costs incurred during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life of three to ten years. We evaluate the useful lives of these assets on an annual basis, and we test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Foreign Currency

We determine the functional and reporting currency of each of our international subsidiaries and their operating divisions based on the primary currency in which they operate. In cases where the functional currency is not the U.S. dollar, we recognize a cumulative translation adjustment created by the different rates we apply to accumulated deficits, including current period income or loss, and the balance sheet. For each subsidiary, we apply the monthly average functional currency rate to its income or loss and the month-end functional currency rate to translate the balance sheet.

Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Transaction gains and losses are recognized in other income (expense), net, in the consolidated statement of operations. For the years ended December 31, 2018, 2017 and 2016, we recorded foreign currency transaction gains of \$1.5 million, losses of \$52.3 million and gains of \$26.1 million, respectively.

Warranties

We provide a manufacturer's warranty on all new and used vehicles, production powertrain components and systems and energy storage products we sell. In addition, we also provide a warranty on the installation and components of the solar energy systems we sell for periods typically between 10 to 30 years. We accrue a warranty reserve for the products sold by us, which includes our best estimate of the projected costs to repair or replace items under warranties and recalls when identified. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given our relatively short history of sales, and changes to our historical or projected warranty experience may cause material changes to the warranty reserve in the future. The warranty reserve does not include projected warranty costs associated with our vehicles subject to lease accounting and our solar energy systems under lease contracts or PPAs, as the costs to repair these warranty claims are expensed as incurred. The portion of the warranty reserve expected to be incurred within the next 12 months is included within accrued liabilities and other while the remaining balance is included within other long-term liabilities on the consolidated balance sheet. Due to the adoption of the new revenue standard, automotive sales with resale value guarantees that were previously recorded within operating lease assets require a corresponding warranty accrual, which is included in the table below. Warranty expense is recorded as a component of cost of revenues in the consolidated statements of operations. Accrued warranty activity consisted of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Accrued warranty—beginning of period	\$ 401,790	\$ 266,655	\$ 180,754
Assumed warranty liability from acquisition	—	4,737	31,366
Warranty costs incurred	(209,124)	(122,510)	(79,147)
Net changes in liability for pre-existing warranties, including expirations and foreign exchange impact	(26,294)	4,342	(20,084)
Additional warranty accrued from adoption of the new revenue standard	37,139	—	—
Provision for warranty	544,315	248,566	153,766
Accrued warranty—end of period	<u>\$ 747,826</u>	<u>\$ 401,790</u>	<u>\$ 266,655</u>

For the years ended December 31, 2018, 2017, and 2016, warranty costs incurred for vehicles accounted for as operating leases or collateralized debt arrangements were \$21.9 million, \$35.5 million and \$19.0 million, respectively.

Solar Energy System Performance Guarantees

We guarantee a specified minimum solar energy production output for certain solar energy systems leased or sold to customers, generally for a term of up to 30 years. We monitor the solar energy systems to ensure that these outputs are being achieved. We evaluate if any amounts are due to our customers and make any payments periodically as specified in the customer agreements. As of December 31, 2018 and 2017, we had recognized a liability of \$7.5 million and \$6.3 million, respectively, within accrued liabilities and other on the consolidated balance sheets, related to these guarantees based on our assessment of the exposures.

Solar Renewable Energy Credits

We account for solar renewable energy credits ("SRECs") when they are purchased by us or sold to third-parties. For SRECs generated by solar energy systems owned by us and minted by government agencies, we do not recognize any specifically identifiable costs as there are no specific incremental costs incurred to generate the SRECs. For SRECs purchased by us, we record these SRECs at their cost, subject to impairment testing. We recognize revenue from the sale of an SREC when the SREC is transferred to the buyer, and the cost of the SREC, if any, is then recorded to cost of revenue.

Deferred Investment Tax Credit Revenue

We have solar energy systems that are eligible for ITCs that accrue to eligible property under the Internal Revenue Code (“IRC”). Under Section 50(d)(5) of the IRC and the related regulations, a lessor of qualifying property may elect to treat the lessee as the owner of such property for the purposes of claiming the ITCs associated with such property. These regulations enable the ITCs to be separated from the ownership of the property and allow the transfer of the ITCs. Under our lease pass-through fund arrangements, we can make a tax election to pass-through the ITCs to the investors, who are the legal lessee of the property. Therefore, we are able to monetize these ITCs to the investors who can utilize them in return for cash payments. We consider the monetization of ITCs to constitute one of the key elements of realizing the value associated with solar energy systems. Consequently, we consider the proceeds from the monetization of ITCs to be a component of revenue generated from solar energy systems.

In accordance with the relevant FASB guidance, we recognize revenue from the monetization of ITCs when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable and (4) collection of the related receivable is reasonably assured. An ITC is subject to recapture under the IRC if the underlying solar energy system either ceases to be a qualifying property or undergoes a change in ownership within five years of its placed-in-service date; the recapture amount decreases on each anniversary of the placed-in-service date. Since we have an obligation to ensure that the solar energy system is in-service and operational for a term of five years in order to avoid any recapture of the ITC, we recognize revenue as the recapture amount decreases, assuming the other revenue recognition criteria above have been met. As a result, the monetized ITC is initially recorded as deferred revenue on the consolidated balance sheets, and subsequently, one-fifth of the monetized ITC is recognized as energy generation and storage revenue on the consolidated statement of operations on each anniversary of the solar energy system’s placed-in-service date over five years. As discussed in the *Revenue Recognition* section above, following the adoption of the new revenue standard on January 1, 2018, we no longer defer the monetized ITC as deferred revenue outstanding and have reclassified all ITC deferred revenue as of December 31, 2017 to our opening accumulated deficit.

We indemnify the investors for any recapture of ITCs due to our non-compliance. We have concluded that the likelihood of a recapture event is remote, and consequently, we have not recognized a liability for this indemnification on the consolidated balance sheets.

Nevada Tax Incentives

We have entered into agreements with the State of Nevada and Storey County in Nevada that provide abatements for sales, use, real property, personal property and employer excise taxes, discounts to the base tariff energy rates and transferable tax credits. These incentives are available for the applicable periods beginning on October 17, 2014 and ending on either June 30, 2024 or June 30, 2034 (depending on the incentive). Under these agreements, we were eligible for a maximum of \$195.0 million of transferable tax credits, subject to capital investments by us and our partners for Gigafactory 1 of at least \$3.50 billion, which we exceeded during 2017, and specified hiring targets for Gigafactory 1, which we exceeded during 2018. We record these credits as earned when we have evidence there is a market for their sale. Credits are applied as a cost offset to either employee expense or to capital assets, depending on the source of the credits. Credits earned from employee hires or capital spending by our partners at Gigafactory 1 are recorded as a reduction to operating expenses. As of December 31, 2018 and 2017, we had earned \$195.0 million and \$163.0 million of transferable tax credits under these agreements, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, *Revenue from Contracts with Customers*, to replace the existing revenue recognition criteria for contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date*, to defer the effective date of ASU No. 2014-09 to interim and annual periods beginning after December 15, 2017. Subsequently, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations*, ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, ASU No. 2016-11, *Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting*, ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients*, and ASU No. 2016-20, *Technical Corrections and Improvements*, to clarify and amend the guidance in ASU No. 2014-09. We adopted the ASUs on January 1, 2018 on a modified retrospective basis through a cumulative adjustment to accumulated deficit. The adoption of the ASUs changed the timing of revenue recognition to be at delivery for certain vehicle sales to customers or leasing partners with a resale value guarantee, which now qualify to be accounted for as sales with a right of return as opposed to the prior accounting as operating leases or collateralized lease borrowings. Upon adoption of the ASUs, we recorded a decrease to our beginning accumulated deficit of \$623.2 million including income tax effects, which were immaterial. Refer to the *Revenue Recognition* section above for details.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, to require lessees to recognize all leases, with limited exceptions, on the balance sheet, while recognition on the statement of operations will remain similar to current lease accounting. The ASU also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. Subsequently, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842*, ASU No. 2018-11, *Targeted Improvements*, and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, to clarify and amend the guidance in ASU No. 2016-02. The ASUs are effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. We will adopt the ASUs on January 1, 2019 on a modified retrospective basis through a cumulative adjustment to our beginning accumulated deficit balance. Prior comparative periods will not be restated under this method, and we will adopt all available practical expedients, as applicable. Further, solar leases that commence on or after January 1, 2019, where we are the lessor and which are currently accounted for as leases, will no longer meet the definition of a lease. Instead, solar leases commencing on or after January 1, 2019 will be accounted for under ASC 606. In addition to recognizing operating leases that were previously not recognized on the consolidated balance sheet, we also expect most of our build-to-suit leases to be de-recognized with a net decrease of approximately of \$100.0 million to our beginning accumulated deficit before income tax effects, as our build-to-suit leases will no longer qualify for build-to-suit accounting and will instead be recognized as operating leases or finance leases. Upon adoption, our consolidated balance sheet will include an overall reduction in assets in the range of approximately \$400.0 million to \$500.0 million and a reduction in liabilities in the range of approximately \$500.0 million to \$600.0 million. The ASUs are not expected to have a material impact on the consolidated statement of operations or the consolidated statement of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, to require financial assets carried at amortized cost to be presented at the net amount expected to be collected based on historical experience, current conditions and forecasts. Subsequently, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326*, to clarify that receivables arising from operating leases are within the scope of lease accounting standards. The ASUs are effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. Adoption of the ASUs is modified retrospective. We are currently obtaining an understanding of the ASUs and plan to adopt them on January 1, 2020.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, to reduce the diversity in practice with respect to the classification of certain cash receipts and cash payments on the statement of cash flows. The ASU is effective for interim and annual periods beginning after December 15, 2017. Adoption of the ASU is retrospective. We adopted the ASU on January 1, 2018, which did not have a material impact on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires entities to present the aggregate changes in cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, the statement of cash flows now presents restricted cash and restricted cash equivalents as a part of the beginning and ending balances of cash and cash equivalents. The ASU is effective for interim and annual periods beginning after December 15, 2017. Adoption of the ASU is retrospective. We adopted the ASU on January 1, 2018, which resulted in restricted cash being combined with unrestricted cash reconciling beginning and ending balances. Refer to the *Restricted Cash* section for the reconciliation.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*, to clarify which transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The ASU is effective for interim and annual periods beginning after December 15, 2017. Adoption of the ASU is prospective. We adopted the ASU on January 1, 2018, which did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, to simplify the test for goodwill impairment by removing Step 2. An entity will, therefore, perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the fair value, not to exceed the total amount of goodwill allocated to the reporting unit. An entity still has the option to perform a qualitative assessment to determine if the quantitative impairment test is necessary. The ASU is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. Adoption of the ASU is prospective. We have not yet selected an adoption date, though the ASU is currently not expected to have a material impact on the consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, *Gains and Losses from the Recognition of Nonfinancial Assets*, to clarify the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets. The ASU is effective for interim and annual periods beginning after December 15, 2017. We adopted the ASU on January 1, 2018 on a modified retrospective basis through a cumulative adjustment to accumulated deficit. Upon adoption of the ASU, we recorded a \$9.4 million decrease to our beginning accumulated deficit balance.

In May 2017, the FASB issued ASU No. 2017-09, *Scope of Modification Accounting*, to provide guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU is effective for interim and annual periods beginning after December 15, 2017. Adoption of the ASU is prospective. We adopted the ASU on January 1, 2018, which did not have a material impact on the consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, to simplify the application of current hedge accounting guidance. The ASU expands and refines hedge accounting for both non-financial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The ASU is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. Adoption of the ASU will be prospective for us. We plan to adopt the ASU on January 1, 2019, and the ASU is currently not expected to have a material impact on the consolidated financial statements.

In January 2018, the FASB issued ASU No. 2018-01, *Land Easement Practical Expedient Transition to Topic 842*, to permit an entity to elect a practical expedient to not re-evaluate land easements that existed or expired before the entity's adoption of ASU No. 2016-02, *Leases*, and that are not currently accounted for as leases. The ASU is effective for the same periods as ASU No. 2016-02, and the ASU will not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that Is a Service Contract*. The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The ASU is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. Adoption of the ASU is either retrospective or prospective. We are currently obtaining an understanding of the ASU and plan to adopt the ASU prospectively on January 1, 2020.

Note 3 - Business Combinations

Grohmann Acquisition

On January 3, 2017, we completed our acquisition of Grohmann Engineering GmbH (now Tesla Grohmann Automation GmbH or "Grohmann"), which specializes in the design, development and sale of automated manufacturing systems, for \$109.5 million in cash. We acquired Grohmann to improve the speed and efficiency of our manufacturing processes.

At the time of acquisition, we entered into an incentive compensation arrangement for up to a maximum of \$25.8 million of payments contingent upon continued service with us for 36 months after the acquisition date. Such payments would have been accounted for as compensation expense in the periods earned. However, during the three months ended March 31, 2017, we terminated the incentive compensation arrangement and accelerated the payments thereunder. As a result, we recorded the entire \$25.8 million as compensation expense in the three months ended March 31, 2017, which was included within selling, general and administrative expense in the consolidated statements of operations.

Fair Value of Assets Acquired and Liabilities Assumed

Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materiality impact our results of operations. Significant inputs used included the amount of cash flows, the expected period of the cash flows and the discount rates. During the fourth quarter of 2017, we finalized our estimate of the acquisition date fair values of the assets acquired and the liabilities assumed. Prior to finalization, there were no changes to the fair values of the assets acquired and the liabilities assumed.

The allocation of the purchase consideration was based on management's estimate of the acquisition date fair values of the assets acquired and the liabilities assumed, as follows (in thousands):

Assets acquired:	
Cash and cash equivalents	\$ 334
Accounts receivable	42,947
Inventory	10,031
Property, plant and equipment	44,030
Intangible assets	21,723
Prepaid expenses and other assets, current and non-current	1,998
Total assets acquired	121,063
Liabilities assumed:	
Accounts payable	(19,975)
Accrued liabilities	(12,403)
Debt and capital leases, current and non-current	(9,220)
Other long-term liabilities	(10,049)
Total liabilities assumed	(51,647)
Net assets acquired	69,416
Goodwill	40,065
Total purchase price	\$ 109,481

Goodwill represented the excess of the purchase price over the fair value of the net assets acquired and was primarily attributable to the expected synergies from potential monetization opportunities and from integrating Grohmann's technology into our automotive business as well as the acquired talent. Goodwill is not deductible for U.S. income tax purposes and is not amortized. Rather, we assess goodwill for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing its carrying value to the reporting unit's fair value.

Identifiable Intangible Assets Acquired

The determination of the fair values of the identified intangible assets and their respective useful lives as of the acquisition date was as follows (in thousands, except for useful lives):

	Fair Value	Useful Life (in years)
Developed technology	\$ 12,528	10
Software	3,341	3
Customer relations	3,236	6
Trade name	1,775	7
Other	843	2
Total intangible assets	<u>\$ 21,723</u>	

Grohmann's results of operations since the acquisition date have been included within the automotive segment in the consolidated statements of operations. Standalone and pro forma results of operations have not been presented because they were not material to the consolidated financial statements.

SolarCity Acquisition

On November 21, 2016 (the "Acquisition Date"), we completed our acquisition of SolarCity. Pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), each issued and outstanding share of SolarCity common stock was converted into 0.110 (the "Exchange Ratio") shares of our common stock. In addition, SolarCity's stock option awards and restricted stock unit awards were assumed by us and converted into corresponding equity awards in respect of our common stock based on the Exchange Ratio, with the awards retaining the same vesting and other terms and conditions as in effect immediately prior to the acquisition.

Fair Value of Purchase Consideration

The Acquisition Date fair value of the purchase consideration was as follows (in thousands, except for share and per share amounts):

Total fair value of Tesla common stock issued (11,124,497 shares issued at \$185.04 per share)	\$ 2,058,477
Fair value of replacement Tesla stock options and restricted stock units for vested SolarCity awards	87,500
Total purchase price	<u>\$ 2,145,977</u>

Furthermore, the assumed unvested SolarCity awards of \$95.9 million are recognized as stock-based compensation expense over the remaining requisite service period. Per ASC 805, the replacement of stock options or other share-based payment awards in conjunction with a business combination represents a modification of share-based payment awards that must be accounted for in accordance with ASC 718, *Stock Compensation*. As a result of our issuance of replacement awards, a portion of the fair-value-based measure of the replacement awards is included in the purchase consideration. To determine the portion of the replacement awards that is part of the purchase consideration, we measured the fair value of both the replacement awards and the historical awards as of the Acquisition Date. The fair value of the replacement awards, whether vested or unvested, was included in the purchase consideration to the extent that pre-acquisition services were rendered.

Transaction costs of \$21.7 million were expensed as incurred to selling, general and administrative expense on the consolidated statements of operations.

Fair Value of Assets Acquired and Liabilities Assumed

Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materiality impact our results of operations. Specifically, we utilized a discounted cash flow model to value the acquired solar energy systems, leased and to be leased, as well as the noncontrolling interests in subsidiaries. Significant inputs used included the amount of cash flows, the expected period of the cash flows and the discount rates.

The allocation of the purchase consideration was based on management's estimate of the Acquisition Date fair values of the assets acquired and the liabilities assumed, as follows (in thousands):

Assets acquired:	
Cash and cash equivalents	\$ 213,523
Accounts receivable	74,619
Inventory	191,878
Solar energy systems, leased and to be leased	5,781,496
Property, plant and equipment	1,056,312
MyPower customer notes receivable, net of current portion	498,141
Restricted cash	129,196
Intangible assets	356,510
Prepaid expenses and other assets, current and non-current	199,864
Total assets acquired	<u>8,501,539</u>
Liabilities assumed:	
Accounts payable	(230,078)
Accrued liabilities	(284,765)
Debt and capital leases, current and non-current	(3,403,840)
Financing obligations	(121,290)
Deferred revenue, current and non-current	(271,128)
Other liabilities	(950,423)
Total liabilities assumed	<u>(5,261,524)</u>
Net assets acquired	3,240,015
Noncontrolling interests redeemable and non-redeemable	(1,066,517)
Capped call options associated with 2014 convertible notes	3,460
Total net assets acquired	<u>2,176,958</u>
Gain on acquisition	(30,981)
Total purchase price	<u>\$ 2,145,977</u>

Gain on Acquisition

Since the fair value of the net assets acquired was greater than the purchase price, we recognized a gain on acquisition of \$88.7 million in the fourth quarter of 2016, which was recorded within other income (expense), net, on the consolidated statements of operations.

During the fourth quarter of 2017, we finalized our estimate of the Acquisition Date fair values of the assets acquired and the liabilities assumed. Prior to finalization, during the year ended December 31, 2017, we recorded an \$11.6 million measurement period adjustment to MyPower customer notes receivable, net of current portion, and a \$46.2 million measurement period adjustment to accrued liabilities. The measurement period adjustments were recorded as losses to other income (expense), net, in the consolidated statement of operations and reduced the gain on acquisition initially recognized in the fourth quarter of 2016.

Identifiable Intangible Assets Acquired

The determination of the fair values of the identified intangible assets and their respective useful lives as of the Acquisition Date was as follows (in thousands, except for useful lives):

	Fair Value	Useful Life (in years)
Developed technology	\$ 113,361	7
Trade name (1)	43,500	3
Favorable contracts and leases, net	112,817	15
IPR&D	86,832	Not applicable
Total intangible assets	<u>\$ 356,510</u>	

(1) Refer to Note 4, *Intangible Assets*, for discussion over changes to the assumptions of the useful life of this asset post acquisition.

Unaudited Pro Forma Financial Information

The consolidated financial statements for the year ended December 31, 2016 include SolarCity's results of operations from the Acquisition Date through December 31, 2016. Net revenues and operating loss attributable to SolarCity during this period and included in the consolidated statement of operations were \$84.1 million and \$68.2 million, respectively.

The following unaudited pro forma financial information for the year ended December 31, 2016 gives effect to our acquisition of SolarCity as if the acquisition had occurred on January 1, 2015 (in thousands, except per share data):

Revenue	\$ 7,536,876
Net loss attributable to common stockholders	(702,868)
Net loss per share of common stock, basic and diluted	\$ (4.56)
Weighted-average shares used in computing net loss per share of common stock, basic and diluted	154,090

The unaudited pro forma financial information includes adjustments for the depreciation of solar energy systems, leased and to be leased, the intangible assets acquired, the effect of the acquisition on deferred revenue and noncontrolling interests and the transaction costs related to the acquisition. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations of future periods. The unaudited pro forma financial information does not give effect to the potential impact of current financial conditions, regulatory matters, synergies, operating efficiencies or cost savings that might be associated with the acquisition. Consequently, actual results could differ from the unaudited pro forma financial information presented.

Note 4 - Intangible Assets

Information regarding our acquired intangible assets was as follows (in thousands):

	December 31, 2018			December 31, 2017				
	Gross Carrying Amount	Accumulated Amortization	Other	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Other	Net Carrying Amount
Finite-lived intangible assets:								
Developed technology	\$ 152,431	\$ (40,705)	\$ 1,205	\$ 112,931	\$ 125,889	\$ (19,317)	\$ 1,847	\$ 108,419
Trade names	45,275	(44,056)	170	1,389	45,275	(10,924)	261	34,612
Favorable contracts and leases, net	112,817	(16,409)	—	96,408	112,817	(8,639)	—	104,178
Other	35,559	(11,540)	719	24,738	34,099	(7,775)	1,137	27,461
Total finite-lived intangible assets	346,082	(112,710)	2,094	235,466	318,080	(46,655)	3,245	274,670
Indefinite-lived intangible assets:								
IPR&D	60,290	—	(13,264)	47,026	86,832	—	—	86,832
Total indefinite-lived intangible assets	60,290	—	(13,264)	47,026	86,832	—	—	86,832
Total intangible assets	\$ 406,372	\$ (112,710)	\$ (11,170)	\$ 282,492	\$ 404,912	\$ (46,655)	\$ 3,245	\$ 361,502

The in-process research and development (“IPR&D”), which we acquired from SolarCity, is accounted for as an indefinite-lived asset until the completion or abandonment of the associated research and development efforts. If the research and development efforts are successfully completed and commercial feasibility is reached, the IPR&D would be amortized over its then estimated useful life. If the research and development efforts are not completed or are abandoned, the IPR&D might be impaired. The fair value of the IPR&D was estimated using the replacement cost method under the cost approach, based on the historical acquisition costs and expenses of the technology adjusted for estimated developer’s profit, opportunity cost and obsolescence factor. During the year ended December 31, 2018, we concluded that a portion of the IPR&D was not commercially feasible, and consequently recognized an abandonment loss of \$13.3 million in restructuring and other expenses in the consolidated statements of operations. Additionally, \$26.5 million of IPR&D was put into production during the year ended December 31, 2018, and we expect to complete the remaining research and development efforts in the first half of 2019. The nature of the research and development efforts consists principally of planning, designing and testing the technology for viability in manufacturing solar cells and modules. If commercial feasibility is not achieved for the remaining IPR&D, we would likely look to other alternative technologies.

The costs associated with one of the trade names acquired by us has been fully amortized as of December 31, 2018 as we phased out the use of such trade name in our sales and marketing efforts.

Total future amortization expense for intangible assets was estimated as follows (in thousands):

	December 31, 2018
2019	\$ 34,637
2020	32,729
2021	32,729
2022	32,729
2023	26,537
Thereafter	76,105
Total	\$ 235,466

Note 5 - Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The three-tiered fair value hierarchy, which prioritizes which inputs should be used in measuring fair value, is comprised of: (Level I) observable inputs such as quoted prices in active markets; (Level II) inputs other than quoted prices in active markets that are observable either directly or indirectly and (Level III) unobservable inputs for which there is little or no market data. The fair value hierarchy requires the use of observable market data when available in determining fair value. Our assets and liabilities that were measured at fair value on a recurring basis were as follows (in thousands):

	December 31, 2018				December 31, 2017			
	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III
Money market funds (cash and cash equivalents & restricted cash)	\$ 1,812,828	1,812,828	\$ —	\$ —	\$ 2,163,459	\$ 2,163,459	\$ —	\$ —
Interest rate swaps, net	11,070	—	11,070	—	59	—	59	—
Total	\$ 1,823,898	\$ 1,812,828	\$ 11,070	\$ —	\$ 2,163,518	\$ 2,163,459	\$ 59	\$ —

All of our money market funds were classified within Level I of the fair value hierarchy because they were valued using quoted prices in active markets. Our interest rate swaps were classified within Level II of the fair value hierarchy because they were valued using alternative pricing sources or models that utilized market observable inputs, including current and forward interest rates. During the year ended December 31, 2018, there were no transfers between the levels of the fair value hierarchy.

Interest Rate Swaps

We enter into fixed-for-floating interest rate swap agreements to swap variable interest payments on certain debt for fixed interest payments, as required by certain of our lenders. We do not designate our interest rate swaps as hedging instruments. Accordingly, our interest rate swaps are recorded at fair value on the consolidated balance sheets within other assets or other long-term liabilities, with any changes in their fair values recognized as other income (expense), net, in the consolidated statements of operations and with any cash flows recognized as investing activities in the consolidated statements of cash flows. Our interest rate swaps outstanding were as follows (in thousands):

	December 31, 2018			December 31, 2017		
	Aggregate Notional Amount	Gross Asset at Fair Value	Gross Liability at Fair Value	Aggregate Notional Amount	Gross Asset at Fair Value	Gross Liability at Fair Value
Interest rate swaps	\$ 800,293	\$ 12,159	\$ 1,089	\$ 496,544	\$ 5,304	\$ 5,245

For the years ended December 31, 2018, 2017 and 2016, our interest rate swaps activity was as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Gross gains	\$ 21,558	\$ 7,192	\$ 6,995
Gross losses	\$ 11,670	\$ 13,082	\$ —

Disclosure of Fair Values

Our financial instruments that are not re-measured at fair value include accounts receivable, MyPower customer notes receivable, rebates receivable, accounts payable, accrued liabilities, customer deposits, the participation interest and debt. The carrying values of these financial instruments other than the participation interest, the convertible senior notes, the 5.30% Senior Notes due in 2025, the solar asset-backed notes, the solar loan-backed notes and the automotive asset-backed notes approximate their fair values.

We estimate the fair value of the convertible senior notes and the 5.30% Senior Notes due in 2025 using commonly accepted valuation methodologies and market-based risk measurements that are indirectly observable, such as credit risk (Level II). In addition, we estimate the fair values of the participation interest, the solar asset-backed notes, the solar loan-backed notes and the automotive asset-backed notes based on rates currently offered for instruments with similar maturities and terms (Level III). The following table presents the estimated fair values and the carrying values (in thousands):

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible senior notes	\$ 3,660,316	\$ 4,346,642	\$ 3,722,673	\$ 4,488,651
Senior notes	\$ 1,778,756	\$ 1,575,000	\$ 1,775,550	\$ 1,732,500
Participation interest	\$ 18,946	\$ 18,431	\$ 17,545	\$ 17,042
Solar asset-backed notes	\$ 1,183,675	\$ 1,206,755	\$ 880,415	\$ 898,145
Solar loan-backed notes	\$ 203,052	\$ 211,788	\$ 236,844	\$ 248,149
Automotive asset-backed notes	\$ 1,172,160	\$ 1,179,910	\$ —	\$ —

Note 6 - Inventory

Our inventory consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Raw materials	\$ 931,828	\$ 821,396
Work in process	296,991	243,181
Finished goods	1,581,763	1,013,909
Service parts	302,864	185,051
Total	\$ 3,113,446	\$ 2,263,537

Finished goods inventory included vehicles in transit to fulfill customer orders, new vehicles available for immediate sale at our retail and service center locations, used vehicles and energy storage products. During the year ended December 31, 2018, we made the decision to utilize some of our fleet cars as service loaners on a long-term basis. As a result, we reclassified \$121.2 million of finished goods inventory to property, plant and equipment.

For solar energy systems, leased and to be leased, we commence transferring component parts from inventory to construction in progress, a component of solar energy systems, leased and to be leased, once a lease contract with a customer has been executed and installation has been initiated. Additional costs incurred on the leased systems, including labor and overhead, are recorded within construction in progress.

We write-down inventory for any excess or obsolete inventories or when we believe that the net realizable value of inventories is less than the carrying value. During the years ended December 31, 2018, 2017 and 2016, we recorded write-downs of \$78.3 million, \$124.1 million and \$52.8 million, respectively, in cost of revenues.

Note 7 - Solar Energy Systems, Leased and To Be Leased, Net

Solar energy systems, leased and to be leased, net, consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Solar energy systems leased to customers	\$ 6,430,729	\$ 6,009,977
Initial direct costs related to customer solar energy system lease acquisition costs	99,380	74,709
	<u>6,530,109</u>	<u>6,084,686</u>
Less: accumulated depreciation and amortization	(495,518)	(220,110)
	<u>6,034,591</u>	<u>5,864,576</u>
Solar energy systems under construction	67,773	243,847
Solar energy systems to be leased to customers	169,032	239,067
Solar energy systems, leased and to be leased - net (1)	<u>\$ 6,271,396</u>	<u>\$ 6,347,490</u>

- (1) As of December 31, 2018 and 2017, solar energy systems, leased and to be leased, included \$36.0 million of capital leased assets with accumulated depreciation and amortization of \$3.8 million and \$1.9 million, respectively.

Note 8 - Property, Plant and Equipment

Our property, plant and equipment, net, consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Machinery, equipment, vehicles and office furniture	\$ 6,328,966	\$ 4,251,711
Tooling	1,397,514	1,255,952
Leasehold improvements	960,971	789,751
Land and buildings	4,047,006	2,517,247
Computer equipment, hardware and software	487,421	395,067
Construction in progress	807,297	2,541,588
	<u>14,029,175</u>	<u>11,751,316</u>
Less: Accumulated depreciation	(2,699,098)	(1,723,794)
Total	<u>\$ 11,330,077</u>	<u>\$ 10,027,522</u>

Construction in progress is primarily comprised of tooling and equipment related to the manufacturing of our vehicles and a portion of Gigafactory 1 construction. Completed assets are transferred to their respective asset classes, and depreciation begins when an asset is ready for its intended use. Construction in progress also includes certain build-to-suit lease costs incurred at our Buffalo manufacturing facility, referred to as Gigafactory 2. During the year ended December 31, 2018, we had significant transfers from construction in progress to the various property, plant and equipment asset classes as assets were placed in service primarily at Gigafactory 1 and Gigafactory 2. Interest on outstanding debt is capitalized during periods of significant capital asset construction and amortized over the useful lives of the related assets. During the years ended December 31, 2018 and 2017, we capitalized \$54.9 million and \$124.9 million, respectively, of interest.

As of December 31, 2018 and 2017, the table above included \$1.69 billion and \$1.63 billion, respectively, of gross build-to-suit lease assets. As of December 31, 2018 and 2017, the corresponding financing liabilities of \$81.7 million and \$14.9 million, respectively, were recorded in accrued liabilities and \$1.66 billion and \$1.67 billion, respectively, were recorded in other long-term liabilities on the consolidated balance sheets.

Depreciation expense during the years ended December 31, 2018, 2017 and 2016 was \$1.11 billion, \$769.3 million and \$477.3 million, respectively. Gross property and equipment under capital leases as of December 31, 2018 and 2017 was \$1.52 billion and \$688.3 million, respectively. Accumulated depreciation on property and equipment under capital leases as of these dates was \$231.6 million and \$100.6 million, respectively.

Panasonic has partnered with us on Gigafactory 1 with investments in the production equipment that it uses to manufacture and supply us with battery cells. Under our arrangement with Panasonic, we plan to purchase the full output from their production equipment at negotiated prices. As these terms convey to us the right to use, as defined in ASC 840, *Leases*, their production equipment, we consider them to be leased assets when production commences. This results in us recording the cost of their production equipment within property, plant and equipment, net, on the consolidated balance sheets with a corresponding liability recorded to long-term debt and capital leases. For all suppliers and partners for which we plan to purchase the full output from their production equipment located at Gigafactory 1, we have applied similar accounting. As of December 31, 2018 and 2017, we had cumulatively capitalized costs of \$1.24 billion and \$473.3 million, respectively, on the consolidated balance sheets in relation to the production equipment under our Panasonic arrangement. We had cumulatively capitalized total costs for Gigafactory 1, including costs under our Panasonic arrangement, of \$4.62 billion and \$3.15 billion as of December 31, 2018 and 2017, respectively.

Note 9 - Non-cancellable Operating Lease Payments Receivable

As of December 31, 2018, future minimum lease payments to be received from customers under non-cancellable operating leases for each of the next five years and thereafter were as follows (in thousands):

2019	\$	501,625
2020		418,299
2021		270,838
2022		186,807
2023		188,809
Thereafter		2,469,732
Total	\$	4,036,110

The above table does not include vehicle sales to customers or leasing partners with a resale value guarantee as the cash payments were received upfront. In addition, we assumed through our acquisition of SolarCity and will continue to enter into PPAs with our customers that are accounted for as leases. These customers are charged solely based on actual power produced by the installed solar energy system at a predefined rate per kilowatt-hour of power produced. The future payments from such arrangements are not included in the above table as they are a function of the power generated by the related solar energy systems in the future. Furthermore, the above table does not include performance-based incentives receivable from various utility companies. The amount of contingent rentals recognized as revenue for the years presented were not material.

Note 10 - Accrued Liabilities and Other

As of December 31, 2018 and 2017, accrued liabilities and other current liabilities consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Accrued purchases	\$ 394,216	\$ 753,408
Payroll and related costs	448,836	378,284
Taxes payable	348,663	185,807
Financing obligation, current portion	61,761	67,313
Accrued warranty	200,701	125,502
Sales return reserve, current portion	107,800	—
Accrued interest	77,917	75,572
Build-to-suit lease liability, current portion	81,739	14,915
Other current liabilities	372,620	130,565
Total	\$ 2,094,253	\$ 1,731,366

Taxes payable included value added tax, sales tax, property tax, use tax and income tax payables.

Accrued purchases primarily reflected receipts of goods and services that we had not been invoiced yet. As we are invoiced for these goods and services, this balance will reduce and accounts payable will increase.

Due to the adoption of the new revenue standard, automotive sales with resale value guarantees that are now accounted for as sales with a right of return require a corresponding sales return reserve, which is included in accrued liabilities and other when the reserve is current and other long-term liabilities when the reserve is non-current on the consolidated balance sheets. For automotive sales without a resale value guarantee, we record a reserve against revenue for the estimated variable consideration related to future product returns in accrued liabilities and other on the consolidated balance sheets. See Note 2, *Summary of Significant Accounting Policies* for details.

Note 11 - Other Long-Term Liabilities

Other long-term liabilities consisted of the following, net of current portion (in thousands):

	December 31, 2018	December 31, 2017
Accrued warranty reserve	\$ 547,125	\$ 276,289
Build-to-suit lease liability	1,662,017	1,665,768
Deferred rent expense	59,252	46,820
Financing obligation	50,383	67,929
Liability for receipts from an investor	—	29,713
Sales return reserve	84,143	—
Other noncurrent liabilities	307,483	356,451
Total other long-term liabilities	<u>\$ 2,710,403</u>	<u>\$ 2,442,970</u>

The liability for receipts from an investor represents the amounts received from the investor under a lease pass-through fund arrangement for the monetization of ITCs for solar energy systems not yet placed in service. Due to the adoption of the new revenue standard, automotive sales with resale value guarantees that are now accounted for as sales with a right of return require a corresponding sales return reserve, which is included in accrued liabilities and other when the reserve is current and other long-term liabilities when the reserve is non-current on the consolidated balance sheets.

Note 12 - Customer Deposits

Customer deposits primarily consisted of cash payments from customers at the time they place an order or reservation for a vehicle or an energy product and any additional payments up to the point of delivery or the completion of installation, including the fair values of any customer trade-in vehicles that are applicable toward a new vehicle purchase. Customer deposit amounts and timing vary depending on the vehicle model, the energy product and the country of delivery. In the case of a vehicle, customer deposits are fully refundable up to the point the vehicle is placed into the production cycle. In the case of an energy generation or storage product, customer deposits are fully refundable prior to the entry into a purchase agreement or in certain cases for a limited time thereafter (in accordance with applicable laws). Customer deposits are included in current liabilities until refunded or until they are applied towards the customer's purchase balance. As of December 31, 2018 and December 31, 2017, we held \$792.6 million and \$853.9 million, respectively, in customer deposits.

Due to the adoption of the new revenue standard, customer deposits now include prepayments on contracts that can be cancelled without significant penalties, such as vehicle maintenance plans, which were previously reported as deferred revenue. As a result, the adoption of the new revenue standard increased the customer deposits balance as of December 31, 2018 by \$58.4 million as compared to what the balance would have been under ASC 605, *Revenue Recognition* (see Note 2, *Summary of Significant Accounting Policies*).

Note 13 -Long-Term Debt Obligations

The following is a summary of our debt as of December 31, 2018 (in thousands):

	Unpaid Principal Balance	Net Carrying Value		Unused Committed Amount*	Contractual Interest Rates	Contractual Maturity Date
		Current	Long-Term			
Recourse debt:						
0.25% Convertible Senior Notes due in 2019 ("2019 Notes")	920,000	912,625	—	—	0.25 %	March 2019
1.25% Convertible Senior Notes due in 2021 ("2021 Notes")	1,380,000	—	1,243,496	—	1.25 %	March 2021
2.375% Convertible Senior Notes due in 2022 ("2022 Notes")	977,500	—	871,326	—	2.375 %	March 2022
5.30% Senior Notes due in 2025 ("2025 Notes")	1,800,000	—	1,778,756	—	5.30 %	August 2025
Credit Agreement	1,540,000	—	1,540,000	230,999	1% plus LIBOR	June 2020
Vehicle and other Loans	76,203	1,203	75,000	—	1.8%-7.6%	January 2019-December 2021
1.625% Convertible Senior Notes due in 2019	565,992	541,070	—	—	1.625 %	November 2019
Zero-Coupon Convertible Senior Notes due in 2020	103,000	—	91,799	—	0.0 %	December 2020
Solar Bonds	24,725	119	25,190	—	2.6%-5.8%	January 2019-January 2031
Total recourse debt	7,387,420	1,455,017	5,625,567	230,999		
Non-recourse debt:						
Warehouse Agreements	92,000	13,604	78,396	1,008,000	3.9%-4.2%	September 2020
Canada Credit Facility	73,220	31,766	41,454	—	3.6%-5.9%	November 2022
Term Loan due in 2019	180,624	180,624	—	—	6.1 %	January 2019
Term Loan due in 2021	169,050	6,876	161,453	—	6.0 %	January 2021
Cash equity debt	466,837	10,911	441,472	—	5.3%-5.8%	July 2033- January 2035
Solar asset-backed notes	1,214,071	28,761	1,154,914	—	4.0%-7.7%	September 2024- February 2048
Solar loan-backed notes	210,249	9,888	193,164	—	4.8%-7.5%	September 2048- September 2049
Automotive asset-backed notes	1,177,937	467,926	704,234	—	2.3%-7.9%	December 2019-June 2022
Solar Renewable Energy Credit and other Loans	26,742	16,612	9,836	17,633	5.1%-7.9%	December 2019-July 2021
Total non-recourse debt	3,610,730	766,968	2,784,923	1,025,633		
Total debt	\$ 10,998,150	\$ 2,221,985	\$ 8,410,490	\$ 1,256,632		

The following is a summary of our debt as of December 31, 2017 (in thousands):

	Unpaid Principal Balance	Net Carrying Value		Unused Committed Amount*	Contractual Interest Rates	Contractual Maturity Date
		Current	Long-Term			
Recourse debt:						
1.50% Convertible Senior Notes due in 2018 ("2018 Notes")	\$ 5,512	\$ 5,442	\$ —	\$ —	1.50%	June 2018
2019 Notes	920,000	—	869,092	—	0.25%	March 2019
2021 Notes	1,380,000	—	1,186,131	—	1.25%	March 2021
2022 Notes	977,500	—	841,973	—	2.375%	March 2022
2025 Notes	1,800,000	—	1,775,550	—	5.30%	August 2025
Credit Agreement	1,109,000	—	1,109,000	729,929	1% plus LIBOR	June 2020
Vehicle and other Loans	16,205	15,944	261	—	1.8%-7.6%	January 2018-September 2019
2.75% Convertible Senior Notes due in 2018	230,000	222,171	—	—	2.75%	November 2018
1.625% Convertible Senior Notes due in 2019	566,000	—	511,389	—	1.625%	November 2019
Zero-Coupon Convertible Senior Notes due in 2020	103,000	—	86,475	—	0.0%	December 2020
Related Party Promissory Notes due in February 2018	100,000	100,000	—	—	6.5%	February 2018
Solar Bonds	32,016	7,008	24,940	—	2.6%-5.8%	March 2018-January 2031
Total recourse debt	7,239,233	350,565	6,404,811	729,929		
Non-recourse debt:						
Warehouse Agreements	673,811	195,382	477,867	426,189	3.1%	September 2019
Canada Credit Facility	86,708	31,106	55,603	—	3.6%-5.1%	November 2021
Term Loan due in December 2018	157,095	156,884	—	19,534	4.8%	December 2018
Term Loan due in January 2021	176,290	5,885	169,352	—	4.9%	January 2021
Revolving Aggregation Credit Facility	161,796	—	158,733	438,204	4.1%-4.5%	December 2019
Solar Renewable Energy Credit Loan Facility	38,575	15,858	22,774	—	7.3%	July 2021
Cash equity debt	482,133	12,334	454,421	—	5.3%-5.8%	July 2033-January 2035
Solar asset-backed notes	907,241	23,829	856,586	—	4.0%-7.7%	November 2038-February 2048
Solar loan-backed notes	244,498	8,006	228,838	—	4.8%-7.5%	September 2048-September 2049
Total non-recourse debt	2,928,147	449,284	2,424,174	883,927		
Total debt	\$ 10,167,380	\$ 799,849	\$ 8,828,985	\$ 1,613,856		

* Unused committed amounts under some of our credit facilities and financing funds are subject to satisfying specified conditions prior to draw-down (such as pledging to our lenders sufficient amounts of qualified receivables, inventories, leased vehicles and our interests in those leases, solar energy systems and the associated customer contracts, our interests in financing funds or various other assets). Upon draw-down of any unused committed amounts, there are no restrictions on use of available funds for general corporate purposes.

Recourse debt refers to debt that is recourse to our general assets. Non-recourse debt refers to debt that is recourse to only specified assets of our subsidiaries. The differences between the unpaid principal balances and the net carrying values are due to convertible senior note conversion features, debt discounts or deferred financing costs. As of December 31, 2018, we were in compliance with all financial debt covenants, which include minimum liquidity and expense-coverage balances and ratios.

2018 Notes, Bond Hedges and Warrant Transactions

In May 2013, we issued \$660.0 million in aggregate principal amount of 1.50% Convertible Senior Notes due in June 2018 in a public offering. The net proceeds from the issuance, after deducting transaction costs, were \$648.0 million.

Each \$1,000 of principal of the 2018 Notes is initially convertible into 8.0306 shares of our common stock, which is equivalent to an initial conversion price of \$124.52 per share, subject to adjustment upon the occurrence of specified events. Holders of the 2018 Notes may convert, at their option, on or after March 1, 2018. Further, holders of the 2018 Notes may convert, at their option, prior to March 1, 2018 only under the following circumstances: (1) during any quarter beginning after September 30, 2013, if the closing price of our common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days immediately preceding the quarter is greater than or equal to 130% of the conversion price; (2) during the five-business day period following any five-consecutive trading day period in which the trading price of the 2018 Notes is less than 98% of the product of the closing price of our common stock for each day during such five-consecutive trading day period or (3) if we make specified distributions to holders of our common stock or if specified corporate transactions occur. Upon conversion, we would pay cash for the principal amount and, if applicable, deliver 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. If a fundamental change occurs prior to the maturity date, holders of the 2018 Notes may require us to repurchase all or a portion of their 2018 Notes for cash at a repurchase price equal to 100% of the principal amount plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the maturity date, we would increase the conversion rate for a holder who elects to convert its 2018 Notes in connection with such an event in certain circumstances.

In accordance with GAAP relating to embedded conversion features, we initially valued and bifurcated the conversion feature associated with the 2018 Notes. We recorded to stockholders' equity \$82.8 million for the conversion feature. The resulting debt discount is being amortized to interest expense at an effective interest rate of 4.29%.

In connection with the offering of the 2018 Notes, we entered into convertible note hedge transactions whereby we have the option to purchase initially (subject to adjustment for certain specified events) 5.3 million shares of our common stock at a price of \$124.52 per share. The cost of the convertible note hedge transactions was \$177.5 million. In addition, we sold warrants whereby the holders of the warrants have the option to purchase initially (subject to adjustment for certain specified events) 5.3 million shares of our common stock at a price of \$184.48 per share. We received \$120.3 million in cash proceeds from the sale of these warrants. Taken together, the purchase of the convertible note hedges and the sale of the warrants are intended to reduce potential dilution from the conversion of the 2018 Notes and to effectively increase the overall conversion price from \$124.52 to \$184.48 per share. As these transactions meet certain accounting criteria, the convertible note hedges and warrants are recorded in stockholders' equity and are not accounted for as derivatives. The net cost incurred in connection with the convertible note hedge and warrant transactions was recorded as a reduction to additional paid-in capital on the consolidated balance sheet.

During the first quarter of 2018, \$5.2 million in aggregate principal amount of the 2018 Notes were converted for \$5.2 million in cash and 25,745 shares of our common stock. As a result, we recognized a loss on debt extinguishment of less than \$0.1 million.

As of June 30, 2018, the 2018 Notes had been completely settled.

2019 Notes, 2021 Notes, Bond Hedges and Warrant Transactions

In March 2014, we issued \$800.0 million in aggregate principal amount of 0.25% Convertible Senior Notes due in March 2019 and \$1.20 billion in aggregate principal amount of 1.25% Convertible Senior Notes due in March 2021 in a public offering. In April 2014, we issued an additional \$120.0 million in aggregate principal amount of the 2019 Notes and \$180.0 million in aggregate principal amount of the 2021 Notes, pursuant to the exercise in full of the overallotment options by the underwriters. The total net proceeds from the issuances, after deducting transaction costs, were \$905.8 million for the 2019 Notes and \$1.36 billion for the 2021 Notes.

Each \$1,000 of principal of these notes is initially convertible into 2.7788 shares of our common stock, which is equivalent to an initial conversion price of \$359.87 per share, subject to adjustment upon the occurrence of specified events. Holders of these notes may elect to convert on or after December 1, 2018 for the 2019 Notes and December 1, 2020 for the 2021 Notes. The settlement of such an election to convert the 2019 Notes would be in cash and/or shares of our common stock, which we intend to settle in cash, on the maturity date. The settlement of such an election to convert the 2021 Notes would be in cash for the principal amount 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), on the maturity date. Further, holders of these notes may convert, at their option, prior to the respective dates above only under the following circumstances: (1) during a quarter in which the closing price of our common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days immediately preceding the quarter is greater than or equal to 130% of the conversion price; (2) during the five-business day period following any five-consecutive trading day period in which the trading price of these notes is less than 98% of the product of the closing price of our common stock for each day during such five-consecutive trading day period or (3) if we make specified distributions to holders of our common stock or if specified corporate transactions occur. Upon such a conversion of the 2019 Notes, we would pay or deliver (as applicable) cash, shares of our common stock or a combination thereof, at our election. Upon such a conversion of the 2021 Notes, we would pay cash for the principal amount and, if applicable, deliver 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. If a fundamental change occurs prior to the applicable maturity date, holders of these notes may require us to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the applicable maturity date, we would increase the conversion rate for a holder who elects to convert their notes in connection with such an event in certain circumstances. As of December 31, 2018, none of the conditions permitting the holders of 2021 Notes to early convert had been met. Therefore, 2021 Notes were classified as long-term.

In accordance with GAAP relating to embedded conversion features, we initially valued and bifurcated the conversion features associated with these notes. We recorded to stockholders' equity \$188.1 million for the 2019 Notes' conversion feature and \$369.4 million for the 2021 Notes' conversion feature. The resulting debt discounts are being amortized to interest expense at an effective interest rate of 4.89% and 5.96%, respectively.

In connection with the offering of these notes in March 2014, we entered into convertible note hedge transactions whereby we have the option to purchase initially (subject to adjustment for certain specified events) a total of 5.6 million shares of our common stock at a price of \$359.87 per share. The total cost of the convertible note hedge transactions was \$524.7 million. In addition, we sold warrants whereby the holders of the warrants have the option to purchase initially (subject to adjustment for certain specified events) 2.2 million shares of our common stock at a price of \$512.66 per share for the 2019 Notes and 3.3 million shares of our common stock at a price of \$560.64 per share for 2021 Notes. We received \$338.4 million in total cash proceeds from the sales of these warrants. Similarly, in connection with the issuance of the additional notes in April 2014, we entered into convertible note hedge transactions and paid a total of \$78.7 million. In addition, we sold warrants to purchase initially (subject to adjustment for certain specified events) 0.3 million shares of our common stock at a price of \$512.66 per share for the 2019 Notes and 0.5 million shares of our common stock at a price of \$560.64 per share for the 2021 Notes. We received \$50.8 million in total cash proceeds from the sales of these warrants. Taken together, the purchases of the convertible note hedges and the sales of the warrants are intended to reduce potential dilution and/or cash payments from the conversion of these notes and to effectively increase the overall conversion price from \$359.87 to \$512.66 per share for the 2019 Notes and from \$359.87 to \$560.64 per share for the 2021 Notes. As these transactions meet certain accounting criteria, the convertible note hedges and warrants are recorded in stockholders' equity and are not accounted for as derivatives. The net cost incurred in connection with the convertible note hedge and warrant transactions was recorded as a reduction to additional paid-in capital on the consolidated balance sheet.

2022 Notes, Bond Hedges and Warrant Transactions

In March 2017, we issued \$977.5 million in aggregate principal amount of 2.375% Convertible Senior Notes due in March 2022 in a public offering. The net proceeds from the issuance, after deducting transaction costs, were \$965.9 million.

Each \$1,000 of principal of the 2022 Notes is initially convertible into 3.0534 shares of our common stock, which is equivalent to an initial conversion price of \$327.50 per share, subject to adjustment upon the occurrence of specified events. Holders of the 2022 Notes may convert, at their option, on or after December 15, 2021. Further, holders of the 2022 Notes may convert, at their option, prior to December 15, 2021 only under the following circumstances: (1) during any quarter beginning after June 30, 2017, if the closing price of our common stock for at least 20 trading days (whether or not consecutive) during the last 30 consecutive trading days immediately preceding the quarter is greater than or equal to 130% of the conversion price; (2) during the five-business day period following any five-consecutive trading day period in which the trading price of the 2022 Notes is less than 98% of the product of the closing price of our common stock for each day during such five-consecutive trading day period or (3) if we make specified distributions to holders of our common stock or if specified corporate transactions occur. Upon a conversion, we would pay cash for the principal amount and, if applicable, deliver 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. If a fundamental change occurs prior to the maturity date, holders of the 2022 Notes may require us to repurchase all or a portion of their 2022 Notes for cash at a repurchase price equal to 100% of the principal amount plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the maturity date, we would increase the conversion rate for a holder who elects to convert its 2022 Notes in connection with such an event in certain circumstances. As of December 31, 2018, none of the conditions permitting the holders of the 2022 Notes to early convert had been met. Therefore, the 2022 Notes are classified as long-term.

In accordance with GAAP relating to embedded conversion features, we initially valued and bifurcated the conversion feature associated with the 2022 Notes. We recorded to stockholders' equity \$145.6 million for the conversion feature. The resulting debt discount is being amortized to interest expense at an effective interest rate of 6.00%.

In connection with the offering of the 2022 Notes, we entered into convertible note hedge transactions whereby we have the option to purchase initially (subject to adjustment for certain specified events) 3.0 million shares of our common stock at a price of \$327.50 per share. The cost of the convertible note hedge transactions was \$204.1 million. In addition, we sold warrants whereby the holders of the warrants have the option to purchase initially (subject to adjustment for certain specified events) 3.0 million shares of our common stock at a price of \$655.00 per share. We received \$52.9 million in cash proceeds from the sale of these warrants. Taken together, the purchase of the convertible note hedges and the sale of the warrants are intended to reduce potential dilution from the conversion of the 2022 Notes and to effectively increase the overall conversion price from \$327.50 to \$655.00 per share. As these transactions meet certain accounting criteria, the convertible note hedges and warrants are recorded in stockholders' equity and are not accounted for as derivatives. The net cost incurred in connection with the convertible note hedge and warrant transactions was recorded as a reduction to additional paid-in capital on the consolidated balance sheet.

2025 Notes

In August 2017, we issued \$1.80 billion in aggregate principal amount of unsecured 5.30% Senior Notes due in August 2025 pursuant to Rule 144A and Regulation S under the Securities Act. The net proceeds from the issuance, after deducting transaction costs, were \$1.77 billion.

Credit Agreement

In June 2015, we entered into a senior asset-based revolving credit agreement (as amended from time to time, the "Credit Agreement") with a syndicate of banks. Borrowed funds bear interest, at our option, at an annual rate of (a) 1% plus LIBOR or (b) the highest of (i) the federal funds rate plus 0.50%, (ii) the lenders' "prime rate" or (iii) 1% plus LIBOR. The fee for undrawn amounts is 0.25% per annum. The Credit Agreement is secured by certain of our accounts receivable, inventory and equipment. Availability under the Credit Agreement is based on the value of such assets, as reduced by certain reserves.

On May 3, 2018, the Company entered into the Ninth Amendment (the "Ninth Amendment") to the Credit Agreement. The Ninth Amendment amended the Credit Agreement to permit Tesla to include in its discretion: (i) the Fremont Factory facilities in the U.S. borrowing base and/or (ii) vehicles in and in-transit to Belgium in the Dutch borrowing base.

Vehicle and Other Loans

We have entered into various vehicle and other loan agreements with various financial institutions. The vehicle loans are secured by the vehicles financed and used vehicles owned by us.

2.75% Convertible Senior Notes due in 2018

In October 2013, SolarCity issued \$230.0 million in aggregate principal amount of 2.75% Convertible Senior Notes due on November 1, 2018 in a public offering.

Each \$1,000 of principal of the convertible senior notes is now convertible into 1.7838 shares of our common stock, which is equivalent to a conversion price of \$560.64 per share (subject to adjustment upon the occurrence of specified events related to dividends, tender offers or exchange offers). Holders of the convertible senior notes may convert, at their option, at any time up to and including the second trading day prior to the maturity date. If certain events that would constitute a make-whole fundamental change (such as significant changes in ownership, corporate structure or tradability of our common stock) occur prior to the maturity date, we would increase the conversion rate for a holder who elects to convert its convertible senior notes in connection with such an event in certain circumstances. The maximum conversion rate is capped at 2.3635 shares for each \$1,000 of principal of the convertible senior notes, which is equivalent to a minimum conversion price of \$423.10 per share. The convertible senior notes do not have a cash conversion option. The convertible senior note holders may require us to repurchase their convertible senior notes for cash only under certain defined fundamental changes.

In November 2018, the 2.75% Convertible Senior Notes due in 2018 matured and aggregate outstanding principal of \$230.0 million was fully paid off.

1.625% Convertible Senior Notes due in 2019

In September 2014, SolarCity issued \$500.0 million and in October 2014, SolarCity issued an additional \$66.0 million in aggregate principal amount of 1.625% Convertible Senior Notes due on November 1, 2019 in a private placement.

Each \$1,000 of principal of the convertible senior notes is now convertible into 1.3169 shares of our common stock, which is equivalent to a conversion price of \$759.36 per share (subject to adjustment upon the occurrence of specified events related to dividends, tender offers or exchange offers). The maximum conversion rate is capped at 1.7449 shares for each \$1,000 of principal of the convertible senior notes, which is equivalent to a minimum conversion price of \$573.10 per share. The convertible senior notes do not have a cash conversion option. The convertible senior note holders may require us to repurchase their convertible senior notes for cash only under certain defined fundamental changes.

In connection with the issuance of the convertible senior notes in September and October 2014, SolarCity entered into capped call option agreements to reduce the potential dilution upon the conversion of the convertible senior notes. Specifically, upon the exercise of the capped call options, we would now receive shares of our common stock equal to 745,377 shares multiplied by (a) (i) the lower of \$1,146.18 or the then market price of our common stock less (ii) \$759.36 and divided by (b) the then market price of our common stock. The results of this formula are that we would receive more shares as the market price of our common stock exceeds \$759.36 and approaches \$1,146.18, but we would receive less shares as the market price of our common stock exceeds \$1,146.18. Consequently, if the convertible senior notes are converted, then the number of shares to be issued by us would be effectively partially offset by the shares received by us under the capped call options. We can also elect to receive the equivalent value of cash in lieu of shares. The capped call options expire on various dates ranging from September 4, 2019 to October 29, 2019, and the formula above would be adjusted in the event of a merger; a tender offer; nationalization; insolvency; delisting of our common stock; changes in law; failure to deliver; insolvency filing; stock splits, combinations, dividends, repurchases or similar events or an announcement of certain of the preceding actions. Although intended to reduce the net number of shares issued after a conversion of the convertible senior notes, the capped call options were separately negotiated transactions, are not a part of the terms of the convertible senior notes, do not affect the rights of the convertible senior note holders and take effect regardless of whether the convertible senior notes are actually converted. The capped call options meet the criteria for equity classification because they are indexed to our common stock and we always control whether settlement will be in shares or cash.

Zero-Coupon Convertible Senior Notes due in 2020

In December 2015, SolarCity issued \$113.0 million in aggregate principal amount of Zero-Coupon Convertible Senior Notes due on December 1, 2020 in a private placement. \$13.0 million of the convertible senior notes were issued to related parties (see Note 21, *Related Party Transactions*).

Each \$1,000 of principal of the convertible senior notes is now convertible into 3.3333 shares of our common stock, which is equivalent to a conversion price of \$300.00 per share (subject to adjustment upon the occurrence of specified events related to dividends, tender offers or exchange offers). The maximum conversion rate is capped at 4.2308 shares for each \$1,000 of principal of the convertible senior notes, which is equivalent to a minimum conversion price of \$236.36 per share. The convertible senior notes do not have a cash conversion option. The convertible senior note holders may require us to repurchase their convertible senior notes for cash only under certain defined fundamental changes. On or after June 30, 2017, the convertible senior notes are redeemable by us in the event that the closing price of our common stock exceeds 200% of the conversion price for 45 consecutive trading days ending within three trading days of such redemption notice at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest.

Related Party Promissory Notes

In April, 2017, our CEO, SolarCity's former CEO and SolarCity's former Chief Technology Officer exchanged their \$100.0 million (collectively) in aggregate principal amount of 6.50% Solar Bonds due in February 2018 for promissory notes in the same amounts and with substantially the same terms.

During the year ended December 31, 2018, we fully repaid the \$100.0 million in aggregate principal amount of 6.50% promissory notes held by our CEO, SolarCity's former CEO and SolarCity's former Chief Technology Officer.

Solar Bonds

Solar Bonds are senior unsecured obligations that are structurally subordinate to the indebtedness and other liabilities of our subsidiaries. Solar Bonds were issued under multiple series with various terms and interest rates. See Note 21, *Related Party Transactions*, for Solar Bonds issued to related parties.

Warehouse Agreements

In August 2016, our subsidiaries entered into the a loan and security agreement (the "2016 Warehouse Agreement") for borrowings secured by the future cash flows arising from certain leases and the associated leased vehicles. On August 17, 2017, the 2016 Warehouse Agreement was amended to modify the interest rates and extend the availability period and the maturity date, and our subsidiaries entered into another loan and security agreement (the "2017 Warehouse Agreement") with substantially the same terms as and that shares the same committed amount with the 2016 Warehouse Agreement. On August 16, 2018, the 2016 Warehouse Agreement and 2017 Warehouse Agreement were amended to extend the availability period from August 17, 2018 to August 16, 2019 and extend the maturity date from September 2019 to September 2020. On December 28, 2018, our subsidiaries terminated the 2017 Warehouse Agreement after having fully repaid all obligations thereunder, and entered into a third loan and security agreement with substantially the same terms as and that shares the same committed amount with the 2016 Warehouse Agreement. We refer to these agreements together as the "Warehouse Agreements." Amounts drawn under the Warehouse Agreements generally bear interest at a fixed margin above (i) LIBOR or (ii) the commercial paper rate. The Warehouse Agreements are non-recourse to our other assets.

Pursuant to the Warehouse Agreements, an undivided beneficial interest in the future cash flows arising from certain leases and the related leased vehicles has been sold for legal purposes but continues to be reported in the consolidated financial statements. The interest in the future cash flows arising from these leases and the related vehicles is not available to pay the claims of our creditors other than pursuant to obligations to the lenders under the Warehouse Agreements. Any excess cash flows not required to pay obligations under the Warehouse Agreements are available for distributions.

During the year ended December 31, 2018, we repaid \$1.16 billion of the principal outstanding under the Warehouse Agreements.

Canada Credit Facility

In December 2016, one of our subsidiaries entered into a credit agreement (the “Canada Credit Facility”) with a bank for borrowings secured by our interests in certain vehicle leases. In December 2017 and December 2018, the Canada Credit Facility was amended to add our interests in additional vehicle leases as collateral, allowing us to draw additional funds. Amounts drawn under the Canada Credit Facility bear interest at fixed rates. The Canada Credit Facility is non-recourse to our other assets.

Term Loan due in 2019

In March 2016, a subsidiary of SolarCity entered into an agreement for a term loan. The term loan bears interest at an annual rate of the lender’s cost of funds plus 3.25%. The fee for undrawn commitments is 0.85% per annum. On March 31, 2017, the agreement was amended to upsize the committed amount, extend the availability period and extend the maturity date. The term loan is secured by substantially all of the assets of the subsidiary and is non-recourse to our other assets. The term loan had an original maturity date of December 2018 and on December 19, 2018, the maturity date was extended to January 2019. On January 30, 2019, the maturity date of the term loan was further extended to April 2019.

Term Loan due in 2021

In January 2016, a subsidiary of SolarCity entered into an agreement with a syndicate of banks for a term loan. The term loan bears interest at an annual rate of three-month LIBOR plus 3.50%. The term loan is secured by substantially all of the assets of the subsidiary, including its interests in certain financing funds, and is non-recourse to our other assets.

Revolving Aggregation Credit Facility

In May 2015, a subsidiary of SolarCity entered into an agreement with a syndicate of banks for a revolving aggregation credit facility. On March 23, 2016 and June 23, 2017, the agreement was amended to modify the interest rates and extend the availability period and the maturity date. The revolving aggregation credit facility bears interest at an annual rate of 2.75% plus (i) for commercial paper loans, the commercial paper rate and (ii) for LIBOR loans, at our option, three-month LIBOR or daily LIBOR. The revolving aggregation credit facility is secured by certain assets of certain of our subsidiaries and was non-recourse to our other assets. On December 28, 2018, the aggregate outstanding principal amount of \$210.2 million was repaid and the Revolving Aggregation Credit Facility was terminated.

Cash Equity Debt I

In connection with the cash equity financing on May 2, 2016, SolarCity issued \$121.7 million in aggregate principal amount of debt that bears interest at a fixed rate. This debt is secured by, among other things, our interests in certain financing funds and is non-recourse to our other assets.

Cash Equity Debt II

In connection with the cash equity financing on September 8, 2016, SolarCity issued \$210.0 million in aggregate principal amount of debt that bears interest at a fixed rate. This debt is secured by, among other things, our interests in certain financing funds and is non-recourse to our other assets.

Cash Equity Debt III

In connection with the cash equity financing on December 16, 2016, we issued \$170.0 million in aggregate principal amount of debt that bears interest at a fixed rate. This debt is secured by, among other things, our interests in certain financing funds and is non-recourse to our other assets.

Solar Asset-backed Notes, Series 2013-1

In November 2013, SolarCity pooled and transferred qualifying solar energy systems and the associated customer contracts into a Special Purpose Entity ("SPE") and issued \$54.4 million in aggregate principal amount of Solar Asset-backed Notes, Series 2013-1, backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. As of December 31, 2018, these solar assets had a carrying value of \$85.1 million and are included within solar energy systems, leased and to be leased, net, on the consolidated balance sheets. The Solar Asset-backed Notes were issued at a discount of 0.05%. The cash flows generated by these solar assets are used to service the monthly principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. We recognize revenue earned from the associated customer contracts in accordance with our revenue recognition policy. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets. SolarCity contracted with the SPE to provide operations & maintenance and administrative services for the solar energy systems.

In connection with the pooling of the solar assets that were transferred to the SPE in November 2013, SolarCity terminated a lease pass-through arrangement with an investor. The lease pass-through arrangement had been accounted for as a borrowing, and the amount outstanding under the lease pass-through arrangement was recorded as a lease pass-through financing obligation. The balance that was then outstanding under the lease pass-through arrangement was \$56.4 million. SolarCity paid the investor an aggregate of \$40.2 million, and the remaining balance is paid over time using the net cash flows generated by the assets previously leased under the lease pass-through arrangement, after payment of the principal and interest on the Solar Asset-backed Notes and expenses related to the assets and the Solar Asset-backed Notes; this was contractually documented as a right to participate in the future cash flows of the SPE ("participation interest"). The participation interest was recorded as a component of other long-term liabilities for the non-current portion and accrued liabilities for the current portion. We account for the participation interest as a liability because the investor has no voting or management rights in the SPE, the participation interest would terminate upon the investor achieving a specified return and the investor has the option to put the participation interest to us on August 3, 2021 for the amount necessary for the investor to achieve the specified return, which would require us to settle the participation interest in cash. In addition, under the terms of the participation interest, we have the option to purchase the participation interest from the investor for the amount necessary for the investor to achieve the specified return.

Solar Asset-backed Notes, 2014-1

In April 2014, SolarCity pooled and transferred qualifying solar energy systems and the associated customer contracts into a SPE and issued \$70.2 million in aggregate principal amount of Solar Asset-backed Notes, Series 2014-1, backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. As of December 31, 2018, these solar assets had a carrying value of \$104.4 million and are included within solar energy systems, leased and to be leased, net, in the consolidated balance sheets. The Solar Asset-backed Notes were issued at a discount of 0.01%. The cash flows generated by these solar assets are used to service the monthly principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. We recognize revenue earned from the associated customer contracts in accordance with our revenue recognition policy. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets. SolarCity contracted with the SPE to provide operations & maintenance and administrative services for the solar energy systems.

Solar Asset-backed Notes, Series 2014-2

In July 2014, SolarCity pooled and transferred qualifying solar energy systems and the associated customer contracts into a SPE and issued \$160.0 million in aggregate principal amount of Solar Asset-backed Notes, Series 2014-2, Class A, and \$41.5 million in aggregate principal amount of Solar Asset-backed Notes, Series 2014-2, Class B, backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. As of December 31, 2018, these solar assets had a carrying value of \$244.5 million and are included within solar energy systems, leased and to be leased, net, in the consolidated balance sheets. The Solar Asset-backed Notes were issued at a discount of 0.01%. These solar assets and the associated customer contracts are leased to an investor under a lease pass-through arrangement that we have accounted for as a borrowing. The rent paid by the investor under the lease pass-through arrangement is used (and following the expiration of the lease pass-through arrangement, the cash generated by these solar assets will be used) to service the semi-annual principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. We recognize revenue earned from the associated customer contracts in accordance with our revenue recognition policy. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets. SolarCity contracted with the SPE to provide operations & maintenance and administrative services for certain of the solar energy systems.

Solar Asset-backed Notes, Series 2015-1

In August 2015, SolarCity pooled and transferred its interests in certain financing funds into a SPE and issued \$103.5 million in aggregate principal amount of Solar Asset-backed Notes, Series 2015-1, Class A, and \$20.0 million in aggregate principal amount of Solar Asset-backed Notes, Series 2015-1, Class B, backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. The Solar Asset-backed Notes were issued at a discount of 0.05% for Class A and 1.46% for Class B. The cash distributed by the underlying financing funds to the SPE are used to service the semi-annual principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets.

Solar Asset-backed Notes, Series 2016-1

In February 2016, SolarCity transferred qualifying solar energy systems and the associated customer contracts into a SPE and issued \$52.2 million in aggregate principal amount of Solar Asset-backed Notes, Series 2016-1, backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. As of December 31, 2018, these solar assets had a carrying value of \$80.3 million and are included within solar energy systems, leased and to be leased, net, on the consolidated balance sheets. The Solar Asset-backed Notes were issued at a discount of 6.71%. These solar assets and the associated customer contracts are leased to an investor under a lease pass-through arrangement that we have accounted for as a borrowing. The rent paid by the investor under the lease pass-through arrangement is used (and following the expiration of the lease pass-through arrangement, the cash generated by these solar assets will be used) to service the semi-annual principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. We recognize revenue earned from the associated customer contracts in accordance with our revenue recognition policy. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets. SolarCity contracted with the SPE to provide operations & maintenance and administrative services for certain of the solar energy systems.

Solar Asset-backed Notes, Series 2017-1

In November 2017, we pooled and transferred our interests in certain financing funds into a SPE and issued \$265.0 million in aggregate principal amount of Solar Asset-backed Notes, Series 2017-1, Class A, and \$75.0 million in aggregate principal amount of Solar Asset-backed Notes, Series 2017-1, Class B, backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. The Solar Asset-backed Notes were issued at a discount of 0.01% for Class A and 0.04% for Class B. The cash distributed by the underlying financing funds to the SPE are used to service the semi-annual principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets.

Solar Asset-backed Notes, Series 2017-2

In December 2017, we transferred qualifying solar energy systems and the associated customer contracts into a SPE and issued \$99.0 million in aggregate principal amount of Solar Asset-backed Notes, Series 2017-2, Class A, and \$31.9 million in aggregate principal amount of Solar Asset-backed Notes, Series 2017-2, Class B, backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. As of December 31, 2018, these solar assets had a carrying value of \$204.7 million and are included within solar energy systems, leased and to be leased, net, on the consolidated balance sheets. The Solar Asset-backed Notes were issued at a discount of 0.01% for Class A and 0.04% for Class B. Most of these solar assets and the associated customer contracts are leased to investors under lease pass-through arrangements that we have accounted for as borrowings. The rent paid by the investors under the lease pass-through arrangements is used (and following the expiration of the lease pass-through arrangements, the cash generated by these solar assets will be used) to service the semi-annual principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. We recognize revenue earned from the associated customer contracts in accordance with our revenue recognition policy. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets. We contracted with the SPE to provide operations & maintenance and administrative services for certain of the solar energy systems.

Solar Asset-backed Notes, Series 2018-1

In December 2018, we pooled and transferred our interests in certain financing funds into a SPE and issued \$334.1 million in aggregate principal amount of Solar Asset-backed Notes, Series 2018-1 backed by these solar assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. The Solar Asset-backed Notes were issued at par value. The cash distributed by the underlying financing funds to the SPE are used to service the semi-annual principal and interest payments on the Solar Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Asset-backed Note holders, have no recourse to our other assets.

Solar Loan-backed Notes, Series 2016-A

In January 2016, SolarCity pooled and transferred certain MyPower customer notes receivable into a SPE and issued \$151.6 million in aggregate principal amount of Solar Loan-backed Notes, Series 2016-A, Class A, and \$33.4 million in aggregate principal amount of Solar Loan-backed Notes, Series 2016-A, Class B, backed by these notes receivable to investors. The SPE is wholly owned by us and is consolidated in the financial statements. The Solar Loan-backed Notes were issued at a discount of 3.22% for Class A and 15.90% for Class B. The payments received by the SPE from these notes receivable are used to service the semi-annual principal and interest payments on the Solar Loan-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Loan-backed Note holders, have no recourse to our other assets.

Solar Loan-backed Notes, Series 2017-A

In January 2017, we pooled and transferred certain MyPower customer notes receivable into a SPE and issued \$123.0 million in aggregate principal amount of Solar Loan-backed Notes, Series 2017-A, Class A; \$8.8 million in aggregate principal amount of Solar Loan-backed Notes, Series 2017-A, Class B, and \$13.2 million in aggregate principal amount of Solar Loan-backed Notes, Series 2017-A, Class C, backed by these notes receivable to investors. The SPE is wholly owned by us and is consolidated in the financial statements. Accordingly, we did not recognize a gain or loss on the transfer of these notes receivable. The Solar Loan-backed Notes were issued at a discount of 1.87% for Class A, 1.86% for Class B and 8.13% for Class C. The payments received by the SPE from these notes receivable are used to service the semi-annual principal and interest payments on the Solar Loan-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Solar Loan-backed Note holders, have no recourse to our other assets.

Automotive Asset-backed Notes, Series 2018-A

In February 2018, we transferred receivables related to certain leased vehicles into a SPE and issued \$546.1 million in aggregate principal amount of Automotive Asset-backed Notes, Series 2018-A, backed by these automotive assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. The proceeds from the issuance, net of discounts and fees, were \$543.1 million. The cash flows generated by these automotive assets are used to service the monthly principal and interest payments on the Automotive Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. We recognize revenue earned from the associated customer lease contracts in accordance with our revenue recognition policy. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Automotive Asset-backed Note holders, have no recourse to our other assets. A third-party contracted with us to provide administrative and collection services for these automotive assets.

Automotive Asset-backed Notes, Series 2018-B

In December 2018, we transferred receivables related to certain leased vehicles into a SPE and issued \$837.4 million in aggregate principal amount of Automotive Asset-backed Notes, Series 2018-B, backed by these automotive assets to investors. The SPE is wholly owned by us and is consolidated in the financial statements. The proceeds from the issuance, net of discounts and fees, were \$833.1 million. The cash flows generated by these automotive assets are used to service the monthly principal and interest payments on the Automotive Asset-backed Notes and satisfy the SPE's expenses, and any remaining cash is distributed to one of our wholly owned subsidiaries. We recognize revenue earned from the associated customer lease contracts in accordance with our revenue recognition policy. The SPE's assets and cash flows are not available to our other creditors, and the creditors of the SPE, including the Automotive Asset-backed Note holders, have no recourse to our other assets. A third-party contracted with us to provide administrative and collection services for these automotive assets.

Solar Renewable Energy Credit and other Loans

We have entered into various solar renewable energy credit and other loan agreements with various financial institutions. The solar renewable energy credit loan facility is secured by substantially all of the assets of one of our wholly owned subsidiaries, including its rights under forward contracts to sell solar renewable energy credits, and is non-recourse to our other assets.

Interest Expense

The following table presents the interest expense related to the contractual interest coupon, the amortization of debt issuance costs and the amortization of debt discounts on our convertible senior notes with cash conversion features, which include the 2018 Notes, the 2019 Notes, the 2021 Notes and the 2022 Notes (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Contractual interest coupon	\$ 42,694	\$ 39,129	\$ 27,060
Amortization of debt issuance costs	6,629	6,932	8,567
Amortization of debt discounts	123,560	114,023	99,811
Total	\$ 172,883	\$ 160,084	\$ 135,438

Pledged Assets

As of December 31, 2018 and 2017, we had pledged or restricted \$5.23 billion and \$4.05 billion of our assets (consisted principally of restricted cash, receivables, inventory, SRECs, solar energy systems, property and equipment) as collateral for our outstanding debt.

Note 14 - Common Stock

In May 2016, we completed a public offering of common stock and sold a total of 7,915,004 shares of our common stock for total cash proceeds of approximately \$1.7 billion, net of underwriting discounts and offering costs.

On November 21, 2016, we completed the acquisition of SolarCity (see Note 3, *Business Combinations*) and exchanged 11,124,497 shares of our common stock for 101,131,791 shares of SolarCity common stock in accordance with the terms of the Merger Agreement.

In March 2017, we completed a public offering of our common stock and issued a total of 1,536,259 shares for total cash proceeds of \$399.6 million (including 95,420 shares purchased by our CEO for \$25.0 million), net of underwriting discounts and offering costs.

In April 2017, our CEO exercised his right under the indenture to convert all of his Zero-Coupon Convertible Senior Notes due in 2020, which had an aggregate principal amount of \$10.0 million. As a result, on April 26, 2017, we issued 33,333 shares of our common stock to our CEO in accordance with the specified conversion rate, and we recorded an increase to additional paid-in capital of \$10.3 million (see Note 13, *Long-Term Debt Obligations*).

During 2017, we issued 1,510,274 shares of our common stock and paid \$32.7 million in cash pursuant to conversions by or exchange agreements entered into with holders of \$199.5 million in aggregate principal amount of the 2018 Notes (see Note 13, *Long-Term Debt Obligations*). As a result, we recorded an increase to additional paid-in capital of \$163.0 million. In addition, we settled portions of the bond hedges and warrants entered into in connection with the 2018 Notes, resulting in a net cash inflow of \$56.8 million (which was recorded as an increase to additional paid-in capital), the issuance of 34,393 shares of our common stock and the receipt of 169,890 shares of our common stock.

During the fourth quarter of 2017, we issued 34,772 shares of our common stock as part of the purchase consideration for an acquisition.

During the year ended 2018, \$5.2 million in aggregate principal amount of the 2018 Notes were converted for \$5.2 million in cash and 25,745 shares of our common stock. We also settled bond hedges entered into in connection with the 2018 Notes, resulting in the receipt of 25,745 shares of our common stock. Additionally, we settled the remaining warrants entered into in connection with the 2018 Notes by issuing 238,195 shares of our common stock.

In November 2018, our CEO purchased from us 56,915 shares of our common stock in a private placement at a per share price equal to the last closing price of our stock prior to the execution of the purchase agreement for an aggregate \$20.0 million.

Note 15 - Equity Incentive Plans

In 2010, we adopted the 2010 Equity Incentive Plan (the "2010 Plan"). The 2010 Plan provides for the granting of stock options, RSUs and stock purchase rights to our employees, directors and consultants. Stock options granted under the 2010 Plan may be either incentive stock options or nonqualified stock options. Incentive stock options may only be granted to our employees. Nonqualified stock options may be granted to our employees, directors and consultants. Generally, our stock options and RSUs vest over four years and are exercisable over a maximum period of 10 years from their grant dates. Vesting typically terminates when the employment or consulting relationship ends. In addition, as a result of our acquisition of SolarCity, we assumed its equity award plans and its outstanding equity awards as of the Acquisition Date. SolarCity's outstanding equity awards were converted into equity awards to acquire our common stock in share amounts and prices based on the Exchange Ratio, with the equity awards retaining the same vesting and other terms and conditions as in effect immediately prior to the acquisition. The vesting and other terms and conditions of the assumed equity awards are substantially the same as those of the 2010 Plan.

As of December 31, 2018, 9,089,194 shares were reserved and available for issuance under the 2010 Plan.

The following table summarizes our stock option and RSU activity:

	Stock Options				RSUs	
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (Billions)	Number of RSUs	Weighted-Average Grant Date Fair Value
Balance, December 31, 2017	10,881,025	\$ 105.56			4,689,310	\$ 265.43
Granted	22,535,566	\$ 346.56			3,043,155	\$ 316.46
Exercised or released	(1,386,509)	\$ 120.40			(1,724,395)	\$ 258.51
Cancelled	(822,228)	\$ 315.48			(1,349,156)	\$ 278.10
Balance, December 31, 2018	<u>31,207,854</u>	\$ 273.40	7.6	\$ 2.25	<u>4,658,914</u>	\$ 294.63
Vested and expected to vest, December 31, 2018	15,312,577	\$ 206.44	6.4	\$ 2.07	4,656,864	\$ 294.62
Exercisable and vested, December 31, 2018	7,877,652	\$ 83.45	3.9	\$ 1.99		

The weighted-average grant date fair value of RSUs in the years ended December 31, 2018, 2017, and 2016 was \$316.46, \$308.71 and \$202.59, respectively. The aggregate release date fair value of RSUs in the years ended December 31, 2018, 2017 and 2016 was \$545.6 million, \$491.0 million and \$203.9 million, respectively.

The aggregate intrinsic value of options exercised in the years ended December 31, 2018, 2017, and 2016 was \$293.2 million, \$544.1 million and \$1.68 billion, respectively.

Fair Value Assumptions

We use the fair value method in recognizing stock-based compensation expense. Under the fair value method, we estimate the fair value of each stock option award with service or service and performance conditions and the ESPP on the grant date generally using the Black-Scholes option pricing model and the weighted-average assumptions in the following table:

	Year Ended December 31,		
	2018	2017	2016
Risk-free interest rate:			
Stock options	2.5%	1.8%	1.5%
ESPP	2.0%	1.1%	0.6%
Expected term (in years):			
Stock options	4.7	5.1	6.2
ESPP	0.5	0.5	0.5
Expected volatility:			
Stock options	42%	42%	47%
ESPP	43%	35%	41%
Dividend yield:			
Stock options	0.0%	0.0%	0.0%
ESPP	0.0%	0.0%	0.0%
Grant date fair value per share:			
Stock options	\$ 121.92	\$ 122.25	\$ 98.70
ESPP	\$ 84.37	\$ 75.05	\$ 51.31

The fair value of RSUs with service or service and performance conditions is measured on the grant date based on the closing fair market value of our common stock. The risk-free interest rate is based on the U.S. Treasury yield for zero-coupon U.S. Treasury notes with maturities approximating each grant's expected life. Prior to the fourth quarter of 2017, given our then limited history with employee grants, we used the "simplified" method in estimating the expected term of our employee grants; the simplified method utilizes the average of the time-to-vesting and the contractual life of the employee grant. Beginning with the fourth quarter of 2017, we use our historical data in estimating the expected term of our employee grants. The expected volatility is based on the average of the implied volatility of publicly traded options for our common stock and the historical volatility of our common stock.

2018 CEO Performance Award

In March 2018, our stockholders approved the Board of Directors' grant of 20,264,042 stock option awards to our CEO (the "2018 CEO Performance Award"). The 2018 CEO Performance Award consists of 12 vesting tranches with a vesting schedule based entirely on the attainment of both operational milestones (performance conditions) and market conditions, assuming continued employment either as the CEO or as both Executive Chairman and Chief Product Officer and service through each vesting date. Each of the 12 vesting tranches of the 2018 CEO Performance Award will vest upon certification by the Board of Directors that both (i) the market capitalization milestone for such tranche, which begins at \$100 billion for the first tranche and increases by increments of \$50 billion thereafter, and (ii) any one of the following eight operational milestones focused on revenue or eight operational milestones focused on Adjusted EBITDA have been met for the previous four consecutive fiscal quarters on an annualized basis. Adjusted EBITDA is defined as net income (loss) attributable to common stockholders before interest expense, provision (benefit) for income taxes, depreciation and amortization and stock-based compensation.

Total Annualized Revenue (in billions)	Annualized Adjusted EBITDA (in billions)
\$20.0	\$1.5
\$35.0	\$3.0
\$55.0	\$4.5
\$75.0	\$6.0
\$100.0	\$8.0
\$125.0	\$10.0
\$150.0	\$12.0
\$ 175.0	\$14.0

As of December 31, 2018, the following operational milestones were considered probable of achievement:

- Total revenue of \$20.0 billion;
- Adjusted EBITDA of \$1.5 billion; and
- Adjusted EBITDA of \$3.0 billion.

Stock-based compensation expense associated with the 2018 CEO Performance Award is recognized over the longer of the expected achievement period for each pair of market capitalization or operational milestones, beginning at the point in time when the relevant operational milestone is considered probable of being met. If additional operational milestones become probable, stock-based compensation expense will be recorded in the period it becomes probable including cumulative catch-up expense for the service provided since the grant date. The market capitalization milestone period and the valuation of each tranche are determined using a Monte Carlo simulation and is used as the basis for determining the expected achievement period. The probability of meeting an operational milestone is based on a subjective assessment of our future financial projections. Even though no tranches of the 2018 CEO Performance Award vest unless a market capitalization and a matching operational milestone are both achieved, stock-based compensation expense is recognized only when an operational milestone is considered probable of achievement regardless of how much additional market capitalization must be achieved in order for a tranche to vest. At our current market capitalization, even the first tranche of the 2018 CEO Performance Award will not vest unless our market capitalization were to approximately double from the current level and stay at that increased level for a sustained period of time. Additionally, stock-based compensation represents a non-cash expense and is recorded as a selling, general, and administrative operating expense in our consolidated statement of operations.

As of December 31, 2018, we had \$598.0 million of total unrecognized stock-based compensation expense for the operational milestones that were considered probable of achievement, which will be recognized over a weighted-average period of 3.1 years. As of December 31, 2018, we had unrecognized stock-based compensation expense of \$1.51 billion for the operational milestones that were considered not probable of achievement. From March 21, 2018, when the grant was approved by our stockholders, through December 31, 2018, we recorded stock-based compensation expense of \$174.9 million related to the 2018 CEO Performance Award.

2014 Performance-Based Stock Option Awards

In 2014, to create incentives for continued long-term success beyond the Model S program and to closely align executive pay with our stockholders' interests in the achievement of significant milestones by us, the Compensation Committee of our Board of Directors granted stock option awards to certain employees (excluding our CEO) to purchase an aggregate of 1,073,000 shares of our common stock. Each award consisted of the following four vesting tranches with the vesting schedule based entirely on the attainment of the future performance milestones, assuming continued employment and service through each vesting date:

- 1/4th of each award vests upon completion of the first Model X production vehicle;
- 1/4th of each award vests upon achieving aggregate production of 100,000 vehicles in a trailing 12-month period;
- 1/4th of each award vests upon completion of the first Model 3 production vehicle; and
- 1/4th of each award vests upon achieving an annualized gross margin of greater than 30% for any three-year period.

As of December 31, 2018, the following performance milestones had been achieved:

- Completion of the first Model X production vehicle;
- Completion of the first Model 3 production vehicle; and
- Aggregate production of 100,000 vehicles in a trailing 12-month period.

We begin recognizing stock-based compensation expense as each performance milestone becomes probable of achievement. As of December 31, 2018, we had unrecognized stock-based compensation expense of \$10.9 million for the performance milestone that was considered not probable of achievement. For the year ended December 31, 2018, we did not record any additional stock-based compensation related to these awards. For the years ended December 2017 and 2016, we recorded stock-based compensation expense of \$6.8 million and \$25.3 million, respectively, related to these awards.

2012 CEO Performance Award

In August 2012, our Board of Directors granted 5,274,901 stock option awards to our CEO (the "2012 CEO Performance Award"). The 2012 CEO Performance Award consists of 10 vesting tranches with a vesting schedule based entirely on the attainment of both performance conditions and market conditions, assuming continued employment and service through each vesting date. Each vesting tranche requires a combination of a pre-determined performance milestone and an incremental increase in our market capitalization of \$4.00 billion, as compared to our initial market capitalization of \$3.20 billion at the time of grant. As of December 31, 2018, the market capitalization conditions for all of the vesting tranches and the following performance milestones had been achieved:

- Successful completion of the Model X alpha prototype;
- Successful completion of the Model X beta prototype;
- Completion of the first Model X production vehicle;
- Aggregate production of 100,000 vehicles;
- Successful completion of the Model 3 alpha prototype;
- Successful completion of the Model 3 beta prototype;
- Completion of the first Model 3 production vehicle;
- Aggregate production of 200,000 vehicles; and
- Aggregate production of 300,000 vehicles.

We begin recognizing stock-based compensation expense as each milestone becomes probable of achievement. As of December 31, 2018, we had unrecognized stock-based compensation expense of \$5.7 million for the performance milestone that was considered not probable of achievement. For the years ended December 31, 2018, 2017 and 2016, we recorded stock-based compensation expense of \$0.1 million, \$5.1 million and \$15.8 million, respectively, related to the 2012 CEO Grant.

Our CEO earns a base salary that reflects the currently applicable minimum wage requirements under California law, and he is subject to income taxes based on such base salary. However, he has never accepted and currently does not accept his salary.

Summary Stock-Based Compensation Information

The following table summarizes our stock-based compensation expense by line item in the consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Cost of revenues	\$ 85,742	\$ 43,845	\$ 30,400
Research and development	261,079	217,616	154,632
Selling, general and administrative	398,326	205,299	149,193
Restructuring and other	3,877	—	—
Total	<u>\$ 749,024</u>	<u>\$ 466,760</u>	<u>\$ 334,225</u>

We realized no income tax benefit from stock option exercises in each of the periods presented due to cumulative losses and valuation allowances. As of December 31, 2018, we had \$1.57 billion of total unrecognized stock-based compensation expense related to non-performance awards, which will be recognized over a weighted-average period of 3.0 years.

ESPP

Our employees are eligible to purchase our common stock through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The purchase price would be 85% of the lower of the fair market value on the first and last trading days of each six-month offering period. During the years ended December 31, 2018, 2017 and 2016, we issued 399,936, 370,173 and 321,788 shares under the ESPP for \$108.8 million, \$71.0 million and \$51.7 million, respectively. There were 2,023,954 shares available for issuance under the ESPP as of December 31, 2018.

Note 16 - Income Taxes

A provision for income taxes of \$57.8 million, \$31.5 million and \$26.7 million has been recognized for the years ended December 31, 2018, 2017 and 2016, respectively, related primarily to our subsidiaries located outside of the U.S. Our loss before provision for income taxes for the years ended December 31, 2018, 2017 and 2016 was as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Domestic	\$ 412,133	\$ 993,113	\$ 130,718
Noncontrolling interest and redeemable noncontrolling interest	86,491	279,178	98,132
Foreign	506,121	936,741	517,498
Loss before income taxes	<u>\$ 1,004,745</u>	<u>\$ 2,209,032</u>	<u>\$ 746,348</u>

The components of the provision for income taxes for the years ended December 31, 2018, 2017 and 2016 consisted of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Current:			
Federal	\$ (901)	\$ (9,552)	\$ —
State	2,792	2,029	568
Foreign	23,622	42,715	53,962
Total current	<u>25,513</u>	<u>35,192</u>	<u>54,530</u>
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	32,324	(3,646)	(27,832)
Total deferred	<u>32,324</u>	<u>(3,646)</u>	<u>(27,832)</u>
Total provision for income taxes	<u>\$ 57,837</u>	<u>\$ 31,546</u>	<u>\$ 26,698</u>

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (“Tax Act”) was enacted into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21% for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system and a one-time transition tax on the mandatory deemed repatriation of foreign earnings. We were required to recognize the effect of the tax law changes in the period of enactment, such as re-measuring our U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities. The Tax Act did not give rise to any material impact on the consolidated balance sheets and consolidated statements of operations due to our historical worldwide loss position and the full valuation allowance on our net U.S. deferred tax assets.

In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (“SAB 118”), which allowed us to record provisional amounts during a measurement period not to extend beyond one year from the enactment date. As such, in accordance with SAB 118, we completed our analysis during the fourth quarter of 2018 considering current legislation and guidance resulting in no material adjustments from the provisional amounts recorded during the prior year.

Deferred tax assets (liabilities) as of December 31, 2018 and 2017 consisted of the following (in thousands):

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Net operating loss carry-forwards	\$ 1,759,716	\$ 1,575,952
Research and development credits	376,556	306,808
Other tax credits	127,813	117,997
Deferred revenue	155,757	200,531
Inventory and warranty reserves	165,262	74,578
Stock-based compensation	102,256	96,916
Investment in certain financing funds	—	24,471
Accruals and others	28,295	26,416
Total deferred tax assets	<u>2,715,655</u>	<u>2,423,669</u>
Valuation allowance	<u>(1,805,648)</u>	<u>(1,843,713)</u>
Deferred tax assets, net of valuation allowance	910,007	579,956
Deferred tax liabilities:		
Depreciation and amortization	(860,611)	(537,613)
Other	(23,850)	(18,734)
Investment in certain financing funds	(33,493)	—
Total deferred tax liabilities	<u>(917,954)</u>	<u>(556,347)</u>
Deferred tax liabilities, net of valuation allowance and deferred tax assets	<u>\$ (7,947)</u>	<u>\$ 23,609</u>

As of December 31, 2018, we recorded a valuation allowance of \$1.81 billion for the portion of the deferred tax asset that we do not expect to be realized. The valuation allowance on our net deferred taxes decreased by \$38.1 million, increased by \$821.0 million, and increased by \$354.3 million during the years ended December 31, 2018, 2017 and 2016, respectively. The changes in valuation allowance are primarily due to additional U.S. deferred tax assets and liabilities incurred in the respective year. The 2017 additional U.S. deferred tax assets are net of re-measurement from 35% to 21% as a result of the Tax Act. There have been no material releases of the valuation allowance. Management believes that based on the available information, it is more likely than not that the U.S. deferred tax assets will not be realized, such that a full valuation allowance is required against all U.S. deferred tax assets. We have net \$30.2 million of deferred tax assets in foreign jurisdictions, which management believes are more-likely-than-not to be fully realized given the expectation of future earnings in these jurisdictions.

The reconciliation of taxes at the federal statutory rate to our provision for income taxes for the years ended December 31, 2018, 2017 and 2016 was as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Tax at statutory federal rate	\$ (210,996)	\$ (773,162)	\$ (261,222)
State tax, net of federal benefit	2,792	2,029	568
Nondeductible expenses	65,375	30,138	26,547
Excess tax benefits related to stock based compensation (1)	(43,977)	(1,013,196)	—
Foreign income rate differential	160,370	364,699	206,470
U.S. tax credits	(79,565)	(109,501)	(162,865)
Noncontrolling interests and redeemable noncontrolling interests adjustment	31,858	65,920	21,964
Effect of U.S. tax law change (2)	—	722,646	—
Bargain in purchase gain	—	20,211	(31,055)
Other reconciling items	960	3,178	785
Change in valuation allowance	131,020	718,584	225,506
Provision for income taxes	<u>\$ 57,837</u>	<u>\$ 31,546</u>	<u>\$ 26,698</u>

- (1) As of January 1, 2017, upon the adoption of ASU No. 2016-09, Improvements to Employee Share-based Payment Accounting, excess tax benefits from share-based award activity incurred from the prior and current years are reflected as a reduction of the provision for income taxes. The excess tax benefits result in an increase to our gross U.S. deferred tax assets that is offset by a corresponding increase to our valuation allowance.
- (2) Due to the Tax Act, our U.S. deferred tax assets and liabilities as of December 31, 2017 were re-measured from 35% to 21%. The change in tax rate resulted in a decrease to our gross U.S. deferred tax assets which is offset by a corresponding decrease to our valuation allowance.

As of December 31, 2018, we had \$7.30 billion of federal and \$5.37 billion of state net operating loss carry-forwards available to offset future taxable income, which will not begin to significantly expire until 2024 for federal and 2028 for state purposes. A portion of these losses were generated by SolarCity prior to our acquisition in 2016 and, therefore, are subject to change of control provisions, which limit the amount of acquired tax attributes that can be utilized in a given tax year. We do not expect these change of control limitations to significantly impact our ability to utilize these attributes.

As of December 31, 2018, we had research and development tax credits of \$256.1 million and \$276.2 million for federal and state income tax purposes, respectively. If not utilized, the federal research and development tax credits will expire in various amounts beginning in 2024. However, the state research and development tax credits can be carried forward indefinitely. In addition, we have other general business tax credits of \$126.8 million for federal income tax purposes, which will not begin to significantly expire until 2033.

Collectively, we had no foreign earnings as of December 31, 2018 and therefore was not subject to the mandatory repatriation tax provisions of the Tax Act. However, some of our foreign subsidiaries do have accumulated earnings. No deferred tax liabilities for foreign withholding taxes have been recorded relating to the earnings of our foreign subsidiaries since all such earnings are intended to be indefinitely reinvested. The amount of the unrecognized deferred tax liability associated with these earnings is immaterial.

Federal and state laws can impose substantial restrictions on the utilization of net operating loss and tax credit carry-forwards in the event of an "ownership change", as defined in Section 382 of the Internal Revenue Code. We have determined that no significant limitation would be placed on the utilization of our net operating loss and tax credit carry-forwards due to prior ownership changes.

Uncertain Tax Positions

The changes to our gross unrecognized tax benefits were as follows (in thousands):

December 31, 2015	\$	99,127
Increases in balances related to prior year tax positions		28,677
Increases in balances related to current year tax positions		62,805
Assumed uncertain tax positions through acquisition		13,327
December 31, 2016		203,936
Decrease in balances related to prior year tax positions		(31,493)
Increases in balances related to current year tax positions		84,352
Change in balances related to effect of U.S. tax law change		(58,050)
December 31, 2017		198,745
Decrease in balances related to prior year tax positions		(6,347)
Increases in balances related to current year tax positions		60,960
December 31, 2018	\$	<u>253,357</u>

As of December 31, 2018, accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense and were immaterial. Unrecognized tax benefits of \$243.8 million, if recognized, would not affect our effective tax rate since the tax benefits would increase a deferred tax asset that is currently fully offset by a full valuation allowance.

We file income tax returns in the U.S., California and various state and foreign jurisdictions. We are currently under examination by the IRS for the years 2015 and 2016. Additional tax years within the period 2004 to 2017 remain subject to examination for federal income tax purposes, and tax years 2004 to 2017 remain subject to examination for California income tax purposes. All net operating losses and tax credits generated to date are subject to adjustment for U.S. federal and California income tax purposes. Tax years 2008 to 2017 remain subject to examination in other U.S. state and foreign jurisdictions.

The potential outcome of the current examination could result in a change to unrecognized tax benefits within the next twelve months. However, we cannot reasonably estimate possible adjustments at this time.

The U.S. Tax Court issued a decision in *Altera Corp v. Commissioner* related to the treatment of stock-based compensation expense in a cost-sharing arrangement. As this decision can be overturned upon appeal, we have not recorded any impact as of December 31, 2018. In addition, any potential tax benefits would increase our U.S. deferred tax asset, which is currently offset with a full valuation allowance.

Note 17 - Commitments and Contingencies

Non-Cancellable Leases

We have entered into various non-cancellable operating lease agreements for certain of our offices, manufacturing and warehouse facilities, retail and service locations, equipment, vehicles, solar energy systems and Supercharger sites, throughout the world. Included within the lease commitment table below are payments due under operating leases that have been accounted for as build-to-suit lease arrangements, which are included in property, plant and equipment on the consolidated balance sheets. Rent expense for the years ended December 31, 2018, 2017, and 2016 was \$182.6 million, \$177.7 million and \$116.8 million, respectively.

We have entered into various agreements to lease equipment under capital leases up to 60 months. The equipment under the leases are collateral for the lease obligations and are included within property, plant and equipment on the consolidated balance sheets.

Future minimum commitments for leases as of December 31, 2018 were as follows (in thousands):

	Operating Leases	Capital Leases
2019	\$ 275,654	\$ 416,952
2020	256,931	503,545
2021	230,406	506,197
2022	182,911	23,828
2023	157,662	4,776
Thereafter	524,590	5,938
Total minimum lease payments	<u>\$ 1,628,154</u>	<u>1,461,236</u>
Less: Amounts representing interest not yet incurred		122,340
Present value of capital lease obligations		1,338,896
Less: Current portion		345,714
Long-term portion of capital lease obligations		<u>\$ 993,182</u>

Build-to-Suit Lease Arrangement in Buffalo, New York

We have a build-to-suit lease arrangement with the Research Foundation for the State University of New York (the "SUNY Foundation") where the SUNY Foundation will construct a solar cell and panel manufacturing facility, referred to as Gigafactory 2, with our participation in the design and construction, install certain utilities and other improvements and acquire certain manufacturing equipment designated by us to be used in the manufacturing facility. The SUNY Foundation covers (i) construction costs related to the manufacturing facility up to \$350.0 million, (ii) the acquisition and commissioning of the manufacturing equipment in an amount up to \$274.7 million and (iii) \$125.3 million for additional specified scope costs, in cases (i) and (ii) only, subject to the maximum funding allocation from the State of New York; and we are responsible for any construction or equipment costs in excess of such amounts. The SUNY Foundation will own the manufacturing facility and the manufacturing equipment purchased by the SUNY Foundation. Following completion of the manufacturing facility, we will lease the manufacturing facility and the manufacturing equipment owned by the SUNY Foundation for an initial period of 10 years, with an option to renew, for \$2.00 per year plus utilities. During the three months ended March 31, 2018, we began production at the manufacturing facility, although construction has not been fully completed as of December 31, 2018.

Under the terms of the build-to-suit lease arrangement, we are required to achieve specific operational milestones during the initial lease term; which include employing a certain number of employees at the manufacturing facility, within western New York and within the State of New York within specified periods following the completion of the manufacturing facility. We are also required to spend or incur \$5.00 billion in combined capital, operational expenses and other costs in the State of New York within 10 years following the achievement of full production. On an annual basis during the initial lease term, as measured on each anniversary of the commissioning of the manufacturing facility, if we fail to meet these specified investment and job creation requirements, then we would be obligated to pay a \$41.2 million "program payment" to the SUNY Foundation for each year that we fail to meet these requirements. Furthermore, if the arrangement is terminated due to a material breach by us, then additional amounts might become payable by us.

The non-cash investing and financing activities related to the arrangement during the years ended December 31, 2018 and 2017 amounted to \$8.0 million and \$86.1 million. The non-cash investing and financing activities related to the arrangement from the Acquisition Date through December 31, 2016 amounted to \$5.6 million.

Environmental Liabilities

In connection with our factory located in Fremont, California, we are obligated to pay for the remediation of certain environmental conditions existing at the time we purchased the property from New United Motor Manufacturing, Inc. ("NUMMI"). In particular, we are responsible for the first \$15.0 million of remediation costs, any remediation costs in excess of \$30.0 million and any remediation costs incurred after 10 years from the purchase date. NUMMI is responsible for any remediation costs between \$15.0 million and \$30.0 million for up to 10 years after the purchase date.

Legal Proceedings

Securities Litigation Relating to SolarCity's Financial Statements and Guidance

On March 28, 2014, a purported stockholder class action was filed in the U.S. District Court for the Northern District of California against SolarCity and two of its officers. The complaint alleges violations of federal securities laws and seeks unspecified compensatory damages and other relief on behalf of a purported class of purchasers of SolarCity's securities from March 6, 2013 to March 18, 2014. After a series of amendments to the original complaint, the District Court dismissed the amended complaint and entered a judgment in our favor on August 9, 2016. The plaintiffs filed a notice of appeal, and on December 4, 2017, the Court heard oral argument on the appeal. On March 8, 2018, the Court upheld the District Court ruling of dismissal and judgment in our favor. The case is concluded.

Securities Litigation Relating to the SolarCity Acquisition

Between September 1, 2016 and October 5, 2016, seven lawsuits were filed in the Court of Chancery of the State of Delaware by purported stockholders of Tesla challenging our acquisition of SolarCity. Following consolidation, the lawsuit names as defendants the members of Tesla's board of directors as then constituted and alleges, among other things, that board members breached their fiduciary duties in connection with the acquisition. The complaint asserts both derivative claims and direct claims on behalf of a purported class and seeks, among other relief, unspecified monetary damages, attorneys' fees, and costs. On January 27, 2017, defendants filed a motion to dismiss the operative complaint. Rather than respond to the defendants' motion, the plaintiffs filed an amended complaint. On March 17, 2017, defendants filed a motion to dismiss the amended complaint. On December 13, 2017, the Court heard oral argument on the motion. On March 28, 2018, the Court denied defendants' motion to dismiss. Defendants filed a request for interlocutory appeal, but the Delaware Supreme Court denied that request, electing not to hear an appeal at this early stage of the case. Defendants filed their answer on May 18, 2018. The parties are proceeding with discovery. The case is set for trial in March 2020.

These plaintiffs and others filed parallel actions in the U.S. District Court for the District of Delaware on April 21, 2017. Those actions have been consolidated and are stayed pending the Chancery Court litigation. They include claims for violations of the federal securities laws and breach of fiduciary duties by Tesla's board of directors. That action is stayed pending the Chancery Court litigation.

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

Securities Litigation Relating to Production of Model 3 Vehicles

On October 10, 2017, a purported stockholder class action was filed in the U.S. District Court for the Northern District of California against Tesla, two of its current officers, and a former officer. The complaint alleges violations of federal securities laws and seeks unspecified compensatory damages and other relief on behalf of a purported class of purchasers of Tesla securities from May 4, 2016 to October 6, 2017. The lawsuit claims that Tesla supposedly made materially false and misleading statements regarding the Company's preparedness to produce Model 3 vehicles. Plaintiffs filed an amended complaint on March 23, 2018, and defendants filed a motion to dismiss on May 25, 2018. The court granted defendant's motion to dismiss with leave to amend. Plaintiffs filed their amended complaint on September 28, 2018. We will file a motion to dismiss the amended complaint on February 15, 2019. The hearing on the motion to dismiss is set for March 1, 2019. We believe that the claims are without merit and intend to defend against this lawsuit vigorously. We are unable to estimate the possible loss or range of loss, if any, associated with this lawsuit.

On October 26, 2018, in a similar action, a purported stockholder class action was filed in the Superior Court of California in Santa Clara County against Tesla, Elon Musk and seven initial purchasers in an offering of debt securities by Tesla in August 2017. The complaint alleges misrepresentations made by Tesla regarding the number of Model 3 vehicles Tesla expected to produce by the end of 2017 in connection with such offering, and seeks unspecified compensatory damages and other relief on behalf of a purported class of purchasers of Tesla securities in such offering. Tesla thereafter removed the case to federal court. On January 22, 2019, plaintiff abandoned its effort to proceed in state court, instead filing an amended complaint against Tesla, Elon Musk and seven initial purchasers in the debt offering before the same judge in the U.S. District Court for the Northern District of California who is hearing the above-referenced earlier filed federal court case. On February 5, 2019, the Court stayed this new case pending a ruling on the motion to dismiss the complaint in the above earlier filed case. We believe that the claims are without merit and intend to defend against this lawsuit vigorously. We are unable to estimate the possible loss or range of loss, if any, associated with this lawsuit.

Litigation Relating to 2018 CEO Performance Award

On June 4, 2018, a purported Tesla stockholder filed a putative class and derivative action in the Delaware Court of Chancery against Mr. Musk and the members of Tesla's board of directors as then constituted, alleging that such board members breached their fiduciary duties by approving the stock-based compensation plan. The complaint seeks, among other things, monetary damages and rescission or reformation of the stock-based compensation plan. On August 31, 2018, defendants filed a motion to dismiss the complaint; plaintiff filed its opposition brief on November 1, 2018 and defendants filed a reply brief on December 13, 2018. The hearing on the motion to dismiss is set for May 9, 2019. We believe the claims asserted in this lawsuit are without merit and intend to defend against them vigorously.

Securities Litigation related to Potential Going Private Transaction

Between August 10, 2018 and September 6, 2018, nine purported stockholder class actions were filed against Tesla and Elon Musk in connection with Elon Musk's August 7, 2018 Twitter post that he was considering taking Tesla private. All of the suits are now pending in the United States District Court for the Northern District of California. Although the complaints vary in certain respects, they each purport to assert claims for violations of federal securities laws related to Mr. Musk's statement and seek unspecified compensatory damages and other relief on behalf of a purported class of purchasers of Tesla's securities. Plaintiffs filed their consolidated complaint on January 16, 2019 and added as defendants the members of Tesla's board of directors. Defendants plan to file a motion to dismiss the complaint on or before March 7, 2019. The hearing on the motion to dismiss is tentatively set for June 20, 2019. We believe that the claims have no merit and intend to defend against them vigorously. We are unable to estimate the potential loss, or range of loss, associated with these claims.

Between October 17, 2018 and November 9, 2018, five derivative lawsuits were filed in the Delaware Court of Chancery against Mr. Musk and the members of Tesla's board of directors as then constituted in relation to statements made and actions connected to a potential going private transaction. These cases have been stayed pending resolution of the stockholder class action. In addition to these cases, on October 25, 2018, another derivative lawsuit was filed in federal court in Delaware against Mr. Musk and the members of the Tesla board of directors as then constituted, and the parties have agreed to also stay this case pending resolution of the stockholder class action; the parties' proposed stipulation regarding the stay is pending with the Court. We believe that the claims have no merit and intend to defend against them vigorously. The Company is unable to estimate the potential loss, or range of loss, associated with these claims.

Settlement with SEC related to Potential Going Private Transaction

On October 16, 2018, the U.S. District Court for the Southern District of New York entered a final judgment approving the terms of a settlement filed with the Court on September 29, 2018, in connection with the actions taken by the U.S. Securities and Exchange Commission (the "SEC") relating to Elon Musk's prior statement that he was considering taking Tesla private. Without admitting or denying any of the SEC's allegations, and with no restriction on Mr. Musk's ability to serve as an officer or director on the Board (other than as its Chair), among other things, we and Mr. Musk paid civil penalties of \$20 million each and agreed that an independent director will serve as Chair of the Board for at least three years, and we appointed such an independent Chair of the Board and two additional independent directors to the Board, and further enhanced our disclosure controls and other corporate governance-related matters.

Certain Investigations and Other Matters

We receive requests for information from regulators and governmental authorities, such as the National Highway Traffic Safety Administration, the National Transportation Safety Board, the SEC, the Department of Justice (“DOJ”) and various state, federal and international agencies. We routinely cooperate with such regulatory and governmental requests.

In particular, the SEC has issued subpoenas to Tesla in connection with (a) Mr. Musk’s prior statement that he was considering taking Tesla private and (b) certain projections that we made for Model 3 production rates during 2017 and other public statements relating to Model 3 production. The DOJ has also asked us to voluntarily provide it with information about each of these matters and is investigating. Aside from the settlement with the SEC relating to Mr. Musk’s statement that he was considering taking Tesla private, there have not been any developments in these matters that we deem to be material, and to our knowledge no government agency in any ongoing investigation has concluded that any wrongdoing occurred. As is our normal practice, we have been cooperating and will continue to cooperate with government authorities. We cannot predict the outcome or impact of any ongoing matters. Should the government decide to pursue an enforcement action, there exists the possibility of a material adverse impact on our business, results of operation, prospects, cash flows, and financial position.

We are also subject to various other legal proceedings and claims that arise from the normal course of business activities. If an unfavorable ruling or development were to occur, there exists the possibility of a material adverse impact on our business, results of operations, prospects, cash flows, financial position and brand.

Indemnification and Guaranteed Returns

We are contractually obligated to compensate certain fund investors for any losses that they may suffer in certain limited circumstances resulting from reductions in U.S. Treasury grants or ITCs. Generally, such obligations would arise as a result of reductions to the value of the underlying solar energy systems as assessed by the U.S. Treasury Department for purposes of claiming U.S. Treasury grants or as assessed by the IRS for purposes of claiming ITCs or U.S. Treasury grants. For each balance sheet date, we assess and recognize, when applicable, a distribution payable for the potential exposure from this obligation based on all the information available at that time, including any guidelines issued by the U.S. Treasury Department on solar energy system valuations for purposes of claiming U.S. Treasury grants and any audits undertaken by the IRS. We believe that any payments to the fund investors in excess of the amounts already recognized by us, which were immaterial, for this obligation are not probable based on the facts known at the filing date.

The maximum potential future payments that we could have to make under this obligation would depend on the difference between the fair values of the solar energy systems sold or transferred to the funds as determined by us and the values that the U.S. Treasury Department would determine as fair value for the systems for purposes of claiming U.S. Treasury grants or the values the IRS would determine as the fair value for the systems for purposes of claiming ITCs or U.S. Treasury grants. We claim U.S. Treasury grants based on guidelines provided by the U.S. Treasury department and the statutory regulations from the IRS. We use fair values determined with the assistance of independent third-party appraisals commissioned by us as the basis for determining the ITCs that are passed-through to and claimed by the fund investors. Since we cannot determine future revisions to U.S. Treasury Department guidelines governing solar energy system values or how the IRS will evaluate system values used in claiming ITCs or U.S. Treasury grants, we are unable to reliably estimate the maximum potential future payments that it could have to make under this obligation as of each balance sheet date.

We are eligible to receive certain state and local incentives that are associated with renewable energy generation. The amount of incentives that can be claimed is based on the projected or actual solar energy system size and/or the amount of solar energy produced. We also currently participate in one state’s incentive program that is based on either the fair market value or the tax basis of solar energy systems placed in service. State and local incentives received are allocated between us and fund investors in accordance with the contractual provisions of each fund. We are not contractually obligated to indemnify any fund investor for any losses they may incur due to a shortfall in the amount of state or local incentives actually received.

Our lease pass-through financing funds have a one-time lease payment reset mechanism that occurs after the installation of all solar energy systems in a fund. As a result of this mechanism, we may be required to refund master lease prepayments previously received from investors. Any refunds of master lease prepayments would reduce the lease pass-through financing obligation.

Letters of Credit

As of December 31, 2018, we had \$219.6 million of unused letters of credit outstanding.

Note 18 - Variable Interest Entity Arrangements

We have entered into various arrangements with investors to facilitate the funding and monetization of our solar energy systems and vehicles. In particular, our wholly owned subsidiaries and fund investors have formed and contributed cash and assets into various financing funds and entered into related agreements. We have determined that the funds are variable interest entities ("VIEs") and we are the primary beneficiary of these VIEs by reference to the power and benefits criterion under ASC 810, *Consolidation*. We have considered the provisions within the agreements, which grant us the power to manage and make decisions that affect the operation of these VIEs, including determining the solar energy systems or vehicles and the associated customer contracts to be sold or contributed to these VIEs, redeploying solar energy systems or vehicles and managing customer receivables. We consider that the rights granted to the fund investors under the agreements are more protective in nature rather than participating.

As the primary beneficiary of these VIEs, we consolidate in the financial statements the financial position, results of operations and cash flows of these VIEs, and all intercompany balances and transactions between us and these VIEs are eliminated in the consolidated financial statements. Cash distributions of income and other receipts by a fund, net of agreed upon expenses, estimated expenses, tax benefits and detriments of income and loss and tax credits, are allocated to the fund investor and our subsidiary as specified in the agreements.

Generally, our subsidiary has the option to acquire the fund investor's interest in the fund for an amount based on the market value of the fund or the formula specified in the agreements.

Upon the sale or liquidation of a fund, distributions would occur in the order and priority specified in the agreements.

Pursuant to management services, maintenance and warranty arrangements, we have been contracted to provide services to the funds, such as operations and maintenance support, accounting, lease servicing and performance reporting. In some instances, we have guaranteed payments to the fund investors as specified in the agreements. A fund's creditors have no recourse to our general credit or to that of other funds. None of the assets of the funds had been pledged as collateral for their obligations.

The aggregate carrying values of the VIEs' assets and liabilities, after elimination of any intercompany transactions and balances, in the consolidated balance sheets were as follows (in thousands):

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 75,203	\$ 55,425
Restricted cash	130,927	33,656
Accounts receivable, net	18,702	18,204
Prepaid expenses and other current assets	10,262	9,018
Total current assets	235,094	116,303
Operating lease vehicles, net	155,439	337,089
Solar energy systems, leased and to be leased, net	5,116,728	5,075,321
Restricted cash, net of current portion	65,262	36,999
Other assets	55,554	29,555
Total assets	<u>\$ 5,628,077</u>	<u>\$ 5,595,267</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 32	\$ 32
Accrued liabilities and other	132,774	51,652
Deferred revenue	21,345	59,412
Customer deposits	—	726
Current portion of long-term debt and capital leases	662,988	196,531
Total current liabilities	817,139	308,353
Deferred revenue, net of current portion	177,451	323,919
Long-term debt and capital leases, net of current portion	1,237,707	625,934
Other long-term liabilities	26,400	30,536
Total liabilities	<u>\$ 2,258,697</u>	<u>\$ 1,288,742</u>

Note 19 - Lease Pass-Through Financing Obligation

Through December 31, 2018, we had entered into eight transactions referred to as "lease pass-through fund arrangements". Under these arrangements, our wholly owned subsidiaries finance the cost of solar energy systems with investors through arrangements contractually structured as master leases for an initial term ranging between 10 and 25 years. These solar energy systems are subject to lease or PPAs with customers with an initial term not exceeding 25 years. These solar energy systems are included within solar energy systems, leased and to be leased, net on the consolidated balance sheet.

The cost of the solar energy systems under lease pass-through fund arrangements as of December 31, 2018 and 2017 was \$1.05 billion and \$1.09 billion, respectively. The accumulated depreciation on these assets as of December 31, 2018 and 2017 was \$66.1 million and \$30.9 million, respectively. The total lease pass-through financing obligation as of December 31, 2018 was \$111.9 million, of which \$61.8 million was classified as a current liability. The total lease pass-through financing obligation as of December 31, 2017 was \$134.8 million, of which \$67.3 million was classified as a current liability. Lease pass-through financing obligation is included in accrued liabilities and other for the current portion and other long-term liabilities for the long-term portion on the consolidated balance sheet.

Under a lease pass-through fund arrangement, the investor makes a large upfront payment to the lessor, which is one of our subsidiaries, and in some cases, subsequent periodic payments. We allocate a portion of the aggregate investor payments to the fair value of the assigned ITCs, which is estimated by discounting the projected cash flow impact of the ITCs using a market interest rate and is accounted for separately (see Note 2, *Summary of Significant Accounting Policies*). We account for the remainder of the investor payments as a borrowing by recording the proceeds received as a lease pass-through financing obligation, which is repaid from the future customer lease payments and any incentive rebates. A portion of the amounts received by the investor is allocated to interest expense using the effective interest rate method.

The lease pass-through financing obligation is non-recourse once the associated solar energy systems have been placed in-service and the associated customer arrangements have been assigned to the investors. However, we are required to comply with certain financial covenants specified in the contractual agreements, which we had met as of December 31, 2018. In addition, we are responsible for any warranties, performance guarantees, accounting and performance reporting. Furthermore, we continue to account for the customer arrangements and any incentive rebates in the consolidated financial statements, regardless of whether the cash is received by us or directly by the investors.

As of December 31, 2018, the future minimum master lease payments to be received from investors, for each of the next five years and thereafter, were as follows (in thousands):

2019	\$ 42,775
2020	42,100
2021	41,147
2022	33,055
2023	26,152
Thereafter	468,490
Total	\$ 653,719

For two of the lease pass-through fund arrangements, our subsidiaries have pledged its assets to the investors as security for its obligations under the contractual agreements.

Each lease pass-through fund arrangement has a one-time master lease prepayment adjustment mechanism that occurs when the capacity and the placed-in-service dates of the associated solar energy systems are finalized or on an agreed-upon date. As part of this mechanism, the master lease prepayment amount is updated, and we may be obligated to refund a portion of a master lease prepayment or entitled to receive an additional master lease prepayment. Any additional master lease prepayments are recorded as an additional lease pass-through financing obligation while any master lease prepayment refunds would reduce the lease pass-through financing obligation.

Note 20 - Defined Contribution Plan

We have a 401(k) savings plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) savings plan, participating employees may elect to contribute up to 100% of their eligible compensation, subject to certain limitations. Participants are fully vested in their contributions. We did not make any contributions to the 401(k) savings plan during the years ended December 31, 2018, 2017 and 2016.

Note 21 - Related Party Transactions

Related party balances were comprised of the following (in thousands):

	December 31, 2018	December 31, 2017
Solar Bonds issued to related parties	\$ 100	\$ 100
Convertible senior notes due to related parties	\$ 2,674	\$ 2,519
Promissory notes due to related parties	\$ —	\$ 100,000

The related party transactions were primarily from debt held by our CEO, SolarCity's former CEO and SolarCity's former Chief Technology Officer. During the year ended December 31, 2018, the promissory notes payable to such parties were fully repaid. Refer to Note 13, *Long-Term Debt Obligations*.

Our convertible senior notes are not re-measured at fair value (refer to Note 5, *Fair Value of Financial Instruments*). As of December 31, 2018 and 2017, the unpaid principal balance of convertible senior notes due to related parties is \$3.0 million.

In November 2018, our CEO purchased from us 56,915 shares of our common stock in a private placement at a per share price equal to the last closing price of our stock prior to the execution of the purchase agreement for an aggregate \$20.0 million.

Note 22 - Segment Reporting and Information about Geographic Areas

We have two operating and reportable segments: (i) automotive and (ii) energy generation and storage. The automotive segment includes the design, development, manufacturing, sales, and leasing of electric vehicles as well as sales of automotive regulatory credits. Additionally, the automotive segment is also comprised of services and other, which includes non-warranty after-sales vehicle services, sales of used vehicles, sales of electric vehicle components and systems to other manufacturers, retail merchandise, and sales by our acquired subsidiaries to third party customers. The energy generation and storage segment includes the design, manufacture, installation, sales, and leasing of solar energy generation and energy storage products. Our CODM does not evaluate operating segments using asset or liability information. The following table presents revenues and gross margins by reportable segment (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Automotive segment			
Revenues	\$ 19,906,024	\$ 10,642,485	\$ 6,818,738
Gross profit	\$ 3,851,673	\$ 1,980,759	\$ 1,596,195
Energy generation and storage segment			
Revenues	\$ 1,555,244	\$ 1,116,266	\$ 181,394
Gross profit	\$ 190,348	\$ 241,728	\$ 3,062

The following table presents revenues by geographic area based on the sales location of our products (in thousands):

	Year Ended December 31,		
	2018	2017	2016
United States	\$ 14,871,507	\$ 6,221,439	\$ 4,200,706
China	1,757,147	2,027,062	1,065,255
Netherlands	965,596	330,343	305,184
Norway	812,730	823,081	335,572
Other	3,054,288	2,356,826	1,093,415
Total	\$ 21,461,268	\$ 11,758,751	\$ 7,000,132

The following table presents long-lived assets by geographic area (in thousands):

	December 31,	December 31,
	2018	2017
United States	\$ 16,741,409	\$ 15,587,979
International	860,064	787,033
Total	\$ 17,601,473	\$ 16,375,012

Note 23 - Restructuring and Other

During 2018, we carried-out certain restructuring actions in order to reduce costs and improve efficiency and recognized \$36.6 million of employee termination expenses and estimated losses from sub-leasing a certain facility. The employee termination cash expenses of \$27.3 million were substantially paid by the end of 2018, while the remaining amounts were non-cash. Also included within restructuring and other activities was \$55.2 million of expenses (materially all of which were non-cash) from restructuring the energy generation and storage segment, which comprised of disposals of certain tangible assets, the shortening of the useful life of a trade name intangible asset and a contract termination penalty. In addition, we concluded that a small portion of the IPR&D asset is not commercially feasible. Consequently, we recognized an impairment loss of \$13.3 million (see Note 4, *Intangible Assets*).

In October 2018, a final court order was entered approving the terms of a settlement in connection with the SEC's legal actions relating to Elon Musk's prior consideration during the third quarter of 2018 of a take-private proposal for Tesla. Consequently, we recognized settlement and legal expenses of \$30.1 million in the year ended December 31, 2018 (see Note 17, *Commitments and Contingencies*). These expenses were substantially paid by the end of 2018.

Note 24 - Subsequent Events

On February 3, 2019, we entered into a definitive agreement to acquire Maxwell Technologies, Inc. ("Maxwell"). Pursuant to the definitive agreement, each issued and outstanding share of Maxwell common stock will be exchanged for a fraction of a share of our common stock equal to the lesser of: (i) \$4.75 divided by an average value of one share of our common stock as calculated pursuant to the definitive agreement, and (ii) 0.0193, provided that cash will be paid in lieu of any fractional shares of our common stock. The closing of the transaction is subject to the successful tender of a specified minimum number of Maxwell common stock in an exchange offer to be commenced by our wholly-owned subsidiary, certain regulatory approvals and customary closing conditions.

Note 25 - Quarterly Results of Operations (Unaudited)

The following table presents selected quarterly results of operations data for the years ended December 31, 2018 and 2017 (in thousands, except per share amounts):

	Three Months Ended			
	March 31	June 30	September 30	December 31
2018				
Total revenues	\$ 3,408,751	\$ 4,002,231	\$ 6,824,413	\$ 7,225,873
Gross profit	\$ 456,526	\$ 618,930	\$ 1,523,665	\$ 1,442,900
Net (loss) income attributable to common stockholders	\$ (709,551)	\$ (717,539)	\$ 311,516	\$ 139,483
Net (loss) income per share of common stock attributable to common stockholders, basic	\$ (4.19)	\$ (4.22)	\$ 1.82	\$ 0.81
Net (loss) income per share of common stock attributable to common stockholders, diluted	\$ (4.19)	\$ (4.22)	\$ 1.75	\$ 0.78
2017				
Total revenues	\$ 2,696,270	\$ 2,789,557	\$ 2,984,675	\$ 3,288,249
Gross profit	\$ 667,946	\$ 666,615	\$ 449,140	\$ 438,786
Net loss attributable to common stockholders	\$ (330,277)	\$ (336,397)	\$ (619,376)	\$ (675,350)
Net loss per share of common stock attributable to common stockholders, basic	\$ (2.04)	\$ (2.04)	\$ (3.70)	\$ (4.01)
Net loss per share of common stock attributable to common stockholders, diluted	\$ (2.04)	\$ (2.04)	\$ (3.70)	\$ (4.01)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation as of December 31, 2018, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2018, our disclosure controls and procedures were effective to provide reasonable assurance.

During the fourth quarter of 2018, we further enhanced our disclosure controls in accordance with the September 29, 2018 settlement with the SEC regarding Elon Musk's social media posts on August 7, 2018.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2018, as stated in their report which is included herein.

Limitations on the Effectiveness of Controls

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fourth fiscal quarter of the year ended December 31, 2018, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 of Form 10-K will be included in our 2019 Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2019 Annual Meeting of Stockholders and is incorporated herein by reference. The 2019 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 of Form 10-K will be included in our 2019 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 of Form 10-K will be included in our 2019 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 of Form 10-K will be included in our 2019 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 of Form 10-K will be included in our 2019 Proxy Statement and is incorporated herein by reference.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial statements (see *Index to Consolidated Financial Statements* in Part II, Item 8 of this report)
2. All financial statement schedules have been omitted since the required information was not applicable or was not present in amounts sufficient to require submission of the schedules, or because the information required is included in the consolidated financial statements or the accompanying notes
3. The exhibits listed in the following *Index to Exhibits* are filed or incorporated by reference as part of this report

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	10-K	001-34756	3.1	March 1, 2017	
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant.	10-K	001-34756	3.2	March 1, 2017	
3.3	Amended and Restated Bylaws of the Registrant.	8-K	001-34756	3.2	February 1, 2017	
4.1	Specimen common stock certificate of the Registrant.	10-K	001-34756	4.1	March 1, 2017	
4.2	Fifth Amended and Restated Investors' Rights Agreement, dated as of August 31, 2009, between Registrant and certain holders of the Registrant's capital stock named therein.	S-1	333-164593	4.2	January 29, 2010	
4.3	Amendment to Fifth Amended and Restated Investors' Rights Agreement, dated as of May 20, 2010, between Registrant and certain holders of the Registrant's capital stock named therein.	S-1/A	333-164593	4.2A	May 27, 2010	
4.4	Amendment to Fifth Amended and Restated Investors' Rights Agreement between Registrant, Toyota Motor Corporation and certain holders of the Registrant's capital stock named therein.	S-1/A	333-164593	4.2B	May 27, 2010	
4.5	Amendment to Fifth Amended and Restated Investor's Rights Agreement, dated as of June 14, 2010, between Registrant and certain holders of the Registrant's capital stock named therein.	S-1/A	333-164593	4.2C	June 15, 2010	
4.6	Amendment to Fifth Amended and Restated Investor's Rights Agreement, dated as of November 2, 2010, between Registrant and certain holders of the Registrant's capital stock named therein.	8-K	001-34756	4.1	November 4, 2010	
4.7	Waiver to Fifth Amended and Restated Investor's Rights Agreement, dated as of May 22, 2011, between Registrant and certain holders of the Registrant's capital stock named therein.	S-1/A	333-174466	4.2E	June 2, 2011	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.8	Amendment to Fifth Amended and Restated Investor's Rights Agreement, dated as of May 30, 2011, between Registrant and certain holders of the Registrant's capital stock named therein.	8-K	001-34756	4.1	June 1, 2011	
4.9	Sixth Amendment to Fifth Amended and Restated Investors' Rights Agreement, dated as of May 15, 2013 among the Registrant, the Elon Musk Revocable Trust dated July 22, 2003 and certain other holders of the capital stock of the Registrant named therein.	8-K	001-34756	4.1	May 20, 2013	
4.10	Waiver to Fifth Amended and Restated Investor's Rights Agreement, dated as of May 14, 2013, between the Registrant and certain holders of the capital stock of the Registrant named therein.	8-K	001-34756	4.2	May 20, 2013	
4.11	Waiver to Fifth Amended and Restated Investor's Rights Agreement, dated as of August 13, 2015, between the Registrant and certain holders of the capital stock of the Registrant named therein.	8-K	001-34756	4.1	August 19, 2015	
4.12	Waiver to Fifth Amended and Restated Investors' Rights Agreement, dated as of May 18, 2016, between the Registrant and certain holders of the capital stock of the Registrant named therein.	8-K	001-34756	4.1	May 24, 2016	
4.13	Waiver to Fifth Amended and Restated Investors' Rights Agreement, dated as of March 15, 2017, between the Registrant and certain holders of the capital stock of the Registrant named therein.	8-K	001-34756	4.1	March 17, 2017	
4.14	Indenture, dated as of May 22, 2013, by and between the Registrant and U.S. Bank National Association.	8-K	001-34756	4.1	May 22, 2013	
4.15	Second Supplemental Indenture, dated as of March 5, 2014, by and between the Registrant and U.S. Bank National Association.	8-K	001-34756	4.2	March 5, 2014	
4.16	Form of 0.25% Convertible Senior Note Due March 1, 2019 (included in Exhibit 4.17).	8-K	001-34756	4.2	March 5, 2014	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.17	Third Supplemental Indenture, dated as of March 5, 2014, by and between the Registrant and U.S. Bank National Association.	8-K	001-34756	4.4	March 5, 2014	
4.18	Form of 1.25% Convertible Senior Note Due March 1, 2021 (included in Exhibit 4.19).	8-K	001-34756	4.4	March 5, 2014	
4.19	Fourth Supplemental Indenture, dated as of March 22, 2017, by and between the Registrant and U.S. Bank National Association.	8-K	001-34756	4.2	March 22, 2017	
4.20	Form of 2.375% Convertible Senior Note Due March 15, 2022 (included in Exhibit 4.21).	8-K	001-34756	4.2	March 22, 2017	
4.21	Indenture, dated as of August 18, 2017, by and among the Registrant, SolarCity, and U.S. Bank National Association, as trustee.	8-K	001-34756	4.1	August 23, 2017	
4.22	Form of 5.30% Senior Note due August 15, 2025.	8-K	001-34756	4.2	August 23, 2017	
4.23	Indenture, dated as of September 30, 2014, between SolarCity and Wells Fargo Bank, National Association	8-K(1)	001-35758	4.1	October 6, 2014	
4.24	First Supplemental Indenture, dated as of November 21, 2016, between SolarCity and Wells Fargo Bank, National Association, as trustee to the Indenture, dated as of September 30, 2014, between SolarCity and Wells Fargo Bank, National Association, as trustee.	8-K	001-34756	4.2	November 21, 2016	
4.25	Indenture, dated as of December 7, 2015, between SolarCity and Wells Fargo Bank, National Association	8-K(1)	001-35758	4.1	December 7, 2015	
4.26	First Supplemental Indenture, dated as of November 21, 2016, between SolarCity and Wells Fargo Bank, National Association, as trustee to the Indenture, dated as of December 7, 2015, between SolarCity and Wells Fargo Bank, National Association, as trustee.	8-K	001-34756	4.3	November 21, 2016	
4.27	Indenture, dated as of October 15, 2014, between SolarCity and U.S. Bank National Association, as trustee.	S-3ASR(1)	333-199321	4.1	October 15, 2014	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.28	Third Supplemental Indenture, dated as of October 15, 2014, by and between SolarCity and the Trustee, related to SolarCity's 3.00% Solar Bonds, Series 2014/3-3.	8-K(1)	001-35758	4.4	October 15, 2014	
4.29	Fourth Supplemental Indenture, dated as of October 15, 2014, by and between SolarCity and the Trustee, related to SolarCity's 4.00% Solar Bonds, Series 2014/4-7	8-K(1)	001-35758	4.5	October 15, 2014	
4.30	Seventh Supplemental Indenture, dated as of January 29, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.00% Solar Bonds, Series 2015/3-3.	8-K(1)	001-35758	4.4	January 29, 2015	
4.31	Eighth Supplemental Indenture, dated as of January 29, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.00% Solar Bonds, Series 2015/4-7.	8-K(1)	001-35758	4.5	January 29, 2015	
4.32	Ninth Supplemental Indenture, dated as of March 9, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.00% Solar Bonds, Series 2015/5-5.	8-K(1)	001-35758	4.2	March 9, 2015	
4.33	Tenth Supplemental Indenture, dated as of March 9, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.00% Solar Bonds, Series 2015/6-10.	8-K(1)	001-35758	4.3	March 9, 2015	
4.34	Eleventh Supplemental Indenture, dated as of March 9, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.75% Solar Bonds, Series 2015/7-15.	8-K(1)	001-35758	4.4	March 9, 2015	
4.35	Thirteenth Supplemental Indenture, dated as of March 19, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.60% Solar Bonds, Series 2015/C2-3.	8-K(1)	001-35758	4.3	March 19, 2015	
4.36	Fourteenth Supplemental Indenture, dated as of March 19, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C3-5.	8-K(1)	001-35758	4.4	March 19, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.37	Fifteenth Supplemental Indenture, dated as of March 19, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C4-10.	8-K(1)	001-35758	4.5	March 19, 2015	
4.38	Sixteenth Supplemental Indenture, dated as of March 19, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C5-15.	8-K(1)	001-35758	4.6	March 19, 2015	
4.39	Eighteenth Supplemental Indenture, dated as of March 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C7-3.	8-K(1)	001-35758	4.3	March 26, 2015	
4.40	Nineteenth Supplemental Indenture, dated as of March 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C8-5.	8-K(1)	001-35758	4.4	March 26, 2015	
4.41	Twentieth Supplemental Indenture, dated as of March 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C9-10.	8-K(1)	001-35758	4.5	March 26, 2015	
4.42	Twenty-First Supplemental Indenture, dated as of March 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C10-15.	8-K(1)	001-35758	4.6	March 26, 2015	
4.43	Twenty-Fourth Supplemental Indenture, dated as of April 2, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C12-3.	8-K(1)	001-35758	4.3	April 2, 2015	
4.44	Twenty-Fifth Supplemental Indenture, dated as of April 2, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C13-5.	8-K(1)	001-35758	4.4	April 2, 2015	
4.45	Twenty-Sixth Supplemental Indenture, dated as of April 2, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C14-10.	8-K(1)	001-35758	4.5	April 2, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.46	Twenty-Eighth Supplemental Indenture, dated as of April 9, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C17-3.	8-K(1)	001-35758	4.3	April 9, 2015	
4.47	Twenty-Ninth Supplemental Indenture, dated as of April 9, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C18-5.	8-K(1)	001-35758	4.4	April 9, 2015	
4.48	Thirtieth Supplemental Indenture, dated as of April 9, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C19-10.	8-K(1)	001-35758	4.5	April 9, 2015	
4.49	Thirty-First Supplemental Indenture, dated as of April 9, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C20-15.	8-K(1)	001-35758	4.6	April 9, 2015	
4.50	Thirty-Third Supplemental Indenture, dated as of April 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C22-3.	8-K(1)	001-35758	4.3	April 14, 2015	
4.51	Thirty-Fourth Supplemental Indenture, dated as of April 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C23-5.	8-K(1)	001-35758	4.4	April 14, 2015	
4.52	Thirty-Fifth Supplemental Indenture, dated as of April 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C24-10.	8-K(1)	001-35758	4.5	April 14, 2015	
4.53	Thirty-Sixth Supplemental Indenture, dated as of April 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C25-15.	8-K(1)	001-35758	4.6	April 14, 2015	
4.54	Thirty-Eighth Supplemental Indenture, dated as of April 21, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C27-10.	8-K(1)	001-35758	4.3	April 21, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.55	Thirty-Ninth Supplemental Indenture, dated as of April 21, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C28-15.	8-K(1)	001-35758	4.4	April 21, 2015	
4.56	Forty-First Supplemental Indenture, dated as of April 27, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C30-3.	8-K(1)	001-35758	4.3	April 27, 2015	
4.57	Forty-Second Supplemental Indenture, dated as of April 27, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C31-5.	8-K(1)	001-35758	4.4	April 27, 2015	
4.58	Forty-Third Supplemental Indenture, dated as of April 27, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C32-10.	8-K(1)	001-35758	4.5	April 27, 2015	
4.59	Forty-Fourth Supplemental Indenture, dated as of April 27, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C33-15.	8-K(1)	001-35758	4.6	April 27, 2015	
4.60	Forty-Sixth Supplemental Indenture, dated as of May 1, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.00% Solar Bonds, Series 2015/10-3.	8-K(1)	001-35758	4.3	May 1, 2015	
4.61	Forty-Seventh Supplemental Indenture, dated as of May 1, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.00% Solar Bonds, Series 2015/11-5.	8-K(1)	001-35758	4.4	May 1, 2015	
4.62	Forty-Eighth Supplemental Indenture, dated as of May 1, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.00% Solar Bonds, Series 2015/12-10.	8-K(1)	001-35758	4.5	May 1, 2015	
4.63	Forty-Ninth Supplemental Indenture, dated as of May 1, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.75% Solar Bonds, Series 2015/13-15.	8-K(1)	001-35758	4.6	May 1, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.64	Fiftieth Supplemental Indenture, dated as of May 11, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C34-3.	8-K(1)	001-35758	4.2	May 11, 2015	
4.65	Fifty-First Supplemental Indenture, dated as of May 11, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C35-5.	8-K(1)	001-35758	4.3	May 11, 2015	
4.66	Fifty-Second Supplemental Indenture, dated as of May 11, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C36-10.	8-K(1)	001-35758	4.4	May 11, 2015	
4.67	Fifty-Third Supplemental Indenture, dated as of May 11, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C37-15.	8-K(1)	001-35758	4.5	May 11, 2015	
4.68	Fifty-Fourth Supplemental Indenture, dated as of May 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.50% Solar Bonds, Series 2015/14-2.	8-K(1)	001-35758	4.2	May 14, 2015	
4.69	Fifty-Fifth Supplemental Indenture, dated as of May 18, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C38-3.	8-K(1)	001-35758	4.2	May 18, 2015	
4.70	Fifty-Sixth Supplemental Indenture, dated as of May 18, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C39-5.	8-K(1)	001-35758	4.3	May 18, 2015	
4.71	Fifty-Seventh Supplemental Indenture, dated as of May 18, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C40-10.	8-K(1)	001-35758	4.4	May 18, 2015	
4.72	Fifty-Eighth Supplemental Indenture, dated as of May 18, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C41-15.	8-K(1)	001-35758	4.5	May 18, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.73	Fifty-Ninth Supplemental Indenture, dated as of May 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C42-3.	8-K(1)	001-35758	4.2	May 26, 2015	
4.74	Sixtieth Supplemental Indenture, dated as of May 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C43-5.	8-K(1)	001-35758	4.3	May 26, 2015	
4.75	Sixty-First Supplemental Indenture, dated as of May 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C44-10.	8-K(1)	001-35758	4.4	May 26, 2015	
4.76	Sixty-Second Supplemental Indenture, dated as of May 26, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C45-15.	8-K(1)	001-35758	4.5	May 26, 2015	
4.77	Sixty-Fourth Supplemental Indenture, dated as of June 8, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C46-3.	8-K(1)	001-35758	4.2	June 10, 2015	
4.78	Sixty-Fifth Supplemental Indenture, dated as of June 8, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C47-5.	8-K(1)	001-35758	4.3	June 10, 2015	
4.79	Sixty-Sixth Supplemental Indenture, dated as of June 8, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C48-10.	8-K(1)	001-35758	4.4	June 10, 2015	
4.80	Sixty-Seventh Supplemental Indenture, dated as of June 8, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C49-15.	8-K(1)	001-35758	4.5	June 10, 2015	
4.81	Sixty-Eighth Supplemental Indenture, dated as of June 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C50-3.	8-K(1)	001-35758	4.2	June 16, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.82	Sixty-Ninth Supplemental Indenture, dated as of June 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C51-5.	8-K(1)	001-35758	4.3	June 16, 2015	
4.83	Seventieth Supplemental Indenture, dated as of June 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C52-10.	8-K(1)	001-35758	4.4	June 16, 2015	
4.84	Seventy-First Supplemental Indenture, dated as of June 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C53-15.	8-K(1)	001-35758	4.5	June 16, 2015	
4.85	Seventy-Second Supplemental Indenture, dated as of June 22, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C54-3.	8-K(1)	001-35758	4.2	June 23, 2015	
4.86	Seventy-Third Supplemental Indenture, dated as of June 22, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C55-5.	8-K(1)	001-35758	4.3	June 23, 2015	
4.87	Seventy-Fourth Supplemental Indenture, dated as of June 22, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C56-10.	8-K(1)	001-35758	4.4	June 23, 2015	
4.88	Seventy-Fifth Supplemental Indenture, dated as of June 22, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C57-15.	8-K(1)	001-35758	4.5	June 23, 2015	
4.89	Seventy-Eighth Supplemental Indenture, dated as of June 29, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C59-3.	8-K(1)	001-35758	4.3	June 29, 2015	
4.90	Seventy-Ninth Supplemental Indenture, dated as of June 29, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C60-5.	8-K(1)	001-35758	4.4	June 29, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.91	Eightieth Supplemental Indenture, dated as of June 29, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C61-10.	8-K(1)	001-35758	4.5	June 29, 2015	
4.92	Eighty-First Supplemental Indenture, dated as of June 29, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C62-15.	8-K(1)	001-35758	4.6	June 29, 2015	
4.93	Eighty-Third Supplemental Indenture, dated as of July 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C64-3.	8-K(1)	001-35758	4.3	July 14, 2015	
4.94	Eighty-Fourth Supplemental Indenture, dated as of July 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C65-5.	8-K(1)	001-35758	4.4	July 14, 2015	
4.95	Eighty-Fifth Supplemental Indenture, dated as of July 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C66-10.	8-K(1)	001-35758	4.5	July 14, 2015	
4.196	Eighty-Sixth Supplemental Indenture, dated as of July 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C67-15.	8-K(1)	001-35758	4.6	July 14, 2015	
4.97	Eighty-Eighth Supplemental Indenture, dated as of July 20, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C69-3.	8-K(1)	001-35758	4.3	July 21, 2015	
4.98	Eighty-Ninth Supplemental Indenture, dated as of July 20, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C70-5.	8-K(1)	001-35758	4.4	July 21, 2015	
4.99	Ninetieth Supplemental Indenture, dated as of July 20, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C71-10.	8-K(1)	001-35758	4.5	July 21, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.100	Ninety-First Supplemental Indenture, dated as of July 20, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C72-15.	8-K(1)	001-35758	4.6	July 21, 2015	
4.101	Ninety-Third Supplemental Indenture, dated as of July 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.00% Solar Bonds, Series 2015/18-3.	8-K(1)	001-35758	4.3	July 31, 2015	
4.102	Ninety-Fourth Supplemental Indenture, dated as of July 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.00% Solar Bonds, Series 2015/19-5.	8-K(1)	001-35758	4.4	July 31, 2015	
4.103	Ninety-Fifth Supplemental Indenture, dated as of July 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.00% Solar Bonds, Series 2015/20-10.	8-K(1)	001-35758	4.5	July 31, 2015	
4.104	Ninety-Sixth Supplemental Indenture, dated as of July 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.75% Solar Bonds, Series 2015/21-15.	8-K(1)	001-35758	4.6	July 31, 2015	
4.105	Ninety-Eighth Supplemental Indenture, dated as of August 3, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C74-3.	8-K(1)	001-35758	4.3	August 3, 2015	
4.106	Ninety-Ninth Supplemental Indenture, dated as of August 3, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C75-5.	8-K(1)	001-35758	4.4	August 3, 2015	
4.107	One Hundredth Supplemental Indenture, dated as of August 3, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C76-10.	8-K(1)	001-35758	4.5	August 3, 2015	
4.108	One Hundred-and-First Supplemental Indenture, dated as of August 3, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C77-15.	8-K(1)	001-35758	4.6	August 3, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.109	One Hundred-and-Third Supplemental Indenture, dated as of August 10, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C79-3.	8-K(1)	001-35758	4.3	August 10, 2015	
4.110	One Hundred-and-Fourth Supplemental Indenture, dated as of August 10, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C80-5.	8-K(1)	001-35758	4.4	August 10, 2015	
4.111	One Hundred-and-Fifth Supplemental Indenture, dated as of August 10, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C81-10.	8-K(1)	001-35758	4.5	August 10, 2015	
4.112	One Hundred-and-Sixth Supplemental Indenture, dated as of August 10, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C82-15.	8-K(1)	001-35758	4.6	August 10, 2015	
4.113	One Hundred-and-Eighth Supplemental Indenture, dated as of August 17, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C84-3.	8-K(1)	001-35758	4.3	August 17, 2015	
4.114	One Hundred-and-Ninth Supplemental Indenture, dated as of August 17, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C85-5.	8-K(1)	001-35758	4.4	August 17, 2015	
4.115	One Hundred-and-Tenth Supplemental Indenture, dated as of August 17, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C86-10.	8-K(1)	001-35758	4.5	August 17, 2015	
4.116	One Hundred-and-Eleventh Supplemental Indenture, dated as of August 17, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C87-15.	8-K(1)	001-35758	4.6	August 17, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.117	One Hundred-and-Thirteenth Supplemental Indenture, dated as of August 24, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C89-3.	8-K(1)	001-35758	4.3	August 24, 2015	
4.118	One Hundred-and-Fourteenth Supplemental Indenture, dated as of August 24, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C90-5.	8-K(1)	001-35758	4.4	August 24, 2015	
4.119	One Hundred-and-Fifteenth Supplemental Indenture, dated as of August 24, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C91-10.	8-K(1)	001-35758	4.5	August 24, 2015	
4.120	One Hundred-and-Sixteenth Supplemental Indenture, dated as of August 24, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C92-15.	8-K(1)	001-35758	4.6	August 24, 2015	
4.121	One Hundred-and-Eighteenth Supplemental Indenture, dated as of August 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C94-3.	8-K(1)	001-35758	4.3	August 31, 2015	
4.122	One Hundred-and-Nineteenth Supplemental Indenture, dated as of August 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C95-5.	8-K(1)	001-35758	4.4	August 31, 2015	
4.123	One Hundred-and-Twentieth Supplemental Indenture, dated as of August 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C96-10.	8-K(1)	001-35758	4.5	August 31, 2015	
4.124	One Hundred-and-Twenty-First Supplemental Indenture, dated as of August 31, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C97-15.	8-K(1)	001-35758	4.6	August 31, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.125	One Hundred-and-Twenty-Second Supplemental Indenture, dated as of September 11, 2015, by and between SolarCity and the Trustee, related to SolarCity's Solar Bonds, Series 2015/R1.	8-K(1)	001-35758	4.2	September 11, 2015	
4.126	One Hundred-and-Twenty-Third Supplemental Indenture, dated as of September 11, 2015, by and between SolarCity and the Trustee, related to SolarCity's Solar Bonds, Series 2015/R2.	8-K(1)	001-35758	4.3	September 11, 2015	
4.127	One Hundred-and-Twenty-Fourth Supplemental Indenture, dated as of September 11, 2015, by and between SolarCity and the Trustee, related to SolarCity's Solar Bonds, Series 2015/R3.	8-K(1)	001-35758	4.4	September 11, 2015	
4.128	One Hundred-and-Twenty-Sixth Supplemental Indenture, dated as of September 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C99-3.	8-K(1)	001-35758	4.3	September 15, 2015	
4.129	One Hundred-and-Twenty-Seventh Supplemental Indenture, dated as of September 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C100-5.	8-K(1)	001-35758	4.4	September 15, 2015	
4.130	One Hundred-and-Twenty-Eighth Supplemental Indenture, dated as of September 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C101-10.	8-K(1)	001-35758	4.5	September 15, 2015	
4.131	One Hundred-and-Twenty-Ninth Supplemental Indenture, dated as of September 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C102-15.	8-K(1)	001-35758	4.6	September 15, 2015	
4.132	One Hundred-and-Thirty-First Supplemental Indenture, dated as of September 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C104-3.	8-K(1)	001-35758	4.3	September 29, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.133	One Hundred-and-Thirty-Second Supplemental Indenture, dated as of September 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C105-5.	8-K(1)	001-35758	4.4	September 29, 2015	
4.134	One Hundred-and-Thirty-Third Supplemental Indenture, dated as of September 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C106-10.	8-K(1)	001-35758	4.5	September 29, 2015	
4.135	One Hundred-and-Thirty-Fourth Supplemental Indenture, dated as of September 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C107-15.	8-K(1)	001-35758	4.6	September 29, 2015	
4.136	One Hundred-and-Thirty-Sixth Supplemental Indenture, dated as of October 13, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C109-3.	8-K(1)	001-35758	4.3	October 13, 2015	
4.137	One Hundred-and-Thirty-Seventh Supplemental Indenture, dated as of October 13, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C110-5.	8-K(1)	001-35758	4.4	October 13, 2015	
4.138	One Hundred-and-Thirty-Eighth Supplemental Indenture, dated as of October 13, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C111-10.	8-K(1)	001-35758	4.5	October 13, 2015	
4.139	One Hundred-and-Thirty-Ninth Supplemental Indenture, dated as of October 13, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C112-15.	8-K(1)	001-35758	4.6	October 13, 2015	
4.140	One Hundred-and-Forty-First Supplemental Indenture, dated as of October 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.00% Solar Bonds, Series 2015/23-3.	8-K(1)	001-35758	4.3	October 30, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.141	One Hundred-and-Forty-Second Supplemental Indenture, dated as of October 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.00% Solar Bonds, Series 2015/24-5.	8-K(1)	001-35758	4.4	October 30, 2015	
4.142	One Hundred-and-Forty-Third Supplemental Indenture, dated as of October 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.00% Solar Bonds, Series 2015/25-10.	8-K(1)	001-35758	4.5	October 30, 2015	
4.143	One Hundred-and-Forty-Fourth Supplemental Indenture, dated as of October 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.75% Solar Bonds, Series 2015/26-15.	8-K(1)	001-35758	4.6	October 30, 2015	
4.144	One Hundred-and-Forty-Sixth Supplemental Indenture, dated as of November 4, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C114-3.	8-K(1)	001-35758	4.3	November 4, 2015	
4.145	One Hundred-and-Forty-Seventh Supplemental Indenture, dated as of November 4, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C115-5.	8-K(1)	001-35758	4.4	November 4, 2015	
4.146	One Hundred-and-Forty-Eighth Supplemental Indenture, dated as of November 4, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C116-10.	8-K(1)	001-35758	4.5	November 4, 2015	
4.147	One Hundred-and-Forty-Ninth Supplemental Indenture, dated as of November 4, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C117-15.	8-K(1)	001-35758	4.6	November 4, 2015	
4.148	One Hundred-and-Fifty-First Supplemental Indenture, dated as of November 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C119-3.	8-K(1)	001-35758	4.3	November 17, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.149	One Hundred-and-Fifty-Second Supplemental Indenture, dated as of November 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C120-5.	8-K(1)	001-35758	4.4	November 17, 2015	
4.150	One Hundred-and-Fifty-Third Supplemental Indenture, dated as of November 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C121-10.	8-K(1)	001-35758	4.5	November 17, 2015	
4.151	One Hundred-and-Fifty-Fourth Supplemental Indenture, dated as of November 16, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C122-15.	8-K(1)	001-35758	4.6	November 17, 2015	
4.152	One Hundred-and-Fifty-Sixth Supplemental Indenture, dated as of November 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C124-3.	8-K(1)	001-35758	4.3	November 30, 2015	
4.153	One Hundred-and-Fifty-Seventh Supplemental Indenture, dated as of November 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C125-5.	8-K(1)	001-35758	4.4	November 30, 2015	
4.154	One Hundred-and-Fifty-Eighth Supplemental Indenture, dated as of November 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C126-10.	8-K(1)	001-35758	4.5	November 30, 2015	
4.155	One Hundred-and-Fifty-Ninth Supplemental Indenture, dated as of November 30, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C127-15.	8-K(1)	001-35758	4.6	November 30, 2015	
4.156	One Hundred-and-Sixty-First Supplemental Indenture, dated as of December 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C129-3.	8-K(1)	001-35758	4.3	December 14, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.157	One Hundred-and-Sixty-Second Supplemental Indenture, dated as of December 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C130-5.	8-K(1)	001-35758	4.4	December 14, 2015	
4.158	One Hundred-and-Sixty-Third Supplemental Indenture, dated as of December 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C131-10.	8-K(1)	001-35758	4.5	December 14, 2015	
4.159	One Hundred-and-Sixty-Fourth Supplemental Indenture, dated as of December 14, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C132-15.	8-K(1)	001-35758	4.6	December 14, 2015	
4.160	One Hundred-and-Sixty-Sixth Supplemental Indenture, dated as of December 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 2.65% Solar Bonds, Series 2015/C134-3.	8-K(1)	001-35758	4.3	December 28, 2015	
4.161	One Hundred-and-Sixty-Seventh Supplemental Indenture, dated as of December 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 3.60% Solar Bonds, Series 2015/C135-5.	8-K(1)	001-35758	4.4	December 28, 2015	
4.162	One Hundred-and-Sixty-Eighth Supplemental Indenture, dated as of December 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 4.70% Solar Bonds, Series 2015/C136-10.	8-K(1)	001-35758	4.5	December 28, 2015	
4.163	One Hundred-and-Sixty-Ninth Supplemental Indenture, dated as of December 28, 2015, by and between SolarCity and the Trustee, related to SolarCity's 5.45% Solar Bonds, Series 2015/C137-15.	8-K(1)	001-35758	4.6	December 28, 2015	
4.164	One Hundred-and-Seventy-First Supplemental Indenture, dated as of January 29, 2016, by and between SolarCity and the Trustee, related to SolarCity's 3.00% Solar Bonds, Series 2016/2-3.	8-K(1)	001-35758	4.3	January 29, 2016	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.165	One Hundred-and-Seventy-Second Supplemental Indenture, dated as of January 29, 2016, by and between SolarCity and the Trustee, related to SolarCity's 4.00% Solar Bonds, Series 2016/3-5.	8-K(1)	001-35758	4.4	January 29, 2016	
4.166	One Hundred-and-Seventy-Third Supplemental Indenture, dated as of January 29, 2016, by and between SolarCity and the Trustee, related to SolarCity's 5.00% Solar Bonds, Series 2016/4-10.	8-K(1)	001-35758	4.5	January 29, 2016	
4.167	One Hundred-and-Seventy-Fourth Supplemental Indenture, dated as of January 29, 2016, by and between SolarCity and the Trustee, related to SolarCity's 5.75% Solar Bonds, Series 2016/5-15.	8-K(1)	001-35758	4.6	January 29, 2016	
4.168	One Hundred-and-Seventy-Sixth Supplemental Indenture, dated as of February 26, 2016, by and between SolarCity and the Trustee, related to SolarCity's 4.50% Solar Bonds, Series 2016/7-3.	8-K(1)	001-35758	4.3	February 26, 2016	
4.169	One Hundred-and-Seventy-Seventh Supplemental Indenture, dated as of February 26, 2016, by and between SolarCity and the Trustee, related to SolarCity's 5.25% Solar Bonds, Series 2016/8-5.	8-K(1)	001-35758	4.4	February 26, 2016	
4.170	One Hundred-and-Seventy-Eighth Supplemental Indenture, dated as of March 21, 2016, by and between SolarCity and the Trustee, related to SolarCity's 4.40% Solar Bonds, Series 2016/9-1.	8-K(1)	001-35758	4.2	March 21, 2016	
4.171	One Hundred-and-Seventy-Ninth Supplemental Indenture, dated as of March 21, 2016, by and between SolarCity and the Trustee, related to SolarCity's 5.25% Solar Bonds, Series 2016/10-5.	8-K(1)	001-35758	4.3	March 21, 2016	
4.172	One Hundred-and-Eightieth Supplemental Indenture, dated as of June 10, 2016, by and between SolarCity and the Trustee, related to SolarCity's 4.40% Solar Bonds, Series 2016/11-1.	8-K(1)	001-35758	4.2	June 10, 2016	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.173	One Hundred-and-Eighty-First Supplemental Indenture, dated as of June 10, 2016, by and between SolarCity and the Trustee, related to SolarCity's 5.25% Solar Bonds, Series 2016/12-5.	8-K(1)	001-35758	4.3	June 10, 2016	
4.174	One Hundred-and-Eighty-Second Supplemental Indenture, dated as of August 17, 2016, by and between SolarCity and the Trustee, related to SolarCity's 6.50% Solar Bonds, Series 2016/13-18M.	8-K(1)	001-35758	4.2	August 17, 2016	
10.1**	Form of Indemnification Agreement between the Registrant and its directors and officers.	S-1/A	333-164593	10.1	June 15, 2010	
10.2**	2003 Equity Incentive Plan.	S-1/A	333-164593	10.2	May 27, 2010	
10.3**	Form of Stock Option Agreement under 2003 Equity Incentive Plan.	S-1	333-164593	10.3	January 29, 2010	
10.4**	Amended and Restated 2010 Equity Incentive Plan.	10-K	001-34756	10.4	February 23, 2018	
10.5**	Form of Stock Option Agreement under 2010 Equity Incentive Plan.	10-K	001-34756	10.6	March 1, 2017	
10.6**	Form of Restricted Stock Unit Award Agreement under 2010 Equity Incentive Plan.	10-K	001-34756	10.7	March 1, 2017	
10.7**	Amended and Restated 2010 Employee Stock Purchase Plan, effective as of February 1, 2017.	10-K	001-34756	10.8	March 1, 2017	
10.8**	2007 SolarCity Stock Plan and form of agreements used thereunder.	S-1(1)	333-184317	10.2	October 5, 2012	
10.9**	2012 SolarCity Equity Incentive Plan and form of agreements used thereunder.	S-1(1)	333-184317	10.3	October 5, 2012	
10.10**	2010 Zep Solar, Inc. Equity Incentive Plan and form of agreements used thereunder.	S-8(1)	333-192996	4.5	December 20, 2013	
10.11**	Offer Letter between the Registrant and Elon Musk dated October 13, 2008.	S-1	333-164593	10.9	January 29, 2010	
10.12**	Performance Stock Option Agreement between the Registrant and Elon Musk dated January 21, 2018.	DEF 14A	001-34756	Appendix A	February 8, 2018	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.13**	Offer Letter between the Registrant and Jeffrey B. Straubel dated May 6, 2004.	S-1	333-164593	10.12	January 29, 2010	
10.14**	Offer Letter between the Registrant and Deepak Ahuja dated February 21, 2017.	10-Q	001-34756	10.7	May 10, 2017	
10.15	Indemnification Agreement, dated as of February 27, 2014, by and between the Registrant and J.P. Morgan Securities LLC.	8-K	001-34756	10.1	March 5, 2014	
10.16	Form of Call Option Confirmation relating to 0.25% Convertible Senior Notes Due March 1, 2019.	8-K	001-34756	10.2	March 5, 2014	
10.17	Form of Call Option Confirmation relating to 1.25% Convertible Senior Notes Due March 1, 2021.	8-K	001-34756	10.3	March 5, 2014	
10.18	Form of Warrant Confirmation relating to 0.25% Convertible Senior Notes Due March 1, 2019.	8-K	001-34756	10.4	March 5, 2014	
10.19	Form of Warrant Confirmation relating to 1.25% Convertible Senior Notes Due March 1, 2021.	8-K	001-34756	10.5	March 5, 2014	
10.20	Form of Call Option Confirmation relating to 2.375% Convertible Notes due March 15, 2022.	8-K	001-34756	10.1	March 22, 2017	
10.21	Form of Warrant Confirmation relating to 2.375% Convertible Notes due March 15, 2022.	8-K	001-34756	10.2	March 22, 2017	
10.22†	Supply Agreement between Panasonic Corporation and the Registrant dated October 5, 2011.	10-K	-001-34756	10.50	February 27, 2012	
10.23†	Amendment No. 1 to Supply Agreement between Panasonic Corporation and the Registrant dated October 29, 2013.	10-K	001-34756	10.35A	February 26, 2014	
10.24	Agreement between Panasonic Corporation and the Registrant dated July 31, 2014.	10-Q	001-34756	10.1	November 7, 2014	
10.25†	General Terms and Conditions between Panasonic Corporation and the Registrant dated October 1, 2014.	8-K	001-34756	10.2	October 11, 2016	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.26	Letter Agreement, dated as of February 24, 2015, regarding addition of co-party to General Terms and Conditions, Production Pricing Agreement and Investment Letter Agreement between Panasonic Corporation and the Registrant.	10-K	001-34756	10.25A	February 24, 2016	
10.27†	Amendment to Gigafactory General Terms, dated March 1, 2016, by and among the Registrant, Panasonic Corporation and Panasonic Energy Corporation of North America.	8-K	001-34756	10.1	October 11, 2016	
10.28†	Production Pricing Agreement between Panasonic Corporation and the Registrant dated October 1, 2014.	10-Q	001-34756	10.3	November 7, 2014	
10.29†	Investment Letter Agreement between Panasonic Corporation and the Registrant dated October 1, 2014.	10-Q	001-34756	10.4	November 7, 2014	
10.30	Amendment to Gigafactory Documents, dated April 5, 2016, by and among the Registrant, Panasonic Corporation, Panasonic Corporation of North America and Panasonic Energy Corporation of North America.	10-Q	001-34756	10.2	May 10, 2016	
10.31	ABL Credit Agreement, dated as of June 10, 2015, by and among the Registrant, Tesla Motors Netherlands B.V., certain of the Registrant's and Tesla Motors Netherlands B.V.'s direct or indirect subsidiaries from time to time party thereto, as borrowers, Wells Fargo Bank, National Association, as documentation agent, JPMorgan Chase Bank, N.A., Goldman Sachs Bank USA, Morgan Stanley Senior Funding Inc. and Bank of America, N.A., as syndication agents, the lenders from time to time party thereto, and Deutsche Bank AG New York Branch, as administrative agent and collateral agent.	8-K	001-34756	10.1	June 12, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.32	First Amendment, dated as of November 3, 2015, to ABL Credit Agreement, dated as of June 10, 2015, by and among the Registrant, Tesla Motors Netherlands B.V., certain of the Registrant's and Tesla Motors Netherlands B.V.'s direct or indirect subsidiaries from time to time party thereto, as borrowers, and the documentation agent, syndication agents, administrative agent, collateral agent and lenders from time to time party thereto.	10-Q	001-34756	10.1	November 5, 2015	
10.33	Second Amendment, dated as of December 31, 2015, to ABL Credit Agreement, dated as of June 10, 2015, by and among the Registrant, Tesla Motors Netherlands B.V., certain of the Registrant's and Tesla Motors Netherlands B.V.'s direct or indirect subsidiaries from time to time party thereto, as borrowers, and the documentation agent, syndication agents, administrative agent, collateral agent and lenders from time to time party thereto.	10-K	001-34756	10.28B	February 24, 2016	
10.34	Third Amendment, dated as of February 9, 2016, to ABL Credit Agreement, dated as of June 10, 2015, by and among the Registrant, Tesla Motors Netherlands B.V., certain of the Registrant's and Tesla Motors Netherlands B.V.'s direct or indirect subsidiaries from time to time party thereto, as borrowers, and the documentation agent, syndication agents, administrative agent, collateral agent and lenders from time to time party thereto.	10-K	001-34756	10.28C	February 24, 2016	
10.35	Fourth Amendment to Credit Agreement, dated as of July 31, 2016, by and among the Registrant, Tesla Motors Netherlands B.V., the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent and collateral agent.	8-K	001-34756	10.1	August 1, 2016	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.36	Fifth Amendment to Credit Agreement, dated as of December 15, 2016, among the Registrant, Tesla Motors Netherlands B.V., the lenders party thereto and Deutsche Bank AG, New York Branch, as administrative agent and collateral agent.	8-K	001-34756	10.1	December 20, 2016	
10.37	Sixth Amendment to Credit Agreement, dated as of June 19, 2017, among the Registrant, Tesla Motors Netherlands B.V., the lenders party thereto and Deutsche Bank AG, New York Branch, as administrative agent and collateral agent.	10-Q	001-34756	10.1	August 4, 2017	
10.38	Seventh Amendment to the ABL Credit Agreement, dated as of August 11, 2017, by and among the Registrant, Tesla Motors Netherlands B.V., Deutsche Bank AG New York Branch, as administrative agent and collateral agent, and the other agents party thereto.	8-K	001-34756	10.2	August 23, 2017	
10.39	Eighth Amendment to the ABL Credit Agreement, dated as of March 12, 2018, by and among the Registrant, Tesla Motors Netherlands B.V., Deutsche Bank AG New York Branch, as administrative agent and collateral agent, and the other agents party thereto.	10-Q	001-34756	10.2	May 7, 2018	
10.40	Ninth Amendment to the ABL Credit Agreement, dated as of May 3, 2018, by and among the Registrant, Tesla Motors Netherlands B.V., Deutsche Bank AG New York Branch, as administrative agent and collateral agent, and the other agents party thereto.	10-Q	001-34756	10.3	May 7, 2018	
10.41	Tenth Amendment to the ABL Credit Agreement, dated as of December 10, 2018, by and among the Registrant, Tesla Motors Netherlands B.V., Deutsche Bank AG New York Branch, as administrative agent and collateral agent, and the other agents party thereto.	—	—	—	—	X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.42†	Agreement for Tax Abatement and Incentives, dated as of May 7, 2015, by and between Tesla Motors, Inc. and the State of Nevada, acting by and through the Nevada Governor's Office of Economic Development.	10-Q	001-34756	10.1	August 7, 2015	
10.43†	Amended and Restated Loan and Security Agreement, dated as of August 17, 2017, by and among Tesla 2014 Warehouse SPV LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, and Deutsche Bank AG, New York Branch, as Administrative Agent.	10-Q	001-34756	10.3	November 3, 2017	
10.44†	Amendment No. 1 to Amended and Restated Loan and Security Agreement, dated as of October 18, 2017, by and among Tesla 2014 Warehouse SPV LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank AG, New York Branch, as Administrative Agent, and Deutsche Bank Trust Company Americas, as Paying Agent.	10-K	001-34756	10.44	February 23, 2018	
10.45	Amendment No. 2 to Amended and Restated Loan and Security Agreement, dated as of March 23, 2018, by and among Tesla 2014 Warehouse SPV LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank AG, New York Branch, as Administrative Agent, and Deutsche Bank Trust Company Americas, as Paying Agent.	10-Q	001-34756	10.4	May 7, 2018	
10.46	Amendment No. 3 to Amended and Restated Loan and Security Agreement, dated as of May 4, 2018, by and among Tesla 2014 Warehouse SPV LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank AG, New York Branch as Administrative Agent, and Deutsche Bank Trust Company Americas, as Paying Agent.	10-Q	001-34756	10.1	November 2, 2018	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.47†	Amendment No. 4 to Amended and Restated Loan and Security Agreement, dated as of August 16, 2018, by and among Tesla 2014 Warehouse SPV LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank AG, New York Branch as Administrative Agent and Deutsche Bank Trust Company Americas, as Paying Agent.	10-Q	001-34756	10.3	November 2, 2018	
10.48†	Amendment No. 5 to Amended and Restated Loan and Security Agreement, executed on December 28, 2018, by and among Tesla 2014 Warehouse SPV LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank AG, New York Branch as Administrative Agent and Deutsche Bank Trust Company Americas, as Paying Agent.	—	—	—	—	X
10.49†	Loan and Security Agreement, dated as of August 17, 2017, by and among LML Warehouse SPV, LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, and Deutsche Bank AG, New York Branch, as Administrative Agent.	10-Q	001-34756	10.4	November 3, 2017	
10.50†	Amendment No. 1 to Loan and Security Agreement, dated as of October 18, 2017, by and among LML Warehouse SPV, LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank AG, New York Branch, as Administrative Agent, and Deutsche Bank Trust Company Americas, as Paying Agent.	10-K	001-34756	10.46	February 23, 2018	
10.51	Amendment No. 2 to Loan and Security Agreement, dated as of March 23, 2018, by and among LML Warehouse SPV, LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank AG, New York Branch, as Administrative Agent, and Deutsche Bank Trust Company Americas, as Paying Agent.	10-Q	001-34756	10.5	May 7, 2018	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.52	Amendment No. 3 to Loan and Security Agreement, dated as of May 4, 2018, by and among LML Warehouse SPV, LLC, the Lenders and Group Agents from time to time party thereto, and Deutsche Bank AG, New York Branch, as Administrative Agent.	10-Q	001-34756	10.2	November 2, 2018	
10.53†	Amendment No. 4 to Loan and Security Agreement, dated as of August 16, 2018, by and among LML Warehouse SPV, LLC, the Lenders and Group Agents from time to time party thereto, and Deutsche Bank AG, New York Branch, as Administrative Agent.	10-Q	001-34756	10.4	November 2, 2018	
10.54†	Payoff and Termination Letter, executed on December 28, 2018, by and among LML Warehouse SPV, LLC, the Lenders and Group Agents from time to time party thereto, and Deutsche Bank AG, New York Branch, as Administrative Agent, relating to Loan and Security Agreement.	—	—	—	—	X
10.55†	Loan and Security Agreement, executed on December 28, 2018, by and among LML 2018 Warehouse SPV, LLC, Tesla Finance LLC, the Lenders and Group Agents from time to time party thereto, Deutsche Bank Trust Company Americas, as Paying Agent, and Deutsche Bank AG, New York Branch, as Administrative Agent.	—	—	—	—	X
10.56	Purchase Agreement, dated as of August 11, 2017, by and among the Registrant, SolarCity and Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC as representatives of the several initial purchasers named therein.	8-K	001-34756	10.1	August 23, 2017	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.57	Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of September 2, 2014, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, Inc.	10-Q(1)	001-35758	10.16	November 6, 2014	
10.58	First Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of October 31, 2014, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, Inc.	10-K(1)	001-35758	10.16a	February 24, 2015	
10.59	Second Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of December 15, 2014, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, Inc.	10-K(1)	001-35758	10.16b	February 24, 2015	
10.60	Third Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of February 12, 2015, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, Inc.	10-Q(1)	001-35758	10.16c	May 6, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.61	Fourth Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of March 30, 2015, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, Inc.	10-Q(1)	001-35758	10.16d	May 6, 2015	
10.62	Fifth Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of June 30, 2015, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, LLC.	10-Q(1)	001-35758	10.16e	July 30, 2015	
10.63	Sixth Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of September 1, 2015, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, LLC.	10-Q(1)	001-35758	10.16f	October 30, 2015	
10.64	Seventh Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of October 9, 2015, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, LLC.	10-Q(1)	001-35758	10.16g	October 30, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.65	Eighth Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of October 26, 2015, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, LLC.	10-Q(1)	001-35758	10.16h	October 30, 2015	
10.66	Ninth Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of December 9, 2015, by and between The Research Foundation For The State University of New York, on behalf of the College of Nanoscale Science and Engineering of the State University of New York, and Silevo, LLC.	10-K(1)	001-35758	10.16i	February 10, 2016	
10.67	Tenth Amendment to Amended and Restated Agreement For Research & Development Alliance on Triex Module Technology, effective as of March 31, 2017, by and between The Research Foundation For The State University of New York, on behalf of the Colleges of Nanoscale Science and Engineering of the State University of New York, and Silevo, LLC.	10-Q	001-34756	10.8	May 10, 2017	
21.1	List of Subsidiaries of the Registrant	—	—	—	—	X
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	—	—	—	—	X
31.1	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Executive Officer	—	—	—	—	X
31.2	Rule 13a-14(a) / 15(d)-14(a) Certification of Principal Financial Officer	—	—	—	—	X
32.1*	Section 1350 Certifications	—	—	—	—	
101.INS	XBRL Instance Document					

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
101.SCH	XBRL Taxonomy Extension Schema Document					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					

- * Furnished herewith
- ** Indicates a management contract or compensatory plan or arrangement
- † Confidential treatment has been requested for portions of this exhibit
- (1) Indicates a filing of SolarCity

ITEM 16. SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 19, 2019

Tesla, Inc.

/s/ Elon Musk

Elon Musk
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Elon Musk</u> Elon Musk	Chief Executive Officer and Director (Principal Executive Officer)	February 19, 2019
<u>/s/ Deepak Ahuja</u> Deepak Ahuja	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 19, 2019
<u>/s/ Brad W. Buss</u> Brad W. Buss	Director	February 19, 2019
<u>/s/ Robyn Denholm</u> Robyn Denholm	Director	February 19, 2019
<u>/s/ Ira Ehrenpreis</u> Ira Ehrenpreis	Director	February 19, 2019
<u>/s/ Lawrence J. Ellison</u> Lawrence J. Ellison	Director	February 19, 2019
<u>/s/ Antonio J. Gracias</u> Antonio J. Gracias	Director	February 19, 2019
<u>/s/ James Murdoch</u> James Murdoch	Director	February 19, 2019
<u>/s/ Kimbal Musk</u> Kimbal Musk	Director	February 19, 2019
<u>/s/ Linda Johnson Rice</u> Linda Johnson Rice	Director	February 19, 2019
<u>/s/ Kathleen Wilson-Thompson</u> Kathleen Wilson-Thompson	Director	February 19, 2019
<u>Stephen T. Jurvetson</u>	Director	

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Exhibit 10.41

TENTH AMENDMENT TO CREDIT AGREEMENT

TENTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of December 10, 2018, in respect of the ABL Credit Agreement, dated as of June 10, 2015 (as amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), among Tesla, Inc. (the "Company", and together with each Wholly-Owned Domestic Subsidiary of the Company that becomes a U.S. Borrower pursuant to the terms of the Credit Agreement, collectively, the "U.S. Borrowers"), Tesla Motors Netherlands B.V. ("Tesla B.V.", and together with each Wholly-Owned Dutch Subsidiary of Tesla B.V. that becomes a Dutch Borrower pursuant to the terms of the Credit Agreement, collectively, the "Dutch Borrowers"; and the Dutch Borrowers, together with the U.S. Borrowers, collectively, the "Borrowers"), the lenders from time to time party thereto (the "Lenders"), Deutsche Bank AG New York Branch, as administrative agent and collateral agent (in such capacities, the "Administrative Agent") and as Collateral Agent, and the other agents party thereto.

RECITALS:

WHEREAS, the Company has requested an amendment to the Credit Agreement;

WHEREAS, pursuant to Section 13.12 of the Credit Agreement, the Credit Agreement may be amended with the written consent of the Required Lenders and each Credit Party thereto; and

WHEREAS, the parties now wish to amend the Credit Agreement in certain respects.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

Section 1. *Defined Terms.* Unless otherwise specifically defined herein, each term used herein (including in the recitals above) has the meaning assigned to such term in the Credit Agreement.

Section 2. *Amendments to Credit Agreement.*

(a) *Amendment to Section 1.01 of the Credit Agreement.* The following defined terms shall be inserted into Section 1.01 of the Credit Agreement in appropriate alphabetical order:

"Attributes Buyer" shall mean that Person separately identified in writing by the Company to the Administrative Agent.

"Energy Environmental Attribute" shall mean any credit, benefit, reduction, offset or allowance (such as so-called renewable energy certificates, green tags, green certificates, and renewable energy credits), howsoever entitled or named, resulting from, attributable to or associated with the storage or generation of energy, other than the actual electric energy produced, and that is capable of being measured, verified or calculated and in any case may be lawfully marketed to third parties. By way of illustration, Energy Environmental Attributes may result from: the generation system's use of a particular renewable energy source; avoided NOx, SOx, CO2 or greenhouse gas emissions and other carbon credits and offsets; avoided water use or as otherwise specified under any applicable energy-related private or governmental program. Notwithstanding any of the foregoing in this definition or any other provision of the Tenth Amendment or the Credit Agreement, Energy Environmental Attributes shall not in any case include: (i) any of the foregoing

obtained by, provided to, used by or necessary for the Company or any of its Subsidiaries to conduct any of its operations at any location (and shall not include any water rights or other rights or credits obtained pursuant to requirements of applicable law in order to site and develop any facility); or (ii) any production tax credits.

“Environmental Attribute” shall mean an Energy Environmental Attribute or a Vehicle Environmental Attribute.

“Tenth Amendment” shall mean that certain Tenth Amendment, dated as of December 10, 2018, among the Company, Tesla B.V., the Administrative Agent and the Lenders party thereto.

“Tenth Amendment Effective Date” shall mean December 10, 2018.

“Used Motor Vehicles” shall mean all Used motor vehicles owned by the Company or any of its Subsidiaries.

“Vehicle Environmental Attribute” shall mean any credit, benefit, reduction, offset or allowance, howsoever entitled or named, relating to the emissions or environmental impacts that result from, are attributable to, or are associated with a vehicle, a vehicle’s use, or a vehicle charging station that is capable of being measured, verified or calculated and in any case may be lawfully marketed to third parties. By way of illustration, Vehicle Environmental Attributes may result from: new energy vehicles; zero emission vehicles; fuel economy; avoided criteria air pollutants, CO₂ or greenhouse gas emissions; low carbon, renewable or clean fuel; and other credits and offsets defined under any applicable vehicle and charging-related private or governmental program, including, without limitation, the following credits: California LEV III NMOG + NO_x, US CAFE, US GHG, US Tier 3 NMOG + NO_x, Canada GHG, Quebec ZEV, EU CO₂ Pooling, and Switzerland GHG Credits. Notwithstanding any of the foregoing in this definition or any other provision of the Tenth Amendment or the Credit Agreement, Vehicle Environmental Attributes shall not include: (i) any of the foregoing obtained by, provided to, used by or necessary for the Company or any of its Subsidiaries to conduct any of its operations at any location; or (ii) any automotive tax credits.

(b) *Amendment to the definition of Capitalized Lease Obligation.* The definition of “Capitalized Lease Obligation” in Section 1.01 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

“Capitalized Lease Obligations” shall mean, with respect to any Person, all rental obligations of such Person which, under GAAP, are or will be required to be capitalized on the books of such Person, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles; provided that Capitalized Lease Obligations shall not include (i) any obligations in respect of leases that would be treated as operating leases in accordance with GAAP as in effect on the Tenth Amendment Effective Date and (ii) any obligations in respect of operating leases that are capitalized as a result build-to-suit lease accounting rules.

(c) *Amendment to Section 10.01 of the Credit Agreement.* Section 10.01 of the Credit Agreement shall be amended by (i) deleting “and” at the end of clause (dd) thereof, (ii) replacing “.” at the end of clause (ee) thereof with “;” and (iii) adding the following new clauses (ff) and (gg) at the end thereof:

“(ff) Liens on Used Vehicles and related assets (such as documents of title in respect thereof, that in the reasonable opinion of the Company are customary for financing transactions related to such assets), in each case securing Indebtedness permitted by Section 10.04(z); and

(gg) Liens of the Attributes Buyer or any of its Affiliates on Environmental Attributes and their related intangible rights in connection with the sale of such Environmental Attributes to the Attributes Buyer or any of its Affiliates.”

(d) *Amendment to Section 10.04 of the Credit Agreement.* Section 10.04 of the Credit Agreement shall be amended by (i) deleting “and” at the end of clause (x) thereof, (ii) replacing “.” at the end of clause (y) thereof with “; and” and (iii) adding the following new clause (z) at the end thereof:

“(z) Indebtedness of the Company or any of its Subsidiaries secured by a Lien on Used Motor Vehicles and related assets; provided, that such Indebtedness shall not be secured by any assets other than Used Motor Vehicles and other related assets, such as documents of title in respect thereof, that in the reasonable opinion of the Company are customary for financing transactions related to such assets; provided further that the aggregate amount of Indebtedness outstanding at any time pursuant to this clause (z) shall not exceed \$200,000,000.”

(e) *Amendment to Section 10.09 of the Credit Agreement.* Section 10.09 of the Credit Agreement shall be amended by (i) replacing “or (ee)” in clause (viii) thereof with “, (ee), (ff) or (gg)”, and (ii) replacing “or 10.04(x)” in clause (ix)(B) each time it appears therein with “, 10.04(x) or 10.04(z)”.

Section 3. *Conditions.* This Amendment shall become effective on the date on which the following conditions precedent have been satisfied or waived (the date on which such conditions shall have been so satisfied or waived, the “Amendment Effective Date”):

(a) The Administrative Agent shall have received a counterpart of this Amendment, executed and delivered by the Credit Parties, the Administrative Agent and the Required Lenders.

(b) Each of the representations and warranties made by the Credit Parties in or pursuant to the Credit Agreement or in or pursuant to the other Credit Documents shall be true and correct in all material respects (except that any representation and warranty that is qualified or subject to “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects) on and as of the Amendment Effective Date as if made on and as of such date except for such representations and warranties expressly stated to be made as of an earlier date (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date).

(c) No Default or Event of Default shall exist on the Amendment Effective Date.

(d) The Administrative Agent shall have received an officer’s certificate from an Authorized Officer of the Company and dated as of the Amendment Effective Date, certifying that each condition set forth in Sections 3(b) and (c) hereof have been satisfied on and as of the Amendment Effective Date.

Section 4. *Representations and Warranties, etc.* The Borrowers hereby confirm, reaffirm and restate that each of the representations and warranties made by any Credit Party in the Credit Documents is true and correct in all material respects on and as of the Amendment Effective Date (it being understood and agreed that (x) any representation or warranty which by its terms is made as of a specified date shall be

required to be true and correct in all material respects only as of such specified date and (y) any representation or warranty that is qualified by “materiality”, “Material Adverse Effect” or similar language shall be true and correct in all respects). The Borrowers represent and warrant that, immediately after giving effect to the occurrence of the Amendment Effective Date, no Default or Event of Default has occurred and is continuing. The Borrowers represent and warrant that each Credit Party (i) has the Business power and authority to execute, deliver and perform the terms and provisions of this Amendment and has taken all necessary Business action to authorize the execution, delivery and performance by such Credit Party thereof and (ii) has duly executed and delivered this Amendment, and that this Amendment constitutes a legal, valid and binding obligation of the Borrowers enforceable against each Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 5. *Reaffirmation.* Each Guarantor and each Credit Party hereby agrees that (i) all of its Obligations under the Credit Documents shall remain in full force and effect on a continuous basis after giving effect to this Amendment and (ii) each Credit Document is ratified and affirmed in all respects.

Section 6. *Vehicle Environmental Attributes not Collateral.* Each Lender acknowledges and agrees that notwithstanding any provision of this Agreement or any Security Document, Vehicle Environmental Attributes and their related intangible rights are not General Intangibles relating to Inventory and therefore do not constitute Collateral.

Section 7. *Governing Law.* This Amendment and the rights of the parties hereunder shall be governed by and construed in accordance with the laws of the State of New York (without regard to conflicts of law principles that would result in the application of any law other than the law of the State of New York).

Section 8. *Effect of This Amendment.* Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of any Lender or Agent under the Credit Agreement or any other Credit Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Credit Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Credit Document in similar or different circumstances.

Section 9. *Counterparts.* This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic transmission (e.g., “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart hereof.

Section 10. *Miscellaneous.* This Amendment shall constitute a Credit Document for all purposes of the Credit Agreement. The Borrowers shall pay all reasonable fees, costs and expenses of the Administrative Agent incurred in connection with the negotiation, preparation and execution of this Amendment and the transactions contemplated hereby.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

TESLA, INC.

By: /s/ Yaron Klein
Name: Yaron Klein
Title: Treasurer

TESLA MOTORS NETHERLANDS B.V.

By: /s/ Marc Cerda
Name: Marc Cerda
Title: Managing Director

[Tenth Amendment - Signature Page]

DEUTSCHE BANK AG NEW YORK BRANCH, as
Administrative Agent, Collateral Agent, Swingline Lender
and a Lender

By: /s/ Maria Guinchard
Name: Maria Guinchard
Title: Vice President

By: /s/ Marguerite Sutton
Name: Marguerite Sutton
Title: Vice President

[Tenth Amendment - Signature Page]

Goldman Sachs Bank USA, as a Lender

By: /s/ Jamie Minieri
Name: Jamie Minieri
Title: Authorized Signatory

[Tenth Amendment - Signature Page]

BARCLAYS BANK PLC, as a Lender

By: /s/ Komal Ramkirath
Name: Komal Ramkirath
Title: Assistant Vice President

[Tenth Amendment - Signature Page]

CITIBANK, N.A., as a Lender

By: /s/ David L. Smith
Name: David L. Smith
Title: Vice President and Director

[Tenth Amendment - Signature Page]

Morgan Stanley Bank, N.A., as a Lender

By: /s/ Emanuel Ma
Name: Emanuel Ma
Title: Authorized Signatory

[Tenth Amendment - Signature Page]

Morgan Stanley Senior Funding, Inc., as a Lender

By: /s/ Emanuel Ma

Name: Emanuel Ma

Title: Vice President

[Tenth Amendment - Signature Page]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Benjamin Lennon

Name: Benjamin Lennon

Title: Authorized Signatory

[Tenth Amendment - Signature Page]

Bank of America, N.A., as an Issuing Lender and a Lender

By: /s/ James Fallahay
Name: James Fallahay
Title: Senior Vice President

[Tenth Amendment - Signature Page]

SOCIETE GENERALE, as a Lender

By: /s/ John Hogan

Name: John Hogan

Title: Director

[Tenth Amendment - Signature Page]

Wells Fargo Bank, N.A., as a Lender

By: /s/ Jake Elliott
Name: Jake Elliott
Title: Authorized Signatory

[Tenth Amendment - Signature Page]

Exhibit 10.48

Confidential Treatment Requested by Tesla, Inc.

AMENDMENT NO. 5
TO
AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 5 TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of December 27, 2018, is entered into by and among TESLA 2014 WAREHOUSE SPV LLC, a Delaware limited liability company (the "Borrower"), TESLA FINANCE LLC, a Delaware limited liability company ("TFL"), the Lenders party hereto, the Group Agents party hereto, DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation, as paying agent (the "Paying Agent") and DEUTSCHE BANK AG, NEW YORK BRANCH, as administrative agent (in such capacity, the "Administrative Agent") and is made in respect of the Amended and Restated Loan and Security Agreement, dated as of August 17, 2017, as amended on October 18, 2017, as further amended on March 23, 2018, as further amended on May 4, 2018, as further amended on August 16, 2018 (the "Loan Agreement") among the Borrower, TFL, the Lenders party thereto, the Group Agents party thereto, the Administrative Agent and the Paying Agent. Defined terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Loan Agreement as amended hereby.

WHEREAS, the Borrower, the Lenders, the Group Agents, the Paying Agent and the Administrative Agent have agreed to amend the Loan Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders, the Group Agents, the Paying Agent and the Administrative Agent agree as follows:

1. Amendments to Loan Agreement. Effective as of the Amendment Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof:

(a) Section 1.01 of the Loan Agreement is hereby amended by deleting in its entirety the following definitions (i) "Finco Administrative Agent", (ii) "Finco Borrower", (iii) "Finco Commitment", (iv) "Finco Facility Limit", (v) "Finco Group Agent", (vi) "Finco Lender", (vii) "Finco Loan" (viii) "Finco Loan Balance", (ix) "Finco Paying Agent", (x) "Finco Transaction Documents" and (xi) "Finco Warehouse Agreement".

(b) Section 1.01 of the Loan Agreement is hereby amended by adding the following definitions thereto in the appropriate alphabetical order:

"*2018 Administrative Agent*" shall mean the "Administrative Agent," as such term is defined in the 2018 Warehouse Agreement.

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

"2018 Borrower" shall mean LML 2018 Warehouse SPV, LLC.

"2018 Borrower Default" shall mean the occurrence of any "Event of Default", as such term is defined in the 2018 Warehouse Agreement.

"2018 Facility Limit" shall mean the "Facility Limit," as such term is defined in the 2018 Warehouse Agreement.

"2018 Group Agent" shall mean a "Group Agent," as such term is defined in the 2018 Warehouse Agreement.

"2018 Loan Balance" shall mean the "Loan Balance," as such term is defined in the 2018 Warehouse Agreement.

"2018 Paying Agent" shall mean the "Paying Agent," as such term is defined in the 2018 Warehouse Agreement.

"2018 Transaction Documents" shall mean the "Transaction Documents," as such term is defined in the 2018 Warehouse Agreement.

"2018 Warehouse Agreement" shall mean the Loan and Security Agreement, dated as of December 27, 2018, among the 2018 Borrower, TFL, the 2018 Administrative Agent and the lenders and group agents party thereto, as the same may be amended from time to time.

(c) Section 1.01 of the Loan Agreement is hereby amended by amending the definition of "Retention Requirements" to read as follows:

"Retention Requirements" shall mean each of: (a) Article 405 of the CRR, together with (i) the Commission Delegated Regulation (EU) 625/2014 of 13 March 2014 and any regulatory technical standards, implementing technical standards or related documents published by the European Banking Authority, European Central Bank (or any other successor or replacement agency or authority) and any delegated regulations of the European Commission; and (ii) to the extent informing the interpretation of Article 405 of the CRR, the guidelines and related documents previously published in relation to the preceding European Union risk retention legislation by the European Banking Authority (and/or its predecessor, the Committee of European Banking Supervisors); (b) Article 17 of the AIFMD, as supplemented by Article 51 of the AIFM Regulation; (c) Article 254 Commission Delegated Regulation (EU) 2015/35 (the Solvency II Regulation), (d) in relation to each of the foregoing, any guidance published in relation thereto and any implementing laws or regulations in force in any Member State of the European Union and (e) in each case, any law or regulation superseding or replacing such requirements (or regulatory guidance published in relation thereto).

(d) Section 1.01 of the Loan Agreement is hereby amended by amending the definition of "Transaction Documents" to read as follows:

"Transaction Documents" shall mean the Trust Agreement, the Warehouse SUBI Supplement, the Warehouse SUBI Servicing Agreement, the [***] Subservicing Agreement, the eVault Letter Agreement, the Warehouse SUBI Sale Agreement, this Agreement, the Collateral

Agency and Security Agreement, the Fee Letter, each Loan Request, each Settlement Statement, each Notice of Warehouse SUBI Lease Allocation, each Interest Rate Hedge and each other agreement, report, certificate or other document delivered by any Tesla Party, Tesla, Inc. or TFL pursuant to or in connection with this Agreement. For the avoidance of doubt, the 2018 Transaction Documents shall not constitute Transaction Documents under this Agreement.

(e) Section 2.11(a) of the Loan Agreement is hereby amended by:

(i) Deleting the lead-in in its entirety and inserting in lieu thereof a new lead-in reading in its entirety as follows:

“So long as no Default or Event of Default shall have occurred and be continuing, TFL may, at the written directions of the Borrower and , the 2018 Borrower, increase the Maximum Facility Limit subject to the following terms and conditions:”

(ii) Deleting clause(i) in its entirety and inserting in lieu thereof a new clause (i) reading in its entirety as follows:

“(i) TFL shall send a written notice (such notice, “*Maximum Facility Limit Increase Notice*”) to the Administrative Agent (who shall forward the same to the Group Agents) and the 2018 Administrative Agent, which notice shall specify:

(A) the amount by which the Maximum Facility Limit is proposed to be increased (the “*Maximum Facility Limit Increase Amount*”);

(B) the date on which such increase is proposed to occur (the “*Maximum Facility Limit Increase Date*”), which Maximum Facility Limit Increase Date shall be not less than thirty (30) days after the date of such Maximum Facility Limit Increase Notice; and

(C) the amount of the Maximum Facility Limit Increase Amount to be allocated to the Facility Limit and the 2018 Facility Limit.”

(f) Section 2.11(b) of the Loan Agreement is hereby amended by deleting Section 2.11(b) in its entirety and inserting in lieu thereof a new Section 2.11(b) reading in its entirety as follows:

“(b) TFL may, at the written directions of the Borrower and the 2018 Borrower, reduce the Maximum Facility Limit subject to the following terms and conditions:

(i) TFL shall send a written notice (such notice, “*Maximum Facility Limit Reduction Notice*”) signed by an Authorized Signatory to the Administrative Agent (who shall forward the same to the Group Agents) and the 2018 Administrative Agent, which notice shall specify:

(A) the amount by which the Maximum Facility Limit is proposed to be reduced (the "*Maximum Facility Limit Reduction Amount*"); provided that, the resulting Maximum Facility Limit after taking into account the Maximum Facility Limit Reduction Amount shall not be less than the sum of the Loan Balance and the 2018 Loan Balance on the Maximum Facility Limit Reduction Date;

(B) the date on which such reduction is proposed to occur (the "*Maximum Facility Limit Reduction Date*"), which Maximum Facility Limit Reduction Date shall be not less than five (5) Business Days after the date of such Maximum Facility Limit Reduction Notice; and

(C) the amount of the Maximum Facility Limit Reduction Amount that shall reduce the Facility Limit and the 2018 Facility Limit, respectively, provided that the Facility Limit shall not be less than the Loan Balance on the Maximum Facility Limit Reduction Date.

(ii) On each Maximum Facility Limit Reduction Date, the Facility Limit will be reduced by the amount specified in the related Maximum Facility Limit Reduction Notice and each such reduction shall reduce each Lender's Commitment by its ratable share (based on the Commitments of the Lenders) of the Maximum Facility Limit Reduction Amount.

(iii) No reduction in the Maximum Facility Limit shall occur if after giving effect to such reduction and any repayments of the Loan Balance, the Facility Limit will be less than the Loan Balance.

(iv) On each Maximum Facility Limit Reduction Date, the Administrative Agent shall update its books and records to reflect the updated Maximum Facility Limit, Facility Limit and Commitment of each Lender."

(g) Section 2.12 of the Loan Agreement is hereby amended by deleting Section 2.12 in its entirety and inserting in lieu thereof a new Section 2.12 reading in its entirety as follows:

"(a) TFL may from time to time, at the written directions of the Borrower and the 2018 Borrower, reallocate the Maximum Facility Limit between the Facility Limit and the 2018 Facility Limit subject to the following terms and conditions:

(i) TFL shall send a written notice (such notice, "*Maximum Facility Limit Reallocation Notice*") to the Administrative Agent (who shall forward the same to the Group Agents) and the 2018 Administrative Agent (who shall forward the same to the 2018 Group Agents), which notice shall specify:

(A) the amount of the Maximum Facility Limit that is to be allocated to the Facility Limit and the amount of the Maximum Facility Limit that is to be allocated to the 2018 Facility Limit; provided that, the sum of the Facility Limit and the 2018 Facility Limit shall be equal to the Maximum Facility Limit on the Maximum Facility Limit Reallocation Date (as defined below); and provided,

further, that the Facility Limit shall not be less than the Loan Balance and the 2018 Facility Limit shall not be less than the 2018 Loan Balance; and

(B) the date on which such reallocation is proposed to occur (the "*Maximum Facility Limit Reallocation Date*"), which Maximum Facility Limit Reallocation Date shall be not less than ten (10) Business Days after the date of such Maximum Facility Limit Reallocation Notice.

(ii) On each Maximum Facility Limit Reallocation Date, the Facility Limit, and/or the 2018 Facility Limit will be increased or decreased, as applicable, by the amount specified in the related Maximum Facility Limit Reallocation Notice.

(iii) No reduction in the Facility Limit shall occur in connection with the reallocation of the Maximum Facility Limit if after giving effect to such reduction and any repayments of the Loan Balance, the Facility Limit will be less than the Loan Balance. On each Maximum Facility Limit Reallocation Date, the Administrative Agent shall update its books and records to reflect the updated Maximum Facility Limit, Facility Limit and Commitment of each Lender..

(iv) Except as provided in Section 2.12(b), TFL may not reallocate any portion of the 2018 Facility Limit to the Facility Limit without the prior written consent of all Group Agents.

(b) In addition, on the Recommended Borrowing Date and on each Payment Date occurring after the Recommended Borrowing Date, the excess of the 2018 Facility Limit over the aggregate principal amount of the 2018 Loan Balance shall automatically be reallocated from the 2018 Facility Limit to the Facility Limit.

(h) Section 9.01 of the Loan Agreement is hereby amended by deleting the last sentence of Section 9.01 in its entirety and inserting in lieu thereof a new last sentence reading in its entirety as follows:

"The Administrative Agent shall at all times also be the 2018 Administrative Agent."

(i) Section 9.11(a)(i) of the Loan Agreement is hereby amended by deleting Section 9.11(a)(i) in its entirety and inserting in lieu thereof a new Section 9.11(a)(i) reading in its entirety as follows:

"(i) The Administrative Agent may, upon at least thirty (30) days' notice to the Borrower, the Servicer and each Group Agent, resign as Administrative Agent; provided it also resigns as the 2018 Administrative Agent. Except as provided below, such resignation shall not become effective until a successor Administrative Agent is appointed by the Group Agents as a successor Administrative Agent and as a successor 2018 Administrative Agent and has accepted such appointment. If no successor Administrative Agent shall have been so appointed by the Group Agents, within thirty (30) days after the departing Administrative Agent's giving of notice of resignation, the departing Administrative Agent may, on behalf of the Secured Parties, appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Group Agents within

sixty (60) days after the departing Administrative Agent's giving of notice of resignation, the departing Administrative Agent may, on behalf of the Group Agents, petition a court of competent jurisdiction to appoint a successor Administrative Agent, which successor Administrative Agent shall be either (i) a commercial bank having a combined capital and surplus of at least \$250,000,000 and short-term debt ratings of at least "A-1" from S&P and "P-1" from Moody's or (ii) an Affiliate of such an institution, and in either case shall also be the 2018 Administrative Agent.

(j) Section 9.11(b)(iv) of the Loan Agreement is hereby amended by deleting Section 9.11(b)(iv) in its entirety and inserting in lieu thereof a new Section 9.11(b)(iv) reading in its entirety as follows:

"(iv) Any successor Paying Agent hereunder, if other than the Borrower, shall be a bank or trust company organized and doing business under the laws of the United States of America or of the State of New York, in good standing, authorized under such laws to exercise corporate trust powers and having a combined capital and surplus in excess of US \$250,000,000, and in either case shall also be the 2018 Paying Agent."

(k) Section 10.09 of the Loan Agreement is hereby amended by deleting the last sentence in its entirety and inserting in lieu thereof a new last sentence reading in its entirety as follows:

"Each Group Agent shall also act in the same role as a group agent under the 2018 Warehouse Agreement."

(l) Section 12.10(j) of the Loan Agreement is hereby amended by deleting Section 12.10(j) in its entirety and inserting in lieu thereof a new Section 12.10(j) reading in its entirety as follows:

"(j) **Limitation on Assignments and Participations.** Notwithstanding anything to the contrary contained in the Transaction Documents, none of the Administration Agent, any Group Agent or any Lender may assign or participate all or any portion of its rights and obligations hereunder unless, contemporaneous with such assignment or participation, such Person makes a pro rata assignment or participation to the same assignee or participant, as the case may be, of the same rights and obligations under the 2018 Warehouse Agreement."

2. Conditions Precedent. This Amendment shall become effective as of the date hereof (the "Amendment Effective Date") upon satisfaction or waiver of the following conditions precedent:

(a) the receipt by the Administrative Agent or its counsel of counterpart signature pages to this Amendment and each other document and certificate to be executed or delivered in connection with this Amendment;

(b) no Default, Event of Default or Potential Servicer Default shall have occurred or be continuing, the Termination Date shall not have occurred and no Event of Bankruptcy shall have occurred with respect to TFL or Tesla, Inc.; and

(c) the Administrative Agent and each Group Agent shall have received such other documents, instruments and agreements as the Administrative Agent or such Group Agent may have reasonably requested.

3. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants to the Administrative Agent, each Group Agent and each Lender as of the date hereof that:

(a) This Amendment and the Loan Agreement, as amended hereby, constitute the legal, valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(b) Upon the effectiveness of this Amendment, the Borrower hereby affirms that all representations and warranties made by it in Article IV of the Loan Agreement, as amended, are correct in all material respects on the date hereof as though made as of the effective date of this Amendment, unless and to the extent that any such representation and warranty is stated to relate solely to an earlier date, in which case such representation and warranty shall have been true and correct in all material respects as of such earlier date.

(c) As of the date hereof, no Default, Event of Default or Potential Servicer Default shall have occurred or be continuing, the Termination Date shall not have occurred and no Event of Bankruptcy shall have occurred with respect to TFL or Tesla, Inc.

4. Reference to and Effect on the Loan Agreement.

(a) Upon the effectiveness of Section 1 hereof, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) The Loan Agreement, as amended hereby, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect until hereafter terminated in accordance with their respective terms, and the Loan Agreement and such documents, instruments and agreements are hereby ratified and confirmed.

(c) Except as expressly provided herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent, any Agent or any Lender, nor constitute a waiver of any provision of the Loan Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

5. Costs and Expenses. The Borrower agrees to pay all reasonable and actual costs, fees, and out-of-pocket expenses (including the reasonable attorneys' fees, costs and expenses of Morgan, Lewis & Bockius LLP, counsel to the Administrative Agent, the Group Agents and the

Lenders) incurred by the Administrative Agent, each Group Agent and each Lender in connection with the preparation, review, execution and enforcement of this Amendment.

6. Consent to Amendment of Warehouse SUBI Servicing Agreement. By execution of this Amendment, the Borrower, the Administrative Agent and the Lenders hereby consent to Amendment No. 2 to Second Amended and Restated Warehouse SUBI Servicing Agreement, dated the date hereof, among Tesla Lease Trust, TFL, as Servicer, and Wells Fargo Bank, National Association, as Back-Up Servicer.

7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICTS OF LAWS PROVISIONS (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

9. Counterparts. This Amendment may be executed by one or more of the parties to the Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile (transmitted by telecopier or by email) shall be effective as delivery of a manually executed counterpart of this Amendment.

Remainder of page left intentionally blank

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered by their duly authorized signatories as of the date first above written.

TESLA 2014 WAREHOUSE SPV LLC,
as Borrower

By: /s/ Yaron Klein
Name: Yaron Klein
Title: Chief Financial Officer/Treasurer

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Paying Agent

By: /s/ Rosemary Cabrera
Name: Rosemary Cabrera
Title: Associate

By: /s/ Diana Vasquez
Name: Diana Vasquez
Title: Assistant Vice President

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

DEUTSCHE BANK AG, NEW YORK BRANCH,
as Administrative Agent, as a Group Agent and as a
Committed Lender

By: /s/ Brendon Girardi
Name: Brendon Girardi
Title: Director

By: /s/ Kevin Fagan
Name: Kevin Fagan
Title: Vice President

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Confidential Treatment Requested by Tesla, Inc.
CITIBANK, N.A.,
as a Group Agent and as a Committed Lender

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CAFCO, LLC,
as Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CHARTA, LLC,
as Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

CIESCO, LLC,
as Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CRC FUNDING, LLC,
as Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

ROYAL BANK OF CANADA,
as a Group Agent and as a Committed Lender

By: /s/ Thomas C. Dean
Name: Thomas C. Dean
Title: Authorized Signatory

By: /s/ Lisa Wang
Name: Lisa Wang
Title: Authorized Signatory

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

CREDIT SUISSE AG, NEW YORK BRANCH,
as a Group Agent

By: /s/ Patrick Duggan
Name: Patrick Duggan
Title: Vice President

By: /s/ Michael Eaton
Name: Michael Eaton
Title: Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Committed Lender

By: /s/ Patrick Duggan
Name: Patrick Duggan
Title: Authorized Signatory

GIFS CAPITAL COMPANY LLC,
as a Conduit Lender

By: /s/ Carey D. Fear
Name: Carey D. Fear
Title: Authorized Signer

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

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BARCLAYS BANK PLC,
as a Group Agent

By: /s/ Chin-Yong Choe
Name: Chin-Yong Choe
Title: Director

SALISBURY RECEIVABLES COMPANY LLC,
as a Conduit Lender

By: Barclays Bank PLC, as attorney-in-fact

By: /s/ Chin-Yong Choe
Name: Chin-Yong Choe
Title: Director

Signature Page to Amendment No. 5 to Amended and Restated Loan and Security Agreement

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Exhibit 10.54

Confidential Treatment Requested by Tesla, Inc.

PAYOFF AND TERMINATION LETTER

December 28, 2018

LML Warehouse SPV, LLC
c/o Tesla, Inc.
6800 Dumbarton Circle
Fremont, California 94455
Attention: Legal, Finance

Ladies and Gentlemen:

Reference is hereby made to the Loan and Security Agreement, dated as of August 17, 2017 (as amended, restated, supplemented or modified, the "Agreement") among LML Warehouse SPV, LLC, a Delaware limited liability company (the "Borrower"), Tesla Finance LLC ("TFL"), the Lenders and Group Agents party thereto, Deutsche Bank Trust Company Americas, as paying agent (in such capacity, the "Paying Agent") and Deutsche Bank AG, New York Branch, as administrative agent (in such capacity, the "Administrative Agent"). Capitalized terms used and not otherwise defined herein are used as defined in the Agreement.

The Borrower hereby notifies the Administrative Agent and the Lenders that, on December 28, 2018 (the "Payoff Date"), it will pay the outstanding principal amount of the Loans in full, together with all accrued and unpaid interest, fees, costs, expenses, indemnities and other Secured Obligations owing by the Borrower to the Administrative Agent and the Lenders under the Agreement and the other Transaction Documents (collectively, the "Obligations").

The amount required to reduce the Obligations to zero (the "Payoff Amount") at or before 5:00 p.m. (New York time) on the Payoff Date is \$158,883.34 in immediately available funds. The components of the Payoff Amount are described on Schedule I attached hereto. On the Payoff Date, the Borrower will remit (or cause to be remitted) the Payoff Amount to the Paying Agent for the account of the Lenders by wire transfer of immediately available funds in accordance with the wiring instructions set forth on Schedule I attached hereto.

Upon receipt of the Payoff Amount, the amounts specified on Schedule I attached hereto shall be immediately applied to the Obligations in accordance with the terms of the Agreement and the other Transaction Documents. To the extent any Transaction Document requires any prior notice as a condition to the payment of the Obligations (or any part thereof) or the application of the Payoff Amount to the Obligations, such requirement is hereby waived.

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Immediately upon receipt of the Payoff Amount in full as provided above: (a) the Obligations under the Agreement and the other Transaction Documents shall be reduced to zero, (b) the Commitments of the Lenders shall terminate and, except as set forth herein, none of the Borrower, any Lender or the Administrative Agent shall have any further obligations or liabilities under any Transaction Document to which it is party and the Transaction Documents shall be terminated and cease to be of further force or effect; *provided, that* that obligations of the Borrower and any other party to the Agreement that expressly survive termination of the Agreement or any other Transaction Document (including, without limitation, the indemnification provisions of the Agreement) shall survive termination of the Agreement and the other Transaction Documents and (c) the Agreement and each other Transaction Document shall terminate and cease to be of further force or effect.

In consideration of the payment in full of the Payoff Amount, each of the Administrative Agent and each Lender (each a "Secured Party" and collectively, the "Secured Parties"), upon receipt of the Payoff Amount, hereby agrees that:

(a) all security interests, liens or other rights which each Secured Party may have on or in the Warehouse SUBI Assets, the Warehouse SUBI Certificate, the Collections, the Warehouse SUBI Collection Account, the Reserve Account and other Collateral under the Transaction Documents will be deemed to be terminated and released and of no further force and effect (including "control" for purposes of the applicable UCC with respect to any deposit or securities account that are part of the Collateral);

(b) at the Borrower's expense, the Borrower (or its designee) is authorized to file UCC termination statements and other appropriate documents to terminate the security interests, liens and other rights on or in the Collateral under the Transaction Documents, and the Administrative Agent shall deliver to the Borrower all possessory collateral (if any) held by the Administrative Agent in accordance with the Transaction Documents;

(c) at the Borrower's expense, the Administrative Agent shall deliver to the Borrower other appropriate documents reasonably requested in writing by the Borrower in order to notify the applicable financial institutions of the termination of the security interest and control of the Administrative Agent in any deposit or securities accounts that are part of the Collateral and to otherwise effectuate the release of liens contemplated herein.

The Administrative Agent and the below undersigned Lenders (constituting 100% beneficial owners of the Obligations), hereby authorize, direct and instruct each of the Administrative Agent and the Paying Agent to execute and deliver this Payoff Letter, and to take any and all actions necessary to give effect to the terms of this Payoff Letter.

IN WITNESS WHEREOF, the parties have caused this Payoff Letter to be duly executed by their respective officers as of the day and year first above written.

LML WAREHOUSE SPV, LLC,
as Borrower

By: /s/ Yaron Klein
Name: Yaron Klein
Title: Chief Financial Officer/Treasurer

Signature Page to Payoff Letter

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Paying Agent

By: /s/ Rosemary Cabrera
Name: Rosemary Cabrera
Title: Associate

By: /s/ Diana Vasquez
Name: Diana Vasquez
Title: Assistant Vice President

Signature Page to Payoff Letter

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

DEUTSCHE BANK AG, NEW YORK BRANCH,
as Administrative Agent, a Group Agent and a
Committed Lender

By: /s/ Brendon Girardi
Name: Brendon Girardi
Title: Director

By: /s/ Kevin Fagan
Name: Kevin Fagan
Title: Vice President

Signature Page to Payoff Letter

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

CITIBANK, N.A.,
as Group Agent and as a Committed Lender

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CAFCO LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CHARTA LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

Signature Page to Payoff Letter

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CIESCO LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CRC FUNDING LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

Signature Page to Payoff Letter

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Confidential Treatment Requested by Tesla, Inc.
ROYAL BANK OF CANADA,
as a Group Agent and as a Committed Lender

By: /s/ Thomas C. Dean
Name: Thomas C. Dean
Title: Authorized Signatory

By: /s/ Lisa Wang
Name: Lisa Wang
Title: Authorized Signatory

Signature Page to Payoff Letter

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

CREDIT SUISSE AG, NEW YORK BRANCH,
as a Group Agent

By: /s/ Patrick Duggan
Name: Patrick Duggan
Title: Vice President

By: /s/ Michael Eaton
Name: Michael Eaton
Title: Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Committed Lender

By: /s/ Patrick Duggan
Name: Patrick Duggan
Title: Authorized Signatory

By: /s/ Michael Eaton
Name: Michael Eaton
Title: Authorized Signatory

GIFS CAPITAL COMPANY,
as a Conduit Lender

By: /s/ Chris J. Murray
Name: Chris J. Murray
Title: Authorized Signer

Signature Page to Payoff Letter

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

BARCLAYS BANK PLC,
as a Group Agent and a Committed Lender

By: /s/ Chin-Yong Choe
Name: Chin-Yong Choe
Title: Director

SALISBURY RECEIVABLES COMPANY LLC,
as a Conduit Lender

By: Barclays Bank PLC,
as attorney-in-fact

By: /s/ Chin-Yong Choe
Name: Chin-Yong Choe
Title: Director

Signature Page to Payoff Letter

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Payoff Amount

Aggregate outstanding principal:	\$0.00
Accrued interest and fees (Unused Fees):	\$158,883.34
Other costs, expenses and Obligations:	\$0.00
TOTAL:	\$158,883.34

Wire Instructions

[***]

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

EX-10.55 5 tsla-ex1055_754.htm EX-10.55

Exhibit 10.55

Confidential Treatment Requested by Tesla, Inc.

LOAN AND SECURITY AGREEMENT
(Warehouse SUBI Certificate)

among

LML 2018 WAREHOUSE SPV, LLC,
as Borrower,

TESLA FINANCE LLC,

THE PERSONS FROM TIME TO TIME PARTY HERETO,
as Lenders and as Group Agents,

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Paying Agent

and

DEUTSCHE BANK AG, NEW YORK BRANCH,
as Administrative Agent

Dated as of December 27, 2018

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

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LOAN AND SECURITY AGREEMENT (this "*Agreement*") is entered into as of December 27, 2018 by and among the following parties:

- (i) LML 2018 WAREHOUSE SPV, LLC, a Delaware limited liability company, as Borrower (the "*Borrower*");
- (ii) Solely for purposes of Sections 2.11, 2.12, 6.03, 12.01, 12.13 and 12.22, TESLA FINANCE LLC, a Delaware limited liability company ("*TFL*");
- (iii) DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation, as Paying Agent;
- (iv) DEUTSCHE BANK AG, NEW YORK BRANCH, as Administrative Agent; and
- (v) THE LENDERS AND GROUP AGENTS PARTY HERETO.

RECITALS:

WHEREAS, the Borrower desires to purchase or otherwise acquire from TBM Partnership II, LLC, a Delaware limited liability company ("*TBM*"), the Warehouse SUBI Certificate (as defined below) and the Warehouse SUBI represented thereby from time to time pursuant to the Warehouse SUBI Sale Agreement (as defined below);

WHEREAS, the Borrower desires to fund such purchases and acquisitions through the borrowing of Loans (as defined below) from the Lenders subject to the terms of this Agreement;

WHEREAS, to provide assurance for the repayment of the Loans and the other Obligations of the Borrower hereunder, the Borrower will provide or will cause to be provided to the Administrative Agent, for the benefit of the Secured Parties, a security interest in the Collateral pursuant to Article 3 hereof;

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 *Certain Defined Terms*. As used in this Agreement, the following terms shall have the following respective meanings:

"*48+ Month Limit*" shall have the meaning specified in the Fee Letter.

"*Additional Costs*" shall have the meaning specified in Section 11.03.

"*Additional Warehouse SUBI Assets*" shall mean those Trust Assets allocated by the Trust to the Warehouse SUBI from time to time after the Closing Date in accordance with the Warehouse SUBI Supplement.

"*Administrative Agent*" shall mean Deutsche Bank AG, New York Branch, in its capacity as contractual representative for the Group Agents and the Lenders hereunder, and any successor thereto in such capacity appointed pursuant to Article IX.

***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

“Administrative Charge” shall mean, with respect to any Lease, any payment (whether or not part of the fixed monthly payment) payable by the applicable Lessee representing an Excess Mileage Fee or Excess Wear and Tear Fee.

“Administrative Trustee” shall have the meaning specified in the Trust Agreement.

“Advance Rate” has the meaning specified in the Fee Letter.

“Adverse Claim” shall mean a lien, security interest, charge or encumbrance, or other similar right or claim in, of or on any Person’s assets or properties in favor of any other Person.

“Affected Person” shall mean the Administrative Agent, each Group Agent, each Lender, each Program Support Provider and their respective Affiliates, permitted assignees, successors and participants.

“Affiliate” shall mean with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, another Person or a Subsidiary of such other Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock or otherwise. No Lender Party shall, solely as a result of its status as a Lender Party, be deemed to be an Affiliate of the Borrower or TFL.

“AIFM Regulation” shall mean Regulation (EU) No 231/2013.

“AIFMD” shall mean the European Union Alternative Investment Fund Managers Directive (Directive 2011/61/EU).

“Alternate Base Rate” shall mean, for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall at all times be equal to the greatest of (i) the Prime Rate on such day, (ii) (x) the rate equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it, plus (y) one-half of one percent (1/2%) and (iii) (x) the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time in accordance with its customary practices for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 a.m. (London time) on such day as the rate for U.S. dollar deposits with a maturity of thirty (30) days, plus (y) one percent (1.00%).

“Anti-Corruption Laws” shall mean all laws, rules, and regulations of any jurisdiction applicable to the Tesla Parties or their respective Subsidiaries from time to time concerning or relating to bribery or corruption.

"Assignment and Acceptance Agreement" shall mean an assignment and acceptance agreement entered into by a Committed Lender, an Eligible Assignee, such Committed Lender's Group Agent and the Administrative Agent, and, if required, the Borrower, pursuant to which such Eligible Assignee may become a party to this Agreement, in substantially the form of *Exhibit M* hereto.

"Assumption Agreement" has the meaning set forth in Section 12.10.

"Authorized Signatory" shall have the meaning set forth in Section 9.02.

"Automotive Lease Guide" shall mean (a) if available, the publication of such name which includes residual factors or any successor to such publication consented to by the Administrative Agent and the Required Group Agents or (b) if such publication described in clause (a) is not available, any other publication reasonably acceptable to the Borrower, the Administrative Agent and the Required Group Agents.

"Available Amounts" shall mean, with respect to any Payment Date and the related Settlement Period, the sum of the following amounts, without duplication: (i) Collections, (ii) amounts transferred from the Reserve Account for such Payment Date, (iii) Repurchase Amounts, (iv) Reallocation Proceeds, (v) Interest Rate Hedge Receipts received for such Payment Date, and (vi) after an Event of Default, all other amounts available in the Warehouse SUBI Collection Account on such Payment Date (other than funds deposited by the Borrower that are not proceeds of the Warehouse SUBI Assets or payable pursuant to the Warehouse SUBI Servicing Agreement or the Warehouse SUBI Sale Agreement to satisfy the minimum balance requirements of the depository institution holding the Reserve Account).

"Available Facility Limit" shall mean the Facility Limit minus the Loan Balance.

"Back-Up Servicer" shall mean, initially, Wells Fargo Bank, N.A., in its capacity as back-up servicer under the Transaction Documents, and any successor thereto in such capacity appointed pursuant to the Warehouse SUBI Servicing Agreement; provided, however, that if the Back-Up Servicer is terminated as provided in Section 5.3(b) of the Warehouse SUBI Servicing Agreement, then thereafter no Back-Up Servicer shall be required, no Back-up Servicing Fee shall be payable and all references to the Back-Up Servicer shall be ignored (except to the extent provided in Section 5.3(b) of the Warehouse SUBI Servicing Agreement).

"Back-Up Servicing Fee" shall mean, with respect to the Warehouse SUBI, if there is a Back-Up Servicer, the fee payable on each Payment Date with respect to each Settlement Period equal to the "Back-Up Servicing Fee" specified in the Warehouse SUBI Servicing Agreement; provided that, during any period when a Back-Up Servicer is acting as Servicer, the Back-Up Servicing Fee with respect to such Back-Up Servicer shall be zero.

"Back-Up Servicing Fee Rate" shall mean the "Back-Up Servicing Fee Rate" specified in the Warehouse SUBI Servicing Agreement.

"Bail-In Action" shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bank Interest Rate" shall mean, for any day during any Interest Period for any Loan (or any portion thereof), an interest rate per annum equal to the Eurodollar Rate on such day; provided, however, that if any Lender shall have notified the Borrower that the introduction of or any change in, or in the interpretation of, any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender to fund such Loan at the Bank Interest Rate set forth above (and such Lender shall not have subsequently notified the Borrower that such circumstances no longer exist), the Bank Interest Rate for each day on and after such notice that has not been withdrawn by such Lender shall be an interest rate per annum equal to the Alternate Base Rate in effect on such day; and provided, further, however, that at all times following the occurrence and during the continuation of an Event of Default the Bank Interest Rate shall be the Default Rate.

"Bankruptcy Code" shall mean the United States Bankruptcy Code, Title 11 United States Code.

"Base Residual Value" shall mean, with respect to any Leased Vehicle and the related Lease, the lesser of (i) the TFL Residual Value, and (ii) the Mark-to-Market MRM Residual Value.

"Base RV Limit" shall have the meaning specified in the Fee Letter.

"Borrower" shall have the meaning specified in the preamble to this Agreement.

"Breakage Fee" shall mean (i) for any Interest Period for which a repayment of a Loan is made for any reason on any day other than a Payment Date, or (ii) to the extent that the Borrower shall, for any reason, fail to borrow on the date specified by the Borrower in connection with any request for funding pursuant to Article II of this Agreement, the amount, if any, by which (A) the additional Interest and Usage Fee Amount (calculated without taking into account any Breakage Fee or any shortened duration of such Interest Period pursuant to the definition thereof) which would have accrued during such Interest Period on the repaid principal amount of such Loan relating to such Interest Period had such reductions not been made (or, in the case of clause (ii) above, the amounts so failed to be borrowed in connection with any such request for funding by the Borrower), exceeds (B) the income, if any, received by the related Lender from the investment of the proceeds of such repaid principal amount of such Loan (or such amounts failed to be borrowed by the Borrower). A certificate as to the amount of any Breakage Fee (including the computation of such amount) shall be submitted by such Lender to the Borrower and the Administrative Agent and shall be conclusive and binding for all purposes, absent manifest error.

"Business Day" shall mean (i) with respect to any matters relating to the determination of the Eurodollar Rate, a day on which banks are open for business in the City of New York and on which dealings in Dollars are carried on in the London interbank market, and (ii) for all other purposes, any day other than a Saturday, Sunday or other day on which banking institutions or trust companies in the State of New York generally, the City of New York, Chicago, Illinois or Palo Alto, California, are authorized or obligated by law, executive order or governmental decree to be closed.

"Certificate of Title" shall mean any certificate, instrument or other document or record issued or maintained by a state or other governmental authority in respect of any motor vehicle for the purpose of evidencing the ownership of, or any Adverse Claim in or against, such motor vehicle.

"Change in Control" shall mean if TBM ceases to directly or indirectly own 100% of the equity and voting interests of the Borrower free and clear of all Adverse Claims.

"Closing Date" shall mean the date on which the conditions precedent to the effectiveness of this Agreement contained in Section 5.01 are satisfied or waived.

"Collateral" shall have the meaning specified in Section 3.01(a).

"Collateral Agency and Security Agreement" shall mean the Collateral Agency and Security Agreement, dated as of August 16, 2018, among the Trust, TFL and the Collateral Agent.

"Collateral Agent" means TLT Leasing Corp., a Delaware corporation.

"Collection Account Bank" shall mean the depository institution at which the Warehouse SUBI Collection Account is established.

"Collections" shall mean, with respect to any Settlement Period, all amounts, whether in the form of wire transfer or other form of electronic transfer or payment, cash, checks or other instruments received by the Borrower or the Servicer or in a Permitted Lockbox, a Permitted Account or the Warehouse SUBI Collection Account received on or with respect to the Warehouse SUBI Leases and Warehouse SUBI Leased Vehicles during such Settlement Period, (a) including the following: (i) Monthly Lease Payments, Payments Ahead, Pull-Forward Payments, Prepayments, Administrative Charges and any other payments under the Warehouse SUBI Leases (other than Supplemental Servicing Fees); (ii) Net Liquidation Proceeds; (iii) any Net Insurance Proceeds not included in Net Liquidation Proceeds, and (iv) all payments made by the Servicer arising from a breach of its representations and warranties made in the Warehouse SUBI Servicing Agreement or from a breach of any covenant of the Servicer made in the Warehouse SUBI Servicing Agreement, but (b) excluding such amounts received following such Settlement Period in respect of Warehouse SUBI Leases and Warehouse SUBI Leased Vehicles that have been repurchased or reallocated on or prior to the related Payment Date pursuant to a Securitization Takeout or Section 2.7 of the Warehouse SUBI Sale Agreement and funds deposited by the Borrower that are not proceeds of the Warehouse SUBI Assets or payable pursuant to the Warehouse SUBI Servicing Agreement or the Warehouse SUBI Sale Agreement to satisfy the minimum balance requirements of the depository institution holding an Eligible Account shall not constitute Collections.

"Commitment" or "Commitment Amount" of any Committed Lender shall mean:

(i) with respect to each Committed Lender as of the date hereof, the "Commitment Amount" set forth for such Committed Lender on Schedule 8, as such amount may be reduced or increased in accordance with this Agreement from time to time; and

(ii) with respect to any other Committed Lender, an amount equal to the amount set forth as its "Commitment Amount" in the Assignment and Acceptance Agreement or Assumption Agreement pursuant to which such Committed Lender became a party hereto or as otherwise agreed in writing by such Lender, in each case as such amount may be reduced or increased in accordance with this Agreement from time to time; provided that, (x) the Commitment Amount of a Lender may be (x) increased or decreased pursuant to the terms of this Agreement pursuant to Section 2.11 or Section 2.12 and (y) any termination of the Facility Limit pursuant to Section 8.02 or Section 12.1 shall terminate ratably each Committed Lender's then current Commitment.

"Committed Lenders" shall mean each Committed Lender set forth on *Schedule 8*, and each other Person that becomes a party hereto as a Committed Lender pursuant to an Assignment and Acceptance Agreement, an Assumption Agreement or otherwise in accordance with this Agreement.

“*Commitment Percentage*” shall mean, with respect to each Lender on the relevant date of determination, the quotient (expressed as a percentage) obtained by dividing (a) the Commitment of such Lender (in each case, after giving effect to any increase or reduction of Commitment on such date) by (b) the Maximum Facility Limit (after giving effect to any increase or reduction in Maximum Facility Limit on such date).

“*Competitor*” shall mean any Person that has as a majority of its business the manufacture of automobiles, or any Affiliate of that entity.

“*Conduit Lender*” shall mean each commercial paper conduit that becomes a party hereto as a Conduit Lender pursuant to an Assumption Agreement or otherwise in accordance with this Agreement.

“*Connection Income Taxes*” shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“*Control*” shall have the meaning specified in Section 8-106 (or other section of similar content as Section 8-106 of the UCC) of the Relevant UCC.

“*Control Agreement*” shall mean a control agreement substantially in the form of *Exhibit B* hereto or otherwise in form and substance reasonably satisfactory to the Administrative Agent among the Borrower, the Servicer or the Administrative Agent, as secured party, and the depository institution at which one or more Eligible Accounts subject to the Control Agreement are maintained, as securities intermediary or deposit bank.

“*Credit and Collection Policy*” shall mean the credit and collection policies and practices related to the Warehouse SUBI Leases and Warehouse SUBI Leased Vehicles maintained by the Servicer on behalf of the Trust pursuant to the Warehouse SUBI Servicing Agreement and attached hereto as *Schedule 7*, as such credit and collection policies and practices may be amended from time to time in accordance with Section 4.1(b)(iv) of the Warehouse SUBI Servicing Agreement. If the Back-Up Servicer becomes the Successor Servicer under the Warehouse SUBI Servicing Agreement, the Credit and Collection Policy shall be, with respect to such Successor Servicer, those collection policies that the Back-Up Servicer uses to service similar assets and which at all times shall be consistent with the collection practices used by servicers of comparable size and experience.

“*Credit Loss*” shall mean, with respect to any Settlement Period, the aggregate Securitization Value (determined as of the first day of such Settlement Period) of Warehouse SUBI Leases that became Defaulted Leases during such Settlement Period, net of all Net Liquidation Proceeds received during such Settlement Period with respect to Warehouse SUBI Leases that are Defaulted Leases.

“*Credit Loss Ratio*” shall mean, for any Settlement Period, a fraction, expressed as a percentage, the numerator of which equals the Credit Loss for such Settlement Period and the denominator of which equals the aggregate Securitization Value of all Warehouse SUBI Leases as of the first day of such Settlement Period.

“*Credit Loss Ratio Trigger*” shall have the meaning specified in the Fee Letter.

“*CRR*” shall mean Regulation No 575/2013 of the European Parliament and of the Council as published in the Official Journal of the European Union on 27 June 2013 as amended from time to time and as implemented by the Member States of the European Union, together with the Corrigendum to Regulation 575/2013.

"Cut-Off Date" shall mean, with respect to the Leases and Leased Vehicles allocated to the Warehouse SUBI, the close of business on the last day of the calendar month immediately preceding the calendar month during which such Leases and Leased Vehicles are allocated to the Warehouse SUBI, or such other date agreed to by the Borrower and the Administrative Agent in connection with the foregoing.

"Debt" shall mean, as to any Person, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (vi) all net obligations of such Person in respect of interest rate or currency hedges, (vii) all reimbursement obligations of such Person in respect of any letters of credit and (viii) all Debt of others Guaranteed by such Person.

"Default" shall mean an event which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default. For the avoidance of doubt, a Default arising from a Change in Control shall not occur until the Change in Control actually occurs.

"Default Rate" shall mean, on any date, an interest rate per annum equal to the sum of the Alternate Base Rate on such date plus 2.0%.

"Defaulted Lease" shall mean (x) any Lease for which an amount at least equal to 5% of any Monthly Lease Payment remains unpaid for more than 180 days from the original payment due date, or (y) with respect to any Lease that is delinquent less than 180 days, the Servicer has (i) determined, in accordance with the Credit and Collection Policy, that eventual payment in full is unlikely, or (ii) repossessed the related Leased Vehicle, or (z) a Lease with respect to which the Servicer has received notification that the related Lessee is the subject of a bankruptcy proceeding.

"Defaulted Vehicle" shall mean a Warehouse SUBI Leased Vehicle the related Lease for which is a Defaulted Lease.

"Delaware Trustee" shall have the meaning specified in the Trust Agreement.

"Delayed Amount" shall have the meaning specified in Section 2.01.

"Delayed Funding Date" shall have the meaning specified in Section 2.01.

"Delayed Funding Notice" shall have the meaning specified in Section 2.01.

"Delayed Funding Notice Date" shall have the meaning specified in Section 2.01.

"Delaying Group" shall have the meaning specified in Section 2.01.

"Delaying Lender" shall have the meaning specified in Section 2.01.

"Delinquency Ratio" shall mean, for any Settlement Period, the ratio (expressed as a percentage) of (i) the aggregate Securitization Value of Warehouse SUBI Leases that are Delinquent Leases as of the last day of such Settlement Period to (ii) the aggregate Securitization Value of all Warehouse SUBI Leases as of the last day of such Settlement Period.

"Delinquency Ratio Trigger" shall have the meaning specified in the Fee Letter.

"Delinquent Lease" shall mean a Lease which is not a Defaulted Lease and with respect to which an amount at least equal to 5% of any Monthly Lease Payment remains unpaid for more than 60 days from the original due date of such payment.

"Deposit Date" shall mean, with respect to a Settlement Period, the Business Day immediately preceding the related Payment Date.

"Designated Ineligible Lease" shall mean a Lease as to which the Servicer has breached any of its covenants or obligations set forth in Section 2.2(d) or (e) of the Servicing Agreement.

"Designated Person" shall mean a person or entity:

- (i) listed in the annex to, or otherwise the subject of the provisions of, any Executive Order;
- (ii) named as a "Specially Designated National and Blocked Person" ("*SDN*") on the most current list published by OFAC at its official website or any replacement website or other replacement official publication of such list ("*SDN List*") or is otherwise the subject of any Sanctions Laws and Regulations; or
- (iii) in which an entity or person on the SDN List has 50% or greater ownership interest or that is otherwise controlled by an SDN.

"Determination Date" shall mean, with respect to any Payment Date, the 15th day of the calendar month in which such Payment Date occurs, or, if such 15th day is not a Business Day, the next succeeding Business Day.

"Dollars" or "*\$*" shall mean the lawful currency of the United States of America.

"Early Lease Termination Date" shall mean, with respect to any Lease, the date on which such Lease is terminated prior to its Lease Maturity Date (including in connection with a Lease Pull-Forward) for a reason other than becoming a Defaulted Lease.

"EEA Financial Institution" shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" shall mean any of the member states of the European Union, Iceland, Liechtenstein and Norway.

"EEA Resolution Authority" shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.

“Electronic Chattel Paper” shall have the meaning specified in Section 9-102(a) of the UCC (or other section of similar content of the Relevant UCC).

“Electronic Lease Vault” shall mean the Electronic Chattel Paper vault system described in *Schedule 3*, using the eOriginal process for all vehicle leases originated by or for the Trust, including the Leases.

“Eligible Account” shall mean either (i) a segregated trust account with the trust department of a depository institution organized under the laws of the United States of America or any State thereof or the District of Columbia (or any domestic branch of a foreign bank), having a short-term deposit rating of at least “A-1” by S&P and at least “P-1” by Moody’s, having trust powers and acting as trustee for funds deposited in such account, or (ii) a segregated deposit account with a depository institution organized under the laws of the United States of America or any State thereof (or any domestic branch of a foreign bank) the long-term deposit obligations of which are rated “AA+” or higher by S&P and “Aa3” or higher by Moody’s and the short-term debt obligations of which are rated “A-1” by S&P and “P-1” by Moody’s, (iii) a segregated securities account with a securities intermediary organized under the laws of the United States of America or any State thereof (or any domestic branch of a foreign bank) the long-term deposit obligations of which are rated “AA+” or higher by S&P and “Aa3” or higher by Moody’s and the short-term debt obligations of which are rated “A-1” by S&P and “P-1” by Moody’s or (iv) a segregated, non-interest bearing trust account established with the Paying Agent.

“Eligible Assignee” shall mean a Person that is neither a Competitor nor a Person listed on *Schedule 4* hereto nor an Affiliate thereof.

“Eligible Interest Rate Hedge” shall mean an Interest Rate Hedge in form and substance acceptable to the Administrative Agent which is entered into pursuant to and in compliance with Section 6.01(n) and which (i) in the case of an interest rate swap, designates “USD-LIBOR-BBA” (as defined in the ISDA Definitions) as the floating rate option with a designated maturity of one month; (ii) provides that any payments made by the Eligible Interest Rate Hedge Provider shall be made directly to the Warehouse SUBI Collection Account; (iii) includes an acknowledgment by the Eligible Interest Rate Hedge Provider of the collateral assignment of the applicable Interest Rate Hedge by the Borrower to the Administrative Agent, (iv) provides that it may not be amended, terminated, waived or assigned by the Eligible Interest Rate Hedge Provider without the prior written consent of the Administrative Agent and each Group Agent, (v) has an amortizing notional amount in accordance with an amortization schedule acceptable to the Administrative Agent, and (vi) which is not required to be “cleared” and does not require any posting of “margin.”

“Eligible Interest Rate Hedge Provider” shall mean, with respect to an Interest Rate Hedge, (a) Deutsche Bank AG, Citibank, N.A. and any other Lender or Affiliate thereof, or (b) a financial institution that has applicable ratings equal to at least the Required Ratings.

“Eligible Investments” shall mean book-entry securities, negotiable instruments or securities represented by instruments in bearer or registered form which evidence:

(i) obligations of the United States or any agency thereof, provided such obligations are guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States;

(ii) general obligations of or obligations guaranteed by any state of the United States or the District of Columbia that at the time of acquisition thereof are assigned the highest ratings by S&P and Moody’s;

(iii) interests in any money market mutual fund which at the date of investment in such fund has the highest fund rating by each of Moody's and S&P which has issued a rating for such fund (which, for S&P, shall mean a rating of "AAAm" or "AAAmg");

(iv) commercial paper which at the date of investment has ratings of at least "A-1" by S&P and "P-1" by Moody's (including commercial paper meeting the foregoing criteria issued by a Committed Lender);

(v) certificates of deposit, demand or time deposits, Federal funds or banker's acceptances issued by any depository institution or trust company incorporated under the laws of the United States or of any state thereof (or any U.S. branch or agency of a foreign bank) and subject to supervision and examination by Federal or state banking authorities, provided that the short-term unsecured deposit obligations of such depository institution or trust company at the date of investment are then rated at least "P-1" by Moody's and "A-1" by S&P;

(vi) demand or time deposits of, or certificates of deposit issued by, any bank, trust company, savings bank or other savings institution, which deposits are fully insured by the Federal Deposit Insurance Corporation, provided that the long-term unsecured debt obligations of such bank, trust company, savings bank or other savings institution are rated at the date of investment at least "Aa2" by Moody's and "AA-" by S&P; and

(viii) such other investments approved by the Administrative Agent and each Group Agent.

"Eligible Lease" shall mean a Lease as to which the following are true:

(i) was originated in the United States by or for the Trust (A) in the ordinary course of the Trust's business without the involvement of any motor vehicle dealer that is not an Affiliate of Tesla, Inc., TFL or a Tesla Party, and (B) pursuant to a Lease Origination Agreement which provides for recourse to Tesla, Inc. in the event of certain defects in the Lease, but not for default by the Lessee;

(ii) the Lease and the related Leased Vehicle are owned by the Trust or a Trustee (or a co-trustee) on behalf of the Trust, free of all Liens;

(iii) the Lease was originated in compliance with, and complies with, all material applicable legal requirements, including, to the extent applicable, the Federal Consumer Credit Protection Act, Regulation M of the Board of Governors of the Federal Reserve, all federal and state leasing and consumer protection laws and all state and federal usury laws;

(iv) all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the originator of such Lease in connection with (A) the origination of such Lease, (B) the execution, delivery and performance by such originator of such Lease and (C) the acquisition by the Trust or a Trustee (or a co-trustee) on behalf of the Trust of such Lease and the related Leased Vehicle, have been duly obtained, effected or given and are in full force and effect as of such date of origination or acquisition;

(v) the Lease (A) is the legal, valid and binding full-recourse payment obligation of the related Lessee, enforceable against such Lessee in accordance with its terms, except as such enforceability may be limited by (I) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors' rights in general, or (II) general principles of equity (whether considered in a suit at law or in equity) and (B) is Electronic Chattel Paper and is not Tangible Chattel Paper, and there exists a single, authoritative copy of the record or records comprising such Electronic Chattel Paper, which copy is unique and identifiable (all within the meaning of Section 9-105 of the UCC (or other section of similar content of the Relevant UCC)), held in the Electronic Lease Vault;

(vi) (A) no right of rescission, setoff, counterclaim or any other defense (including defenses arising out of violations of usury laws) of the related Lessee to payment of the amounts due thereunder has been asserted or threatened with respect thereto and (B) the Lease has not been satisfied, subordinated, rescinded, canceled or terminated;

(vii) the Lease is a closed-end Lease that (A) requires equal monthly payments to be made within not less than 24, and not more than 60 months of the date of origination of such Lease, and (B) requires such payments to be made by the related Lessee within 30 days after the billing date for such payment;

(viii) the Lease is payable solely in Dollars;

(ix) the related Lessee is a Person located in one or more of the 50 states of the United States or the District of Columbia and is not (i) TFL or any of its Affiliates, or (ii) the United States of America or any State or local government or any agency or political subdivision thereof;

(x) the Lease requires the related Lessee to maintain insurance against loss or damage to the related Leased Vehicle under an insurance policy that names the Trust or a Trustee (or a co-trustee) on behalf of the Trust as a loss payee;

(xi) the related Leased Vehicle is titled in the name of the Trust or a Trustee (or a co-trustee) on behalf of the Trust or such other name (which may be an abbreviation of any of the foregoing or other designation) as may be required by the related registrar of title or applicable requirements of Law to reflect the interest of the Trust therein (or properly completed applications for such title have been submitted to the appropriate titling authority) and all transfer and similar taxes imposed in connection therewith have been paid;

(xii) the Lease is fully assignable by the originator and does not require the consent of the related Lessee as a condition to any transfer, sale or assignment of the rights of the originator under such Lease;

(xiii) (A) the original Lease Maturity Date has not been extended to a date more than six (6) months after such original Lease Maturity Date and, if such original Lease Maturity Date has been extended, such extension was made in accordance with the Credit and Collection Policy and, at the time of such extension, there were no more than three scheduled payments remaining under such Lease and all scheduled payments due by the related Lessee prior to the date of such extension have been paid in full and (B) the other provisions of such Lease have not been adjusted, waived or modified, in each case in any material respect, except in accordance with the Credit and Collection Policy;

(xiv) the Lease was originated in accordance with all material requirements of the Credit and Collection Policy;

(xv) the Lease is not (a) solely for the date of determination when such Lease is to be allocated to the Warehouse SUBI on a Warehouse SUBI Lease Allocation Date, a Lease for which, as of the related Cut-Off Date, an amount at least equal to 5% of any Monthly Lease Payment remains unpaid for more than 29 days, (b) a Delinquent Lease, (c) a Defaulted Lease or (d) a Lease as to which any of the payments shall have been waived (other than deferrals and waivers of late payment charges or fees owing to the Servicer as Supplemental Servicing Fees permitted under the Warehouse SUBI Servicing Agreement or for which Servicer has made or is obligated to make a corresponding deposit in the SUBI Collection Account (as defined in the Warehouse SUBI Servicing Agreement) under the Warehouse SUBI Servicing Agreement);

(xvi) the Lease is a "true lease", as opposed to a lease intended as security, under the laws of the State in which it was originated;

(xvii) the Lease fully amortizes to an amount equal to the TFL Residual Value based on the related lease rate, which is calculated on a constant yield basis, and provides for level payments over its term (except for the payment of such TFL Residual Value);

(xviii) the Securitization Value of the Lease, as of its origination date, is greater than \$[***] but not greater than \$200,000;

(xix) no selection procedures reasonably anticipated to be adverse to the Lender Parties were utilized in selecting such Lease from among the Leases allocated to the TBM SUBI meeting the other selection criteria set forth in this definition;

(xx) the related Leased Vehicle was sold by Tesla, Inc. to the Trust or by a Subsidiary of Tesla, Inc. originating the Lease to the Trust, in each case without any fraud or material misrepresentation by Tesla, Inc. or such Subsidiary;

(xxi) the Lease does not contain a confidentiality provision that purports to restrict the ability of the Administrative Agent or any Lender to exercise its rights under this Agreement, including its right to review the Lease;

(xxii) with respect to which the related Lessee has not been identified on the records of TFL as currently being the subject of an Event of Bankruptcy;

(xxiii) with respect to which there is no material breach, default, violation or event of acceleration existing under the Lease, and there is no event which, with the passage of time, or with notice and the expiration of any grace or cure period, would constitute a material default, breach, violation or event of acceleration;

(xxiv) the Lessee of which (x) receives a statement, invoice or other instruction directing payment to a Permitted Lockbox or a Permitted Account or (y) authorizes the Servicer to debit the Lessee's account for each scheduled payment;

(xxv) [Reserved];

(xxvi) with respect to which TFL is not required to perform any additional service for, or perform or incur any additional obligation to, the related Lessee in order to enforce the related Lease;

(xxvii) the related Leased Vehicle is new on the date of origination of such Lease;

(xxviii) a Lessee of which (or, if the Lessee is an entity, a natural person who is the co-lessee or guarantor under the Lease and an owner of the Lessee) has a FICO Score of not less than 600;

(xxix) the Lessee of which is a Lessee of no more than two other existing Leases; and

(xxx) the Lease provides that the Excess Mileage Fee applies if mileage exceeds a threshold not greater than 15,000 miles per year.

"Entitlement Holder" shall have the meaning specified in Section 8-102(a)(7) of the UCC (or other section of similar content of the Relevant UCC).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" shall mean, with respect to any Person, any other Person which is a member of any group of organizations (i) described in Section 414(b) or (c) of the Internal Revenue Code of which such initial Person is a member, or (ii) solely for the purposes of potential liability under Section 412 of the Internal Revenue Code, described in Section 414(m) or (o) of the Internal Revenue Code of which such initial Person is a member.

"EU Bail-In Legislation Schedule" shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Rate" shall mean:

(i) with respect to any Lender in the Group for which Royal Bank of Canada is the Group Agent for each day during any Interest Period, (a) the rate per annum (carried out to the fifth decimal place) equal to the rate determined by Royal Bank of Canada to be the offered rate that appears on the page of the Reuters Screen on such day that displays an average British Bankers Association Interest Settlement Rate (such page currently being LIBOR01) for deposits in United States dollars with a term equivalent to one month; (b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (carried to the fifth decimal place) equal to the rate determined by Royal Bank of Canada to be the offered rate on such day on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in United States dollars (or, if such rate is not available on a successor or substitute service, such comparable rate published on such other service as selected by Royal Bank of Canada from time to time for purposes of providing quotations of interest rates applicable to United States dollar deposits in the London interbank market) with a term equivalent to one month; or (c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by Royal Bank of Canada on such day as the rate of interest at which Dollar deposits (for delivery on a date two Business days later than such day) in same day funds in the approximate amount of the applicable investment to be funded by reference to the LIBOR Rate and with a term equivalent to one month would be offered by its London Branch to major banks in the London interbank eurodollar market at their request; or

(ii) with respect to any Lender in any other Group, with respect to an Interest Period, an interest rate per annum equal to the rate for one-month deposits in Dollars, which rate is designated as "LIBOR01" on the Reuters Money 3000 Service as of 11:00 a.m., London time, two (2) LIBOR Business Days prior to the first day of such Interest Period; *provided, however*, that (a) in the event that no such rate is shown, the LIBOR Rate shall be determined by reference to such other comparable available service for displaying Eurodollar rates as may be reasonably selected by the Administrative Agent; (b) in the event that the rate appearing on such page or as so determined by the Administrative Agent shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement, and (c) if no such service is available, the LIBOR Rate shall be the rate per annum equal to the average (rounded upward to the nearest 1/100th of 1%) of the rate at which the Administrative Agent offers deposits in Dollars at or about 10:00 a.m., New York City time, two (2) LIBOR Business Days prior to the beginning of the related Interest Period, in the interbank eurocurrency market where the eurocurrency and foreign currency and exchange operations in respect of its Eurodollar loans are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the applicable portion of the Loan Balance to be accruing interest at the LIBOR Rate during such Interest Period.

"European Union" shall mean the supranational organization of states established with that name by the Treaty on European Union (signed in Maastricht on 7 February 1992) as enlarged or reduced by the Treaty of Accession (signed in Athens on 16 April 2003), and as may be enlarged from time to time by the agreement of the member states thereof.

"eVault Letter Agreement" shall mean that certain letter agreement relating to Warehouse SUBI Leases dated on or about December 27, 2018, by and among TFL, the Trust, the Administrative Agent and eOriginal, Inc.

"Event of Bankruptcy" shall mean, for any Person:

(i) that such Person shall admit in writing its inability to, pay its debts as they become due; or

(ii) a proceeding shall have been instituted seeking a decree or order for relief in respect of such Person in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official of such Person or for all or substantially all of its property, or for the winding-up or liquidation of its affairs and (A) an order for relief is entered or (B) such proceeding remains unstayed or undismissed for a period of 60 days in a court having jurisdiction in the premises; or

(iii) the commencement by such Person of a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or such Person's consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, conservator or other similar official of such Person or for all or substantially all of its property, or any general assignment for the benefit of creditors; or

(iv) the holders of the equity of such Person or the board of directors or board of managers or other governing body of such Person shall adopt any resolution for such Person authorizing any of the actions set forth in the preceding clause (iii).

"Event of Default" shall mean an event described in Section 8.01.

"Excess Concentration Amount" shall mean, with respect to all Warehouse SUBI Leases that are Eligible Leases on such date, the sum of, without duplication, the amounts (if any) by which:

(i) the aggregate Securitization Value of all Warehouse SUBI Leases that are Eligible Leases with Lease Maturity Dates occurring more than 48 months from the date of origination of such Leases exceeds the 48+ Month Limit;

(ii) if such date is on or after April 30, 2019, the aggregate Base Residual Value of all Warehouse SUBI Leases that are Eligible Leases scheduled to reach their Lease Maturity Date in any one (1) month exceeds the Single Month Maturity Limit;

(iii) if such date is on or after June 30, 2019, the aggregate Base Residual Value of all Warehouse SUBI Leases that are Eligible Leases scheduled to reach their Lease Maturity Date in any 6 consecutive months exceeds the Six Month Maturity Limit;

(iv) if such date is on or after the 90th day after the Closing Date, the amount by which the aggregate Base Residual Value of all Warehouse SUBI Leases that are Eligible Leases exceeds the Base RV Limit;

(v) the aggregate Securitization Value of all Warehouse SUBI Leases that are Eligible Leases that cause the weighted average FICO Score of all Lessees (or, if a Lessee is an entity, the natural person who is the co-lessee or guarantor under the applicable Lease and an owner of such Lessee) of all Warehouse SUBI Leases that are Eligible Leases to be less than the WA FICO Limit; in determining which Warehouse SUBI Lease causes such weighted average FICO Score to be less than the WA FICO Limit, the Warehouse SUBI Lease or Warehouse SUBI Leases most recently originated or purchased by the Trust shall be treated as causing such breach;

(vi) the aggregate Securitization Value of all Warehouse SUBI Leases that are Eligible Leases with respect to which the FICO Score of the related Lessee (or, if a Lessee is an entity, the natural person who is the co-lessee or guarantor under the applicable Lease and an owner of such Lessee) of such Eligible Leases is less than the Minimum FICO Limit Score exceeds the Minimum FICO Limit;

(vii) the aggregate Securitization Value of all Warehouse SUBI Leases originated in any state (other than California) that are Eligible Leases exceeds the Single State (Non-CA) Limit;

(viii) if such date is on or after the 90th day after the Closing Date, the aggregate Securitization Value of all Warehouse SUBI Leases originated in the State of California that are Eligible Leases exceeds the Single State (CA) Limit; and

(ix) the aggregate Securitization Value of all Warehouse SUBI Leases that are Extended Leases exceeds the Extended Lease Limit.

"Excess Mileage Fee" shall mean, with respect to any Lease or Leased Vehicle, any applicable charge for excess mileage.

"Excess Wear and Tear Fee" shall mean, with respect to any Lease or Leased Vehicle, any applicable charge for excess wear and tear.

"Excluded Taxes" shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Recipient with respect to an interest in a Loan or Commitment (or its interest as an agent hereunder) pursuant to a law in effect on the date on which (i) such Recipient acquires such interest in the Loan or Commitment (or agency interest) or (ii) such Recipient changes its lending office, except in each case to the extent that, pursuant to Section 11.02, amounts with respect to such Taxes were payable either to such Recipient's assignor immediately before such Lender became a party hereto or to such Recipient immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 11.02(f) and (d) any Taxes imposed under FATCA.

"Extended Lease" shall mean an Eligible Lease as to which the original Lease Maturity Date has been extended.

"Extended Lease Limit" shall have the meaning specified in the Amended and Restated Fee Letter.

"Facility Limit" shall mean, initially, \$1,100,000,000, and thereafter, such amount may be increased or decreased from time to time in accordance with Section 2.11 and Section 2.12 or terminated in accordance with Section 8.02 or Section 12.01.

"FATCA" shall mean Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code, any published intergovernmental agreement entered into in connection with the implementation of such sections of the Internal Revenue Code and any fiscal or regulatory legislation adopted pursuant to such published intergovernmental agreements.

"Fee Letter" shall mean the Fee Letter dated as of December 27, 2018 among the Borrower, the Administrative Agent, the Group Agents and the Lenders.

"FICO Score" shall mean statistical credit scores based on methodology developed by Fair, Isaac & Company, and which are obtained by lenders in connection with lease applications to help assess a lessee's creditworthiness.

"Financial Asset" shall have the meaning specified in Section 8-102(a)(9) of the UCC (or other section of similar content of the Relevant UCC).

"Finco Warehouse" shall mean the Loan and Security Agreement dated as of August 17, 2017 among the LML Warehouse SPV, LLC, TFL, Deutsche Bank AG, New York Branch, as administrative agent and the lenders and group agents party thereto, as amended from time to time.

"Foreign Lender" shall mean a Lender that is not a U.S. Person.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements or pronouncements by such other entity as approved by a significant segment of the accounting profession, which are in effect from time to time.

"Governmental Authority" shall mean any nation or government, any state, county, city, town, district, board, bureau, office commission, any other municipality or other political subdivision thereof (including any educational facility, utility or other Person operated thereby), and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Group" shall mean, for any Committed Lender, Conduit Lender or Group Agent from time to time party hereto, (a) in the case of any Committed Lender, such Committed Lender, its Related Conduit Lender(s) (if any) and its Group Agent, (b) in the case of any Conduit Lender, such Conduit Lender, its Related Committed Lender's other Related Conduit Lender(s) (if any), its Related Committed Lender and its Group Agent and (c) in the case of any Group Agent, such Group Agent and the Committed Lender and Conduit Lender(s) (if any) for whom such Group Agent acts as agent hereunder.

"Group Agent" shall mean each Person acting as agent on behalf of a Group and designated as the Group Agent for such Group on the signature pages to this Agreement or any other Person who becomes a party to this Agreement as a Group Agent for any Group pursuant to an Assumption Agreement, an Assignment and Acceptance Agreement or otherwise in accordance with this Agreement.

"Group Agent Account" shall mean, with respect to any Group, the account(s) designated in writing by the applicable Group Agent to the Borrower, the Servicer and the Administrative Agent for purposes of receiving payments to or for the account of the members of such Group hereunder.

"Guarantee" shall mean, as to any Person, any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise), or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Indemnified Amounts" shall have the meaning specified in Section 11.01.

"Indemnified Parties" shall mean the Administrative Agent, the Group Agents, the Lenders, the Paying Agent, the Affected Persons and their respective assigns (if such assign is permitted under the Transaction Documents), officers, directors, agents and employees.

"Indemnified Taxes" shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower hereunder and (b) to the extent not otherwise described in (a), Other Taxes.

"Initial Loan Balance" shall mean the principal amount of the initial Loans made by the Lenders to the Borrower on the Initial Loan Date.

"Initial Loan Date" shall mean the first Business Day on which Leases are allocated to the Warehouse SUBI and the Lenders fund the initial Loans under this Agreement.

"Insurance Expenses" shall mean any Insurance Proceeds (i) applied to the repair of the related Warehouse SUBI Leased Vehicle, or (ii) released to the related Lessee in accordance with applicable law.

"Insurance Policy" shall mean any insurance policy (including any self-insurance), including any residual value insurance policy, guaranteed automobile protection policy, comprehensive, collision, public liability, physical damage, personal liability, contingent and excess liability, accident, health, credit, life or unemployment insurance or any other form of insurance or self-insurance, to the extent that any such policy or self-insurance covers or applies to the Trust, the Warehouse SUBI, any Warehouse SUBI Lease, any Warehouse SUBI Leased Vehicle, any Lease or the ability of a Lessee to make required payments with respect to the related Warehouse SUBI Lease or the related Warehouse SUBI Leased Vehicle.

"Insurance Proceeds" shall mean, with respect to any Warehouse SUBI Leased Vehicle, Warehouse SUBI Lease or Lessee, amounts paid to the Servicer, the Trust or a Trustee on behalf of the Trust under an Insurance Policy and any rights thereunder or proceeds therefrom (including any self-insurance or applicable deductible).

"Interest" shall mean, for any Interest Period (or portion thereof), the amount of interest accrued on the Loan Balance during such Interest Period (or portion thereof) in accordance with Section 2.02.

"Interest Carryover Shortfall" shall mean, with respect to any Payment Date, the sum of (a) the excess of (i) the Interest Distributable Amount for the preceding Payment Date over (ii) the amount that was actually paid to the Lenders in respect of Interest, Usage Fee Amount and Unused Fee Amount on such preceding Payment Date, and (b) interest on such excess, to the extent permitted by applicable law, by reference to the Default Rate for the period from such preceding Payment Date to but excluding the current Payment Date.

"Interest Distributable Amount" shall mean, with respect to any Payment Date, an amount equal to the sum of (i) the aggregate amount of Interest, Usage Fee Amount and Unused Fee Amount accrued during the related Interest Period and (ii) the Interest Carryover Shortfall for such Payment Date.

"Interest Period" shall mean each period commencing on the first day of each calendar month (or, in the case of the initial Interest Period hereunder, the Closing Date) and ending on the last day of such calendar month (or in the case of the initial Interest Period, the last day of December, 2018, or in the case of the final Interest Period hereunder, the final Payment Date).

"Interest Rate" shall mean, for any day during any Interest Period for any Loan (or any portion thereof):

(i) if such Loan (or such portion thereof) is being funded by a Conduit Lender on such day through the issuance of Short-Term Notes, the applicable Short-Term Note Rate; or

(ii) if such Loan (or such portion thereof) is being funded on such day by any Lender other than a Conduit Lender, or by a Conduit Lender other than through the issuance of Short-Term Notes (including if a Conduit Lender is then funding such Loan (or such portion thereof) under a Program Support Agreement or if a Committed Lender is then funding such Loan (or such portion thereof)), the applicable Bank Interest Rate.

"Interest Rate Hedge" shall mean interest rate swap or interest rate cap transactions between the Borrower and one or more Eligible Interest Rate Hedge Providers which satisfies the definition of Eligible Interest Rate Hedge.

"Interest Rate Hedge Payment" shall mean, with respect to an Interest Rate Hedge and any Payment Date, any net amount required to be paid (other than an Interest Rate Hedge Termination Payment) under such Interest Rate Hedge by the Borrower to an Interest Rate Hedge provider in respect of such Payment Date.

"Interest Rate Hedge Provider" means any Person that has entered into an Interest Rate Hedge with the Borrower.

"Interest Rate Hedge Receipt" shall mean any net payment made to the Warehouse SUBI Collection Account by an Interest Rate Hedge provider pursuant to an Interest Rate Hedge.

"Interest Rate Hedge Termination Payment" shall mean, with respect to an Interest Rate Hedge, the payment due by the Borrower to the related Interest Rate Hedge provider or by such Interest Rate Hedge provider to the Borrower, including any interest that may accrue thereon, upon the occurrence of an "early termination date" under such Interest Rate Hedge.

"Interest Rate Hedge Trigger Event" shall mean the Eurodollar Rate is greater than 2.5% per annum for a period of five consecutive Business Days (measured at the close of each such Business Day).

"Internal Revenue Code" shall mean the U.S. Internal Revenue Code of 1986.

"Lease" shall mean any lease contract for a Leased Vehicle entered into for or by the Trust or a Trustee on behalf of the Trust.

*"[***]"* shall mean [***], an [***] corporation.

*"[***] Servicing Agreement"* shall mean the Servicing Agreement dated as of December 18, 2013 between [***] as subservicer and the Servicer.

"Lease Documents" shall mean, with respect to each Lease, (i) the Lease (the electronic authoritative copy being held in the Electronic Lease Vault), (ii) any documentation of the Lessee's insurance coverage customarily aintained by the Servicer, (iii) a copy of the application or application information of the related Lessee, together with supporting information customarily maintained by the Servicer which may include the following: factory invoices related to new vehicles, credit scoring information or Trust purchase documentation, and odometer statements required by applicable law, (iv) the original Certificate of Title (or a copy of the application therefor if the Certificate of Title has not yet been delivered by the applicable Registrar of Titles) or such other documents, if any, that the Servicer keeps on file in accordance with its customary practices indicating that title to the related Leased Vehicle is in the name of the Trust (or such other name as directed by the Servicer pursuant to Section 1(d) of the Warehouse SUBI Servicing Agreement), and (v) any and all other

documents that the Servicer keeps on file in accordance with its customary practices related to such Lease or the related Leased Vehicle or Lessee, including any written agreements modifying such Lease (including any extension agreements). Any of the items set forth in (i) through (v) may be photocopies or other images thereof (including in electronic form) that the Servicer may keep on file in accordance with its customary servicing procedures.

"Lease Implicit Rate" shall mean, with respect to any Lease, the annual rate of finance charges used to determine the periodic rental payments stated in such Lease.

"Lease Maturity Date" shall mean with respect to any Lease, the date on which such Lease is scheduled to terminate as set forth in such Lease at its date of origination, as such date may be extended.

"Lease Origination Agreement" shall mean an agreement between TFL and Tesla, Inc. or a Subsidiary of Tesla, Inc. under which Tesla, Inc. or such Subsidiary originates Leases for the Trust, as the designee of TFL.

"Lease Pool" shall mean the Leases allocated to the Warehouse SUBI on any Warehouse SUBI Lease Allocation Date.

"Lease Pull-Forward" shall mean, as of any date, any Lease that has been terminated by the related Lessee before the related Lease Maturity Date under any "pull-forward", "pull-ahead" or other marketing program in order to allow such Lessee, among other things, (i) to enter into a new lease contract for a new Tesla vehicle, or (ii) to purchase a new Tesla vehicle; provided that the Lessee is not in default on any of its obligations under the related Lease.

"Leased Vehicle" shall mean a Tesla automobile, together with all accessories, parts and additions constituting a part thereof, and all accessions thereto, leased to a Lessee pursuant to a Lease.

"Lender Party" shall mean any Lender, any Group Agent, the Administrative Agent or any Program Support Provider.

"Lenders" shall mean the Conduit Lenders and the Committed Lenders.

"Lessee" shall mean each Person that is a lessee under a Lease, including any Person that executes a guarantee on behalf of such lessee.

"Lessor" shall mean the Trust, as lessor under a Lease.

"LIBOR Business Day" shall mean any day of the year other than a Saturday, Sunday or any day on which banking institutions in San Francisco, California, New York, New York or London, England generally are required or authorized to be closed.

"Lien" shall mean any security interest, lien, charge, pledge, equity or encumbrance of any kind, other than tax liens, mechanics' liens, any liens that attach to property by operation of law and statutory purchase liens to the extent not past due.

“*Limited Liability Company Agreement*” shall mean the Limited Liability Company Agreement of the Borrower dated as of December 27, 2018.

“*Liquidation Expenses*” shall mean reasonable out-of-pocket expenses (not to exceed, for any vehicle, the Liquidation Proceeds for such vehicle) incurred by the Servicer in connection with the attempted realization of the full amounts due or to become due under any Lease, including expenses of any collection effort (whether or not resulting in a lawsuit against the Lessee under such Lease) or other expenses incurred prior to repossession, recovery or return of the Leased Vehicle, expenses incurred in connection with the sale or other disposition of a Leased Vehicle that has been repossessed or recovered or has become a Terminated Lease and expenses incurred in connection with making claims under any related Insurance Policy.

“*Liquidation Proceeds*” shall mean gross amounts received by the Servicer (including Excess Mileage Fees, Excess Wear and Tear Fees and sales proceeds referred to in clause (i) of the definition of Off-Lease Net Liquidation Proceeds) in connection with the attempted realization of the full amounts due or to become due under any Lease and of the full value of the related Leased Vehicle, whether from the sale or other disposition of the related Leased Vehicle (irrespective of whether or not such proceeds exceed the related Base Residual Value), the proceeds of any repossession, recovery or collection effort, the proceeds of recourse or similar payments payable under the related Lease Origination Agreement, receipt of Insurance Proceeds, application of the related Security Deposit, the proceeds of any disposition fees or otherwise.

“*Liquidity Agent*” shall mean any Person acting as the administrator, administrative agent, program administrator or in any similar capacity with respect to a Conduit Lender’s Short-Term Note issuance program.

“*Liquidity Agreement*” shall mean any agreement entered into in connection with this Agreement pursuant to which a Liquidity Provider agrees to make purchases or advances to, or purchase assets from, a Conduit Lender in order to provide liquidity for such Conduit Lender’s interests hereunder.

“*Liquidity Provider*” shall mean each bank or other financial institution that provides liquidity support to a Conduit Lender pursuant to a Liquidity Agreement.

“*Loan*” shall mean a loan made under this Agreement by a Lender to the Borrower.

“*Loan Balance*” shall mean at any time the outstanding principal amount of all Loans.

“*Loan Increase Date*” shall mean, (i) with respect to the Warehouse SUBI Assets allocated to the Warehouse SUBI on the Initial Loan Date, the Initial Loan Date, and (ii) with respect to any subsequent Loan, the date on which such Loan is made pursuant to Section 2.01(b) and 5.02.

“*Loan Maturity Date*” shall mean the Payment Date in September 2020.

“*Loan Request*” shall mean a loan request in substantially the form of *Exhibit A* to this Agreement.

“*Mark to Market Adjustment Date*” shall mean (i) the last day of each of February, May, August and November, commencing on February 28, 2019, (ii) during the continuance of an Event of Bankruptcy with respect to Tesla, Inc. or TFL, the last day of the month on which such Event of Bankruptcy occurs, and the last day of every second month thereafter and (iii) the last day of any month in which a Servicer Default described in clauses (h) or (i) of the definition thereof shall have occurred and is continuing.

“Mark-to-Market MRM Residual Value” shall mean, with respect to any Warehouse SUBI Leased Vehicle and the related Lease, as of any date, the lesser of (i) the expected value of such Leased Vehicle at the related Lease Maturity Date using a residual value estimate produced by Automotive Lease Guide (assuming that the vehicle is in “average” condition) based on the “Maximum Residualizable MSRP,” which consists of the MSRP of the typically equipped vehicle and value adding options, giving only partial credit or no credit for those options that add little or no value to the resale price of the vehicle, calculated as of the last day of the calendar month immediately preceding the most recent Mark to Market Adjustment Date prior to and, if applicable, including such date and (ii) the residual value estimate produced by Automotive Lease Guide (based as above) calculated as of the contract date of the related Lease; provided, however, that if the contract date of the related Lease for a Warehouse SUBI Lease is after the last day of the calendar month immediately preceding the most recent Mark to Market Adjustment Date, as of any date, then the initial Mark-to-Market MRM Residual Value for such Warehouse SUBI Lease shall be equal to the amount in clause (ii) above; provided further, however, that for an Extended Lease (a) the amount in clause (ii) above shall be adjusted downward by the total amount of additional scheduled principal payments in the extended term and (b) until the next Mark to Market Adjustment Date after the date such Lease becomes an Extended Lease, the amount in clause (i) above shall be adjusted downward by the total amount of additional scheduled principal payments in the extended term.

“Material Adverse Effect” shall mean a material adverse effect on (i) the financial condition or operations of the Tesla Parties and TFL, taken as a whole, (ii) the ability of any Tesla Party or TFL to perform its material obligations under this Agreement or any other Transaction Document, (iii) the legality, validity or enforceability of any material provision of this Agreement or any other Transaction Document, (iv) the Administrative Agent’s security interest in all or any significant portion of the Collateral, or (v) the collectability of all or any significant portion of the Warehouse SUBI Assets; provided, that, for purposes of clause (i), a Material Adverse Effect shall not include effects arising out of acts of terrorism or war or the escalation or worsening thereof, weather conditions, or other force majeure events.

“Matured Vehicle” as of any date shall mean any Leased Vehicle the related Lease of which has reached its Lease Maturity Date, which Leased Vehicle has been returned to the Servicer.

“Maximum Facility Limit” shall mean \$1,100,000,000, as such amount may be increased or reduced from time to time in accordance with Section 2.11 or terminated in accordance with Section 8.02 and Section 12.01.

“Maximum Facility Limit Increase Amount” shall have the meaning specified in Section 2.11.

“Maximum Facility Limit Increase Date” shall have the meaning specified in Section 2.11.

“Maximum Facility Limit Increase Notice” shall have the meaning specified in Section 2.11.

“Maximum Facility Limit Reallocation Date” shall have the meaning specified in Section 2.12.

“Maximum Facility Limit Reallocation Notice” shall have the meaning specified in Section 2.12.

“Maximum Facility Limit Reduction Amount” shall have the meaning specified in Section 2.11.

“Maximum Facility Limit Reduction Date” shall have the meaning assigned such term in Section 2.11.

"Maximum Facility Limit Reduction Notice" shall have the meaning assigned such term in Section 2.11.

"Maximum Loan Balance" shall mean, as of any date, the product of:

(x) the Advance Rate,

multiplied by

(y) the amount equal to:

(A) the Securitization Value of all Warehouse SUBI Leases on such date (determined as of the last day of the Settlement Period immediately preceding such date or, with respect to any new Lease Pool allocated to the Warehouse SUBI on such date, as of the related Cut-Off Date),

minus

(B) without duplication, the sum of (1) the aggregate Securitization Value of all Warehouse SUBI Leases that are Defaulted Leases, (2) the aggregate Securitization Value of all Terminated Leases, (3) the aggregate Securitization Value of all Warehouse SUBI Leases that are Delinquent Leases, (4) the aggregate Securitization Value of all Warehouse SUBI Leases that are not Eligible Leases, (5) the Excess Concentration Amount as of such date, (6) the aggregate Securitization Value of all Designated Ineligible Leases as of such date, and (7) the aggregate Securitization Value of all Warehouse SUBI Leases and/or Warehouse SUBI Leased Vehicles required to be purchased by the Servicer or required to be reallocated by the Borrower to the TBM SUBI on such date, to the extent included in clause (y)(A).

"Member State" shall mean a member state of the European Union.

"Minimum FICO Limit" shall have the meaning specified in the Fee Letter.

"Minimum FICO Limit Score" shall have the meaning specified in the Fee Letter.

"Monthly Lease Payment" shall mean, with respect to any Lease, the amount of each fixed monthly payment payable by the related Lessee in accordance with the terms thereof, net of any portion of such fixed monthly payment that represents an Administrative Charge.

"Monthly Remittance Condition" shall mean (i) TFL is the Servicer, (ii) no Event of Default or Servicer Default has occurred, and (iii) TFL has the Required Ratings.

"Moody's" shall mean Moody's Investors Service, Inc., together with its successors.

"MSRP" shall mean, with respect to any Leased Vehicle, the manufacturer's suggested retail price.

"Multiemployer Plan" shall mean, with respect to any Person, a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding five years contributed to by such Person or any of its ERISA Affiliates on behalf of its employees and which is covered by Title IV of ERISA.

"Net Insurance Proceeds" shall mean Insurance Proceeds net of related Insurance Expenses.

"Net Liquidation Proceeds" shall mean Liquidation Proceeds net of related Liquidation Expenses.

"Notice of Termination" shall have the meaning specified in Section 8.02(a).

"Notice of Warehouse SUBI Lease Allocation" shall have the meaning specified in the Warehouse SUBI Sale Agreement.

"OFAC" shall mean the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Official Body" shall mean any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, federal or state regulatory authority, tribunal, grand jury or arbitrator, in each case, whether foreign or domestic.

"Off-Lease Net Liquidation Proceeds" shall mean for each Terminated Vehicle sold during or prior to any Settlement Period, (i) the sales proceeds received in such Settlement Period from the sale of the Terminated Vehicle, minus (ii) related Liquidation Expenses.

"Off-Lease Residual Value Net Liquidation Proceeds" shall mean, for each Warehouse SUBI Lease that has reached its Turn In Date during any of the three consecutive Settlement Periods ended on the last day of the calendar month immediately preceding any RVLN Calculation Date, an amount equal to (i) the sum of (A) the proceeds received during such three consecutive Settlement Periods resulting solely from the sale of the related Leased Vehicle at auction, or from a sale to the related Lessee, but excluding, in each case, any such proceeds arising from a sale or other disposition to TFL or any Affiliate of TFL other than to Tesla, Inc., on an arms-length basis, or advances made by, TFL or any Affiliate of TFL, and (B) any applicable Excess Wear and Tear Fees and Excess Mileage Fees received during such three consecutive Settlement Periods, but excluding any such fees paid or advanced by or on behalf of TFL or any Affiliate of TFL, minus (ii) any reconditioning expenses related to the foregoing. Notwithstanding the foregoing, the "Off-Lease Residual Value Net Liquidation Proceeds" of any Leased Vehicle the Turn In Date for which is more than 60 days after the related Lease Maturity Date shall be zero. For the avoidance of doubt, "Off-Lease Residual Value Net Liquidation Proceeds" do not relate to (or include) any Lease that has reached its Turn In Date if, at any time of determination, the related Leased Vehicle has remained in TFL's auction inventory.

"Other Connection Taxes" shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising solely from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced this Agreement, or sold or assigned an interest in any Loan or this Agreement).

"Other Taxes" shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

"Participant" shall have the meaning specified in Section 12.10(g).

"Participant Register" shall have the meaning specified in Section 12.10(h).

"Paying Agent" shall mean the Person appointed as such pursuant to Section 9.01.

"Paying Agent Account" shall mean the account with such name established and maintained pursuant to Section 2.06.

"Payments Ahead" shall mean any payment of all or a part of one or more Monthly Lease Payments remitted by a Lessee with respect to a Lease in excess of the Monthly Lease Payment due with respect to such Lease, which amount the Lessee has instructed the Servicer to apply to Monthly Lease Payments due in one or more subsequent Settlement Periods; provided, however, that Payments Ahead shall exclude Pull-Forward Payments.

"Payment Date" shall mean the twentieth (20th) day of each calendar month or, if such day is not a Business Day, the next succeeding Business Day, commencing on January 22, 2019.

"Payoff Date" shall mean the first date following the Termination Date on which the Loan Balance has been indefeasibly reduced to zero and all accrued Interest, Usage Fee Amount, Unused Fee Amount and all other Secured Obligations have been indefeasibly paid in full.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Percentage" shall mean, at any time with respect to any Committed Lender, a fraction (expressed as a percentage), (a) the numerator of which is (i) prior to the termination of all Commitments hereunder, its Commitment Amount at such time or (ii) if all Commitments hereunder have been terminated, the aggregate principal amount of all Loans being funded by the Lenders in such Committed Lender's Group at such time, and (b) the denominator of which is (i) prior to the termination of all Commitments hereunder, the aggregate Commitment Amounts of all Committed Lenders at such time or (ii) if all Commitments hereunder have been terminated, the aggregate principal amount of all Loans at such time.

"Permitted Account" shall mean each demand deposit or other account approved by the Administrative Agent and each Group Agent and maintained in the United States with a bank for depositing payments made by (or on behalf of) Lessees including payments made by wire transfer or other methods of electronic payment or transfer.

"Permitted Lockbox" shall mean a post office box approved by the Administrative Agent and each Group Agent and located in the United States maintained by a bank for the purpose of receiving payments made by (or on behalf of) the Lessees.

"Person" shall mean any legal person, including any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, business trust, bank, trust company, estate (including any beneficiaries thereof), unincorporated organization or government or any agency or political subdivision thereof.

“Plan” shall mean a “defined benefit plan” (as defined in Section 3(35) of ERISA), which is subject to Title IV of ERISA or Section 412 of the Internal Revenue Code (other than a Multiemployer Plan) with respect to which the Borrower or any of its ERISA Affiliates was an “employer” (as defined in Section 3(5) of ERISA) during the current year or immediately preceding five years.

“Pool Cut Report” shall mean a report substantially in the form of *Exhibit E* hereto.

“Portfolio Performance Condition” shall mean, on any date of determination, the occurrence of any one or more of the following events:

- (i) the annualized average of the Delinquency Ratios for any three (3) consecutive Settlement Periods shall exceed [***]%; or
- (ii) the Residual Value Loss Ratio, as of any Statistically Significant RVLR Calculation Date shall be greater than [***]%; or
- (iii) the annualized average of the Credit Loss Ratios for the three (3) most recent Settlement Periods shall exceed [***]%;

provided, however, that a Portfolio Performance Condition shall no longer be deemed to be continuing if:

(x) with respect to the Portfolio Performance Condition referred to in clause (i), the annualized average of the Delinquency Ratios for the three (3) most recent consecutive Settlement Periods subsequent to the occurrence of such Condition shall be less than or equal to [***]%,

(y) with respect to the Portfolio Performance Condition referred to in clause (ii), the Residual Value Loss Ratio as of the first Statistically Significant RVLR Calculation Date subsequent to the occurrence of such Condition shall be less than or equal to [***]%,

(z) with respect to the Portfolio Performance Condition referred to in clause (iii), the annualized average of the Credit Loss Ratios for the three (3) most recent Settlement Periods subsequent to the occurrence of such Condition shall be less than or equal to [***]%.

“Potential Servicer Default” shall mean an event which, but for the lapse of time or the giving of notice, or both, would constitute a Servicer Default.

“Prepayment” shall mean payment by a Lessee or other obligor in connection with an early termination of a Lease.

“Prime Rate” shall mean, as of any date of determination, a *per annum* rate equal to the “Prime Rate” listed in “Money Rates” section of *The Wall Street Journal (Northeast edition)*, changing when and as such rate changes.

“Principal Carryover Shortfall” shall mean, with respect to any Payment Date, the excess of the Principal Distributable Amount for the preceding Payment Date over the amount that was actually paid to the Lenders in reduction of the Loan Balance on such preceding Payment Date, plus interest thereon at the Default Rate for the period from the preceding Payment Date to such Payment Date.

"Principal Distributable Amount" shall mean, for any Payment Date, the aggregate amount of principal payable on the Loans, equal to the sum of (i) the Principal Distribution Amount and (ii) the Principal Carryover Shortfall for such Payment Date. Notwithstanding the above, the Principal Distributable Amount shall not exceed the Loan Balance.

"Principal Distribution Amount" shall mean, with respect to any Payment Date:

(i) with respect to any Payment Date that is not during a Turbo Amortization Period, the amount (if any) by which the Loan Balance (before giving effect to any payment pursuant to Section 2.04(c) in respect thereof on such Payment Date, but after giving effect to any increase in respect thereof if such Payment Date is a Loan Increase Date) exceeds the Maximum Loan Balance for such Payment Date; or

(ii) with respect to any Payment Date during a Turbo Amortization Period, all remaining Available Amounts after giving effect to the payments pursuant to Sections 2.04(c)(i) through (v) on such Payment Date.

"Proceeds" shall mean "proceeds" as defined in Section 9-102(a) of the UCC (or other section of similar content of the Relevant UCC).

"Program Support Agreement" shall mean any Liquidity Agreement and any other agreement entered into by any Program Support Provider providing for: (a) the issuance of one or more letters of credit for the account of a Conduit Lender, (b) the issuance of one or more surety bonds for which a Conduit Lender is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, (c) the sale by any Conduit Lender to any Program Support Provider of any Loan (or portions thereof or participation interest therein) and/or (d) the making of loans and/or other extensions of credit to a Conduit Lender in connection with such Conduit Lender's Short-Term Note issuance program, together with any letter of credit, surety bond or other instrument issued thereunder.

"Program Support Provider" shall mean any Liquidity Agent, any Liquidity Provider and any other Person now or hereafter extending credit or having a commitment to extend credit to or for the account of, or to make purchases from, a Conduit Lender pursuant to any Program Support Agreement.

"Pull-Forward Payment" shall mean, with respect to any Lease Pull-Forward, the Monthly Lease Payments not yet due with respect to the affected Lease.

"Quarterly Report Date" shall mean the Determination Date in each of the months of March, June, September and December.

"Rating Agency" shall mean S&P, Moody's, Fitch Inc., DBRS, Inc., Kroll Bond Rating Agency, or any other nationally recognized statistical rating organization.

"Reallocation Proceeds" shall mean (a) the proceeds allocated from the TBM SUBI to the Warehouse SUBI in connection with a Securitization Take-Out (if any), or (b) the payment by TBM (or by TFL on TBM's behalf pursuant to Section 3.1A(c) of the Warehouse SUBI Servicing Agreement) in connection with the reallocation of any Lease from the Warehouse SUBI to the TBM SUBI (such payment to be not less than the Securitization Value of such Lease) arising from a breach of TBM's statements and representations made in the Warehouse SUBI Sale Agreement.

"Recipient" shall mean (a) the Administrative Agent, (b) each Group Agent and (c) each Lender.

"Recommended TFL Facility Borrowing Date" shall mean the first TFL Loan Increase Date to occur after the Closing Date.

"Register" shall have the meaning set forth in Section 12.10.

"Regulatory Requirement" shall mean (i) the adoption after the date hereof of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy or liquidity coverage) or any change therein after the date hereof, (ii) any change after the date hereof in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency; provided that for purposes of this definition, (x) the United States bank regulatory rule titled Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance; Regulatory Capital; Impact of Modification to Generally Accepted Accounting Principles; Consolidation of Asset-Backed Commercial Paper Programs; and Other Related Issues, adopted on December 15, 2009, (y) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder, issued in connection therewith or in implementation thereof, and (z) all requests, rules, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, shall in each case be deemed to be a "Regulatory Requirement", regardless of the date enacted, adopted, issued or implemented.

"Related Committed Lender" shall mean, with respect to any Conduit Lender, each Committed Lender which is, or pursuant to any Assignment and Acceptance Agreement or Assumption Agreement or otherwise pursuant to this Agreement becomes, included as a Committed Lender in such Conduit Lender's Group, as designated on its signature page hereto or in such Assignment and Acceptance Agreement, Assumption Agreement or other agreement executed by such Committed Lender, as the case may be.

"Related Conduit Lender" shall mean, with respect to any Committed Lender, each Conduit Lender which is, or pursuant to any Assignment and Acceptance Agreement or Assumption Agreement or otherwise pursuant to this Agreement becomes, included as a Conduit Lender in such Committed Lender's Group, as designated on its signature page hereto or in such Assignment and Acceptance Agreement, Assumption Agreement or other agreement executed by such Committed Lender, as the case may be.

"Relevant UCC" shall mean the Uniform Commercial Code as in effect from time to time in all applicable jurisdictions.

"Repurchase Amount" shall mean, with respect to any Lease to be repurchased by TBM pursuant to Section 2.7 of the Warehouse SUBI Sale Agreement (or by TFL on TBM's behalf pursuant to Section 3.1A(c) of the Warehouse SUBI Servicing Agreement), the Securitization Value of such Lease as of the end of the Settlement Period preceding the Deposit Date in which such repurchase occurs.

"Required Aggregate Notional Principal Amount" shall mean, at any time with respect to all Eligible Interest Rate Hedges in full force and effect at such time, an aggregate notional amount at such time and at all future Payment Dates equal to (a) upon the occurrence of the Interest Rate Hedge Trigger Event or upon

entering into or terminating any Interest Rate Hedge thereafter pursuant to Section 6.01(n), the Loan Balance at such time and the expected Loan Balance on each future Payment Date, in accordance with an amortization schedule agreed between the Borrower and the Administrative Agent, and (b) at any other time after the occurrence of the Interest Rate Hedge Trigger Event, an amount not less than 90% and not greater than 110% of the Loan Balance on such date and not less than 90% and not greater than 110% of the expected Loan Balance on such future Payment Date.

"Required Discount Rate" shall have the meaning specified in the Fee Letter.

"Required Group Agents" shall mean at any time (a) if there are two or fewer Group Agents, then all Group Agents, and (b) if there are more than two Group Agents, (i) Group Agents for Lenders then holding more than fifty percent (50%) of the Commitments then in effect, or (ii) if the Commitments have terminated, Group Agents for Lenders then holding more than fifty percent (50%) of the Loans (Group Agents that are Affiliates of one another being considered as one Group Agent for purposes of this proviso).

"Required Ratings" shall mean both of (1) either a short term rating from S&P of at least "A-1" or a long-term unsecured rating from S&P of at least "AA+" and (2) either a short term rating from Moody's of at least "P-1" or a long-term unsecured rating from Moody's of at least "Aa1."

"Required Reserve Account Balance" shall mean, as of any date, an amount equal to (x) the product of (a) 1.0% times (b) the aggregate Securitization Value of all outstanding Warehouse SUBI Leases on such date, after giving effect to the allocation (if any) of a Lease Pool to the Warehouse SUBI on such date and a Securitization Take-Out (if any) on such date plus (y) the amount of funds deposited by the Borrower that are not proceeds of the Warehouse SUBI Assets or payable pursuant to the Warehouse SUBI Servicing Agreement or the Warehouse SUBI Sale Agreement to satisfy the minimum balance requirements of the depository institution holding the Reserve Account; provided that (1) on any date on and after the date on which any Commitments terminate, the Required Reserve Account Balance shall be an amount equal to the Required Reserve Account Balance in effect on the day immediately preceding such date on which such Commitments terminate, and (2) on any date on and after the payment of all funds in the Reserve Account to the Lenders following the maturity of the Loan Balance has been accelerated after the occurrence of an Event of Default, the Required Reserve Account Balance shall be the amount of funds needed to satisfy the minimum balance requirements of the depository institution holding the Reserve Account, or if there is no such requirement, zero.

"Required Supermajority Group Agents" shall mean at any time (a) if there are two or fewer Group Agents, then all Group Agents, and (b) if there are more than two Group Agents, (i) Group Agents for Lenders then holding more than sixty-six and two-thirds percent (66-2/3%) of the Commitments then in effect, or (ii) if the Commitments have terminated, Group Agents for Lenders then holding more than sixty-six and two-thirds percent (66-2/3%) of the Loans (Group Agents that are Affiliates of one another being considered as one Group Agent for purposes of this proviso).

"Requirements of Law" shall mean, for any Person, any law, treaty, rule or regulation, or determination of an arbitrator or Governmental Authority, in each case applicable to or binding upon such Person or to which such Person is subject, whether federal, state or local (including usury laws and the federal Truth in Lending Act).

"Reserve Account" shall mean the account with such name established and maintained pursuant to Section 2.06.

"Residual Value Loss Ratio" shall mean, for any RVLRL Calculation Date, and with respect to those Warehouse SUBI Leases which reached their respective Lease Maturity Dates during or prior to such three consecutive Settlement Periods and for which Off-Lease Residual Value Net Liquidation Proceeds were received during the three consecutive Settlement Periods ended on the last day of the calendar month immediately preceding such RVLRL Calculation Date, a fraction expressed as a percentage, (a) the numerator of which is the difference between the aggregate Base Residual Values of such Warehouse SUBI Leases and the aggregate Off-Lease Residual Value Net Liquidation Proceeds received with respect to such Warehouse SUBI Leases, and (b) the denominator of which is the aggregate Base Residual Values of such Warehouse SUBI Leases.

"Residual Value Loss Ratio Trigger" shall have the meaning specified in the Fee Letter.

"Response Date" shall have the meaning specified in Section 2.10.

"Responsible Officer" shall mean with respect to (i) the Borrower or TFL, any of the president, chief executive officer, chief financial officer, treasurer or any vice president of the Borrower or TFL, as the case may be or (ii) the Paying Agent, any managing director, director, vice president, assistant vice president, associate or trust officer of the Paying Agent customarily performing functions with respect to corporate trust matters and, with respect to a particular matter under this Agreement, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject, in each case, having direct responsibility for the administration of this Agreement.

"Retained Interest" shall mean, to the extent required by the Retention Requirements, a material net economic interest of not less than five percent (5.0%) of the aggregate Securitization Value of all Warehouse SUBI Leases.

"Retention Requirements" shall mean each of: (a) Article 405 of the CRR, together with (i) the Commission Delegated Regulation (EU) 625/2014 of 13 March 2014 and any regulatory technical standards, implementing technical standards or related documents published by the European Banking Authority, European Central Bank (or any other successor or replacement agency or authority) and any delegated regulations of the European Commission; and (ii) to the extent informing the interpretation of Article 405 of the CRR, the guidelines and related documents previously published in relation to the preceding European Union risk retention legislation by the European Banking Authority (and/or its predecessor, the Committee of European Banking Supervisors); (b) Article 17 of the AIFMD, as supplemented by Article 51 of the AIFM Regulation; (c) Article 254 Commission Delegated Regulation (EU) 2015/35 (the Solvency II Regulation), (d) in relation to each of the foregoing, any guidance published in relation thereto and any implementing laws or regulations in force in any Member State of the European Union and (e) in each case, any law or regulation superseding or replacing such requirements (or regulatory guidance published in relation thereto).

"RVLRL Calculation Date" shall mean the last day of each February, May, August and November, commencing on February 28, 2019.

"S&P" shall mean Standard & Poor's Rating Group, together with its successors.

"Sanctioned Country" shall mean, at any time, a country or territory which is the subject or target of any Sanctions.

"Sanctioned Person" shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

"Sanctions" shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"Scheduled Expiration Date" shall mean August 16, 2019, unless such date shall be extended from time to time in accordance with Section 2.10.

"Secured Obligations" shall mean, at any time, (i) all accrued and unpaid Interest Distributable Amounts at such time, (ii) the Loan Balance at such time, (iii) the Borrower's obligations under all Interest Rate Hedges, and (iv) all other fees and amounts (whether due or accrued) owing to the Secured Parties under this Agreement or the Fee Letter or any other Transaction Document at such time.

"Secured Parties" shall mean the Lenders, the Group Agents, the Administrative Agent, the Interest Rate Hedge providers and each other Indemnified Party and Affected Person.

"Securitization Take-Out" shall have the meaning specified in Section 2.09(b).

"Securitization Take-Out Certificate" shall have the meaning specified in Section 2.09(b).

"Securitization Take-Out Collateral" shall mean, with respect to any Securitization Take-Out, all or a portion of the Warehouse SUBI Leases selected by the Borrower and satisfying the conditions set forth in Section 2.09(b) and employing no adverse selection procedures in connection with such Securitization Take-Out (excluding, however, any Lease subject to a repurchase or reallocation obligation) that the Borrower has agreed to reallocate to the TBM SUBI in connection with a securitization or other type of financing or refinancing and that are designated by the Borrower and specified in the related Securitization Take-Out Certificate.

"Securitization Take-Out Date" shall mean, with respect to any Securitization Take-Out, the date on which such Securitization Take-Out occurs.

"Securitization Take-Out Price" shall mean, with respect to Warehouse SUBI Leases reallocated to the TBM SUBI pursuant to a Securitization Take-Out, the amount by which the Loan Balance must be reduced such that, after giving effect to the related Securitization Take-Out, the Loan Balance does not exceed the Maximum Loan Balance.

"Securitization Value" shall mean, with respect to any Lease and any date, determined as of the last day of the Settlement Period immediately preceding such date (or, with respect to any Lease allocated to the Warehouse SUBI on such date, as of the related Cut-Off Date), until reset on the last day of the succeeding

Settlement Period, an amount equal to the sum of the present values of (i) all remaining Monthly Lease Payments scheduled to be due after the day on which such Securitization Value is determined (or, in the case of the Securitization Value of any Lease allocated to the Warehouse SUBI on such date, after the related Cut-Off Date), calculated in each case assuming that such Monthly Lease Payments will be paid on a timely basis and (ii) the Base Residual Value (discounted from the date that is one month after the Lease Maturity Date of such Lease), in each case calculated by discounting such sum by the Required Discount Rate applicable on the day on which such Securitization Value is determined.

"Security Deposit" shall mean, with respect to any Lease, the refundable security deposit specified in such Lease.

"Servicer" shall mean TFL, in its capacity as Servicer under the Warehouse SUBI Servicing Agreement and this Agreement, together with its successors and assigns in such capacity.

"Servicer Default" shall have the meaning specified in the Warehouse SUBI Servicing Agreement.

"Servicing Agreement" shall mean the Servicing Agreement dated as of November 6, 2013 between the Trust and TFL as Servicer.

"Servicing Fee" shall mean, with respect to the Warehouse SUBI, the fee payable on each Payment Date with respect to each Settlement Period equal to one-twelfth of the product of (i) the Servicing Fee Rate and (ii) the daily average Securitization Value of the Warehouse SUBI Leases during such Settlement Period.

"Servicing Fee Rate" shall mean 1.0% per annum.

"Settlement Period" shall mean with respect to any Determination Date, any Payment Date or any other date, the immediately preceding calendar month. With respect to any Determination Date or Payment Date, the "related Settlement Period" shall mean the Settlement Period ending on the last day of the month preceding the month in which such Determination Date or Payment Date occurs.

"Settlement Statement" shall mean the monthly statement prepared by the Servicer substantially in the form of Exhibit A to the Fee Letter.

"Short-Term Note Rate" shall mean, with respect to any Conduit Lender for any period (including any day, Interest Period or portion thereof) for any Loan, the rate identified on Schedule 9 hereto or the rate designated as the "Short-Term Note Rate" for such Conduit Lender in an Assignment and Acceptance Agreement or Assumption Agreement in each case which is agreed to by the Borrower and pursuant to which such Person became or becomes a party hereto as a Conduit Lender, or any other writing or agreement provided by such Conduit Lender to the Borrower, the Servicer, the Administrative Agent and the applicable Group Agent and agreed to by the Borrower from time to time. Notwithstanding the foregoing, at all times following the occurrence and during the continuation of an Event of Default, the Short-Term Note Rate shall be an interest rate per annum equal to the Default Rate.

"Short-Term Notes" shall mean the short-term commercial paper notes issued or to be issued by or on behalf of a Conduit Lender (or, solely in the case of Salisbury Receivables Company LLC, by or on behalf of Sheffield Receivables Company LLC) to fund or maintain the Loans or investments in other financial assets.

"Single Month Maturity Limit" shall have the meaning specified in the Fee Letter.

"Single State (CA) Limit" shall have the meaning specified in the Fee Letter.

"Single State (Non-CA) Limit" shall have the meaning specified in the Fee Letter.

"Six Month Maturity Limit" shall have the meaning specified in the Fee Letter.

"Solvent" shall mean, as to any Person at any time, having a state of affairs such that (i) the fair value of the property owned by such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (ii) the present fair salable value of the property owned by such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (iii) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (v) such Person is not engaged in business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute unreasonably small capital.

"State" shall mean any state of the United States of America or the District of Columbia.

"Statistically Significant RVL R Calculation Date" shall mean any RVL R Calculation Date if, during the three Settlement Periods ended on the last day of the calendar month immediately preceding such RVL R Calculation Date, at least fifty (50) Leases reached their Turn In Dates during such three Settlement Periods.

"SUBI Trustee" shall have the meaning specified in the Trust Agreement.

"Subsidiary" shall mean, for any Person, any corporation or other business organization more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more such corporations or organizations owned or controlled, directly or indirectly, by such Person and one or more of its Subsidiaries, and any partnership of which such Person or any such corporation or organization is a general partner.

"Successor Servicer" shall have the meaning specified in the Warehouse SUBI Servicing Agreement.

"Successor Servicer Engagement Fee" shall mean the fee payable to the Back-Up Servicer upon its becoming the Successor Servicer under the Warehouse SUBI Servicing Agreement.

"Supermajority Terms" shall mean (i) the definition of *"Base Residual Value"*; (ii) the definition of *"Change in Control"*; (iii) the definition of *"Credit Loss Ratio Trigger"*; (iv) the definition of *"Delinquency Ratio Trigger"*; (v) the definition of *"Eligible Lease"*; (vi) the individual limits in the definition of *"Excess Concentration Amount"*; (vii) the definition of *"Interest Rate Hedge Trigger Event"*; (viii) the definition of *"Mark-to-Market MRM Residual Value"*; (ix) the definition of *"Maximum Loan Balance"*; (x) the definition of *"Portfolio Performance Condition"*; (xi) the definition of *"Required Discount Rate"*; (xii) the definition of *"Required*

Reserve Account Balance"; (xiii) the definition of "*Residual Value Loss Ratio Trigger*"; (xiv) the definition of "*Securitization Value*"; (xv) the definition of "*Servicer Default*"; (xvi) the definition of "*Tesla Change in Control*"; (xvii) the definition of "*Turbo Amortization Period*"; (xviii) Section 2.04; (xix) Section 6.01(n); (xx) Section 6.03; and (xxi) Section 8.01.

"Supplemental Servicing Fees" shall mean all late payments, NSF check fees and other similar administrative fees payable by a Lessee under the terms of a Lease.

"Tangible Chattel Paper" shall have the meaning specified in Section 9-102(a) of the UCC (or other section of similar content of the Relevant UCC).

"Taxes" shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"TBM" shall mean TBM Partnership II, LLC, a Delaware limited liability company.

"TBM Partnership Agreement" shall mean the limited liability company agreement of TBM, dated as of November 21, 2018, as the same may be amended from time to time.

"TBM SUBI" shall mean the special unit of beneficial interest in the Trust created by the TBM SUBI Supplement and identified as the "TBM II SUBI."

"TBM SUBI Holder" shall mean the beneficiary of the TBM SUBI, initially TBM.

"TBM SUBI Servicing Agreement" shall mean the TBM II SUBI Servicing Agreement, dated November 21, 2018, between the Trust, TFL and the back-up servicer party thereto.

"TBM SUBI Supplement" shall mean the TBM II SUBI Supplement to Trust Agreement, dated as of November 21, 2018, by and among TFL, as Settlor and Initial Beneficiary, U.S. Bank Trust, as SUBI Trustee, Administrative Trustee and UTI Trustee, and TBM.

"TBM SUBI Trustee" shall mean the SUBI Trustee of the TBM SUBI.

"Terminated Lease" shall mean a Warehouse SUBI Lease that has reached its Lease Maturity Date or Early Lease Termination Date.

"Terminated Vehicle" shall mean a Warehouse SUBI Leased Vehicle the related Lease for which is a Terminated Lease.

"Termination Date" shall mean the earlier to occur of (i) the occurrence of an Event of Default, and (ii) the Scheduled Expiration Date.

"Tesla Change in Control" shall mean the occurrence of any of the following:

(i) an event or series of events by which any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding Elon Musk and any of his heirs, beneficiaries or trusts), becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of equity interests representing a majority of the voting power for election of members of the board of directors or equivalent governing body of Tesla, Inc. on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(ii) Tesla, Inc. ceases to directly or indirectly own and control, 80% of the equity and voting interests of TFL free and clear of all Adverse Claims.

"Tesla Party" shall mean the Borrower or the Trust.

"TFL" shall have the meaning specified in the preamble to this Agreement

"TFL Administrative Agent" shall mean the "Administrative Agent," as such term is defined in the TFL Warehouse Agreement.

"TFL Borrower" shall mean Tesla 2014 Warehouse SPV LLC.

"TFL Borrower Default" shall mean the occurrence of any "Event of Default," as such term is defined in the TFL Warehouse Agreement.

"TFL Facility Limit" shall mean the "Facility Limit," as such term is defined in the TFL Warehouse Agreement.

"TFL Group Agent" shall mean a "Group Agent," as such term is defined in the TFL Warehouse Agreement.

"TFL Loan Balance" shall mean the "Loan Balance," as such term is defined in the TFL Warehouse Agreement.

"TFL Loan Increase Date" shall mean a "Loan Increase Date," as such term is defined in the TFL Warehouse Agreement.

"TFL Paying Agent" shall mean the "Paying Agent" as such term is defined in the TFL Warehouse Agreement.

"TFL Residual Value" shall mean, with respect to any Leased Vehicle, the expected value of such Leased Vehicle at the Lease Maturity Date of the related Lease as determined by TFL and set forth in such Lease.

"TFL Transaction Documents" shall mean the "Transaction Documents," as such term is defined in the TFL Warehouse Agreement.

"TFL Warehouse Agreement" shall mean the Amended and Restated Loan and Security Agreement dated as of August 17, 2017 among the TFL Borrower, TFL, the Administrative Agent and the lenders and group agents party thereto, as the same may be amended from time to time.

"Transaction Documents" shall mean the Trust Agreement, the Warehouse SUBI Supplement, the Warehouse SUBI Servicing Agreement, the [***] Subservicing Agreement, the eVault Letter Agreement, the Warehouse SUBI Sale Agreement, this Agreement, the Collateral Agency and Security Agreement, the Fee Letter, each Loan Request, each Settlement Statement, each Notice of Warehouse SUBI Lease Allocation, each Interest Rate Hedge and each other agreement, report, certificate or other document delivered by any Tesla Party, Tesla, Inc. or TFL (other than in its capacity as managing member of TBM) pursuant to or in connection with this Agreement. For the avoidance of doubt, the TFL Transaction Documents, the TBM Partnership Agreement and the TBM SUBI Supplement shall not constitute Transaction Documents under this Agreement.

"Trust" shall mean Tesla Lease Trust, a Delaware statutory trust, together with its successors and assigns.

"Trust Agreement" shall mean that certain Trust Agreement, dated as of November 6, 2013, between TFL, as Settlor and Initial Beneficiary, and U.S. Bank Trust National Association, as UTI Trustee, Administrative Trustee and Delaware Trustee, as the same may be amended from time to time.

"Trust Assets" shall have the meaning specified in the Trust Agreement.

"Trustee" shall mean U.S. Bank Trust in its capacity as Administrative Trustee, Delaware Trustee, UTI Trustee or any SUBI Trustee of the Trust.

"Trustee Bank" shall mean U.S. Bank Trust in its individual capacity.

"Turbo Amortization Period" shall mean (i) a period commencing on the occurrence of a Servicer Default and ending on (x) if Lenders have not delivered a Warehouse SUBI Servicer Termination Notice to the Servicer pursuant to Section 5.1 of the Warehouse SUBI Servicing Agreement on or prior to the 30th day after the occurrence of such Servicer Default, then on such 30th day, (y) if the Lenders have delivered a Warehouse SUBI Servicer Termination Notice to the Servicer pursuant to Section 5.1 of the Warehouse SUBI Servicing Agreement on or prior to the 30th day after the occurrence of such Servicer Default and a Successor Servicer is appointed pursuant to Section 5.2 of the Warehouse SUBI Servicing Agreement on or prior to the 45th day (or such later date specified in writing by the Group Agents in their sole and absolute discretion) after the date such Warehouse SUBI Servicer Termination Notice has been delivered, the date on which such Successor Servicer is so appointed, and (z) if neither of clauses (x) or (y) is applicable, then the date on which all Secured Obligations have been paid in full, and (ii) the period commencing on the Termination Date and ending on the date on which all Secured Obligations have been paid in full.

"Turn In Date" shall mean, with respect to any Lease, (a) the date on which the related Leased Vehicle is returned to TFL by the related Lessee if (but only if) such date is (i) no earlier than 90 days prior to the Lease Maturity Date for such Lease, or (ii) on, or any date after, the Lease Maturity Date for such Lease, or (b) the Lease Maturity Date if the related Leased Vehicle has not been purchased by the related Lessee or returned to TFL by such date.

“Unused Fee” shall mean, with respect to any Commitment of any Committed Lender, an amount equal to the product of (i) the Unused Fee Rate, times (ii) the excess, if any, of (x) such Committed Lender’s Commitment Amount on such day, over (y) the outstanding principal amount of Loans of the Lenders in such Committed Lender’s Group on such day times (iii) 1/360.

“Unused Fee Amount” shall mean, for any Interest Period (or portion thereof) the amount of the Unused Fee accrued during such Interest Period (or portion thereof).

“Unused Fee Rate” shall have the meaning specified in the Fee Letter.

“U.S. Bank Trust” shall mean U.S. Bank Trust National Association, a national banking association.

“U.S. Person” shall mean a “United States Person” as defined in Section 7701(a)(30) of the Internal Revenue Code.

“Usage Fee” shall mean, with respect to any Lender, for each day an amount equal to the product of (i) the Usage Fee Rate on such day, times (ii) the outstanding principal amount of such Lender’s Loans on such day, times (iii) 1/360.

“Usage Fee Amount” shall mean, for any Interest Period (or portion thereof) the amount of the Usage Fee accrued during such Interest Period (or portion thereof).

“Usage Fee Rate” shall have the meaning specified in the Fee Letter.

“UTI” shall mean the undivided interest in the Trust, excluding any special units of beneficial interest.

“UTI Beneficiary” shall mean the beneficiary of the UTI.

“UTI Trustee” shall have the meaning specified in the Trust Agreement.

“WA FICO Limit” shall have the meaning specified in the Fee Letter.

“Warehouse SUBI” shall mean the special unit of beneficial interest in the Trust created by the Warehouse SUBI Supplement and identified as the “LML 2018 Warehouse SUBI.”

“Warehouse SUBI Assets” shall mean: (i) cash related to the Warehouse SUBI or the Warehouse SUBI Assets, including all Collections; (ii) the Warehouse SUBI Leases; (iii) the Warehouse SUBI Leased Vehicles; (iv) all other Trust Assets to the extent related to or associated with the foregoing; and (v) all proceeds of the foregoing, including (A) payments made in respect of the Terminated Vehicles and Defaulted Vehicles, (B) proceeds of the sale or other disposition of the Warehouse SUBI Leased Vehicles to Lessees or others upon expiration or termination of the Warehouse SUBI Leases, (C) payments in respect of the Warehouse SUBI Leased Vehicles under any Insurance Policy, (D) the Certificates of Title relating to the Warehouse SUBI Leased Vehicles, (E) all rights (but not obligations) of the Trust, TFL and the related Lessor with respect to the Warehouse SUBI Leases and the Warehouse SUBI Leased Vehicles, including rights to (1) any incentive or other payments made by any Person to fund a portion of the payments made related to a Warehouse SUBI Lease or a Warehouse

SUBI Leased Vehicle (including Pull-Forward Payments) and (2) proceeds arising from any repurchase obligations arising under any Warehouse SUBI Lease, (F) any Security Deposit related to a Warehouse SUBI Lease to the extent not payable to the Lessee pursuant to such lease, (G) all Insurance Proceeds and Liquidation Proceeds, (H) such other assets as may be designated "Warehouse SUBI Assets" in the Warehouse SUBI Supplement and identified by the Servicer in Notices of Warehouse SUBI Lease Allocation delivered from time to time pursuant to the Warehouse SUBI Supplement, and (I) all proceeds of the foregoing.

"*Warehouse SUBI Certificate*" shall mean a certificate representing the beneficial interest in the Warehouse SUBI.

"*Warehouse SUBI Collection Account*" shall mean the Warehouse SUBI Collection Account established and maintained pursuant to Section 7.04(a).

"*Warehouse SUBI Lease*" shall mean a Lease allocated to the Warehouse SUBI.

"*Warehouse SUBI Lease Allocation Date*" shall mean each date on which TFL, at the direction of the TBM SUBI Holder, directs the TBM SUBI Trustee to allocate Leases and the related Leased Vehicles from the TBM SUBI to the Warehouse SUBI pursuant to the TBM SUBI Supplement and the Warehouse SUBI Supplement.

"*Warehouse SUBI Leased Vehicle*" shall mean a Leased Vehicle allocated to the Warehouse SUBI.

"*Warehouse SUBI Sale Agreement*" shall mean the LML 2018 Warehouse SUBI Sale Agreement, dated as of the Closing Date, by and between TBM, as seller, and the Borrower, as buyer.

"*Warehouse SUBI Servicing Agreement*" shall mean the LML 2018 Warehouse SUBI Servicing Agreement dated as of the date hereof by and among the Trust, the Servicer and the Back-Up Servicer.

"*Warehouse SUBI Supplement*" shall mean the LML 2018 Warehouse SUBI Supplement to Trust Agreement, dated as of the Closing Date, by and among TFL, as Settlor and Initial Beneficiary, U.S. Bank Trust, as SUBI Trustee, Administrative Trustee and UTI Trustee, and Borrower (for the limited purposes set forth therein).

"*Withholding Agent*" shall mean the Borrower, the Paying Agent and the Administrative Agent.

"*Write-Down and Conversion Powers*" shall mean, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02 *Computation of Time Periods.* Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

SECTION 1.03 *Interpretive Provisions.* For all purposes of this Agreement, the singular includes the plural and the plural the singular; words importing gender include other genders; references to "writing" include printing, typing, lithography and other means of reproducing words in a visible form; the term "including"

means “including without limitation;” the term “or” is not exclusive; and references to the article and section headings of any Transaction Document are for convenience of reference only, and shall not define or limit or otherwise affect the terms and provisions thereof. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. If the due date of any notice, certificate or report required to be delivered by any party to any of the Transaction Documents falls on a day that is not a Business Day, the due date for such notice, certificate or report shall be automatically extended to the next succeeding day that is a Business Day. Any reference in this Agreement to any agreement means such agreement as it may be amended, restated, supplemented or otherwise modified from time to time. Any reference in this Agreement to any law, statute, regulation, rule or other legislative action shall mean such law, statute, regulation, rule or other legislative action (and any successor thereto) as amended, supplemented or otherwise modified from time to time, and shall include any rule or regulation promulgated thereunder. Any reference in this Agreement to a Person shall include the permitted successors or assignees of such Person.

SECTION 1.04 *Acknowledgement and Consent to Bail-In of EEA Financial Institutions.* Notwithstanding anything to the contrary in any Transaction Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Transaction Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-in Action on any such liability, including, if applicable;
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Transaction Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

ARTICLE II

THE FACILITY

SECTION 2.01 *Loans; Payments.*

(a) On the terms and subject to the conditions hereinafter set forth (including in [Sections 2.01\(b\)](#) and [2.01\(e\)](#) and [Article V](#), the Conduit Lenders, ratably, in accordance with the aggregate of the Commitments of the Related Committed Lenders with respect to each such Conduit Lender, severally and not jointly, may, in their sole discretion, make Loans to the Borrower on a revolving basis, and if and to the extent any Conduit Lender does not make any such requested Loan or if any Group does not include a Conduit Lender,

the Related Committed Lender(s) for such Conduit Lender or the Committed Lender for such Group, as the case may be, shall, ratably in accordance with their respective Commitments, severally and not jointly, make such Loans to the Borrower from time to time on the Initial Loan Date and, until the occurrence of the Scheduled Expiration Date or an Event of Default, on each subsequent Loan Increase Date. Each Lender shall make available the proceeds of any Loan it makes to the Borrower by wire transfer of immediately available funds.

(b) Subject to the conditions specified in this Section and in Sections 5.01 and 5.02 (as applicable), on any Loan Increase Date, the Loan Balance may be increased through the funding of additional Loans, up to a Loan Balance at any one time not to exceed the Facility Limit (after giving effect to any increase in the Facility Limit on or prior to such Loan Increase Date); provided, however, that (i) the aggregate principal amount of any Loans to be made on any Loan Increase Date shall not exceed the Available Facility Limit (after giving effect to any increase in Facility Limit on or prior to such Loan Increase Date) on such Loan Increase Date, (ii) the aggregate outstanding principal amount of the Loans of the Lenders in any Group shall not exceed the Commitment Amount of the Related Committed Lenders of such Group, (iii) the aggregate outstanding principal amount of the Loans of any Committed Lender shall not exceed its Commitment Amount, and (iv) the aggregate outstanding principal amount of all Loans shall not exceed the Maximum Loan Balance, determined after giving effect to (x) such additional Loans on such date and (y) any increase or decrease in the Facility Limit on such date. Each Loan shall be in a minimum amount equal to the lesser of (i) \$1,000,000 and (ii) the Available Facility Limit (before giving effect to such Loan).

(c) The principal of the Loans shall be payable in installments equal to the Principal Distributable Amount on each Payment Date subject to and in accordance with Section 2.04(c). Notwithstanding the foregoing, the entire unpaid principal amount of the Loans shall be due and payable, if not previously paid, on the Loan Maturity Date.

(d) On each Warehouse SUBI Lease Allocation Date, Leases and the related Leased Vehicles shall be allocated from the TBM SUBI to the Warehouse SUBI pursuant to the TBM SUBI Supplement and Warehouse SUBI Supplement. In furtherance of the foregoing:

(i) at least two (2) Business Days preceding each Warehouse SUBI Lease Allocation Date (or, in the case of the initial Warehouse SUBI Lease Allocation Date, on the Initial Loan Date), the Borrower and the Servicer shall deliver to the Administrative Agent an executed Notice of Warehouse SUBI Lease Allocation in substantially the form of *Exhibit D* to this Agreement, signed by an Authorized Signatory together with a Pool Cut Report as to the related Lease Pool;

(ii) the Borrower and the Servicer shall have taken any actions necessary or advisable, and reasonably requested in writing by the Administrative Agent as soon as practicable, to maintain the Administrative Agent's perfected security interest in the Collateral; and

(iii) solely with respect to any Leases and Leased Vehicles to be allocated to the Warehouse SUBI on any Warehouse SUBI Lease Allocation Date, the Administrative Agent shall have received a copy of a report produced by Automotive Lease Guide (in form and substance reasonably satisfactory to the Lenders) setting forth the Mark-to-Market MRM Residual Value of the Leased Vehicle related to each such Lease, in each case, as of the most recent Mark to Market Adjustment Date;

provided that, notwithstanding the foregoing, if any Warehouse SUBI Lease Allocation Date is a Loan Increase Date, this Section 2.01(d) shall apply with respect to such Warehouse SUBI Lease Allocation Date and the related Lease Pool and the Borrower and the Servicer, as applicable, in addition to the conditions set forth in Section 5.02 with respect to such Warehouse SUBI Lease Allocation Date and the related Lease Pool.

(e) If any Loan Request is delivered to the Administrative Agent, the Group Agents, the Lenders and the Paying Agent after noon, New York City time, two Business Days prior to the proposed Loan Increase Date, such Loan Request shall be deemed to be received prior to noon, New York City time, on the next succeeding Business Day and the proposed Loan Increase Date of such proposed Loan shall be deemed to be the second Business Day following such deemed receipt. Any Loan Request shall be irrevocable and the Borrower may not request that more than one Loan be funded on any Business Day.

(f) If a Conduit Lender shall have elected not to make all or a portion of such Loan, the related Committed Lender shall make available on the applicable Loan Increase Date an amount equal to the portion of the Loan that such Conduit Lender has not elected to fund.

(g) Each Group's ratable share of a Loan shall be made available to the Paying Agent, subject to the fulfillment of the applicable conditions set forth in Section 5.02, at or prior to 1:00 p.m., New York City time, on the applicable Loan Date, by deposit of immediately available funds to the Paying Agent Account. The Paying Agent shall promptly notify the Borrower in the event that any Lender either fails to make its portion of such funds available before such time or notifies the Paying Agent that it will not make its portion of such funds available before such time. Subject to the fulfillment of the applicable conditions set forth in Section 5.02, as determined by the Paying Agent, the Paying Agent will not later than 3:00 p.m., New York City time, on such Loan Increase Date make such funds available, in the same type of funds received, by wire transfer thereof to the account specified in writing by the Borrower. If any Lender makes available to the Paying Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article, and such funds are not made available to the Borrower by the Paying Agent because the conditions to the applicable Loan set forth in Section 5.02 are not satisfied or waived in accordance with the terms hereof, the Paying Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(h) In the event that, notwithstanding the fulfillment of the applicable conditions set forth in Section 5.02 hereof with respect to a Loan, a Conduit Lender elected to make an advance on a Loan Increase Date but failed to make its portion of the Loan available to the Paying Agent when required by this Section 2.01, such Conduit Lender shall be deemed to have rescinded its election to make such advance, and neither the Borrower nor any other party shall have any claim against such Conduit Lender by reason of its failure to timely make such purchase. In any such case, the Paying Agent shall give notice of such failure not later than 1:30 p.m., New York City time, on the Loan Increase Date to the Borrower, which notice shall specify (i) the identity of such Conduit Lender and (ii) the amount of the Loan which it had elected but failed to make. Subject to receiving such notice, the related Committed Lender shall advance a portion of the Loan in an amount equal to the amount described in clause (ii) above, at or before 2:00 p.m., New York City time, on such Loan Increase Date and otherwise in accordance with this Section 2.01. Subject to the Paying Agent's receipt of such funds, the Paying Agent will not later than 4:00 p.m., New York City time, on such Loan Increase Date make such funds available, in the same type of funds received, by wire transfer thereof to the account specified in writing by the Borrower.

(i) The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided, that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(j) After the Borrower delivers a Loan Request pursuant to Section 5.02, a Lender (or its Group Agent) may, not later than 4:00 p.m. (New York time) on the Business Day after the Borrower's delivery of such Loan Request, deliver a written notice (a "*Delayed Funding Notice*", the date of such delivery, the "*Delayed Funding Notice Date*" and such Lender, a "*Delaying Lender*") signed by an Authorized Signatory to the Borrower, the Paying Agent and the Administrative Agent of its intention to fund its share of the related Loan Increase (such share, the "*Delayed Amount*") on a date (the date of such funding, the "*Delayed Funding Date*") that is on or before the thirty-fifth (35th) day following the date of the proposed Loan Increase Date (or if such day is not a Business Day, then on the next succeeding Business Day) rather than on the requested Loan Increase Date. Any Group containing a Delaying Lender shall be referred to as a "*Delaying Group*" with respect to such Loan Increase Date. On each Delayed Funding Date, subject to the satisfaction of the conditions set forth in Section 5.02, the Committed Lenders shall (or, in the case of a Group with a Conduit Lender, the Conduit Lender in such Group may in its sole discretion) fund their ratable amounts of such requested Loans. Notwithstanding anything to the contrary contained in this Agreement or any other Related Document, the parties acknowledge and agree that the failure of any Lender to fund its Loan on the requested Loan Increase Date will not constitute a default on the part of such Lender if any Delaying Lender has timely delivered a Delayed Funding Notice signed by an Authorized Signatory to the Borrower with respect to such Loan Request. Nothing contained herein shall prevent the Borrower from revoking any Loan Request related to any Delayed Funding Notice.

SECTION 2.02 *Interest; Breakage Fees.*

(a) The outstanding principal amount of each Loan shall accrue interest on each day at the then applicable Interest Rate. Whether any Loan is funded or maintained hereunder at the Short-Term Note Rate or Bank Interest Rate shall be determined in the sole discretion of the applicable Group Agent for the Lender funding or maintaining such Loan. The Borrower shall pay all Interest, Usage Fees, Unused Fees and Breakage Fees accrued during each Interest Period on the immediately following Payment Date in accordance with the terms and priorities for payment set forth in Section 2.04; provided, however, that all Interest, Usage Fees, Unused Fees and Breakage Fees accrued during any Interest Period shall be due and payable by the Borrower on the immediately following Payment Date without regard to whether Collections or other funds of the Borrower are then available for payment thereof. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall not require the payment or permit the collection of Interest in excess of the maximum permitted by applicable law; and Interest shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

(b) If any portion of any Loan is repaid other than on a Payment Date or the Borrower fails to borrow any portion of any Loan requested in a Loan Request, the Borrower shall pay to the Lenders any Breakage Fees incurred by the Lenders.

SECTION 2.03 *Invoices; Payments.* No later than the second Business Day of each month, each Group Agent will provide the Borrower, the Servicer, the Paying Agent and the Administrative Agent with an invoice showing the Interest, Usage Fee Amount, Unused Fee Amount and other Secured Obligations due (or estimated to be due) to each Lender in its Group pursuant to this Agreement and the Fee Letter on the Payment

Date occurring in such month. The Borrower hereby agrees to pay to such Group Agent for the account of its related Secured Parties, as and when due in accordance with this Agreement and the Fee Letter, the Interest Distributable Amount, the Principal Distributable Amount and the other Secured Obligations payable to such Group. Nothing in this Agreement shall limit in any way the obligations of the Borrower to pay the amounts set forth in this Section 2.03.

SECTION 2.04 *Deposits; Distributions.*

(a) All Collections shall be deposited into the Warehouse SUBI Collection Account as provided in the Warehouse SUBI Servicing Agreement. All Repurchase Amounts, and Reallocation Proceeds shall also be deposited into the Warehouse SUBI Collection Account as provided in the Warehouse SUBI Servicing Agreement.

(b) On each Payment Date, subject to Section 2.07, the Servicer shall cause to be deposited to the Warehouse SUBI Collection Account from the Reserve Account, an amount equal to the lesser of (i) the amount of cash or other immediately available funds on deposit in the Reserve Account on such Payment Date and (ii) the amount, if any, by which (x) the amounts required to be applied pursuant to clauses first through sixth of Section 2.04(c) on such Payment Date and for any preceding Payment Date (to the extent not previously paid) exceeds (y) the Available Amounts for such Payment Date (other than Available Amounts attributable to amounts transferred from the Reserve Account for such Payment Date); provided, however, that on the first Payment Date to occur after the Termination Date, the Servicer shall transfer the entire amount in the Reserve Account (other than funds deposited by the Borrower that are not proceeds of the Warehouse SUBI Asset or payable pursuant to the Warehouse SUBI Servicing Agreement or the Warehouse SUBI Sale Agreement to satisfy the minimum balance requirements of the depository institution holding the Reserve Account) to the Warehouse SUBI Collection Account.

(c) On each Payment Date, the Servicer (or, if the Administrative Agent has revoked the Servicer's power to direct payments from the Warehouse SUBI Collection Account pursuant to the Transaction Documents, the Administrative Agent) shall cause the monies in the Warehouse SUBI Collection Account attributable to Available Amounts for such Payment Date to be applied in the following amounts and order of priority pursuant to instructions of the Servicer approved by the Administrative Agent (as confirmed by the Administrative Agent to the Servicer and the Collection Account Bank):

(i) first, [Intentionally Omitted];

(ii) second, to the Servicer for the payment of the accrued Servicing Fees payable for the immediately preceding Settlement Period (plus, if applicable, the amount of Servicing Fees payable for any prior Settlement Period to the extent such amount has not been distributed to the Servicer); and, if the Back-Up Servicer is the Successor Servicer under the Warehouse SUBI Servicing Agreement, for the payment of the Successor Servicer Engagement Fee (to the extent not paid by TFL) and the unpaid out-of-pocket expenses and indemnities owed to it as Successor Servicer; provided, however, that the aggregate amount distributed on any Payment Date for out-of-pocket expenses and indemnities pursuant to this clause shall not exceed \$200,000 per calendar year unless approved by the Administrative Agent and the Borrower;

(iii) third, on a pari passu basis, (x) to the Trustee Bank (to the extent not previously paid by TFL), for the payment of accrued and unpaid fees of the Trustee Bank of \$2,000 per annum, (y) to the depository institutions where the Reserve Account and the Warehouse SUBI Collection Account are maintained for payment of accrued and unpaid maintenance fee of up to \$500 per month, (z) to the Back-Up Servicer for the payment of the accrued and unpaid Back-Up Servicing Fees and (xx) to the Paying Agent for the payment of accrued and unpaid fees of the Paying Agent of \$875 per month;

(iv) fourth, on a pari passu basis, (w) to the Trustee Bank (to the extent not previously paid by TFL), for the payment of out-of-pocket expenses incurred by the Trustee Bank and the indemnities owed to the Trustee Bank, provided, that the aggregate amount distributed pursuant to this subclause (w) shall not exceed \$100,000 per calendar year; (x) to the Back-Up Servicer for the payment of out-of-pocket expenses incurred by the Back-Up Servicer and the indemnities owed to the Back-Up Servicer; provided, that the aggregate amount distributed pursuant to this subclause (x) shall not exceed \$25,000 per calendar year; (y) to the depository institution where the Reserve Account and the Warehouse SUBI Collection Account are maintained, for the payment of out-of-pocket expenses incurred by such depository institution and the indemnities owed to such depository institution, provided, that the aggregate amount distributed pursuant to this subclause (y) shall not exceed \$25,000 per calendar year; (z) to the Paying Agent for the payment of out-of-pocket expenses incurred by the Paying Agent and the indemnities owed to the Paying Agent; provided, that the aggregate amount distributed pursuant to subclause (z) shall not exceed \$25,000 per calendar year;

(v) fifth, on a pari passu basis and pro rata based on the applicable amounts payable under subclauses (x) and (y) of this clause fifth, (x) to the Paying Agent (for the account of the Lenders), the Interest Distributable Amount, and (y) to each applicable provider of an Interest Rate Hedge, any Interest Rate Hedge Payments and Interest Rate Hedge Termination Payment required to be paid by the Borrower, to the extent not previously paid;

(vi) sixth, on a pari passu basis and pro rata to the Paying Agent (for the account of the Lenders), the Principal Distributable Amount;

(vii) seventh, for deposit in the Reserve Account, the amount necessary to cause the amount on deposit therein to equal to the Required Reserve Account Balance for such Payment Date;

(viii) eighth, on a pari passu basis, to the payment of all other Secured Obligations then due and owing by the Borrower to the Lender Parties and the Paying Agent;

(ix) ninth, on a pari passu basis, to the payment of all other costs, expenses, fees, indemnities and other amounts payable at such time to the Trustee Bank and the Back-Up Servicer or Successor Servicer pursuant to the Trust Agreement and this Agreement, as applicable, in each case, solely to the extent such costs, expenses, fees, indemnities and other amounts are payable in respect of the Collateral and not otherwise paid to the Trustee Bank, the Back-Up Servicer, the Paying Agent or Successor Servicer, as applicable; and

(x) tenth, if (A) no Default is continuing and has not been waived or (B) if the Termination Date has occurred, the balance, if any, to be paid to the Borrower for its own account.

Any Available Amounts remaining in the Warehouse SUBI Collection Account after the distribution of such amounts pursuant to this Section 2.04(c) on a Payment Date shall remain in the Warehouse SUBI Collection Account to be distributed as Available Amounts for the following Payment Date.

In approving or giving any distribution instructions under this Section 2.04(c), each of the Administrative Agent and the Paying Agent shall be entitled to rely conclusively on the most recent Settlement Statement provided to it pursuant to Section 2.08 and shall incur no liability to any Person in connection with relying on such Settlement Statements or if the Administrative Agent or the Paying Agent makes different payments or makes no payments if the Administrative Agent or the Paying Agent has concerns that the Settlement Statement might be incorrect.

(d) For so long as the Monthly Remittance Condition is satisfied, the deposits into the Warehouse SUBI Collection Account pursuant to Section 2.04(a) may be made net of the Servicing Fee to be distributed to the Servicer pursuant to Section 2.04(c). Nonetheless, the Servicer shall account for the Servicing Fee in the Settlement Statement as if such amount was deposited into the Warehouse SUBI Collection Account and/or transferred separately.

SECTION 2.05 *Payments and Computations, Etc.* All amounts to be paid or deposited by the Borrower or the Servicer to a Lender Party (whether for its own account or for the account of another Lender Party) shall be paid or deposited to the Paying Agent Account no later than 10:00 a.m. (New York time) on the day when due in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, in an amount in immediately available funds which (together with any amounts then held by the Paying Agent and available for that purpose) shall be sufficient to pay the amount becoming due on such date; *provided that* any such payment or deposit received after 10:00 a.m. (New York time) on any day shall be deemed to be paid by the Borrower or the Servicer on the next Business Day. The Paying Agent shall promptly distribute the amount received to the applicable Lender. The Borrower shall confirm by facsimile or electronically in PDF format on the day payment is due to be made to the Paying Agent that it has issued irrevocable payment instructions for the transfer of the relevant sum due to the Paying Agent Account. The Paying Agent acknowledges that it does not have any interest in any such funds held by it in trust deposited hereunder but is serving as Paying Agent only. The Paying Agent shall be under no liability for interest on any money received by it hereunder. The Paying Agent shall not be required to use or risk its own funds in making any payment on the Loans. All sums to be paid or deposited by the Borrower or the Servicer to the Paying Agent hereunder shall be paid to the Paying Agent Account or such account with such bank as the Paying Agent may from time to time notify the Borrower in writing not less than three Business Days before any such sum is due and payable. The Borrower shall, to the extent permitted by law, pay to each Lender Party, on the first Payment Date that is at least ten (10) days after demand therefor, interest on all amounts not paid or deposited when due to such Lender Party hereunder at a rate equal to the Default Rate. The Paying Agent shall remit funds to each Lender in accordance with this Agreement and the wiring instructions provided by such Lender (or its related Group Agent) to the Paying Agent.

SECTION 2.06 *Reserve Account and Paying Agent Account.*

(a) The Borrower shall cause to be established and maintained in the name of the Administrative Agent (or in the name of the Borrower for the benefit of the Administrative Agent) the Reserve Account. The Reserve Account will be an Eligible Account established pursuant to a Control Agreement with respect to which the Administrative Agent shall, at all times, be an Entitlement Holder or purchaser with Control

and will bear a designation to clearly indicate that the funds and Financial Assets deposited therein are held for the benefit of the Administrative Agent. If the Reserve Account ceases to be an Eligible Account, the Borrower shall within ten days of receipt of notice of such change in eligibility transfer such account to an account that meets the requirements of an Eligible Account and that is established pursuant to a substitute Control Agreement with respect to which the Administrative Agent shall be an Entitlement Holder or purchaser with Control and which bears a designation to indicate clearly that the funds and Financial Assets deposited therein are held for the benefit of the Administrative Agent. The Borrower may, with the consent of the Administrative Agent and each Group Agent, establish a new Reserve Account subject to a new Control Agreement in replacement of the existing Reserve Account and related Control Agreement.

(b) The Borrower shall cause to be established and maintained in the name of the Borrower for the benefit of the Secured Parties with the Paying Agent an Eligible Account as the Paying Agent Account. Funds on deposit in the Paying Agent Account shall remain uninvested.

(c) The Servicer may invest the funds, if any, in the Reserve Account in Eligible Investments, held in the name of the Administrative Agent, which shall mature no later than the day prior to the Payment Date following such investment. Any income or other gain from such Eligible Investments in the Reserve Account shall be retained in the Reserve Account to the extent the amount on deposit in the Reserve Account is less than the Required Reserve Account Balance and the excess, if any, shall, subject to Section 2.04(b), be paid on each Payment Date to the Borrower. Any losses on Eligible Investments shall be made up by the Servicer on each Payment Date.

SECTION 2.07 *Withdrawals from Reserve Account.* Moneys in the Reserve Account shall, on each Payment Date, be transferred to the Warehouse SUBI Collection Account as and to the extent required in Section 2.04(b). Upon the appointment of the Back-Up Servicer as successor servicer pursuant to Section 4.2 of the Warehouse SUBI Servicing Agreement, the Successor Servicer Engagement Fee shall be withdrawn from the Reserve Account and distributed to the Back-Up Servicer, if TFL has complied with the obligation to deposit such amount into the Reserve Account in accordance with the Warehouse SUBI Servicing Agreement. On each Payment Date, to the extent that the funds in the Reserve Account exceed the Required Reserve Account Balance, the Servicer may, subject to Section 2.04(b), cause the amount of such excess to be withdrawn from the Reserve Account and distributed to the Borrower; provided, however, that if the Successor Servicer Engagement Fee is deposited into the Reserve Account and until such fee amount is withdrawn therefrom, any such excess amount distributable to the Borrower shall be net of the Successor Servicer Engagement Fee. On the first Payment Date occurring on or after the Termination Date, all funds in the Reserve Account shall be withdrawn and transferred to the Warehouse SUBI Collection Account. To the extent that any funds remain in the Reserve Account after the Secured Obligations have been reduced to zero after the Termination Date, such funds shall be withdrawn and distributed to, or as directed by, the Borrower. Each Settlement Statement shall specify the amount, if any, which is scheduled to be withdrawn from the Reserve Account and distributed to the Borrower on the next succeeding Payment Date.

SECTION 2.08 *Reports.* On or before the Determination Date in each month, the Servicer shall prepare and forward to the Administrative Agent and the Paying Agent a Settlement Statement, calculated as of the close of business of the Borrower on the last day of the related Settlement Period and including information for the next succeeding Payment Date. The Servicer shall include, without limitation, in the Settlement Statement whether any Portfolio Performance Condition shall have occurred or shall be continuing during the related Settlement Period, shall describe any such Portfolio Performance Condition, and shall evidence the calculations used to make such determination.

For the avoidance of doubt:

(i) each Settlement Statement shall include a calculation (in detail reasonably satisfactory to the Lender) of the average of the Delinquency Ratios and annualized average of the Credit Loss Ratios for the three (3) most recent Settlement Periods ended on the last day of the calendar month preceding the related Determination Date;

(ii) each Settlement Statement delivered on a Quarterly Report Date shall include a calculation of the Residual Value Loss Ratio with respect to the three consecutive Settlement Periods ended on the last day of the calendar month immediately preceding the most recent RVLRL Calculation Date and, without limiting the generality of the foregoing, the Servicer shall, upon the Administrative Agent's request delivered at least five (5) Business Days prior to a Quarterly Report Date, furnish to the Administrative Agent an updated calculation of the Residual Value Loss Ratio furnished to the Administrative Agent on the immediately preceding Quarterly Report Date, it being understood and agreed that any such updated calculation of the Residual Value Loss Ratio shall be solely for informational purposes; and

(iii) each Settlement Statement delivered on a Quarterly Report Date shall include a calculation of the most recent Mark-to-Market MRM Residual Values of the Warehouse SUBI Leases.

In addition, the Servicer shall deliver to the Administrative Agent (i) on each Quarterly Report Date, unaudited reports (substantially in the form of *Exhibits I, J and K* hereto, respectively) containing delinquency, loss and residual value data as of, and for the for the Servicer's fiscal year to date ended on, the last day of the calendar quarter immediately preceding such Quarterly Report Date with respect to all leases owned by the Trust and serviced by TFL (regardless of whether such leases are allocated to the Warehouse SUBI) and (ii) on each Quarterly Report Date occurring in the months of March, June, September and December, a copy of a report produced by Automotive Lease Guide (in form and substance reasonably satisfactory to the Administrative Agent) setting forth the Mark-to-Market MRM Residual Value of each Leased Vehicle related to each Warehouse SUBI Lease, in each case, as of the Mark to Market Adjustment Date immediately preceding such Quarterly Report Date. The Borrower shall, or shall cause the Servicer to, furnish to the Administrative Agent at any time and from time to time, such other or further information in respect of the Leases, the Borrower and the Servicer as the Administrative Agent or any Lender may reasonably request.

SECTION 2.09 Reallocation and Repurchase of Warehouse SUBI Assets.

(a) Upon the occurrence of an event requiring TBM to reallocate a Lease and the related Leased Vehicle pursuant to Section 2.7 of the Warehouse SUBI Sale Agreement, the Borrower shall cause the Repurchase Amount paid by TBM to be deposited or shall deposit the Repurchase Amount paid by it, as applicable, into the Warehouse SUBI Collection Account. Upon such payment, the applicable Lease and Leased Vehicle shall be reallocated to the TBM SUBI in accordance with the terms of the Warehouse SUBI Sale Agreement.

(b) From time to time in its sole discretion, the Borrower may provide notice, signed by an Authorized Signatory, to the Administrative Agent, the Paying Agent and each Group Agent that it wishes to remove from the Collateral and reallocate to the UTI or another SUBI (including the TBM SUBI) the Securitization Take-Out Collateral. Any such removal and reallocation of Securitization Take-Out Collateral (each a "*Securitization Take-Out*") shall be subject to the following additional terms and conditions.

(i) (A) The Borrower shall have given the Administrative Agent, the Paying Agent and each Group Agent at least five (5) Business Days' prior written notice in the form of *Exhibit F* hereto, signed by an Authorized Signatory, of its desire to effect a Securitization Take-Out, and (B) the Servicer shall have delivered to the Administrative Agent and each Group Agent at least three (3) Business Days prior to the proposed Securitization Take-Out Date a certificate in the form of *Exhibit G* hereto (each a "*Securitization Take-Out Certificate*");

(ii) Any such Securitization Take-Out shall be in connection with a reallocation of Warehouse SUBI Leases and the related Leased Vehicles to the UTI or another SUBI (including the TBM SUBI) in connection with a securitization transaction or other type of financing or refinancing and shall relate to the removal of Leases with a minimum Securitization Value of \$75 million;

(iii) The Borrower shall have sufficient funds on the related Securitization Take-Out Date to effect the contemplated Securitization Take-Out in accordance with this Agreement. In effecting any such Securitization Take-Out, the Borrower may (A) give effect to Available Amounts on deposit in the Warehouse SUBI Collection Account at such time to the extent consistent with the requirements of clause (v) below (as evidenced by the related Securitization Take-Out Certificate), (B) based on the related Securitization Take-Out Certificate, give effect to the amounts on deposit in the Reserve Account, to the extent the amount on deposit therein exceeds the Required Reserve Account Balance (after giving effect to such Securitization Take-Out and to any Loan on the related Securitization Take-Out Date); provided that such excess may be used by the Borrower on the related Securitization Take-Out Date to pay a portion of the Securitization Take-Out Price and/or (C) use its own funds not in the Collection Account or the Reserve Account;

(iv) In connection with any such Securitization Take-Out that does not constitute a removal and reallocation of all of the Warehouse SUBI Assets, the Warehouse SUBI Assets constituting part of the Securitization Take-Out Collateral with respect to such Securitization Take-Out shall be selected in a manner not involving any adverse selection procedures (excluding, however, any Leases subject to a repurchase obligation);

(v) After giving effect to any Securitization Take-Out, on the related Securitization Take-Out Date, (A) if such Securitization Take-Out does not include all of the Warehouse SUBI Leases, no Default or Event of Default shall have occurred and be continuing and the Scheduled Expiration Date shall not have occurred, (B) each Interest Rate Hedge then in effect shall satisfy the requirements contained in the definition of Eligible Interest Rate Hedge Agreement and the aggregate notional principal amount of all such Eligible Interest Rate Hedge Agreements shall satisfy the requirements contained in the definition of "Required Aggregate Notional Principal Amount," such that the aggregate notional amount of all Interest Rate Hedges thereafter in effect shall be equal to the Loan Balance, and the Borrower shall have terminated any Interest Rate Hedges (terminating interest rate swap transactions in descending order from the interest rate swap transaction with the highest fixed rate to the Interest Rate Hedge with the next highest fixed rate and so on) and shall have paid all Interest Rate Hedge Termination Payments due and owing in connection with the termination thereof, provided that in no event shall any interest rate cap be required to be terminated, (C) the Loan Balance shall not exceed the Maximum Loan Balance (determined on the basis of the remaining Warehouse SUBI Leases not included in the Securitization Take-Out Collateral that constitute Eligible Leases on the Securitization Take-Out Date, determining whether such Warehouse SUBI Leases are Eligible Leases as if they were then being first allocated to the Warehouse SUBI), and (D) sufficient funds will be available in the Warehouse SUBI Collection Account on the next Payment Date for payments in accordance with and to the extent required by clauses first through ninth of Section 2.04(c);

(vi) On the related Securitization Take-Out Date, the Paying Agent (for the account of the Lenders) shall have received in the Paying Agent Account, in immediately available funds, an amount equal to the Securitization Take-Out Price;

(vii) No later than three (3) Business Days prior to any Securitization Take-Out Date, the Borrower shall have delivered to the Administrative Agent and each Group Agent a list of Leases (which list may be in an electronic format) subject to such Securitization Take-Out; and

(viii) The Borrower shall have paid (or shall pay promptly following receipt of an invoice therefor) the reasonable legal fees and expenses (including fees and expenses of counsel) of the Lender Parties and the Paying Agent in connection with such Securitization Take-Out.

SECTION 2.10 *Procedures for Extension of Scheduled Expiration Date.* So long as no Default or Event of Default shall have occurred and be continuing, no more than ninety (90) and no less than sixty (60) days prior to the then current Scheduled Expiration Date, the Borrower may request that each Lender consent to the extension of the Scheduled Expiration Date for up to a 364-day period as provided in this Section 2.10, which decision shall be made by each Lender in its sole discretion. Each Lender shall use reasonable efforts to notify the Borrower of its willingness or its determination not to consent to such extension of the Scheduled Expiration Date as soon as practical after receiving such notice, and in any event by the thirtieth (30th) day preceding the then current Scheduled Expiration Date (the "*Response Date*"), it being understood that any Lender that fails to provide such notice shall be deemed not to consent to such extension. If (i) a Lender has agreed by the Response Date to the extension of the Scheduled Expiration Date, (ii) as of the Response Date, no Default or Event of Default shall have occurred and be continuing, and (iii) all Loans and accrued interest thereon and other Secured Obligations owing to non-extending Lenders shall have been paid by the Borrower in full on the current Scheduled Expiration Date, then, in such event, the Scheduled Expiration Date shall be extended to the date which is such requested number of days (but in no event more than 364 days) following the Response Date or, if such day is not a Business Day, the next preceding Business Day and, to the extent any Committed Lenders did not consent to such extension, the Facility Limit shall be reduced by the amount of such Committed Lenders' Commitments (except to the extent concurrently replaced by increases in the Commitments of consenting Lenders or new Lenders).

SECTION 2.11 *Increase of Maximum Facility Limit and Reduction of Maximum Facility Limit.*

(a) So long as no Default or Event of Default shall have occurred and be continuing, TFL may, at the written directions of the Borrower and TFL Borrower increase the Maximum Facility Limit subject to the following terms and conditions:

(i) TFL shall send a written notice (such notice, "*Maximum Facility Limit Increase Notice*") signed by an Authorized Signatory to the Administrative Agent (who shall forward the same to the Group Agents) and TFL Administrative Agent, which notice shall specify:

(A) the amount by which the Maximum Facility Limit is proposed to be increased (the "*Maximum Facility Limit Increase Amount*");

(B) the date on which such increase is proposed to occur (the “*Maximum Facility Limit Increase Date*”), which Maximum Facility Limit Increase Date shall be not less than thirty (30) days after the date of such Maximum Facility Limit Increase Notice; and

(C) the amount of the Maximum Facility Limit Increase Amount to be allocated to the Facility Limit and the TFL Facility Limit.

(ii) Each existing Committed Lender may in its discretion agree to all or part of such pro rata increase of its Commitment. If any existing Committed Lender does not agree to increase its Commitment Amount or agrees to increase its Commitment Amount by an amount that is less than its Commitment Percentage of the Maximum Facility Limit Increase Amount, then TFL and the Borrower may effect such portion of the requested Maximum Facility Limit Increase Amount not agreed to by an existing Committed Lender by adding additional Persons as Lenders (either to an existing Group or by creating new Groups) to undertake Commitments or obtaining the agreement of another existing Committed Lender to increase its Commitment Amount on a greater than pro rata basis; provided, however, that the Commitment of any existing Lender may only be increased with the prior written consent of such Lender.

(iii) In order to cause each Lender (including existing Lenders, if any, whose Commitments are increasing on the applicable Maximum Facility Limit Increase Date and new Lenders, if any, who are becoming parties to this Agreement on such Maximum Facility Limit Increase Date) to own its respective Commitment Percentage of the Facility Limit, and Loans, on any Maximum Facility Limit Increase Date (after giving effect to the increase of the Maximum Facility Limit on such Maximum Facility Limit Increase Date), each existing Lender shall sell, transfer and assign pursuant to one or more Assignment and Assumption Agreements, on such Maximum Facility Limit Increase Date, the appropriate portion, if any, of its Commitment and Loan, as applicable, to one or more Lenders such that each Lender’s Loan and Commitment, as applicable, will be proportionate to its Commitment Percentage.

(iv) On each Maximum Facility Limit Increase Date, the Maximum Facility Limit will be increased by the Maximum Facility Limit Increase Amount specified in the related Maximum Facility Limit Increase Notice if (x) each of the applicable existing Lender, and new Lenders has taken all of the actions specified in clause (iii) above, (y) each existing Lender whose Loans are being reduced have received payment therefor, and (z) each Lender who is accepting Loans and Commitment from another Lender on such Maximum Facility Limit Increase Date has executed a new signature page to this Agreement, which signature page will evidence such Lender’s acceptance of such Loans, and/or Commitment, as applicable, on such Maximum Facility Limit Increase Date.

(v) On each Maximum Facility Limit Increase Date, the Administrative Agent shall update its books and records to reflect the updated Maximum Facility Limit, Facility Limit and Commitment of each Lender.

(b) TFL may, at the written directions of the Borrower and TFL Borrower reduce the Maximum Facility Limit subject to the following terms and conditions:

(i) TFL shall send a written notice (such notice, “*Maximum Facility Limit Reduction Notice*”) signed by an Authorized Signatory to the Administrative Agent (who shall forward the same to the Group Agents) and TFL Administrative Agent, which notice shall specify:

(A) the amount by which the Maximum Facility Limit is proposed to be reduced (the "*Maximum Facility Limit Reduction Amount*"); provided that, the resulting Maximum Facility Limit after taking into account the Maximum Facility Limit Reduction Amount shall not be less than the sum of the Loan Balance and the TFL Loan Balance on the Maximum Facility Limit Reduction Date;

(B) the date on which such reduction is proposed to occur (the "*Maximum Facility Limit Reduction Date*"), which Maximum Facility Limit Reduction Date shall be not less than five (5) Business Days after the date of such Maximum Facility Limit Reduction Notice; and

(C) the amount of the Maximum Facility Limit Reduction Amount that shall reduce the Facility Limit and the TFL Facility Limit, respectively, provided that the Facility Limit shall not be less than the Loan Balance on the Maximum Facility Limit Reduction Date.

(ii) On each Maximum Facility Limit Reduction Date, the Facility Limit will be reduced by the amount specified in the related Maximum Facility Limit Reduction Notice and each such reduction shall reduce each Lender's Commitment by its ratable share (based on the Commitments of the Lenders) of the Maximum Facility Limit Reduction Amount; provided, however, that if the Maximum Facility Limit Reduction Notice reduces the DB Supplemental Commitment, then such reduction shall only reduce Deutsche Bank AG, New York Branch's Commitment and shall not reduce each Lender's Commitment by its ratable share.

(iii) No reduction in the Maximum Facility Limit shall occur if after giving effect to such reduction and any repayments of the Loan Balance, the Facility Limit will be less than the Loan Balance.

(iv) On each Maximum Facility Limit Reduction Date, the Administrative Agent shall update its books and records to reflect the updated Maximum Facility Limit, Facility Limit and Commitment of each Lender.

SECTION 2.12 *Reallocation of Maximum Facility Limit.*

(a) TFL may from time to time, at the written directions of the Borrower and the TFL Borrower, reallocate the Maximum Facility Limit between the Facility Limit and the TFL Facility Limit, subject to the following terms and conditions:

(i) TFL shall send a written notice (such notice, "*Maximum Facility Limit Reallocation Notice*") signed by an Authorized Signatory to the Administrative Agent (who shall forward the same to the Group Agents) and the TFL Administrative Agent (who shall forward the same to the TFL Group Agents), which notice shall specify:

(A) the amount of the Maximum Facility Limit that is to be allocated to the Facility Limit, the amount of the Maximum Facility Limit that is to be allocated to the TFL Facility Limit; provided that, the sum of the Facility Limit and the TFL Facility Limit shall be equal to the Maximum Facility Limit on the Maximum Facility Limit Reallocation Date (as defined below); and provided, further, that the Facility Limit shall not be less than the Loan Balance and the TFL Facility Limit shall not be less than the TFL Loan; and

(B) the date on which such reallocation is proposed to occur (the "*Maximum Facility Limit Reallocation Date*"), which Maximum Facility Limit Reallocation Date shall be not less than ten (10) Business Days after the date of such Maximum Facility Limit Reallocation Notice.

(ii) On each Maximum Facility Limit Reallocation Date, the Facility Limit and/or the TFL Facility Limit will be increased or decreased, as applicable, by the amount specified in the related Maximum Facility Limit Reallocation Notice.

(iii) No reduction in the Facility Limit shall occur in connection with the reallocation of the Maximum Facility Limit if after giving effect to such reduction and any repayments of the Loan Balance, the Facility Limit will be less than the Loan Balance. On each Maximum Facility Limit Reallocation Date, the Administrative Agent shall update its books and records to reflect the updated Maximum Facility Limit, Facility Limit and Commitment of each Lender.

(iv) Following the Recommended TFL Facility Borrowing Date, TFL may not reallocate any portion of the TFL Facility Limit to the Facility Limit without the prior written consent of all Group Agents.

(b) In addition, on the Recommended TFL Facility Borrowing Date and on each Payment Date occurring after the Recommended TFL Facility Borrowing Date, the excess of the Facility Limit over the aggregate principal amount of the Loans shall automatically be reallocated from the Facility Limit to the TFL Facility Limit.

SECTION 2.13 *Optional Prepayment*. The Borrower may prepay the Loans, ratably as among the Lenders in accordance with the respective outstanding principal amount of their respective Loans, on any day, in whole or in part, on three Business Days' prior notice to the Administrative Agent, the Paying Agent and each Group Agent, provided that (i) the principal amount prepaid is at least \$500,000 (unless otherwise agreed to in writing by the Administrative Agent and each Group Agent), and (ii) the Borrower pays, on the date of prepayment (a) accrued unpaid Interest on the amount so prepaid, and (b) except with respect to a prepayment made on a Payment Date, any Breakage Fee incurred by the Lender Parties as a result of such prepayment as reasonably determined by such Lender. Reference is made to Sections 2.09 and 3.03 for the procedure for the release, if applicable, of Leases and Leased Vehicles from the Warehouse SUBI in connection with any such prepayment. The Borrower may rescind any notice delivered pursuant to this Section at any time up to 3:00 p.m. on the Business Day immediately prior to the date specified in Borrower's notice for such prepayment, or extend the date specified in such notice for such prepayment for a period of up to three additional Business Days.

SECTION 2.14 *Intended Tax Treatment*. Notwithstanding anything to the contrary herein or in any other Transaction Document, all parties to this Agreement covenant and agree to treat the Loans hereunder as debt for all federal, state, local and franchise tax purposes and agree not to take any position on any tax return inconsistent with the foregoing.

SECTION 2.15 *Register*.

(a) On or prior to the Amendment No. 1 Effective Date, the Administrative Agent will provide to the Paying Agent a complete and correct list of the Lenders, which list shall be provided in a format agreed to by the Administrative Agent and the Paying Agent and shall include the following information: (i) full name of the Lender; (ii) complete mailing address of the Lender; (iii) payment instructions for making payments to the

Lender in respect of the Loans and (iv) appropriate Tax ID form. The Paying Agent shall be entitled to conclusively rely on the accuracy of such information provided by the Administrative Agent. At any time after the Amendment No. 1 Effective Date, the Paying Agent shall provide to the Borrower, TFL, the Administrative Agent or any Group Agent from time to time at its reasonable request a complete and correct list of the Lenders and shall include the following information: (i) full name of the Lender; (ii) complete mailing address of the Lender; (iii) payment instructions for making payments to the Lender in respect of the Loans and (iv) appropriate Tax ID form. Each Lender agrees that all notices from such Lender for changes of name, address, contact details or payment details of the Lenders shall be sent to the Paying Agent at the Paying Agent's address as set forth in Section 12.05.

(b) From and after the Amendment No. 1 Effective Date, the Paying Agent shall, acting solely for this purpose as an agent of the Borrower, maintain at its address referred to in Section 12.05 (or such other address of the Paying Agent notified by the Paying Agent to the other parties hereto) a copy of each Assignment and Acceptance Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Committed Lenders and the Conduit Lenders, the Commitment Amount of each Committed Lender and the aggregate outstanding principal amount (and stated interest) of the Loans of each Conduit Lender and Committed Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Servicer, the Administrative Agent, the Paying Agent, the Group Agents, the Conduit Lenders and the Committed Lenders shall treat each Person whose name is recorded in the Register as a Committed Lender or Conduit Lender, as the case may be, under this Agreement for all purposes of this Agreement. Any of the Borrower, the Servicer, the Administrative Agent, any Group Agent, any Conduit Lender or any Committed Lender may request a copy of the Register from the Paying Agent at any reasonable time and from time to time upon reasonable prior notice.

ARTICLE III

COLLATERAL AND SECURITY INTEREST

SECTION 3.01 *Grant of Security Interest; Collateral.*

(a) In order to secure the Loans, the Interest Rate Hedges, all other Secured Obligations and compliance with this Agreement, the Borrower hereby pledges and grants to the Administrative Agent for the benefit of the Secured Parties a valid continuing security interest in all of the Borrower's right, title and interest, whether now owned or hereafter acquired or arising and wherever located, in and to all of the following (collectively, the "*Collateral*"):

(i) all accounts, general intangibles, chattel paper, instruments, documents, money, deposit accounts, certificates of deposit, goods (together with all embedded software, accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor), letters of credit, letter-of-credit rights, commercial tort claims, uncertificated securities, securities accounts, security entitlements, Financial Assets, other investment property and supporting obligations, including (A) the Warehouse SUBI Certificate and the interests in the Warehouse SUBI Assets represented thereby, (B) all Collections, including all cash collections and other cash proceeds of the Warehouse SUBI Certificate and the Warehouse SUBI Assets represented thereby, with respect to, and other proceeds of, such Warehouse SUBI Certificate, (C) the Warehouse SUBI Collection Account and the Reserve Account, (D) the Warehouse SUBI Sale Agreement, (E) each Interest Rate Hedge and all rights to payments thereunder, and (F) all the Borrower's rights and claims under the Warehouse SUBI

Servicing Agreement, the Warehouse SUBI Sale Agreement, Warehouse SUBI Supplement and all other Transaction Documents; and

(ii) all cash and non-cash Proceeds and other proceeds of all of the foregoing; and

(iii) all books, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to any of the foregoing, all claims and/or insurance proceeds arising out of the loss, nonconformity or any interference with the use of, or any defect or infringement of rights in, or damage to, any of the foregoing, and all proceeds, products, offspring, rents, issues, profits and returns of and from, and all distributions on and rights arising out of, any of the foregoing.

The possession by the Administrative Agent of notes and such other goods, letters of credit, money, documents, chattel paper or certificated securities shall be deemed to be "possession by the secured party," for purposes of perfecting the security interest pursuant to the Relevant UCC (including Section 9-313(c)(1) (or other section of similar content as Section 9-313(c)(1) of the UCC) thereof). Without limiting the generality of the foregoing, for purposes of Section 9-313 (or other section of similar content) of the Relevant UCC, the Administrative Agent hereby notifies the Servicer of the Administrative Agent's security interest in the Collateral. The Servicer acknowledges such notification, agrees to act as the bailee of the Administrative Agent with respect to the Collateral in its possession from time to time and acknowledges that possession of Collateral by the Servicer is deemed to be possession by the Administrative Agent.

(b) The security interest granted in the Collateral pursuant to this Agreement does not constitute and is not intended to result in an assumption by the Administrative Agent of any obligation (except for the obligation not to disturb a Lessee's right of quiet enjoyment) of the Trust, the Borrower or the Servicer to any Lessee or other Person in connection with the Warehouse SUBI Certificate, the Warehouse SUBI Assets or the other Collateral.

Without limiting the generality of the foregoing, an executed original of the Warehouse SUBI Certificate and each other document that constitutes a part of the Warehouse SUBI has been delivered to the Administrative Agent on the Closing Date and shall be held by the Administrative Agent.

Each of the Borrower and the Administrative Agent represents and warrants with respect to itself that each remittance of Collections by the Borrower to the Administrative Agent hereunder will have been (i) in payment of a debt incurred by the Borrower in the ordinary course of business or financial affairs of the Borrower and (ii) made in the ordinary course of business or financial affairs of the Borrower and the Administrative Agent.

SECTION 3.02 *Protection of the Administrative Agent's Security Interest.*

(a) The Borrower agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents and take all action that the Administrative Agent may reasonably request in order to perfect or protect the Administrative Agent's security interest in the Collateral or to enable the Administrative Agent, to exercise or enforce any of its rights hereunder. Without limiting the foregoing, the Borrower authorizes the filing of such financing or continuation statements or amendments thereto or assignments thereof as may be required by the Administrative Agent and, without limiting any other provision of this Agreement, (i) agrees to deliver to the Administrative Agent the Warehouse SUBI Certificate together with an assignment in blank signed by the Borrower, and (ii) agrees to mark its master data processing records with a

notation describing the Administrative Agent's security interest in the Collateral. Carbon, photographic or other reproduction of this Agreement or any financing statement shall be sufficient as a financing statement. The Borrower will, promptly upon acquiring any commercial tort claim with a value exceeding \$100,000, notify the Administrative Agent of the details thereof and promptly grant to the Administrative Agent a security interest therein and in the proceeds thereof to secure the Secured Obligations pursuant to documentation in form and substance satisfactory to the Administrative Agent.

(b) Without limiting the preceding clause (a), the Servicer and the Borrower, as applicable, agree to take all actions reasonably necessary, including the filing of appropriate financing statements and the giving of proper registration instructions relating to any investments, to protect the Administrative Agent's interest in the Warehouse SUBI Collection Account, the Reserve Account and any Eligible Investments acquired with moneys therein (and any investment earnings thereon) and to enable the Administrative Agent to exercise and enforce its rights under the Control Agreement relating to the Warehouse SUBI Collection Account and the Reserve Account. Any such financing statement or amendment may describe the Collateral in the same manner as described in this Agreement or any other agreement entered into by the parties in connection herewith, or may contain an indication or description of collateral that describes such property in any other manner as the Administrative Agent may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral, including describing such property as "all assets of the debtor whether now owned or hereafter acquired or arising and wheresoever located, including all accessions thereto and all products and proceeds thereof" or words of similar import.

SECTION 3.03 *Termination of Security Interest and Release of Collateral under Certain Circumstances.*

(a) The Administrative Agent's security interest in monies, if any, from time to time paid to the Borrower in accordance with clause tenth of Section 2.04(c) or 2.07 shall be released at the time of such payment.

(b) Upon the repayment in full of the Loan Balance, reduction of the Facility Limit to zero, the novation of or the termination and payment in full of all obligations of the Borrower under all Interest Rate Hedges, the satisfaction in full of all other Secured Obligations in accordance with this Agreement and the termination of this Agreement, the Administrative Agent's security interest in the Collateral shall terminate.

(c) Upon the termination of the Administrative Agent's security interest in all or any portion of the Collateral as provided in this Section 3.03, the Administrative Agent will, at the request and expense of the Borrower, (i) execute and deliver to the Borrower such instruments of release with respect to such Collateral, in recordable form if necessary, in favor of the Borrower, as the Borrower may reasonably request, (ii) deliver any such Collateral in its possession to the Borrower, and (iii) take such other actions as the Borrower may reasonably request (all without recourse to, and without representation or warranty by, the Administrative Agent, other than a representation to the effect that no Adverse Claim in the Collateral has been created by such Person) to evidence the termination of the Administrative Agent's security interest in the Collateral or the portion thereof in which the Administrative Agent's security interest has been released.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 *Representations and Warranties of Borrower.* The Borrower represents and warrants to the Administrative Agent, the Group Agents and the Lenders on and as of the Closing Date, the Initial Loan Date, each subsequent Loan Increase Date and each Warehouse SUBI Lease Allocation Date that:

(a) *Organization and Power.* The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. The Borrower has all requisite power and all governmental licenses, authorizations, consents and approvals required to carry on its business, including its business relating to the Borrower's purchasing and selling of receivables relating to sales of automobiles in each jurisdiction in which its business is now conducted except where the failure to have any of the foregoing does not, and is not reasonably expected to, have a Material Adverse Effect.

(b) *Due Qualification.* The Borrower is duly qualified to do business as a foreign limited liability company in good standing, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business shall require such qualifications except where the failure to do so does not, and is not reasonably expected to, have a Material Adverse Effect.

(c) *Authorization and Non-Contravention.* The execution, delivery and performance by the Borrower of this Agreement and the other Transaction Documents to which it is a party are within the Borrower's limited liability company powers, have been duly authorized by all necessary limited liability company action, require no action by or in respect of, or filing with, any Official Body or official (except as contemplated by Section 3.02), and do not contravene or violate, or constitute a default under, (i) any provision of applicable law, (ii) any order, rule or regulation applicable to the Borrower, (iii) the Certificate of Formation or the Operating Agreement of the Borrower, as the case may be, (iv) any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or (v) result in the creation or imposition of any lien on assets of the Borrower (except as contemplated by Section 3.02); except, in the case of clauses (i), (ii), (iv) or (v), where such contravention, violation, default or lien does not and is not reasonably expected to have a Material Adverse Effect.

(d) *Binding Effect.* This Agreement and the other Transaction Documents to which the Borrower is a party constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, subject to the effect of bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally.

(e) *Accuracy of Information.* As of the Initial Loan Date, the list of Warehouse SUBI Leases delivered to the Administrative Agent, any Group Agent or any Lender on or prior to the Initial Loan Date, the list of Warehouse SUBI Leases delivered to the Administrative Agent, any Group Agent or any Lender as of each applicable Warehouse SUBI Lease Allocation Date thereafter, and all other information heretofore furnished in writing by the Borrower to the Administrative Agent, any Group Agent or any Lender for purposes of or in connection with this Agreement or any other Transaction Document or any transaction contemplated hereby or thereby is, and all such information hereafter furnished in writing by the Borrower to the Administrative Agent, any Group Agent or any Lender, taken as a whole, contained or will contain as of the date so furnished, no untrue statement of a material fact or omitted or will omit to state a material fact necessary to make the statements contained herein or therein materially misleading in light of the circumstances in which such statements were

made; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and information available to it at such time, it being understood that the Borrower is under no obligation to update such projections or underlying information.

(f) *Actions, Suits.* Except as set forth in *Schedule 1*, there are no actions, suits or proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower or its properties, in or before any court, arbitrator or other body, which (i) are individually or collectively reasonably expected to have a Material Adverse Effect, or (ii) assert the invalidity of this Agreement or any other Transaction Document to which the Borrower is a party or seek to prevent the consummation of the transactions contemplated hereby or thereby.

(g) *Place of Business.* The chief place of business and chief executive office of the Borrower are located in Palo Alto, California, and the offices where the Borrower keeps its records regarding the Collateral and the Electronic Lease Vault are located in the United States in jurisdictions where all action required by Section 6.02(a) has been taken and completed during the time periods required therein. Within the last five years, the Borrower has not changed its type of entity or jurisdiction of organization and has not merged or consolidated with any other Person or been the subject of any bankruptcy proceeding.

(h) *Names.* Except as described in *Schedule 2*, the Borrower has not used any limited liability company names, trade names or assumed names other than its name set forth on the signature pages of this Agreement.

(i) *Use of Proceeds.* No proceeds of the Loans will be used for a purpose which violates, or would be inconsistent with regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System.

(j) *Credit and Collection Policy.* The Borrower has complied in all material respects with the Credit and Collection Policy in regard to each Warehouse SUBI Lease. The Borrower has not extended or modified in any material respect the terms of any Warehouse SUBI Lease except in all material respects in accordance with the Credit and Collection Policy.

(k) *Absence of Certain Events.* No Default, Event of Default, Potential Servicer Default or Servicer Default has occurred and is continuing on the applicable Loan Increase Date.

(l) *Permitted Lockboxes and Permitted Accounts.* The Borrower has instructed Lessees to make all payments on the related Leases or on behalf of Lessees directly to a Permitted Lockbox or a Permitted Account. Each Permitted Lockbox is located in the United States and each Permitted Account is maintained in the United States by a bank.

(m) *Investment Company; Volcker Rule.* Neither the Borrower nor the Trust is an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, and neither relies on Section 3(c)(1) or Section 3(c)(7) thereof to reach such determination. The Borrower is not a "covered fund" within the meaning of the final regulations issued December 20, 2013, implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

(n) *Financial Condition.* The Borrower is Solvent and is not the subject of an Event of Bankruptcy and the pledge of the Warehouse SUBI Certificate is not being made in contemplation of the occurrence thereof.

(o) *Good Title; Perfection.* Immediately prior to the pledge hereunder, the Borrower shall be the legal and beneficial owner of the Warehouse SUBI Certificate and the beneficial owner of the Warehouse SUBI Assets with respect thereto, free and clear of any Adverse Claim (other than the interest of the Collateral Agent under the Collateral Agency and Security Agreement). This Agreement is effective to create, and shall transfer to the Administrative Agent a valid security interest in the Warehouse SUBI Certificate and the Borrower's beneficial interest in the Warehouse SUBI Assets and Collections (to the extent provided by Section 9-315 of the UCC (or other section of similar content of the Relevant UCC) with respect thereto and in the other Collateral free and clear of any Adverse Claim (except as created by this Agreement and the Collateral Agency and Security Agreement), which security interest is perfected (except as to the Warehouse SUBI Leased Vehicles in which the Collateral Agent is noted as the lienholder on the related Certificate of Title) and of first priority. On or prior to the Closing Date (and, with respect to Additional Warehouse SUBI Assets, on the applicable Warehouse SUBI Lease Allocation Date, including a Warehouse SUBI Lease Allocation Date which is a Loan Increase Date), all financing statements and other documents required to be recorded or filed in order to perfect and protect the Administrative Agent's security interest in and to the Collateral against all creditors of and transferees from the Borrower will have been duly filed in each filing office necessary for such purpose (other than any notation of the security interest of the Administrative Agent on any Certificates of Title for Warehouse SUBI Leased Vehicles) and all filing fees and taxes, if any, payable in connection with such filings shall have been paid in full. No effective financing statement or other instrument similar in effect covering any Collateral with respect thereto is on file in any recording office, except those filed pursuant to this Agreement or the Collateral Agency and Security Agreement.

(p) *Electronic Chattel Paper and Electronic Lease Vault.* Each such Lease is Electronic Chattel Paper and is not Tangible Chattel Paper, and there exists a single, authoritative copy of the record or records comprising such Electronic Chattel Paper, which copy is unique and identifiable (all within the meaning of Section 9-105 of the UCC (or other section of similar content of the Relevant UCC)), that has been communicated to and maintained in the Electronic Lease Vault. The description of the Electronic Lease Vault attached hereto as *Schedule 3* is complete and accurate.

(q) *Insurance Policies.* The Borrower, in accordance with its normal and customary procedures, shall have determined that the related Lessee has obtained or agreed to obtain physical damage insurance covering each Warehouse SUBI Leased Vehicle, and such Lessee is required under the terms of its related Warehouse SUBI Lease to maintain such insurance.

(r) *Anti-Corruption Laws and Sanctions.* The Borrower or Tesla, Inc. has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower and its Affiliates, officers and employees and to the knowledge of the Borrower, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Borrower or its Affiliates, directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of the Borrower that will act in any capacity in connection with or benefit from the facility established hereby, is a Sanctioned Person. No Loans, use of proceeds or other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

(s) *No ERISA Liability.* Neither the Borrower nor any of its ERISA Affiliates maintains or has any obligation to contribute to any Plan or Multiemployer Plan.

(t) *Not a Designated Person.* Neither the Borrower nor any of its directors, officers, brokers or other agents acting or benefiting in any capacity in connection with this Agreement or the other Transaction Documents, or any of its parents or subsidiaries, is a Designated Person.

(u) *Ownership.* TBM owns, directly or indirectly, 100% of the equity interests of the Borrower free and clear of all Liens. Such equity interests of the Borrower are validly issued and fully paid, and there are no options, warrants or other rights to acquire equity securities of the Borrower.

(v) *Compliance with Law.* The Borrower has complied with all applicable Requirements of Laws to which it may be subject, except for where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(w) *Eligible Leases.* Each Lease allocated to the Warehouse SUBI on the applicable Warehouse SUBI Lease Allocation Date is an Eligible Lease as of the related Cut-Off Date.

(x) *Eligible Asset.* The Loans are an "eligible asset" as defined in Rule 3a-7 of the Investment Company Act of 1940, as amended.

(y) *Taxes; Tax Status.*

All Tesla Parties have (i) timely filed all material tax returns they are required to file and (ii) paid, or caused to be paid, all material taxes, assessments and other governmental charges, which are shown to be due and payable on such returns, other than taxes, assessments and other governmental charges being contested in good faith. Adequate provisions in accordance with GAAP for taxes on the books of the applicable Tesla Party have been made for all open years and for the current fiscal period.

The Borrower has not elected to be treated as a corporation under U.S. Treasury Regulation § 301.7701-3 for U.S. federal income tax purposes.

None of the Borrower, the Warehouse SUBI or the Trust (or any portion thereof) is or will at any relevant time become an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes.

(z) *Permitted Accounts.* The Borrower has not entered into any agreement with any Person which grants to such Person an interest in, or rights to, any Permitted Lockbox or Permitted Account, it being understood that certain collections from time to time received in a Permitted Lockbox or Permitted Account may relate to Leases that are not Warehouse SUBI Leases and to which the Secured Parties may not have an interest.

If any breach of the statements and representations made in this Section 4.01 materially and adversely affects the interests of any Lender Party or of any Lender Party in any Warehouse SUBI Lease or Warehouse SUBI Leased Vehicle, then, if the Borrower is unable to remedy such breach by the Payment Date next succeeding the earlier of the date on which the Borrower knows of such breach and the Borrower receives notice of such breach, the Borrower shall enforce its rights, if any, to cause TBM to cause such Leases and related Leased Vehicles to be reallocated to the TBM SUBI pursuant to Section 2.7 of the Warehouse SUBI Sale Agreement and

to remit to the Warehouse SUBI Collection Account on the Deposit Date next succeeding such knowledge or notice an amount equal to the aggregate of the Repurchase Amounts with respect to all such Leases at the time of such removal in accordance with the Warehouse SUBI Sale Agreement, and all such Leases and Leased Vehicles removed from the Collateral shall no longer constitute Warehouse SUBI Assets and Collateral hereunder.

If any breach of the statements and representations made in this Section 4.01, together with all prior such breaches, affect Warehouse SUBI Leases and the repurchases required by the preceding paragraph have occurred, then, except for the indemnification rights of the Indemnified Parties under this Agreement, following the reallocation by the Borrower required under the preceding paragraph, the Lender Parties shall have no further remedy against the Borrower with respect to such removed Leases and Leased Vehicles and such breaches shall not constitute an Event of Default.

ARTICLE V

CONDITIONS PRECEDENT

SECTION 5.01 *Conditions to Closing.* On or prior to the Closing Date, the Borrower shall deliver (or cause to be delivered) to the Administrative Agent and each Group Agent the following documents and instruments, all of which shall be in form and substance acceptable to the Administrative Agent and each Group Agent:

(a) A certificate of an authorized signatory of each of the Borrower, TFL and the Trust, certifying (i) the names and signatures of the officers or other persons authorized on its behalf to execute each of this Agreement and the other Transaction Documents to be delivered by it hereunder (on which Certificate the Lender Parties may conclusively rely until such time as the Administrative Agent and each Group Agent shall receive from such Person a revised Certificate meeting the requirements of this clause (a)(i)), (ii) a copy of such Person's certificate of incorporation, certificate of formation, certificate of trust or charter, as the case may be, as amended or restated, certified as of the date reasonably near the Effective Date by the Secretary of State of the State of such Person's jurisdiction of formation or incorporation, as the case may be, (iii) a copy of such Person's Operating Agreement, By-laws or declaration of trust, as and if applicable, as amended, (iv) a copy of resolutions of the managers, the Board of Directors (or any executive committee designated by the Board of Directors) or other governing body of such Person approving the transactions contemplated hereby, (v) a certificate as of a date reasonably near the Effective Date of the Secretary of State of such Person's jurisdiction of incorporation or formation, as the case may be, certifying such Person's good standing under the laws of such jurisdiction and (vi) certificates of qualification as a foreign corporation, trust or limited liability company, as the case may be, issued by the Secretaries of State or other similar officials of each jurisdiction where such qualification is material to the transactions contemplated by this Agreement and the other Transaction Documents;

(b) An officer's certificate for each of the Borrower and Servicer dated the Closing Date, to the effect that (i) the representations and warranties of the Borrower and the Servicer, as the case may be, in Article IV are true and correct in all material respects as of the Effective Date, (ii) the Borrower and the Servicer, as the case may be, are in compliance in all material respects with the covenants and agreements contained herein, the Warehouse SUBI Servicing Agreement and in the Warehouse SUBI Sale Agreement, (iii) no Default, Event of Default or Servicer Default exists on the Closing Date and (iv) except for financing statements filed pursuant to this Agreement or the Warehouse SUBI Sale Agreement, no financing statements have been filed or recorded against the Borrower or TFL, as applicable, relating to the Collateral;

(c) Proper financing statements (Form UCC-1) naming the Borrower, as debtor, and the Administrative Agent, as secured party, or other similar instruments or documents, as may be necessary or in the opinion of the Administrative Agent desirable under the Relevant UCC or any comparable law to perfect the security interest of the Administrative Agent in all Collateral;

(d) Proper financing statements (Form UCC-1), naming TBM as the transferor (debtor) of the Warehouse SUBI and the Warehouse SUBI Certificate, the Borrower as transferee (assignor secured party) and the Administrative Agent as assignee, or other similar instruments or documents, as may be necessary or in the opinion of the Administrative Agent and each Group Agent desirable under the Relevant UCC or other comparable law to perfect the Administrative Agent's interest in the Warehouse SUBI and the Warehouse SUBI Certificate;

(e) Each of the TFL Transaction Documents has been executed and delivered by the parties thereto;

(f) Proper financing statements (Form UCC-3), if any, necessary to release all security interests and other rights of any Person in the Collateral previously granted by the Borrower, TBM or TFL;

(g) Certified copies of request for information or copies (Form UCC-11) (or a similar search report certified by parties acceptable to the Administrative Agent and each Group Agent) dated a date reasonably near the Closing Date listing all effective financing statements which name the Borrower or TBM (under its present name or any previous name) as transferor or debtor and which are filed in jurisdictions in which the filings are to be made pursuant to item (c) or (d) above, together with copies of such financing statements (none of which shall cover any Collateral);

(h) Favorable opinions of Katten Muchin Rosenman LLP, special counsel for the Borrower and TFL, addressed to the Borrower, TFL, the Administrative Agent, the Group Agents and the Lenders as to true sale, non-consolidation, no conflicts, enforceability, and creation, perfection and priority of security interests, in forms reasonably acceptable to the Administrative Agent and each Group Agent;

(i) A favorable opinion of Todd Maron, General Counsel for Tesla, Inc., addressed to the Borrower, TFL, the Administrative Agent, the Group Agents and the Lenders, as to such matters as the Administrative Agent and each Group Agent may reasonably request;

(j) A favorable opinion of Richards, Layton & Finger, P.A., Delaware counsel for the Borrower, TFL and the Trust, addressed to the Borrower, TFL, the Administrative Agent, the Group Agents and the Lenders as to such matters as the Administrative Agent and each Group Agent may reasonably request;

(k) Representative forms of Leases;

(l) Fully executed copies of the Warehouse SUBI Sale Agreement and the other Transaction Documents;

(m) A favorable opinion of Richards, Layton & Finger, P.A., counsel to U.S. Bank Trust, as Trustee, addressed to the Administrative Agent, the Group Agents and the Lenders, as to such matters as the Administrative Agent and each Group Agent may reasonably request;

(n) [Reserved].

(o) An Officer's certificate of U.S. Bank Trust, certifying as to (i) the names and signatures of the officers authorized on its behalf to execute each of the Transaction Documents to be delivered by it hereunder (on which certificate the Lender Parties may conclusively rely until such time as the Administrative Agent and each Group Agent shall receive from such Person a revised certificate meeting the requirements of this clause (n)(i)), (ii) a copy of its By-laws, as amended, and (iii) a certificate as of a date reasonably near the Closing Date of the office of the Comptroller of the Currency, certifying its good standing under the laws of such jurisdiction;

(p) A favorable opinion of Richards, Layton & Finger, P.A., special counsel to the Borrower, addressed to the Administrative Agent, the Group Agents and the Lenders, as to perfection and priority of security interest under Delaware law;

(q) A favorable opinion of Katten Muchin Rosenman LLP, counsel to the Borrower, addressed to the Administrative Agent, the Group Agents and the Lenders as to perfection and priority of security interests in the Warehouse SUBI Collection Account and the Reserve Account under applicable law;

(r) A schedule of Warehouse SUBI Leases, if any, as of the Cut-Off Date (which schedule may be in electronic form);

(s) Evidence of the payment in full of all fees payable on the Closing Date of all fees payable to the Lender Parties on the Effective Date pursuant to the Fee Letter and all fees and expenses of the Lender Parties (including legal fees and expenses) incurred in the negotiation, documentation and closing of this Agreement and the other Transaction Documents; and

(t) Evidence of the payment in full and termination of the Finco Warehouse.

SECTION 5.02 *Conditions to Loan Increases.* Each Lender's obligation to fund its initial Loan on the Initial Loan Date and each Loan on each subsequent Loan Increase Date shall be subject to satisfaction of the following applicable conditions precedent:

(a) The Borrower shall have complied in all material respects with the covenants and agreements contained herein and in each other Transaction Document;

(b) No Default, Event of Default or Potential Servicer Default shall have occurred and be continuing and the Termination Date shall not have occurred, and no Event of Bankruptcy shall have occurred with respect to TFL or Tesla, Inc.;

(c) Such Loan Increase Date does not occur during a Turbo Amortization Period;

(d) Not later than 12:00 p.m. New York City time on the Business Day preceding each Loan Increase Date following the Initial Loan Date, the Borrower shall have delivered (i) to the Administrative Agent, the Paying Agent, each Group Agent and each Lender set forth on the Register an electronic copy of (A) a Loan Request in substantially the form of *Exhibit A* to this Agreement (without the Pool Cut Report referenced therein) and (B) if such Loan Increase Date is also a Warehouse SUBI Lease Allocation Date, a "Notice of Warehouse SUBI Lease Allocation" in substantially the form of *Exhibit D* to this Agreement, and (ii) to the Administrative

Agent, the Paying Agent and each Group Agent (A) a duly executed copy of the Loan Request and, if applicable, the Notice of Warehouse SUBI Lease Allocation given pursuant to preceding clause (i) (which notice may be delivered by email with hard copy to follow promptly) and (B) a Pool Cut Report as to all Leases included in the Warehouse SUBI (including the Lease Pool (if any) to be allocated to the Warehouse SUBI on such Loan Increase Date if such Loan Increase Date is a Warehouse SUBI Lease Allocation Date);

(e) After giving effect to the related Loan, (i) the Loan Balance shall not exceed the Maximum Loan Balance and (ii) the Loan Balance shall be less than or equal to the aggregate Commitment Amount of all Lenders.

(f) The Borrower and the Servicer shall have taken any actions necessary or advisable, and reasonably requested in writing by the Administrative Agent and any Group Agent as soon as practicable, to maintain the Administrative Agent's perfected security interest in the Collateral;

(g) If such Loan Increase Date is a Warehouse SUBI Lease Allocation Date, then solely with respect to any Leases and Leased Vehicles to be allocated to the Warehouse SUBI on such date, the Administrative Agent and each Group Agent shall have received a copy of a report produced by Automotive Lease Guide (in form and substance reasonably satisfactory to the Administrative Agent and each Group Agent) setting forth the residual value estimate used to determine the Mark-to-Market MRM Residual Value of the Leased Vehicle related to each Lease, in each case, as of the related Mark to Market Adjustment Date, the Borrower shall have provided evidence, in form and substance reasonably satisfactory to the Administrative Agent and each Group Agent, of the purchase of an Eligible Interest Rate Hedges, including the related Eligible Interest Rate Hedge Providers' acknowledgment of the collateral assignment by the Borrower to the Administrative Agent of such Eligible Interest Rate Hedges as required by Section 6.01(n); provided that the Borrower shall not be required to enter into a new Eligible Interest Rate Hedge on such Loan Increase Date if, after giving effect to the funding on such Loan Increase Date, there are already in full force and effect one or more Interest Rate Hedges (i) which satisfy the requirements contained in Section 6.01(n) and (ii) the aggregate notional principal amount of which (when taken together) satisfies the requirements contained in the definition of Required Aggregate Notional Principal Amount;

(h) The Borrower shall have deposited (or caused to be deposited) into the Reserve Account an amount equal to the amount, if any, necessary to cause the amount in the Reserve Account to equal the Required Reserve Account Balance; provided that the Reserve Account may be funded following the making of the Loan so long as the Reserve Account is funded on the same date as of the Loan;

(i) The representations and warranties of the Borrower and the Servicer contained in Article IV are true and correct in all material respects except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date;

(j) No TFL Borrower Default shall have occurred and be continuing; and

(k) No Tesla Change in Control shall have occurred and be continuing, unless such Tesla Change in Control has been approved by the Required Group Agents.

ARTICLE VI
COVENANTS

SECTION 6.01 *Covenants of the Borrower.* At all times from the date hereof to the date on which this Agreement terminates in accordance with Section 12.01, unless the Administrative Agent and each Group Agent shall otherwise consent in writing:

(a) *Compliance Certificate and Certain Notices and Information.* The Borrower will furnish to the Administrative Agent and each Group Agent:

(i) *Compliance Certificate.* Together with the annual report required to be delivered by the Servicer pursuant to the Warehouse SUBI Servicing Agreement, a compliance certificate in substantially the form of *Exhibit C* hereto signed by the chief accounting officer or treasurer of the Borrower stating that no Default, Event of Default or, to his or her knowledge, no Servicer Default exists, or if any Default, Event of Default or to his or her knowledge Servicer Default exists, stating the nature and status thereof.

(ii) *Other Information.* Such other information (including non-financial information) as the Administrative Agent or any Group Agent may from time to time reasonably request.

(b) *Conduct of Business.* The Borrower will do all things necessary to remain duly organized, validly existing and in good standing as a domestic limited liability company in its jurisdiction of formation. The Borrower will maintain all requisite authority to conduct its business in each jurisdiction in which its business requires such authority, except, in each case, where the failure to do so does not, and is not reasonably expected to, have a Material Adverse Effect.

(c) *Compliance with Laws.* The Borrower will comply in all material respects with all Requirements of Law to which it may be subject or which are applicable to the Collateral, except where the failure to comply does not, and is not reasonably expected to, have a Material Adverse Effect

(d) *Notice of Certain Events.* The Borrower shall furnish to the Administrative Agent:

(i) As soon as practicable, and in any event within five (5) Business Days after any Responsible Officer of the Borrower obtains knowledge of the occurrence of each Default, Event of Default, Potential Servicer Default or Servicer Default, a statement of the chief financial officer or chief accounting officer of the Borrower setting forth the details of such Default, Event of Default, Potential Servicer Default or Servicer Default, and the action which the Borrower and, if known to the Borrower, the Servicer, proposes to take with respect thereto.

(ii) Promptly and in no event more than five (5) Business Days after any Responsible Officer of the Borrower obtains knowledge of the occurrence of any Lien with respect to the Collateral, the statement of a Responsible Officer of the Borrower setting forth the details of such Lien and the action which the Borrower and, if known to the Borrower, the Servicer, is taking or proposes to take with respect thereto.

(iii) Promptly and in no event more than five (5) Business Days after any Responsible Officer of the Borrower obtains knowledge of any matter or the occurrence of any event concerning the Borrower, the Servicer, the Trust or the Collateral which would reasonably be expected to have a Material Adverse Effect, the statement of a Responsible Officer of the Borrower setting forth the details of such default and the action which the Borrower and, if known to the Borrower, the Servicer, is taking or proposes to take with respect thereto.

(iv) Promptly and in no event more than five (5) Business Days after any Responsible Officer of the Borrower obtains knowledge of (a) any action, suit, proceeding or investigation pending or, to the best knowledge of the Borrower, threatened, against the Borrower, the Servicer or the Trust or their respective property, or (b) any order, judgment, decree, injunction, stipulation or consent order of or with any Governmental Authority, in each case adversely affecting (x) the Trust in excess of \$15,000,000, or (y) the Borrower in excess of \$2,000,000, the statement of a Responsible Officer of the Borrower setting forth the details of such default and the action which the Borrower and, if known to the Borrower, the Servicer, is taking or proposes to take with respect thereto.

(v) Promptly and in no event more than five (5) Business Days after any Responsible Officer of the Borrower obtains knowledge of any amendment, modification, supplement or other change to the Credit and Collection Policy that would reasonably be expected to have a material adverse effect on the collectability of the Warehouse SUBI Leases or the interests of the Lenders, the statement of a Responsible Officer of the Borrower setting forth the details of such amendment, modification or supplement.

(e) The Borrower will furnish to the Administrative Agent and each Group Agent, as soon as reasonably practicable after receiving a request therefor, such information with respect to the Collateral as the Administrative Agent or any Group Agent may reasonably request, including listings identifying the outstanding remaining Monthly Lease Payments and the Base Residual Value for each Warehouse SUBI Lease. Without limiting the generality of the foregoing, the Borrower will furnish to the Administrative Agent and each Group Agent, as soon as reasonably practicable after receiving a request therefor, (i) the names and addresses of all banks which maintain one or more Permitted Lockboxes and the addresses of all related Permitted Lockboxes and the account holder, the account number and the bank at which each Permitted Account is maintained and (ii) the name and address of each Person in possession of any Lease Documents (including the street address at which such Lease Documents are located). At the request of any Group Agent, the Borrower agrees to reasonably cooperate in providing information to any rating agency in connection with such Group Agent's seeking, at the expense of such Group Agent, of a rating of the Loans under this Agreement.

(f) *Fulfillment of Obligations.* The Borrower will duly observe and perform, or cause to be observed or performed, all material obligations and undertakings on its part to be observed and performed by it under or in connection with this Agreement, the other Transaction Documents to which it is a party and the Warehouse SUBI Leases, will duly observe and perform all material provisions, covenants and other promises required to be observed by it under the Warehouse SUBI Leases, will do nothing to materially impair the security interest of the Administrative Agent in and to the Collateral and will pay when due (or contest in good faith) all taxes, including any sales tax, excise tax or other similar tax or charge, payable by it in connection with the Collateral and their creation and satisfaction.

(g) *Enforcement.* The Borrower shall take all commercially reasonable actions necessary and appropriate to enforce its rights and claims under the Warehouse SUBI Sale Agreement.

(h) *No Other Business.* The Borrower shall engage in no business other than the business contemplated under its Certificate of Formation and its Limited Liability Company Agreement and shall comply in all material respects with the terms of its Limited Liability Company Agreement.

(i) *Separate Existence.* The Borrower shall do (or refrain from doing) all things necessary to maintain its legal existence separate and apart from TBM, Tesla, Inc., TFL and all other Affiliates of the Borrower. Without limiting the generality of the foregoing, the Borrower shall:

(i) observe all corporate and limited liability company procedures required by its Certificate of Formation and its Limited Liability Company Agreement;

(ii) maintain adequate capitalization to engage in the transactions and activities contemplated in its Certificate of Formation, its Limited Liability Company Agreement, the Warehouse SUBI Sale Agreement and this Agreement;

(iii) provide for the payment of its operating expenses and liabilities from its own funds (except that certain of the organizational expenses of the Borrower have been paid by TFL or TBM);

(iv) maintain an arm's length relationship with its Affiliates, and shall not (A) lend money to, or borrow money from, any of its Affiliates or any unaffiliated third party or (B) transact any business, or enter into any transaction with any of its Affiliates, except, in each case, pursuant to binding and enforceable written agreements the terms of which, on the whole, are arm's-length and commercially reasonable and, in the case of money borrowed by the Borrower from any of its Affiliates, the subordination and payment provisions of all such indebtedness shall be satisfactory in form and substance to the Administrative Agent and each Group Agent;

(v) not (A) perform any of its Affiliates' duties or obligations, (B) commingle assets with those of any affiliated or unaffiliated third party (except for the temporary commingling of Collections), (C) guarantee or become obligated for the debts of any affiliated or unaffiliated third party or hold out its credit as being available to satisfy the obligations of others, (D) operate or purport to operate as a single integrated entity with respect to its Affiliates or any affiliated or unaffiliated third party, (E) endeavor to obtain credit or incur any obligation to any affiliated or unaffiliated third party based upon the assets or creditworthiness of the other, (F) acquire any obligations or securities of any of its partners, members or shareholders, (G) pledge its assets for the benefit of any entity (except pursuant to this Agreement), or (H) fail to correct any known misunderstanding or misrepresentation with respect to any of the foregoing;

(vi) maintain bank accounts and books of account separate from those of its Affiliates;

(vii) to the extent it shares its office with any of its Affiliates, maintain separate records storage space and files in the building they share, and maintain and use separate telephone capacity and business forms;

(viii) (A) ensure that at least one manager of the Borrower shall be an "Independent Manager" (as defined in the Limited Liability Company Agreement) and cause its Operating Agreement to provide that (x) at least one manager of the Borrower shall be an Independent Manager, (y) the managers of the Borrower shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Borrower or, to the fullest extent provided by applicable law, the dissolution of the Borrower unless a unanimous vote of all of the Borrower's managers (which vote shall include the affirmative vote of the Independent Manager) shall approve the taking of such action in writing prior to the taking of such action and (z) the provisions requiring at least one Independent Manager and the provisions described in clauses (x) and (y) of this paragraph (viii) cannot be amended without the prior written consent of the Independent Manager; and

(B) in addition to the requirements set forth in preceding clause (A), ensure that the “Independent Manager” (as defined in the Limited Liability Company Agreement) (x) has prior experience as an independent director for a corporation or limited liability company whose charter documents required the unanimous consent of all independent directors thereof before such corporation or limited liability company could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (y) has at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities;

(ix) take such actions as are necessary to ensure that no Independent Manager shall at any time serve as a trustee in bankruptcy for the Borrower or any Affiliate thereof;

(x) take such actions as are necessary to ensure that any financial statements of TBM, TFL or any Affiliate of either of them which are consolidated to include the Borrower (a) will contain notes clearly stating that securitization transactions of the kind contemplated in the Warehouse SUBI Sale Agreement are structured legally as sales (although the Borrower may be consolidated with TBM, TFL or either of their Affiliates for financial accounting purposes) and (b) will not suggest in any way that (1) the assets of the Borrower will be available to pay the claims of creditors of TFL, TBM or any Affiliate of TFL or TBM other than the Borrower or (2) the Borrower is not a separate limited liability company (although in each case, it being understood that the Borrower may be consolidated with TFL or TBM or either of their Affiliates for financial accounting purposes); and

(xi) to the fullest extent permitted by applicable law, take no action to dissolve itself, including applying (or consenting to the application) for judicial dissolution.

(j) *Compliance with Opinion Assumptions.* Without limiting the generality of Section 6.01(h) above, in all material respects, the Borrower shall (as to itself) maintain in place all policies and procedures, and take and continue to take all actions, described in the assumptions as to facts set forth in, and forming the basis of, the opinions set forth in the opinion delivered to the Administrative Agent, the Group Agents and the Lenders pursuant to Section 5.01(h).

(k) *Payment of Taxes.* The Borrower will, and will cause the Trust to, pay and discharge all material taxes, assessments, and governmental charges or levies imposed upon it, or upon its income or profits, or upon any property belonging to it, or them, before delinquent, other than taxes, assessments and other governmental charges being contested in good faith.

(l) *Maintenance of Security Interests in Warehouse SUBI.* The Borrower shall take such steps as are necessary to preserve and maintain the security interest of the Administrative Agent (for the benefit of the Secured Parties) in the Warehouse SUBI and other Collateral as a valid and enforceable first priority perfected security interest, subject to no Adverse Claims (other than the interest of the Collateral Agent under the Collateral Agency and Security Agreement).

(m) *Electronic Chattel Paper.* The Borrower shall take such actions as are necessary to cause all vehicle leases of the Trust and the Borrower (including all Warehouse SUBI Leases) to constitute Electronic Chattel Paper (and not to constitute Tangible Chattel Paper) held in the Electronic Lease Vault.

(n) *Interest Rate Hedges.* The Borrower shall, at all times beginning thirty (30) days after an Interest Rate Hedge Trigger Event occurs, maintain in full force and effect one or more Eligible Interest Rate Hedges which, together with the aggregate notional amount of such Eligible Interest Rate Hedges, when taken together, at all times satisfy the requirements contained in the definition of Required Aggregate Notional Principal Amount, and shall comply with the terms thereof; provided that:

(i) if any interest rate hedge provider party to an Interest Rate Hedge ceases to satisfy the requirements set forth in the definition of "Eligible Interest Rate Hedge Provider," the Borrower shall within thirty (30) days (x) cause such Person to assign its obligations under the related Interest Rate Hedge to a new Eligible Interest Rate Hedge Provider (or such person shall have thirty (30) days to again satisfy the requirements set forth in the definition of "Eligible Interest Rate Hedge Provider"), or (y) obtain a substitute Eligible Interest Rate Hedge, including the related Eligible Interest Rate Hedge Provider's acknowledgment of the collateral assignment by the Borrower to the Administrative Agent of such Eligible Interest Rate Hedge;

(ii) if any provider of an Interest Rate Hedge fails to make a payment when due under the applicable Interest Rate Hedge, the Borrower shall within thirty (30) days (x) cause such Person to assign its obligations under the related Interest Rate Hedge to a new Eligible Interest Rate Hedge Provider or (y) obtain a substitute Eligible Interest Rate Hedge, including the related Eligible Interest Rate Hedge Provider's acknowledgment of the collateral assignment by the Borrower to the Administrative Agent of such Eligible Interest Rate Hedge;

(iii) the Borrower may not, without the prior written consent of the Administrative Agent and each Group Agent, exercise any rights (including any termination rights) under any Interest Rate Hedge that could reasonably be expected to adversely affect the right of the Lenders to receive payments hereunder or under such Interest Rate Hedge;

(iv) on each Payment Date from and after the Interest Rate Hedge Trigger Date, if the aggregate notional amount of all Interest Rate Hedges is then less than 90%, of the Loan Balance (after giving effect to any Loan Increase on such date), the Borrower shall enter into one or more Eligible Interest Rate Hedges such that the aggregate notional amount of all Interest Rate Hedges, including the new Interest Rate Hedge, is equal to the Loan Balance;

(v) notwithstanding the foregoing, one or more Interest Rate Hedges may be combined into a single Interest Rate Hedge which, in the aggregate, satisfies the requirements set forth in this Section 6.01(n);

(vi) if, on any Payment Date the aggregate notional amount of all Interest Rate Hedges that are interest rate swaps is greater than 110% of the Loan Balance on such date (after giving effect to any payments or Loan Increase on such date), the Servicer shall cause the Borrower to amend or terminate existing Interest Rate Hedges that are interest rate swaps such that the aggregate notional amount of all Interest Rate Hedges that are interest rate swaps at such time shall be equal to the Loan Balance at such time (terminating those Interest Rate Hedges that are interest rate swaps in descending order from those Interest Rate Hedges with the highest fixed rate to those Interest Rate Hedge with the next highest fixed rate and so on); and all Interest Rate Hedge Termination Payments owed by the Borrower and other costs incurred in connection with the termination contemplated by this paragraph shall be paid by the Servicer; and

(vii) the Administrative Agent at any time on or after the Termination Date shall have the right to amend or terminate any Interest Rate Hedges in its sole discretion; and all Interest Rate Hedge Termination Payments owed by the Borrower and other costs incurred in connection with the termination contemplated by this paragraph shall be paid by the Servicer.

On or prior to the effective date of any Interest Rate Hedge, the Borrower shall establish and thereafter maintain an Eligible Account in the name of the Borrower with respect to each Interest Rate Hedge Counterparty, other than Deutsche Bank AG, Citibank, N.A. and any other Lender or Affiliate thereof (a "*Hedge Counterparty Collateral Account*") in trust and for the benefit of the Lenders and the related Interest Rate Hedge Counterparty. In the event that pursuant to the terms of the applicable Interest Rate Hedge, the related Interest Rate Hedge Counterparty is required to deposit cash or securities as collateral to secure its obligations ("*Hedge Collateral*"), the Borrower shall deposit all Hedge Collateral received from the Interest Rate Hedge Counterparty into the Hedge Counterparty Collateral Account. All sums on deposit and securities held in any Hedge Counterparty Collateral Account shall be used only for the purposes set forth in the related credit support annex ("*Credit Support Annex*") to the Interest Rate Hedge. The only permitted withdrawal from or application of funds on deposit in, or otherwise to the credit of, a Hedge Counterparty Collateral Account shall be (i) for application to the obligations of the applicable Interest Rate Hedge Counterparty under the related Interest Rate Hedge in accordance with the terms of the Credit Support Annex and (ii) to return collateral to the Interest Rate Hedge Counterparty when and as required by the Credit Support Annex. Amounts on deposit in each Hedge Counterparty Collateral Account shall be invested at the written direction of the related Interest Rate Hedge Counterparty, and all investment earnings actually received on amounts on deposit in a Hedge Counterparty Collateral Account or distributions on securities held as Hedge Collateral shall be distributed or held in accordance with the terms of the related Credit Support Annex. Any amounts applied by the Borrower to the obligations of an Interest Rate Hedge Counterparty under an Interest Rate Hedge in accordance with the terms of the related Credit Support Annex shall constitute Interest Rate Hedge Receipts and be deposited in the Collection Account and applied in accordance with Section 2.04(c). The Borrower agrees to give the applicable Interest Rate Hedge Counterparty prompt notice if it obtains knowledge that the Hedge Counterparty Collateral Account or any funds on deposit therein or otherwise to the credit of the Hedge Counterparty Collateral Account, shall or have become subject to any writ, order, judgment, warrant of attachment, execution or similar process.

(o) *Anti-Corruption Laws and Sanctions.* The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower and each of its Affiliates and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(p) *Keeping of Lease Documents and Books of Account.* The Borrower will maintain and implement administrative and operating procedures, including an ability to recreate Lease Documents evidencing the Warehouse SUBI Leases in the event of the destruction of the originals thereof, and keep and maintain, or obtain, as and when required, all documents, books, Lease Documents and other information reasonably necessary or advisable for the collection of all Warehouse SUBI Leases (including Lease Documents adequate to permit the daily identification of all Collections of and adjustments to each existing Warehouse SUBI Lease). The Borrower will give the Administrative Agent and each Group Agent prompt notice of any material change in the administrative and operating procedures referred to in the previous sentence, to the extent such change is likely to have a Material Adverse Effect.

(q) *Mark-to-Market.* Effective as of each Mark-to-Market Adjustment Date, the Borrower shall recalculate the Mark-to-Market MRM Residual Value of each Warehouse SUBI Lease for which there is a Mark-to-Market MRM Residual Value at the end of the calendar month which preceded such Mark-to-Market Adjustment Date, and thereafter shall use such value in the calculation of the Base Residual Value for such Warehouse SUBI Lease until the next Mark-to-Market Adjustment Date.

SECTION 6.02 *Negative Covenants of the Borrower.* At all times from the date hereof to the date on which this Agreement terminates in accordance with Section 12.01, unless the Administrative Agent and each Group Agent shall otherwise consent in writing:

(a) *Name Change and Offices.* The Borrower shall not change its name, identity or organizational structure (within the meaning of Section 9-506, 9-507 or 9-508 of the UCC (or other sections of similar content of the Relevant UCC)) nor relocate its chief executive office or its jurisdiction of formation nor change its "location" under Section 9-307 of the Relevant UCC, unless, within (30) days after such change or relocation it shall have: (i) given the Administrative Agent and each Group Agent written notice thereof and (ii) delivered to the Administrative Agent and each Group Agent all financing statements, instruments and other documents requested by the Administrative Agent or any Group Agent in connection with such change or relocation. The Borrower shall at all times maintain its chief executive office and its jurisdiction of formation within a jurisdiction in the United States and in which Article 9 of the Relevant UCC is in effect and in the event it moves its chief executive office or its jurisdiction of formation to a location which may charge taxes, fees, costs, expenses or other charges to perfect the security interest of the Administrative Agent in the Collateral, it shall pay all taxes, fees, costs, expenses and other charges associated with perfecting the security interest of the Administrative Agent in the Collateral and any other costs and expenses incurred in order to maintain the enforceability of this Agreement and the security interest of the Administrative Agent in the Collateral.

(b) *Transfers, Liens, Etc.* Except for the Adverse Claims of the Administrative Agent created by this Agreement, of the Collateral Agent created by the Collateral Agency and Security Agreement and except for other transfers permitted under this Agreement, the Borrower shall not transfer, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim (including the filing of any financing statement) upon or with respect to the Collateral (or any portion thereof), or upon or with respect to any account to which any Collections are sent, or assign any right to receive income in respect thereto.

(c) *Limited Liability Company Membership Interests.* The Borrower shall not issue any membership interests (other than non-economic "special membership interests") except to Tesla, Inc., TFL, a Tesla Party, TBM or one of their respective Subsidiaries or create any Subsidiary. The Borrower shall not pay or make any distributions to any owner of its membership interests if, at the time or as a result of such payment or the making of such distribution, a Default, an Event of Default or the Scheduled Expiration Date shall have occurred and be continuing under this Agreement.

(d) *Amendments to Certificate of Formation and Limited Liability Company Agreement.* The Borrower shall not materially amend, alter or change or repeal (and shall not permit the material amendment, alteration or change or repeal of) its Certificate of Formation or its Limited Liability Company Agreement.

(e) *Change to other Agreements.* The Borrower shall not (i) terminate, amend, supplement, modify or waive, or grant or consent to any such termination, amendment, waiver or consent, or permit to become effective any amendment, supplement, waiver or other modification to the Warehouse SUBI Servicing

Agreement, the Warehouse SUBI Sale Agreement, the Warehouse SUBI Supplement, the Trust Agreement (except to the extent such termination, amendment, waiver or consent (i) relates solely to the UTI or a special unit of beneficial interest other than the Warehouse SUBI and (ii) does not have any adverse effect on the Lenders, the Administrative Agent or any other Secured Party, the Collateral or the SUBI Assets) or the eVault Letter Agreement, or (ii) terminate, amend, supplement, modify or waive, or grant or consent to any such termination, amendment, waiver or consent, or permit to become effective any amendment, supplement, waiver or other modification to any other Transaction Documents that could reasonably be expected to have a Material Adverse Effect, without, in each case, the consent of the Administrative Agent and the Required Group Agents (or the Required Supermajority Group Agents in the case of an amendment to the Warehouse SUBI Servicing Agreement that amends the definition of "Servicer Default"), in each case, such consents not to be unreasonably withheld, delayed or conditioned.

(f) *ERISA Matters.* Neither the Borrower nor any of its ERISA Affiliates shall establish or have any obligation to contribute to any Plan or Multiemployer Plan.

(g) *[Reserved].*

(h) *Consolidations and Mergers.* The Borrower shall not consolidate or merge with or into any other Person.

(i) *Tax Matters.*

(i) No Tesla Party shall take or cause any action to be taken that could result in the Borrower being treated as a corporation or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

(ii) No Tesla Party shall take or cause any action to be taken that could result in the Borrower, the Warehouse SUBI or the Trust (or any portion thereof) becoming an association (or a publicly traded partnership) taxable as a corporation for U.S. federal income tax purposes.

(j) *Anti-Corruption Laws and Sanctions.* The Borrower shall not request any Loan, and shall not use, and shall ensure that its Affiliates and its and their respective directors, officers, employees and agents not use, the proceeds of any Loan (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

(k) *Debt.* The Borrower shall not create, incur, assume or suffer to exist any Debt except for Debt expressly contemplated under the Transaction Documents.

(l) *Guarantees.* The Borrower shall not guarantee, endorse or otherwise be or become contingently liable (including by agreement to maintain balance sheet tests) in connection with the obligations of any other Person, except endorsements of negotiable instruments for collection in the ordinary course of business and reimbursement and indemnification obligations in favor of the Administrative Agent, any Group Agent, any Lender or any Indemnified Party as provided for under the Transaction Documents.

(m) *Limitation on Transactions with Affiliates.* The Borrower shall not enter into, or be a party to any transaction with any Affiliate of the Borrower, except for: (i) the transactions contemplated hereby, by the Transaction Documents and (ii) capital contributions by TBM to the Borrower which are in compliance with all applicable Requirements of Law and the Transaction Documents.

(n) *Limitation on Investments.* The Borrower shall not make or suffer to exist any loans or advances to, or extend any credit to, or make any investments (by way of transfer of property, contributions to capital, purchase of stock or securities or evidences of indebtedness, acquisition of the business or assets, or otherwise) in, any Affiliate or any other Person, except for Eligible Investments and the Warehouse SUBI Certificate.

(o) *Change in Business.* The Borrower shall not make any change in the character of its business.

(p) *Subsidiaries.* The Borrower shall not form or own any Subsidiary.

SECTION 6.03 *Certain Covenants of TFL.*

(a) [***]. If, after the date hereof, TFL or any Affiliate of TFL enters into (x) any [***] with respect to a [***] in the [***] having [***] ([***]) a [***] (including [***],[***],[***] and [***] of [***] of [***]) (any such [***], other than (a) any such [***] that TFL in good faith believes not to be a [***], (b) any such [***] where a [***] of such [***] is [***] by a [***] that is also a [***] in such [***], or (c) any such [***] that is [***] by [***] or [***], a “[***]”), (y) any amendment, modification or supplement to, or waiver or consent under, any [***] governing or evidencing a [***] or (z) any other [***] or [***] relating to or affecting any [***], in each case, the effect of which is to [***] the [***] of the [***] to [***]:

(i) [***] (other than [***] arising from a different [***] (e.g., [***] based on a [***] or [***] based on a [***], or a [***])), and excluding [***] in the [***] of [***]) when considered together with other relevant aspects of the [***] which customarily affect [***];

(ii) [***] when considered together with other relevant aspects of the [***] which customarily affect [***]; or

(iii) the [***] of [***] or [***] or [***] howsoever denominated that [***] the [***] to [***] under such [***],[***] the [***] of [***] or [***] the [***] or [***] of such [***] or the ability of the [***] of the [***] in connection with such [***] to [***] or [***] and [***], which [***], taken as a whole, together with the [***] and [***] of such [***], are [***] to [***];

(each of the foregoing clauses (i) through (iii), a [***]”);

then, TFL, as applicable, shall promptly notify the Administrative Agent and the Group Agents thereof and, not later than [***] days after the effectiveness of any such [***], deliver an [***] of the relevant [***] such [***] to the Administrative Agent and each Group Agent and, unless the Administrative Agent notifies TFL within [***] days after receipt of such [***] to the contrary, within [***] days after receipt of such request, [***] into [***] to [***] and each other [***] as may be necessary to [***] such [***] into [***] and the [***]. Notwithstanding the foregoing, nothing set forth in this Section 6.03(b) shall be construed to limit the ability of the TFL or the Trust to [***] a [***] in the [***] or enter into a [***].

ARTICLE VII

SERVICING AND COLLECTIONS

SECTION 7.01 *Maintenance of Information and Computer Lease Documents.* The Borrower will, or will cause the Servicer to, hold in trust and keep safely for the Administrative Agent all evidence of the Administrative Agent's security interest in and to the Warehouse SUBI and other Collateral.

SECTION 7.02 *Protection of the Interests of the Secured Parties.*

(a) The Borrower shall, from time to time and at the Borrower's sole expense, do and perform any and all necessary acts and execute any and all necessary documents, including the obtaining of additional search reports, the delivery of further opinions of counsel, the execution, amendment or supplementation of any financing statements, continuation statements and other instruments and documents for filing under the provisions of the Relevant UCC of any applicable jurisdiction, the execution, amendment or supplementation of any instrument of transfer and the making of notations on the Lease Documents of the Borrower or TFL as may be reasonably requested by the Administrative Agent or any Group Agent in order to effect the purposes of this Agreement and the creation, perfection and priority of the Administrative Agent's security interest in the Collateral, to protect the Administrative Agent's security interest in and to the Collateral (other than a Lease which has been removed from the Collateral pursuant to Section 2.09, 4.01 (the last two paragraphs thereof) or 4.02 (the last two paragraphs thereof) or Section 2.2 of the Warehouse SUBI Servicing Agreement) against all Persons whomsoever or to enable the Administrative Agent to exercise or enforce any of their respective rights hereunder.

(b) To the fullest extent permitted by applicable law, the Borrower hereby irrevocably grants to the Administrative Agent an irrevocable power of attorney, with full power of substitution, coupled with an interest, to authorize and file in the name of the Borrower, or in its own name, such financing statements and continuation statements and amendments thereto or assignments thereof as the Administrative Agent deems necessary to protect the Collateral or perfect the Administrative Agent's security interest therein; provided, however, that such power of attorney may only be exercised without the prior written consent of the Borrower if (i) the Borrower or the Servicer fails to perform any act required hereunder after receiving five (5) Business Days written notice of such failure from the Administrative Agent or (ii) (A) a Servicer Default, or (B) an Event of Default shall have occurred and be continuing.

(c) Once during each calendar year, in the case of the Administrative Agent and one or more times during each calendar year, in the case of each Group Agent, at such times during normal business hours as are reasonably convenient to the Borrower, and upon reasonable request of the Administrative Agent or such Group Agent, and prior written notice to the Borrower, the Administrative Agent or such Group Agent (or a Person engaged by the Administrative Agent or such Group Agent) may conduct audits and/or visit and inspect any of the properties of the Borrower (including the Servicer and [***] as subservicer) where Lease Documents are located, to examine the Lease Documents, to confirm and verify the existence, amount and status of the Warehouse SUBI Leases, to examine internal controls and procedures maintained by the Borrower, and take copies and extracts therefrom, and to discuss the Borrower's affairs with its officers and employees, servicers, subservicers (including [***]) and upon prior written notice to the Borrower, independent accountants. In addition to the audits and/or visits and inspections permitted under the preceding sentence, prior to the date that is 60 days following the Closing Date, the Group Agents (or Persons engaged by the Group Agents) may conduct

an audit and/or visit and inspect any of the properties of the Borrower (including the Servicer and [***] as subservicer) where Lease Documents are located, during normal business hours as are reasonably convenient to the Borrower, at the expense of the Borrower, to examine the Lease Documents, to confirm and verify the existence, amount and status of the Warehouse SUBI Leases, to examine internal controls and procedures maintained by the Borrower, and take copies and extracts therefrom, and to discuss the Borrower's affairs with its officers and employees, servicers, subservicers (including [***]) and upon prior written notice to the Borrower, independent accountants. The Borrower hereby authorizes such officers, employees, servicers, subservicers and independent accountants to discuss with the Administrative Agent, the Group Agents and the Back-Up Servicer, the affairs of the Borrower. The Borrower shall reimburse the Administrative Agent, the Group Agents and the Back-Up Servicer for all reasonable out-of-pocket fees, costs and expenses incurred by or on behalf of the Administrative Agent, the Group Agents or the Back-Up Servicer in connection with the foregoing actions promptly upon receipt of a written invoice therefor in connection with the initial post-closing audit, visit and inspection, the initial audit, visit and inspection by the Administrative Agent (or a Person engaged by the Administrative Agent) in any calendar year, and all audits, visits and inspections made after the occurrence and during the continuation of a Default or an Event of Default. Any audit provided for herein shall be conducted in accordance with Borrower's reasonable rules respecting safety and security on its premises and without materially disrupting operations. Nothing in this Section 7.02(c) shall affect the obligation of the Borrower to observe any applicable law prohibiting the disclosure of information regarding the Lessees, and the failure of the Borrower to provide access to information as a result of such obligation shall not constitute a breach of this Section 7.02(c).

(d) To the fullest extent permitted by applicable law, the Borrower hereby irrevocably grants during the term of this Agreement to the Administrative Agent (or its designated agent) or the successor Servicer, if any, an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of the Borrower all steps and actions permitted to be taken under this Agreement with respect to the Collateral which the Administrative Agent may deem necessary or advisable to negotiate or otherwise realize on any right of any kind held or owned by the Borrower or transmitted to or received by the Administrative Agent or its designated agent (whether or not from the Borrower or any Lessee) in connection with the Collateral; provided, however, that such power of attorney may not be exercised without the prior written consent of the Borrower, unless (A) an Event of Default shall have occurred and be continuing, or (B) the Borrower or the Servicer fails to perform any act required hereunder after receiving ten (10) Business Days written notice of such failure from the Administrative Agent. The Administrative Agent will provide such periodic accounting and other information related to the disposition of funds so collected as the Borrower may reasonably request.

SECTION 7.03 *Maintenance of Writings and Lease Documents.* The Borrower will at all times keep or cause to be kept at its Chief Executive Office or at an office of the Servicer designated in advance to the Administrative Agent, each writing or written Lease Document which evidences, and which is necessary or desirable to establish or protect, including such books of account and other Lease Documents as will enable the Administrative Agent or its designee to determine at any time the status of, the security interest of the Administrative Agent in the Collateral..

SECTION 7.04 *Administration and Collections.*

(a) ***Warehouse SUBI Collection Account.*** The Borrower shall cause to be established and maintained in the name of the Borrower for the benefit of the Administrative Agent the Warehouse SUBI Collection Account for the purpose of receiving and disbursing all Collections on the Collateral, all payments made by the Borrower pursuant to this Agreement, all Interest Rate Hedge Receipts and all other payments to be

made into the Warehouse SUBI Collection Account. The Warehouse SUBI Collection Account shall be an Eligible Account used only for the collection of the amounts and for application of such amounts as described in Section 2.04 of this Agreement. The Warehouse SUBI Collection Account will be an Eligible Account established pursuant to a Control Agreement with respect to which the Administrative Agent shall, at all times, be an Entitlement Holder or purchaser with Control and will bear a designation to clearly indicate that the funds and Financial Assets deposited therein are held for the benefit of the Administrative Agent. The Borrower agrees to deposit in the Warehouse SUBI Collection Account (a) at least 95% of all Collections received by the Borrower during each Settlement Period that are not received directly in the Warehouse SUBI Collection Account no later than two (2) Business Days after receipt, and (b) the remainder of such Collections as soon as reasonably practical but not later than two (2) Business Days after identification. If the Warehouse SUBI Collection Account ceases to be an Eligible Account, the Borrower shall within thirty (30) calendar days of receipt of notice of such change in eligibility transfer the Warehouse SUBI Collection Account to an account that meets the requirements of an Eligible Account and that is established pursuant to a substitute Control Agreement with respect to which the Administrative Agent shall be an Entitlement Holder or purchaser with Control and which bears a designation to indicate clearly that the funds and Financial Assets deposited therein are held for the benefit of the Administrative Agent. If there shall have been deposited in the Warehouse SUBI Collection Account any amount not required to be deposited therein and so identified to the Administrative Agent, such amount shall be withdrawn from the Warehouse SUBI Collection Account, any provision herein to the contrary notwithstanding, and any such amounts shall not be deemed to be a part of the Warehouse SUBI Collection Account. The Borrower may, with the consent of the Administrative Agent and each Group Agent, establish a new Warehouse SUBI Collection Account subject to a new Control Agreement in replacement of the existing Warehouse SUBI Collection Account and Control Agreement.

(b) *Security Deposits.* The Borrower shall cause all Security Deposits to be held in a Permitted Account pledged to the Administrative Agent for the benefit of the Secured Parties to secure the Secured Obligations, which security interest shall be perfected by control pursuant to a Control Agreement.

(c) *Investment.* The Borrower may cause the funds in the Warehouse SUBI Collection Account to be invested in Eligible Investments, held in the name of the Administrative Agent, which shall mature no later than the Payment Date following such investment. Any income or other gain from such Eligible Investments (i) shall be transferred to the Reserve Account if necessary to satisfy the Required Reserve Account Balance, if any, and (ii) shall, to the extent there remains any balance after giving effect to preceding clause (i), be paid to the Borrower.

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.01 *Events of Default.* The occurrence of any one or more of the following events shall constitute an Event of Default:

(a) any Tesla Party shall fail to perform or observe any term, covenant, agreement or undertaking hereunder or under any other Transaction Document (other than as described elsewhere in this Section 8.01), which failure could reasonably be expected to materially and adversely affect the interests of the Lender Parties, and such failure shall remain unremedied for:

(i) in the case of any covenant set forth in any of Sections 2.06(a), 7.04(a) or 6.01(l), five (5) Business Days after the earlier of (x) any Responsible Officer of the Borrower becomes aware thereof or (y) written notice thereof has been given to the Borrower by a Lender Party; or

(ii) in the case of any other covenant thirty (30) calendar days after the earlier of (i) any Responsible Officer of the Borrower becomes aware thereof or (ii) written notice thereof has been given to the Borrower by a Lender Party; or

(b) any representation, warranty, certification or statement made by any Tesla Party in this Agreement or in any other Transaction Document shall have been untrue or incorrect when made or deemed made and which incorrectness could reasonably be expected to materially and adversely affect the interests of the Lender Parties, and, if capable of being cured, shall remain unremedied for thirty (30) calendar days after the earlier of (i) any Responsible Officer of the Borrower becomes aware thereof or (ii) written notice thereof has been given to the Borrower by a Lender Party; or

(c) the Borrower shall fail to pay or shall fail to cause to be paid to the Lender Parties (i) the Loan Balance in full, together with all other Secured Obligations, on the Loan Maturity Date, or (ii) the Interest Distributable Amount, Usages Fees or Unused Fees in full for any Payment Date on such Payment Date and such failure to pay the Interest Distributable Amount in full shall continue for three (3) Business Days; or

(d) (i) any Repurchase Amount fails to be paid when due, and such failure shall continue for three (3) Business Days or (ii) Section 3.1A(c) of the TBM SUBI Servicing Agreement shall be amended, modified or waived without the prior written consent of the Administrative Agent; or

(e) any Tesla Party shall fail to pay or fail to cause to be paid when due any other amount due hereunder or under any other Transaction Document (other than any amount described in any other clause of this Section 8.01) when due and such failure shall continue for three (3) Business Days after written notice thereof by any Lender Party to the Borrower; or

(f) an Event of Bankruptcy shall occur with respect to any Tesla Party; or

(g) there shall be entered against (x) the Trust one or more final judgments or orders for the payment of money in an individual amount exceeding \$[***] or an aggregate amount (as to all such judgments or orders) exceeding \$[***], or (y) the Borrower one or more final judgments or orders for the payment of money in an individual or aggregate amount exceeding \$[***], in each case to the extent not paid or covered by insurance (other than customary reservation of rights letters) or third party indemnification), and any such judgment or order shall not have been fully paid or otherwise satisfied, vacated, dismissed, discharged, appealed (and bonded pending such appeal if and to the extent required by law) or stayed within sixty (60) days (or such earlier date when valid enforcement proceedings are commenced by any creditor upon such judgment or order) from the entry thereof; or

(h) a Change in Control shall have occurred and shall be continuing for at least thirty (30) consecutive days; or

(i) the average of the Delinquency Ratios for any three (3) consecutive Settlement Periods shall exceed the Delinquency Ratio Trigger; or

(j) the annualized average of the Credit Loss Ratios for any three (3) consecutive Settlement Periods shall exceed the Credit Loss Ratio Trigger; or

(k) the Residual Value Loss Ratio, as of any Statistically Significant RVLRL Calculation Date, shall be greater than the Residual Value Loss Ratio Trigger; or

(l) on any Payment Date, the Loan Balance, after giving effect to all increases and decreases in the Loan Balance on such Payment Date, shall exceed the Maximum Loan Balance for such Payment Date and such condition shall continue for three (3) Business Days; or

(m) the outstanding balance of the Reserve Account shall be less than the Required Reserve Account Balance and such condition shall continue for three (3) Business Days; or

(n) a Responsible Officer of the Borrower shall become aware of any breach any of the covenants in Section 6.01(n) relating to Interest Rate Hedges or the Borrower shall have been given written notice of any such breach by a Lender Party; or

(o) the Administrative Agent shall have delivered a Warehouse SUBI Servicer Termination Notice to the Servicer pursuant to Section 5.1 of the Warehouse SUBI Servicing Agreement and no successor Servicer (including the Back-Up Servicer) shall have been appointed to replace the Servicer under the Warehouse SUBI Servicing Agreement within 45 days (or such later date specified in writing by the Group Agents in their sole and absolute discretion) after the date on which such Warehouse SUBI Servicer Termination Notice is delivered; or

(p) the Borrower or the Trust shall become an "investment company" within the meaning of the Investment Company Act or a "covered fund" under the Volcker Rule.

SECTION 8.02 Remedies Upon the Occurrence of an Event of Default.

(a) If an Event of Default has occurred and has not been waived, the Administrative Agent shall, at the request, or may with the consent, of the Group Agents, by notice to the Borrower (a "*Notice of Termination*"), declare all of the Secured Obligations to be immediately due and payable (except that, in the case of any event described in Section 8.01(f), all of the Secured Obligations shall automatically become immediately due and payable) and the Facility Limit and Commitments shall be terminated without presentment, demand, protest or notice of any kind (except as expressly required in this Section 8.02), all of which are hereby expressly waived by the Borrower. On and after the occurrence of an Event of Default that has not been waived, the Lenders shall fund no further Loan Increases. In addition, (i) following the occurrence of an Event of Default, the Administrative Agent shall, at the request, or may with the consent, of the Group Agents, terminate TFL or any Affiliate thereof as Servicer pursuant to Section 4.1 of the Warehouse SUBI Servicing Agreement (but may, at the Administrative Agent's option, retain the services of [***] as subservicer), and (ii) following the occurrence of an Event of Default (and in no event before the occurrence of an Event of Default), the Administrative Agent shall, at the request, or may with the consent, of the Group Agents, exercise its rights and remedies under the Control Agreements relating to the Reserve Account and the Warehouse SUBI Collection Account and as otherwise contemplated herein. In addition, following the occurrence of an Event of Default, the Loan Balance shall accrue interest at the Default Rate in accordance with Section 2.02.

(b) In addition to all rights and remedies under this Agreement or otherwise, the Administrative Agent shall have all other rights and remedies provided under the Relevant UCC and under other applicable laws, which rights shall be cumulative. Without limiting the generality of the foregoing, if an Event of Default has occurred and has not been waived, the Administrative Agent may, with prior written consent from each Group Agent, and shall, at the written direction of each Group Agent, sell the Collateral or any part thereof in any commercially reasonable manner at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Administrative Agent may deem satisfactory. The Borrower will execute and deliver such documents and take such other action as the Administrative Agent reasonably deems necessary or advisable in order that any such sale may be made in compliance with applicable law. Upon any such sale, the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold. Each purchaser at any such sale shall hold the Collateral so sold to it absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of the Borrower which may be waived, and the Borrower, to the extent permitted by applicable law, hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The Administrative Agent, instead of exercising the power of sale herein conferred upon it, shall, at the direction, or may with the consent, of the Group Agents proceed by a suit or suits at law or in equity to foreclose the security interests in the Collateral and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(c) In furtherance of the rights, powers and remedies of the Administrative Agent, the Borrower hereby irrevocably appoints the Administrative Agent as its true and lawful attorney, with full power of substitution, in the name of the Borrower, or otherwise, for the sole use and benefit of the Administrative Agent (for the further benefit of the Secured Parties), but at the Borrower's expense, to the extent permitted by law to exercise, at any time and from time to time if an Event of Default has occurred and has not been waived, all or any of the following powers with respect to all or any of the Collateral:

(i) to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due thereon or by virtue thereof,

(ii) to settle, compromise, compound, prosecute or defend any action or proceeding with respect thereto,

(iii) to sell, transfer, assign or otherwise deal in or with the Collateral or the proceeds or avails thereof, as fully and effectually as if the Administrative Agent were the absolute owner thereof, and

(iv) to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference thereto;

provided that the Administrative Agent shall give the Borrower at least ten (10) days prior written notice of the time and place of any public sale or the time after which any private sale or other intended disposition of any of the Collateral is to be made. The Borrower agrees that such notice constitutes "reasonable authenticated notification" within the meaning of Section 9-611(b) of the UCC (or other section of similar content of the Relevant UCC).

(d) Notwithstanding anything to the contrary contained in this Agreement, if at any time the rights, powers and privileges of the Administrative Agent following the occurrence of an Event of Default conflict (or are inconsistent) with the rights and obligations of the Servicer, the rights, powers and privileges of the Administrative Agent shall supersede the rights and obligations of the Servicer to the extent of such conflict (or inconsistency), with the express intent of maximizing the rights, powers and privileges of the Administrative Agent following the occurrence of an Event of Default.

(e) The Administrative Agent agrees with the Borrower, with respect to any Control Agreement and the related deposit or securities account, that the Administrative Agent will not deliver a "Notice of Exclusive Control" or "Access Termination Notice" (as defined in such Control Agreement) to the applicable securities intermediary or account bank except after an Event of Default has occurred that has not been waived.

(f) The parties hereto acknowledge that this Agreement is, and is intended to be, a contract to extend financial accommodations to the Borrower within the meaning of Section 365(e)(2)(B) of the Bankruptcy Code (or any amended or successor provision thereof or any amended or successor code).

ARTICLE IX

THE ADMINISTRATIVE AGENT

SECTION 9.01 *Authorization and Action.* Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Effective as of the Amendment No. 1 Effective Date, the Borrower hereby appoints Deutsche Bank Trust Company Americas, acting through its office at 60 Wall Street, New York, New York 10005, as the registrar and paying agent in respect of the Loans (together with any successor or successors as such registrar and paying agent qualified and appointed in accordance with this Article IX, the "Paying Agent"), upon the terms and subject to the conditions set forth herein, and Deutsche Bank Trust Company Americas hereby accepts such appointment. The Paying Agent shall have the powers and authority granted to and conferred upon it herein, and such further powers and authority to act on behalf of the Borrower as the Borrower and the Paying Agent may hereafter mutually agree in writing. Neither the Administrative Agent nor the Paying Agent shall have any duties other than those expressly set forth in the Transaction Documents, and no implied obligations or liabilities shall be read into any Transaction Document, or otherwise exist, against the Administrative Agent or the Paying Agent. The Administrative Agent and the Paying Agent do not assume, nor shall either of them be deemed to have assumed, any obligation to, or relationship of trust or agency with, Tesla, Inc., TFL, TBM or any Tesla Party, the Conduit Lenders, the Committed Lenders or the Group Agents, except for any obligations expressly set forth herein; provided that all funds held by the Paying Agent for payment of principal of or interest (and any additional amounts) on the Loans shall be held in trust by the Paying Agent, and applied as set forth herein. Notwithstanding any provision of this Agreement or any other Transaction Document, in no event shall the Administrative Agent or the Paying Agent ever be required to take any action which exposes the Administrative Agent or the Paying Agent, respectively, to personal liability or which is contrary to any provision of any Transaction Document or applicable law. Upon receiving a notice, report, statement, document or other communication from the Borrower or the Servicer pursuant to Section 2.01(d)(i), Section 2.01(d)(iii), Section 2.08, Section 6.03(a), Section 6.03(c) or Section 7.02(c), the Administrative Agent shall promptly deliver to each Group Agent a copy of such notice, report, statement, document or communication. The Administrative Agent shall at all times also be the TFL Administrative Agent. The Paying Agent shall at all times also be the TFL Paying Agent. The Paying Agent shall

be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Borrower or the Lenders, unless such Borrower or Lender shall have offered to the Paying Agent security or indemnity reasonably satisfactory to the Paying Agent against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction. The Paying Agent shall not be responsible for, and makes no representation as to the existence, genuineness, value or protection of any Collateral, for the legality, effectiveness or sufficiency of any documents or other instruments, or for the creation, perfection, filing, priority, sufficiency or protection of any liens securing the Loans. The Paying Agent shall incur no liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Paying Agent (including, but not limited to, any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism or the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

SECTION 9.02 *Administrative Agent's and Paying Agent's Reliance, Etc.* Neither the Administrative Agent nor the Paying Agent or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Administrative Agent or as Paying Agent under or in connection with this Agreement (including the Administrative Agent's servicing, administering or collecting Warehouse SUBI Assets in the event it replaces the Servicer in such capacity pursuant to Article VII), in the absence of its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, each of the Administrative Agent and Paying Agent: (a) may consult with legal counsel (including counsel for a Group Agent, the Borrower or the Servicer), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Group Agent or Lender (whether written or oral) and shall not be responsible to any Group Agent or Lender for any statements, warranties or representations (whether written or oral) made by any other party in or in connection with this Agreement; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Tesla Party, TBM, TFL or Tesla, Inc. or to inspect the property (including the books and records) of any Tesla Party, TBM, TFL or Tesla, Inc.; (d) shall not be responsible to any Group Agent or Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (e) shall be entitled to rely, and shall be fully protected in so relying, upon any notice, consent, certificate, report, Settlement Statement, information, direction or other instrument or writing (which may be by telecopier or electronic mail) signed by an authorized signatory of the Borrower, TFL, the Administrative Agent, any Group Agent or any Lender, respectively (each, an "Authorized Signatory") reasonably believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 9.03 *Administrative Agent and Paying Agent and Their Affiliates.* With respect to any Loan or interests therein owned by any Lender that is also the Administrative Agent or also the Paying Agent, such Lender shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent. The Administrative Agent, the Paying Agent and any of their respective Affiliates may generally engage in any kind of business with Tesla, Inc., TFL, TBM and each Tesla Party, any of their respective Affiliates and any Person who may do business with or own securities of Tesla, Inc., TFL, TBM or any Tesla Party or any of their respective Affiliates, all as if the Administrative Agent were not the Administrative Agent and as if the Paying Agent were not the Paying Agent hereunder and without any duty to account therefor to any other Secured Party.

SECTION 9.04 *Indemnification of Administrative Agent and Paying Agent.* Each Committed Lender agrees to indemnify the Administrative Agent and the Paying Agent (to the extent not reimbursed by the Tesla Parties), ratably according to the respective Percentage of such Committed Lender, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent or the Paying Agent, as applicable, in any way relating to or arising out of this Agreement or any other Transaction Document or any action taken or omitted by the Administrative Agent or the Paying Agent under this Agreement or any other Transaction Document, including, without limitation, any claim commenced by the Administrative Agent or the Paying Agent to enforce such indemnification obligation and any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement of any kind incurred by the Administrative Agent or the Paying Agent, as applicable, in connection with taking action or omitting to take any action at the direction of any Group Agent or Lender; provided that no Committed Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's or the Paying Agent's gross negligence or willful misconduct. The obligations under this Section shall survive the termination of this Agreement and the resignation or removal of the Administrative Agent or Paying Agent, as applicable.

SECTION 9.05 *Delegation of Duties.* Each of the Administrative Agent and the Paying Agent may execute any of their respective duties through agents or attorneys-in-fact and shall each be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Administrative Agent nor the Paying Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 9.06 *Action or Inaction by Administrative Agent or Paying Agent.* Each of the Administrative Agent and the Paying Agent shall in all cases be fully justified in failing or refusing to take action under any Transaction Document unless it shall first receive such advice or concurrence of the Group Agents and assurance of its indemnification by the Committed Lenders, as it deems appropriate. Each of the Administrative Agent and the Paying Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request or at the direction of the Group Agents and such request or direction and any action taken or failure to act pursuant thereto shall be binding upon all Lenders and the Group Agents.

SECTION 9.07 *Notice of Certain Information or Events of Default; Action by Administrative Agent or Paying Agent.* Neither the Administrative Agent nor the Paying Agent shall be deemed to have knowledge or notice of any fact, claim or demand or the occurrence of any Servicer Default, Default or Event of Default unless the Administrative Agent or a Reponsible Officer of the Paying Agent has received notice from any Group Agent, Lender or the Borrower of such fact, claim or demand or stating that a Servicer Default, Default or Event of Default has occurred hereunder and describing such Servicer Default, Default or Event of Default. If the Administrative Agent or a Responsible Officer of the Paying Agent receives such a notice, either shall promptly give notice thereof to each Group Agent, whereupon each Group Agent shall promptly give notice thereof to its respective Conduit Lender(s) and Related Committed Lenders. The Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, concerning a Servicer Default, Default or Event of Default or any other matter hereunder as the Administrative Agent deems advisable and in the best interests of the Secured Parties. Any other provision of this Agreement to the contrary notwithstanding, the Paying Agent shall have no notice of and shall not be bound by the terms and conditions of any other document or agreement unless the Paying Agent is a signatory party to such document or agreement.

SECTION 9.08 *Non-Reliance on Administrative Agent, Paying Agent and Other Parties.* Each Group Agent and Lender expressly acknowledges that neither the Administrative Agent nor the Paying Agent or any of their respective directors, officers, agents or employees has made any representations or warranties to it and that no act by the Administrative Agent or the Paying Agent hereafter taken, including any review of the affairs of Tesla, Inc., TFL, TBM and the Tesla Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent or the Paying Agent. Each Lender represents and warrants to each of the Administrative Agent and the Paying Agent that, independently and without reliance upon either the Administrative Agent, the Paying Agent or any Group Agent or any other Lender and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of Tesla, Inc., TFL, TBM and each Tesla Party and the Warehouse SUBI Assets and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. Except for items expressly required to be delivered under any Transaction Document by either the Administrative Agent or the Paying Agent, as applicable, to any Group Agent or Lender, neither the Administrative Agent nor the Paying Agent shall have any duty or responsibility to provide any Group Agent or Lender with any information concerning Tesla, Inc., TFL, TBM and the Tesla Parties or any of their Affiliates that comes into the possession of the Administrative Agent, the Paying Agent or any of their respective directors, officers, agents, employees, attorneys-in-fact or Affiliates.

SECTION 9.09 *Compensation.* Each of the Administrative Agent and the Paying Agent shall be entitled to the compensation to be agreed upon with the Borrower in writing, as may be amended from time to time as the parties hereto may agree, for all services rendered by it, and the Borrower agrees promptly to pay such compensation and to reimburse the Administrative Agent and the Paying Agent for out-of-pocket expenses (including legal fees and expenses) incurred by it in connection with the services rendered by it hereunder, as and to the extent agreed upon with the Borrower and subject to the terms of this Agreement, including Section 2.04. The obligations of the Borrower under this Section 9.09 shall survive the payment of the Loans and the resignation or removal of either the Administrative Agent or the Paying Agent and the termination of this Agreement.

SECTION 9.10 *Authorized Signatory.* Except as otherwise specifically provided herein, any order, certificate, notice, request, direction or other communication from the Borrower, TFL, the Administrative Agent, any Group Agent or any Lender made or given under any provision of this Agreement, shall be sufficient if signed by an Authorized Signatory. From time to time the Borrower and TFL will furnish the Paying Agent with a certificate as to the incumbency and specimen signatures of persons who are then Authorized Signatories. Until the Paying Agent receives a subsequent certificate from the Borrower or TFL, the Paying Agent shall be entitled to conclusively rely on the last such certificate delivered to them for purposes of determining the Authorized Signatories.

SECTION 9.11 *Successor Administrative Agent or Paying Agent.*

(a) Resignation of Administrative Agent

(i) The Administrative Agent may, upon at least thirty (30) days' notice to the Borrower, the Servicer and each Group Agent, resign as Administrative Agent; provided it also resigns as TFL Administrative Agent. Except as provided below, such resignation shall not become effective until a successor Administrative Agent is appointed by the Group Agents as a successor Administrative Agent, as a successor TFL Administrative Agent and has accepted such appointment. If no successor Administrative Agent shall have been so appointed

by the Group Agents, within thirty (30) days after the departing Administrative Agent's giving of notice of resignation, the departing Administrative Agent may, on behalf of the Secured Parties, appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Group Agents within sixty (60) days after the departing Administrative Agent's giving of notice of resignation, the departing Administrative Agent may, on behalf of the Group Agents, petition a court of competent jurisdiction to appoint a successor Administrative Agent, which successor Administrative Agent shall be either (i) a commercial bank having a combined capital and surplus of at least \$250,000,000 and short-term debt ratings of at least "A-1" from S&P and "P-1" from Moody's or (ii) an Affiliate of such an institution, and in either case shall also be the TFL Administrative Agent.

(b) *Resignation or Removal of Paying Agent*

(i) The Paying Agent may at any time resign by giving written notice of its resignation to the Borrower, the Administrative Agent and the Group Agents specifying the date on which its resignation shall become effective, subject to the conditions set forth below; provided that such date shall be at least 30 days after the receipt of such notice by the Borrower, the Administrative Agent and the Group Agents unless such parties agree in writing to accept shorter notice. The Borrower may, at any time and for any reason with the written consent of the Administrative Agent and upon at least 30 days written notice to that effect (provided that no such notice shall expire less than 15 days before or 15 days after any Payment Date) remove the Paying Agent and appoint a successor Paying Agent by written instrument in duplicate signed on behalf of the Borrower, one copy of which shall be delivered to the Paying Agent being removed and one copy to the successor Paying Agent. Upon resignation or removal, the Paying Agent shall be entitled to the payment by the Borrower of its compensation for the services rendered hereunder and to the reimbursement of all reasonable out-of-pocket expenses (including reasonable legal fees and expenses) incurred in connection with the services rendered by it hereunder, as and to the extent agreed upon with the Borrower.

(ii) In case at any time the Paying Agent shall resign, or shall be removed, or shall become incapable of acting, or be adjudged bankrupt or insolvent, or shall file a voluntary petition in bankruptcy, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if an order of any court shall be entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property shall be appointed, or if any public officer shall take charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, a successor to the Paying Agent shall be appointed by the Borrower by an instrument in writing that is consented to in writing by the Administrative Agent (which consent shall not be unreasonably withheld or delayed). Upon the appointment as aforesaid of a successor to the Paying Agent and acceptance by it of such appointment, the Paying Agent so superseded shall cease to be Paying Agent hereunder. If, after 90 days from the resignation or removal of the Paying Agent, no successor to such Paying Agent shall have been so appointed, or if so appointed, shall not have accepted appointment as hereinafter provided, any Lender or Group Agent, or such Paying Agent (at the expense of the Borrower) may petition any court of competent jurisdiction for the appointment of a successor to such Paying Agent.

(iii) Any corporation or bank into which the Paying Agent may be merged or converted, or with which the Paying Agent may be consolidated, or any corporation or bank resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any corporation or bank to which the Paying Agent shall sell or otherwise transfer all or substantially all of its assets and business, or any corporation or bank

succeeding to the corporate trust business of the Paying Agent shall be the successor to the Paying Agent hereunder, without the execution or filing of any document or any further act on the part of the parties hereto.

(iv) Any successor Paying Agent hereunder, if other than the Borrower, shall be a bank or trust company organized and doing business under the laws of the United States of America or of the State of New York, in good standing, authorized under such laws to exercise corporate trust powers and having a combined capital and surplus in excess of US \$250,000,000, and in either case shall also be the TFL Paying Agent.

(c) *Successor Requirements and Responsibilities.*

(i) The Borrower and any Administrative Agent or Paying Agent that resigns or is terminated pursuant to clause (a) or clause (b) above shall cooperate with the applicable successor Administrative Agent or successor Paying Agent, as applicable, and shall use commercially reasonable efforts, in each case, to facilitate the appointment of such successor as the Administrative Agent or the Paying Agent hereunder (including by entering into such amendments to the Control Agreements and other Transaction Documents and authorizing the filing of amendments to financing statements, in each case, as are reasonably requested by the successor Administrative Agent or the successor Paying Agent to reflect such succession).

(ii) Upon such acceptance of its appointment as Administrative Agent or Paying Agent hereunder by a successor Administrative Agent or successor Paying Agent, as applicable, such successor Administrative Agent or successor Paying Agent shall succeed to and become vested with all the rights and duties of the resigning or terminated Administrative Agent or Paying Agent, as applicable, and the resigning or terminated Administrative Agent or resigning or termination Paying Agent shall be discharged from its duties and obligations under the Transaction Documents. After the resignation or termination of the Administrative Agent or the Paying Agent under this Section 9.11, the provisions of Article XI and this Article IX shall (i) inure to its benefit as to any actions taken or omitted to be taken by it while it was either the Administrative Agent or the Paying Agent, respectively and (ii) survive with respect to any indemnification claim it may have relating to this Agreement, notwithstanding such resignation or removal or termination of this Agreement.

ARTICLE X

THE GROUP AGENTS

SECTION 10.01 *Authorization and Action.* Each Lender that belongs to a Group hereby appoints and authorizes the Group Agent for such Group to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such Group Agent by the terms hereof, together with such powers as are reasonably incidental thereto. No Group Agent shall have any duties other than those expressly set forth in the Transaction Documents, and no implied obligations or liabilities shall be read into any Transaction Document, or otherwise exist, against any Group Agent. No Group Agent assumes, nor shall it be deemed to have assumed, any obligation to, or relationship of trust or agency with Tesla, Inc., TFL, TBM, any Tesla Party or any Lender except for any obligations expressly set forth herein. Notwithstanding any provision of this Agreement or any other Transaction Document, in no event shall any Group Agent ever be required to take any action which exposes such Group Agent to personal liability or which is contrary to any provision of any Transaction Document or applicable law.

SECTION 10.02 *Group Agent's Reliance, Etc.* No Group Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as a Group Agent under or in connection with this Agreement or the other Transaction Documents in the absence of its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, a Group Agent: (a) may consult with legal counsel (including counsel for the Administrative Agent, the Borrower or the Servicer), independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (b) makes no warranty or representation to any Lender (whether written or oral) and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made by any other party in or in connection with this Agreement or any other Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Transaction Document on the part of Tesla, Inc., TFL, TBM, any Tesla Party or any other Person or to inspect the property (including the books and records) of Tesla, Inc., TFL, TBM or any Tesla Party; (d) shall not be responsible to any Committed Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Transaction Documents or any other instrument or document furnished pursuant hereto; and (e) shall be entitled to rely, and shall be fully protected in so relying, upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by telecopier or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 10.03 *Group Agent and Affiliates.* With respect to any Loan or interests therein owned by any Lender that is also a Group Agent, such Lender shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not a Group Agent. A Group Agent and any of its Affiliates may generally engage in any kind of business with Tesla, Inc., TFL, TBM, any Tesla Party, any of their respective Affiliates and any Person who may do business with or own securities of Tesla, Inc., TFL, TBM, any Tesla Party or any of their respective Affiliates, all as if such Group Agent were not a Group Agent hereunder and without any duty to account therefor to any other Secured Party.

SECTION 10.04 *Indemnification of Group Agents.* Each Committed Lender in any Group agrees to indemnify the Group Agent for such Group (to the extent not reimbursed by the Tesla Parties), ratably according to the proportion of the Percentage of such Committed Lender to the aggregate Percentages of all Committed Lenders in such Group, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Group Agent in any way relating to or arising out of this Agreement or any other Transaction Document or any action taken or omitted by such Group Agent under this Agreement or any other Transaction Document; provided that no Committed Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Group Agent's gross negligence or willful misconduct.

SECTION 10.05 *Delegation of Duties.* Each Group Agent may execute any of its duties through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Group Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

SECTION 10.06 *Action or Inaction by Group Agent.* Each Group Agent shall in all cases be fully justified in failing or refusing to take action under any Transaction Document unless it shall first receive such

advice or concurrence of the Conduit Lenders and Committed Lenders in its Group and assurance of its indemnification by the Committed Lenders in its Group, as it deems appropriate. Each Group Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request or at the direction of the Committed Lenders in its Group representing a majority of the Commitments in such Group, and such request or direction and any action taken or failure to act pursuant thereto shall be binding upon all Conduit Lenders and Committed Lenders in its Group.

SECTION 10.07 *Notice of Events of Default.* No Group Agent shall be deemed to have knowledge or notice of the occurrence of any Servicer Default, Default or Event of Default unless such Group Agent has received notice from the Administrative Agent, any other Group Agent, any Lender, the Servicer or the Borrower stating that a Servicer Default, Default or Event of Default has occurred hereunder and describing such Servicer Default, Default or Event of Default. If a Group Agent receives such a notice, it shall promptly give notice thereof to the Lenders in its Group and to the Administrative Agent (but only if such notice received by such Group Agent was not sent by the Administrative Agent). A Group Agent may take such action concerning a Servicer Default, Default or Event of Default as may be directed by Committed Lenders in its Group representing a majority of the Commitments in such Group (subject to the other provisions of this Article X), but until such Group Agent receives such directions, such Group Agent may (but shall not be obligated to) take such action, or refrain from taking such action, as such Group Agent deems advisable and in the best interests of the Conduit Lenders and Committed Lenders in its Group.

SECTION 10.08 *Non-Reliance on Group Agent and Other Parties.* Except to the extent otherwise agreed to in writing between a Lender and its Group Agent, each Lender expressly acknowledges that neither the Group Agent for its Group nor any of such Group Agent's directors, officers, agents or employees has made any representations or warranties to it and that no act by such Group Agent hereafter taken, including any review of the affairs of the Tesla Parties, shall be deemed to constitute any representation or warranty by such Group Agent. Each Lender represents and warrants to the Group Agent for its Group that, independently and without reliance upon such Group Agent, any other Group Agent, the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Tesla Parties and the Warehouse SUBI Assets and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. Except for items expressly required to be delivered under any Transaction Document by a Group Agent to any Lender in its Group, no Group Agent shall have any duty or responsibility to provide any Lender in its Group with any information concerning the Tesla Parties or any of their Affiliates that comes into the possession of such Group Agent or any of its directors, officers, agents, employees, attorneys-in-fact or Affiliates.

SECTION 10.09 *Successor Group Agent.* Any Group Agent may, upon at least thirty (30) days' notice to the Administrative Agent, the Borrower, the Servicer and the Lenders in its Group, resign as Group Agent for its Group. Such resignation shall not become effective until a successor Group Agent is appointed in the manner prescribed by the relevant Liquidity Agreement (if any) or, in the absence of any provisions in such Liquidity Agreement providing for the appointment of a successor Group Agent, until a successor Group Agent is appointed by the Conduit Lender(s) in such Group (with the consent of Committed Lenders representing a majority of the Commitments in such Group) and such successor Group Agent has accepted such appointment. If no successor Group Agent shall have been so appointed within thirty (30) days after the departing Group Agent's giving of notice of resignation, then the departing Group Agent may, on behalf of the Lenders in its Group, appoint a successor Group Agent for such Group, which successor Group Agent shall have short-term

debt ratings of at least "A-1" from S&P and "P-1" from Moody's and shall be either a commercial bank having a combined capital and surplus of at least \$250,000,000 or an Affiliate of such an institution. Upon such acceptance of its appointment as Group Agent for such Group hereunder by a successor Group Agent, such successor Group Agent shall succeed to and become vested with all the rights and duties of the resigning Group Agent, and the resigning Group Agent shall be discharged from its duties and obligations under the Transaction Documents. After any resigning Group Agent's resignation hereunder, the provisions of Article XI and this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was a Group Agent. Each Group Agent shall also act in the same role as a group agent under the TFL Warehouse Agreement.

SECTION 10.10 *Reliance on Group Agent.* Unless otherwise advised in writing by a Group Agent or by any Lender in such Group Agent's Group, each party to this Agreement may assume that (i) such Group Agent is acting for the benefit and on behalf of each of the Lenders in its Group, as well as for the benefit of each assignee or other transferee from any such Person, and (ii) each action taken by such Group Agent has been duly authorized and approved by all necessary action on the part of the Lenders in its Group.

ARTICLE XI

INDEMNIFICATION

SECTION 11.01 *Indemnification.* (a) Without limiting any other rights that any Lender Party may have hereunder or under applicable law, the Borrower hereby agrees to indemnify each Indemnified Party from and against any and all damages, losses, claims, liabilities, documented and reasonable costs and expenses (other than any damages, losses, claims, liabilities, costs and expenses in respect of taxes, which shall be governed by Section 11.02), including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as "*Indemnified Amounts*") awarded against or incurred by any of them arising out of or as a result of this Agreement, the other Transaction Documents or the ownership of the Loans, or their respective interests in the Collateral, excluding, however, Indemnified Amounts to the extent resulting from the fraud, bad faith, gross negligence or willful misconduct on the part of the applicable Indemnified Party. Without limiting the generality of the foregoing, the Borrower shall indemnify each Indemnified Party for Indemnified Amounts relating to or resulting from:

(i) reliance on any representation or warranty made by the Borrower (or any officers of the Borrower) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by the Borrower pursuant hereto, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) the failure by the Borrower to comply in all material respects with any applicable law, rule or regulation with respect to any Lease or any portion thereof, or the nonconformity of any Lease, or any portion thereof, with any such applicable law, rule or regulation;

(iii) the failure to vest and maintain vested in the Administrative Agent, a first priority perfected security interest in the Collateral free and clear of any Adverse Claim;

(iv) the failure to file, or delay in filing, financing statements or other similar instruments or documents under the Relevant UCC or other applicable laws with respect to any portion of the Collateral or the Warehouse SUBI Leases;

(v) any dispute, claim, offset or defense of a Lessee (other than discharge in bankruptcy of a Lessee or arising from the financial inability of a Lessee to pay) to the payment of any Lease (including a defense based on the related Lease not being a legal, valid and binding obligation of such Lessee enforceable against it in accordance with its terms), or any other claim resulting from the lease of a Leased Vehicle or furnishing of services related to such Leases or Leased Vehicles, or the failure to furnish such services;

(vi) any failure of the Borrower to perform its respective duties or obligations in accordance with the provisions of this Agreement or the other Transaction Documents;

(vii) any products liability claim or personal injury or property damage suit arising out of or in connection with Leased Vehicles or services that are the subject of any Leases or Leased Vehicles;

(viii) the commingling of Collections; or

(ix) any litigation, proceeding or investigation (a) before any Governmental Authority in respect of any Warehouse SUBI Lease or Warehouse SUBI Leased Vehicle (1) that is not commenced by such Indemnified Party or (2) if commenced by an Indemnified Party, in which such Indemnified Party is the prevailing party; or (b) relating to or arising from the Transaction Documents, the transactions contemplated hereby and thereby, the use of proceeds of the Loans by the Borrower or any other investigation, litigation or proceeding relating to the Borrower in which any Indemnified Person becomes involved as a result of any of the transactions contemplated by the Transaction Documents, excluding, however, in each case, Indemnified Amounts to the extent resulting from the fraud, bad faith, gross negligence or willful misconduct on the part of the applicable Indemnified Party.

(b) Promptly upon receipt by an Indemnified Party under this Section 11.01 of notice of the commencement of any suit, action, claim, proceeding or governmental investigation against such Indemnified Party, such Indemnified Party shall, if a claim in respect thereof is to be made against the Borrower under this Section, promptly notify the Borrower in writing of the commencement. Such Indemnified Party's failure or delay to so promptly notify the Borrower shall not limit the obligations of the Borrower to such Indemnified Party in respect of such claim except to the extent the Borrower is actually prejudiced in its defense of such claim by such failure or delay. The Borrower may participate in and assume the defense of any such suit, action, claim, proceeding or investigation at its expense, and no settlement thereof shall be made without the approval of the Borrower and such Indemnified Party. The approval of the Borrower shall not be unreasonably withheld or delayed. After notice from the Borrower to such Indemnified Party of its intention to assume the defense thereof with counsel reasonably satisfactory to such Indemnified Party, and so long as the Borrower so assumes the defense thereof in a manner reasonably satisfactory to such Indemnified Party, the Borrower shall not be liable for any legal expenses of counsel for such Indemnified Party unless there shall be a conflict between the interests of the Borrower and such Indemnified Party, in which case such Indemnified Party shall have the right to employ counsel to represent it at the Borrower's expense. If the Borrower shall have made any indemnity payments pursuant to this Section 11.01 and such Indemnified Party thereafter collects any of such amounts from others, such Indemnified Party shall promptly repay such amounts to the Borrower, without interest (except to the extent interest is received by such Indemnified Party).

The obligations under this Section shall survive the termination of this Agreement and the resignation or removal of the Administrative Agent or Paying Agent, as applicable.

SECTION 11.02 *Tax Indemnification.*

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) The Borrower shall indemnify each Recipient and the Paying Agent, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or the Paying Agent, as applicable, or required to be withheld or deducted from a payment to such Recipient or the Paying Agent and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of another Lender Party, shall be conclusive absent manifest error.

(d) Each Lender shall severally indemnify the Administrative Agent and the Paying Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent or the Paying Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.10(h) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent or the Paying Agent in connection with this Agreement, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent and the Paying Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or otherwise payable by the Administrative Agent or the Paying Agent to the Lender from any other source against any amount due to the Administrative Agent or the Paying Agent under this paragraph (d).

(e) As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 11.02, the Borrower shall deliver to the Administrative Agent or the Paying Agent, as applicable, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent or the Paying Agent.

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments made hereunder shall deliver to the Servicer, the Borrower, the Paying Agent and the Administrative Agent, at the time or times reasonably requested by the Servicer, the Borrower, the Paying Agent or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Servicer, the Borrower, the Paying Agent or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Servicer, the Borrower, the Paying Agent or the Administrative Agent, shall deliver such documentation prescribed by applicable law or reasonably requested by the Borrower, the Paying Agent or the Administrative Agent as will enable the Servicer, the Borrower, the Paying Agent or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 11.02(f)(ii)(A), (ii)(B), and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Servicer, the Borrower, the Paying Agent and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Servicer, the Borrower, the Paying Agent or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax.

(B) Any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower, the Paying Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Servicer, the Borrower, the Paying Agent or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest hereunder, executed originals of IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments hereunder, IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI; or

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal Revenue Code, (x) a certificate substantially to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a controlled foreign corporation” described in Section 881(c)(3)(C) of the Internal Revenue Code and (y) executed originals of IRS Form W-8BEN-E.

(C) Any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower, the Paying Agent and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower, the Paying Agent or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower, the Paying Agent or the Administrative Agent to determine the withholding or deduction required to be made.

(D) If a payment made to a Recipient under any Loan Document would be subject to U.S. federal withholding tax imposed by FATCA if such Recipient were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Recipient shall deliver to the Borrower, the Paying Agent and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower, the Paying Agent or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower, the Paying Agent or the Administrative Agent as may be necessary for the Borrower, the Paying Agent and the Administrative Agent to comply with their obligations under FATCA and to determine that such Recipient has complied with such Recipient’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Any Administrative Agent or Group Agent that is a U.S. Person shall deliver to the Borrower and the Servicer executed originals of IRS Form W-9 certifying that such Person is exempt from U.S. federal backup withholding tax (in each case, if such form was not provided pursuant to Section 11.02(f)(ii)(A) above). Any Administrative Agent or Group Agent that is not a U.S. Person shall deliver to the Borrower and the Servicer (and in the case of a Group Agent, to the Administrative Agent) two duly completed executed originals of Form W-8IMY certifying that it is a “U.S. branch” and that the payments it receives for the account of others hereunder are not effectively connected with the conduct of its trade or business in the United States and that such Form W-8IMY evidences its agreement with the Borrower to be treated as a “United States person” with respect to such payments (in each case, pursuant to Treasury Regulation section 1.1441-1T(b)(2)(iv)).

Each Recipient agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

SECTION 11.03 *Additional Costs.*

(a) The Borrower shall pay to each Indemnified Party from time to time as specified in Section 11.04, such amounts reasonably necessary to compensate it for any increase in costs which are attributable to its funding a Loan or being committed to fund the same under this Agreement, or any reduction in any amount receivable by such Indemnified Party hereunder, under a Loan in respect of any such purchase or funding obligation (such increases in costs, payments and reductions in amounts receivable being herein called "Additional Costs") resulting from any Regulatory Requirement and which (i) imposes any tax on, or changes the method or basis of taxation of, any amounts payable to such Lender under this Agreement in respect of any such purchase or funding (in each case) excluding (x) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, (y) Connection Income Taxes, and (z) Indemnified Taxes, (ii) imposes or modifies any reserve, special deposit, deposit insurance or assessment, capital or similar requirements relating to any extensions of credit or other assets of, or any deposits with or credit extended by such Indemnified Party or (iii) imposes any other condition affecting this Agreement (or any of such extensions of credit or liabilities); provided that the Borrower shall not be required to compensate an Indemnified Party pursuant to this Section 11.03 for any increased costs incurred or reductions suffered more than twelve (12) months prior to the date that such Indemnified Party notifies the Borrower of the Regulatory Requirement giving rise to such increased costs or reductions, and of such Indemnified Party's intention to claim compensation therefor (except that, if the Regulatory Requirement giving rise to such increased costs or reductions is retroactive, then the twelve-month period referred to above shall be extended to include the period of retroactive effect thereof). Each of the Borrower and the Servicer acknowledges that any Indemnified Party may implement, as an internal institutional matter, measures in anticipation of a final or proposed Regulatory Requirement (including, without limitation, the imposition of internal charges on such Indemnified Party's interest or obligations under this Agreement) and may commence recognizing the incurrence of charges by and seeking compensation under this Section 11.03(a) in connection with such measures, in advance of the effective date of such final or proposed Regulatory Requirement, and each of the Borrower and the Servicer agrees that such charges or compensation shall be payable, but only to the extent funds are then or thereafter become available therefor pursuant to Section 2.04(c) of this Agreement following demand therefor without regard to whether such proposed Regulatory Requirement has been adopted or whether such effective date has occurred.

(b) If any Indemnified Party has or anticipates having any claim for Additional Costs from the Borrower pursuant to Section 11.03(a), and such Indemnified Party believes that having the facility evidenced by this Agreement publicly rated by a credit rating agency would reduce the amount of such Additional Costs (such amount "Reduction Amount") by an amount deemed by such Indemnified Party to be material, such Indemnified Party shall provide written notice to the Borrower and the Servicer (a "Ratings Request") that such Indemnified Party intends to request public ratings of the facility from a credit rating agency selected by such Indemnified Party and reasonably acceptable to the Servicer (the "Facility Rating"). The Borrower and TFL agree that they shall cooperate with such Indemnified Party's efforts to obtain a Facility Rating within 60 days of such request, and shall provide the applicable credit rating agency (either directly or through distribution to the Administrative Agent or such Indemnified Party), any information requested by such credit rating agency for purposes of providing and monitoring the Facility Rating. The Indemnified Party requesting the ratings shall pay the initial fees payable to the credit rating agency for providing the rating and all ongoing fees payable to the credit rating

agency to the extent not paid by the Borrower. The Borrower shall pay such ongoing fees payable to the credit rating agency for its continued monitoring of the rating up to the Reduction Amount. Nothing in this Section 11.03(b) shall preclude any Indemnified Party from demanding compensation from the Borrower pursuant to Section 11.03(a) at any time and without regard to whether a Facility Rating shall have been obtained, or shall require any Indemnified Party to obtain any ratings on the facility prior to demanding any such compensation from the Borrower. Any Facility Rating obtained pursuant to this Section 11.03(b) is exclusively for purposes of Section 11.03 and shall not amend or modify any other term or provision of this Agreement or any other Transaction Document.

SECTION 11.04 *Procedures for Indemnification; Etc.*

(a) Each Indemnified Party agrees to promptly notify the Borrower of (i) any event of which it has knowledge which will entitle such Person to compensation or indemnification from the Borrower, and (ii) any potential tax assessment of which it has knowledge by any tax authority for which the Borrower may be liable pursuant to Section 11.02(c) or 11.03. Such Indemnified Party's failure or delay to so promptly notify the Borrower shall not limit the obligations of the Borrower to such Indemnified Party in respect of such claim except to the extent the Borrower is actually materially prejudiced in its defense of such claim by such failure or delay. Any such notice claiming compensation or indemnification hereunder shall, if applicable, set forth in reasonable detail and in good faith the amount or amounts to be paid to such Indemnified Party hereunder and shall be conclusive in the absence of manifest error. In determining such amount, such Indemnified Party may use any reasonable averaging and attribution methods. The Borrower shall pay each claim for compensation for which it is liable under Section 11.02(c) or 11.03 on the first Payment Date which is at least ten (10) days after notice of such claim is given to the Borrower.

(b) Each Indemnified Party agrees that it will use reasonable efforts to mitigate, reduce or eliminate any claim for indemnity pursuant to Section 11.02 or 11.03 including, subject to applicable law, a change in the funding office of such Indemnified Party; provided, however, that nothing contained herein shall obligate such Indemnified Party to take any action that imposes on such Indemnified Party any material additional costs or any legal or regulatory burdens, nor which, in such Indemnified Party's sole discretion, would have an adverse effect on its business, operations or financial condition.

(c) If any Indemnified Party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to Section 11.02 or Section 11.03, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under Section 11.02 or Section 11.03 with respect to the Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of such Indemnified Party, as the case may be, and without interest (other than any interest paid by the relevant Official Body with respect to such refund), provided that the Borrower, upon the request of such Indemnified Party, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Official Body) to such Indemnified Party in the event such Indemnified Party is required to repay such refund to such Official Body. Notwithstanding anything to the contrary in this paragraph, in no event will any Indemnified Party be required to pay any amount to the Borrower pursuant to this paragraph the payment of which would place such Indemnified Party in a less favorable net after-Tax position than such Indemnified Party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any Indemnified Party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

SECTION 11.05 *Other Costs and Expenses.* The Borrower shall pay on the first Payment Date which is at least ten (10) Business Days after demand therefor, all actual and reasonable documented costs and expenses of (i) the Lender Parties and the Paying Agent in connection with the administration or amendment of this Agreement, the other Transaction Documents and the other documents to be delivered hereunder, including reasonable and documented fees and out-of-pocket expenses of legal counsel for the Administrative Agent and the Paying Agent, and the actual and reasonable documented fees and expenses incurred by any Conduit Lender in connection with the transactions contemplated by this Agreement in obtaining reaffirmation by any Rating Agency of its rating of the commercial paper notes issued by such Conduit Lender and (ii) the Lender Parties and the Paying Agent in connection with obtaining advice as to its rights and remedies under this Agreement or any other Transaction Document or in connection with the enforcement hereof or thereof, including reasonable and documented counsel fees and expenses of each such Person in connection therewith.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01 *Term of Agreement.* This Agreement shall terminate following the Termination Date upon the earlier to occur of (i) the Payoff Date or (ii) the date on which all Leases have been collected and distributed to the Administrative Agent or written off by the Servicer as being uncollectible in accordance with its Credit and Collection Policy; provided, however, that (i) the indemnification and payment provisions of Article XI and (ii) the agreements set forth in Article XII shall be continuing and shall survive any termination of this Agreement. For the avoidance of doubt, after termination of this Agreement, the Administrative Agent shall cease to have any read only access rights under the eVault Letter Agreement. The provisions of Article IX shall survive the termination of this Agreement and the resignation or removal of the Administrative Agent or the Paying Agent.

SECTION 12.02 *Waivers; Amendments.*

(a) No failure on the part of the Group Agents, the Conduit Lenders, the Committed Lenders, the Paying Agent or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. No amendment or waiver of any provision of this Agreement or consent to any departure by the Borrower or TFL therefrom shall be effective unless in a writing signed by the Administrative Agent and the Required Group Agents (and, in the case of any amendment, also signed by the Borrower and, if applicable, TFL), and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent that modifies any of the Supermajority Terms shall be effective unless in writing and signed by the Required Supermajority Group Agents; provided, further, however, that no such waiver, amendment, or consent shall, unless in writing and signed by the Group Agents for all the Lenders directly affected thereby (or by the Administrative Agent with the consent of the Group Agents for all the Lenders directly affected thereby), in addition to the Required Group Agents or Required Supermajority Group Agents, as the case may be, (or by the Administrative Agent with the consent of the Required Group Agents or Required Supermajority Group Agents, as the case may be) and Borrower and acknowledged by the Administrative Agent, do any of the following:

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[*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

(i) increase or extend the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02(a));

(ii) postpone or delay any date fixed for, or waive, any scheduled installment of principal or any payment of interest (other than a waiver of the imposition of the default interest margin pursuant to the terms of the Transaction Documents), fees or other amounts due to the Lenders (or any of them) under any other Transaction Document;

(iii) reduce the principal of, or the rate of interest specified herein (other than a waiver of the imposition of the default interest margin pursuant to the terms of the Transaction Documents), or of any fees or other amounts payable hereunder or under any other Transaction Document;

(iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which shall be required for the Lenders or any of them to take any action hereunder;

(v) amend this Section 12.02 or the definition of "Required Group Agents" or the definition of "Supermajority Terms" or the definition of "Required Supermajority Group Agents" or any provision providing for consent or other action by all Lenders or amend the definition of "Commitment Percentage" or "Percentage;" or

(vi) discharge TFL or any Tesla Party from its respective payment Secured Obligations under the Transaction Documents, or release all or substantially all of the Collateral, except as otherwise may be provided in this Agreement or the other Transaction Documents;

it being agreed that all Lenders shall be deemed to be directly affected by an amendment or waiver of the type described in the preceding clauses (iv), (v) and (vi).

(b) No amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent, in addition to the Required Group Agents or the Group Agents for all Lenders directly affected thereby, as the case may be (or by the Administrative Agent with the consent of the Required Group Agents or the Group Agents for all the Lenders directly affected thereby, as the case may be), affect the rights or duties of the Administrative Agent, under this Agreement or any other Transaction Document. No amendment, waiver or consent shall, unless in writing and signed by the Paying Agent, affect the rights or duties of the Paying Agent, under this Agreement or any other Transaction Documents. No amendment, modification or waiver of this Agreement or any Transaction Document altering the ratable treatment of Secured Obligations arising under Eligible Interest Rate Hedges resulting in such Secured Obligations being junior in right of payment to principal of the Loans or resulting in Secured Obligations owing to any Eligible Interest Rate Hedge Provider becoming unsecured (other than releases of Liens permitted in accordance with the terms hereof), in each case in a manner adverse to any Eligible Interest Rate Hedge Provider, shall be effective without the written consent of such Eligible Interest Rate Hedge Provider.

(c) No amendment or waiver which affects the rights of the Trustee Bank with respect to Section 2.04 shall be effective without, in each specific instance, the written approval of the Trustee Bank.

SECTION 12.03 *No Implied Waiver; Cumulative Remedies.* No course of dealing and no delay or failure of any Lender Party in exercising any right, power or privilege under the Transaction Documents shall affect any other or future exercise thereof or the exercise of any other right, power or privilege; nor shall any

single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Lender Parties under the Transaction Documents are cumulative and not exclusive of any rights or remedies that the Lender Parties may otherwise have.

SECTION 12.04 *No Discharge*. The respective obligations of the Borrower and TFL under the Transaction Documents shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by (a) any exercise or nonexercise of any right, remedy, power or privilege under or in respect of the Transaction Documents or applicable law, including any failure to set-off or release in whole or in part by any Lender Party of any balance of any deposit account or credit on its books in favor of the Borrower or TFL, as the case may be, or any waiver, consent, extension, indulgence or other action or inaction in respect of any thereof, or (b) any other act or thing or omission or delay to do any other act or thing that could operate as a discharge of the Borrower or TFL as a matter of law.

SECTION 12.05 *Notices*. All notices, requests, demands, directions and other communications (collectively "*notices*") under the provisions of this Agreement shall be in writing (including facsimile or electronic communication, if the recipient provides an e-mail address) unless otherwise expressly permitted hereunder and shall be sent by first-class mail, postage prepaid, electronic mail, prepaid courier, or by facsimile. Any such properly given notice shall be effective when received. All notices shall be sent to the applicable party at the addresses specified below or on *Schedule 6* hereto, as applicable, or in accordance with the last unrevoked written direction from such party to the other parties hereto.

If to Borrower: c/o Tesla, Inc.
 3500 Deer Creek Road
 Palo Alto, CA 94304
 Attention: General Counsel

 With a copy to
 c/o Tesla, Inc.
 6800 Dumbarton Circle
 Fremont, CA 94555
 Attention: Legal, Finance

If to TFL: c/o Tesla, Inc.
 3500 Deer Creek Road
 Palo Alto, CA 94304
 Attention: General Counsel

 With a copy to
 c/o Tesla, Inc.
 6800 Dumbarton Circle
 Fremont, CA 94555
 Attention: Legal, Finance

If to the Paying Agent: Deutsche Bank Trust Company Americas
Global Securities Services (GSS)
100 Plaza One, 8th Floor
Mail stop: JCY03-0801
Jersey City, New Jersey 07311-3901
Tel: +1 (201) 593-8420
Fax: + (212) 553-2458
Email: Michele.hy.voon@db.com

If to the Administrative Agent: Deutsche Bank AG, New York Branch
60 Wall Street, 5th Floor
New York, New York 10005
Tel: (212) 250-3001
Fax: (212) 797-5300
Attention: Katherine Bologna
Email: abs.conduits@db.com and
katherine.bologna@db.com

SECTION 12.06 *Governing Law; Submission to Jurisdiction.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS (OTHER THAN SECTION 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW). Each party hereto hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State Court sitting in New York, New York for purposes of all legal proceedings arising out of or relating to this Agreement, any other Transaction Document or the transactions contemplated hereby or thereby. Each party hereto hereby irrevocably waives, to the fullest extent it may effectively do so, any objection which it may now or hereafter have to the laying of venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. Nothing in this Section 12.06 shall affect the right of any party hereto to bring any action or proceeding against any other party or their respective properties in the courts of other jurisdictions.

SECTION 12.07 *Integration.* This Agreement and the other Transaction Documents contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire understanding among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

SECTION 12.08 *Counterparts; Severability.*

(a) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

(b) Any provisions of this Agreement that are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 12.09 *Set-Off*.

(a) The Borrower hereby waives any right of setoff which it may have or to which it may be entitled against any Lender Party and their respective assets.

(b) In case an Event of Default shall occur and be continuing, each Lender Party, to the fullest extent permitted by law, shall have the right, in addition to all other rights and remedies available to it, without notice to the Borrower, as the case may be, to set-off against and to appropriate and apply to any amount owing by the Borrower hereunder which has become due and payable, any debt owing to, and any other funds held in any manner for the account of, the Borrower by such Lender Party, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise), now or hereafter maintained by the Borrower with such Lender Party (it being understood that no such set-off with respect to either the Borrower shall be applied to any amounts owing by the other such Person hereunder). Such right shall exist whether or not such debt owing to, or funds held for the account of, the Borrower is or are matured other than by operation of this Section 12.09 and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to the Lender Parties. Nothing in this Agreement shall be deemed a waiver or prohibition or restriction of any Lender Party's rights of set-off or other rights under applicable law.

SECTION 12.10 *Successors and Assigns*. (a) Binding. This Agreement shall be binding on the parties hereto and their respective successors and assigns; provided, however, that neither the Borrower nor TFL may assign any of its rights or delegate any of its duties hereunder without the prior written consent of the Administrative Agent and each Group Agent.

(b) Assignment by Conduit Lender. This Agreement and the rights of each Conduit Lender hereunder (including each Loan made by it hereunder) shall be assignable by such Conduit Lender and its successors and permitted assigns (A) to any Program Support Provider or Affiliate of a Program Support Provider of such Conduit Lender, any commercial paper issuer supported by a Program Support Provider or any collateral agent or collateral trustee under its related commercial paper program documents without prior notice to or consent from any Tesla Party, TBM, TFL or Tesla, Inc. or any other party, or any other condition or restriction of any kind or (B) with the prior written consent of the Borrower (such consent not to be unreasonably withheld or delayed, to any other Eligible Assignee; provided, however, that such consent shall not be required if an Event of Default, Default or Servicer Default has occurred and is continuing).

(c) Information. Each assignor of a Loan or any interest therein may, in connection with the assignment or participation, disclose to the assignee (if such assignee would be permitted under the Transaction Documents) or participant any information relating to the Tesla Parties TFL, TBM or Tesla, Inc., including the Warehouse SUBI Assets, furnished to such assignor by or on behalf of any Tesla Party, TFL, TBM or Tesla, Inc. or by the Administrative Agent; provided that, prior to any such disclosure, such assignee or participant agrees to preserve the confidentiality of any confidential information relating to the Tesla Parties, TFL, TBM and Tesla, Inc. received by it from any of the foregoing entities in a manner consistent with Section 12.11.

(d) Assignment by Committed Lender. Each Committed Lender may assign to any Eligible Assignee or to any other Committed Lender all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and any Loan or interests therein owned by it); provided, however that

(A) except for an assignment by a Committed Lender to any Lender or any Affiliate of any Committed Lender, each such assignment shall require the prior written consent of the Borrower (such consent not to be unreasonably withheld or delayed; provided, however, that such consent of the Borrower shall not be required if an Event of Default, Default or Servicer Default has occurred and is continuing);

(B) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement;

(C) the amount being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance Agreement with respect to such assignment) shall in no event be less than the lesser of (x) \$5,000,000 and (y) all of the assigning Committed Lender's Commitment; and,

(D) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register (as defined below), an Assignment and Acceptance Agreement.

Upon such execution, delivery, acceptance and recording from and after the effective date specified in such Assignment and Acceptance Agreement, (x) the assignee thereunder shall be a party to this Agreement and, to the extent that rights and obligations under this Agreement have been assigned to it pursuant to such Assignment and Acceptance Agreement, have the rights and obligations of a Committed Lender hereunder and (y) the assigning Committed Lender shall, to the extent that rights and obligations have been assigned by it pursuant to such Assignment and Acceptance Agreement, relinquish such rights and be released from such obligations under this Agreement (and, in the case of an Assignment and Acceptance Agreement covering all or the remaining portion of an assigning Committed Lender's rights and obligations under this Agreement, such Committed Lender shall cease to be a party hereto). In addition, any Committed Lender or any of its Affiliates may assign any of its rights (including rights to payment of principal and Interest) under this Agreement to any Federal Reserve Bank without notice to or consent of any Tesla Party, any other Committed Lender or Conduit Lender, any Group Agent or the Administrative Agent, provided that no such assignment shall relieve such assignor of its obligations under this Agreement.

(e) [Reserved].

(f) Procedure. Upon its receipt of an Assignment and Acceptance Agreement executed and delivered by an assigning Committed Lender and an Eligible Assignee or assignee Committed Lender, the Administrative Agent shall, if such Assignment and Acceptance Agreement has been duly completed, (i) accept such Assignment and Acceptance Agreement, (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to the Borrower and the Servicer.

(g) Participations. Each Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more Eligible Assignees (each, a "*Participant*") participating interests in all or a portion of its rights and obligations under the Loans. Notwithstanding any such sale by such Lender of participating interests to a Participant, (i) such Lender's rights and obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible for the performance hereof and thereof, and (iii) the Borrower and the Servicer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the Loans. Each Lender agrees that any agreement between such Lender and any such Participant in respect of such participating interest shall not restrict

or condition such Lender's right to agree to any amendment, supplement, waiver or modification of this Agreement. The Borrower agrees that each Participant shall be entitled to the benefits of Article XI (subject to the requirements and limitations therein, including the requirements under Section 11.02(f) to the same extent as if such Participant were a Lender and had acquired such participation pursuant to an assignment), it being understood that the documentation required under Section 11.02(f) shall be delivered to the participating Lender to the same extent as if such Participant was a Lender and had acquired such Participation pursuant to an assignment; provided that all such amounts payable by the Borrower to any such Participant shall be limited to the amounts which would have been payable to such Lender selling such participating interest had such interest not been sold; provided further that such Participant agrees to be subject to the provisions of Section 11.04 as if it were a Lender.

(h) Participant Register. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement (the "Participant Register"); provided that no Committed Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any this Agreement) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(i) Assignments by Agents. This Agreement and the rights and obligations of the Administrative Agent and each Group Agent herein shall be assignable by the Administrative Agent or such Group Agent, as the case may be, and its successors and assigns; provided that in the case of an assignment to a Person that is not an Affiliate of the Administrative Agent or such Group Agent, so long as no Event of Default, Default or Servicer Default has occurred and is continuing, such assignment shall require the Borrower's consent (not to be unreasonably withheld or delayed).

(j) **Limitation on Assignments and Participations**. **Notwithstanding anything to the contrary contained in the Transaction Documents, none of the Administration Agent, any Group Agent or any Lender may assign or participate all or any portion of its rights and obligations hereunder unless, contemporaneous with such assignment or participation, such Person makes a pro rata assignment or participation to the same assignee or participant, as the case may be, of the same rights and obligations under the TFL Warehouse Agreement.**

(k) Addition of Lenders or Groups. The Borrower may, from time to time, with the written consent of the Administrative Agent and each Group Agent, add additional Persons as Lenders (either to an existing Group or by creating new Groups). Each new Lender (or Group) shall become a party hereto, by executing and delivering to the Administrative Agent and the Borrower, an assumption agreement (each, an "Assumption Agreement") in the form of Exhibit N hereto (which Assumption Agreement shall, in the case of any new Lender or Lenders, be executed by each Person in such new Lender's Group).

SECTION 12.11 *Confidentiality*. The Administrative Agent, each Group Agent, each Lender, the Paying Agent, the Borrower and TFL shall keep all non-public information obtained pursuant to this Agreement and the transactions contemplated hereby or effected in connection herewith confidential in accordance with customary procedures for handling confidential information of this nature and will not disclose such information to outside parties but may make disclosure (a) reasonably required by (i) a bona fide transferee (including an assignee or a Participant) or prospective transferee (including a prospective assignee or Participant) that is an Eligible Assignee, including any successor Lender in connection with the participation in this Agreement by such successor Lender, and its counsel and auditors, (ii) a commercial paper issuer or any provider of liquidity or credit support facilities to, or for the account of, a commercial paper issuer, any person acting or proposed to act as a placement agent, dealer or investor with respect to any commercial paper notes issued by or on behalf of a Conduit Lender (provided that any confidential information provided to any such placement agent, dealer or investor does not reveal the identity of the Borrower, TFL or any Affiliate thereto and is limited to information of the type that is typically provided to such entities by asset backed commercial paper conduits) and its or their counsel and auditors, provided that any such bona fide transferee or prospective transferee, including without limitation, any successor Lender, any commercial paper issuer or provider of liquidity or credit support facilities to a commercial paper issuer, and its counsel and auditors to whom such disclosure is made shall abide by the confidentiality provisions of this Section 12.11 or (iii) any member or other Person holding equity interests in a commercial paper conduit purchaser; provided that any such member or other Person has agreed to hold such information in confidence, (b) necessary in order to obtain any consents, approvals, waivers or other arrangements required to permit the execution, delivery and performance by the Borrower and TFL of this Agreement, (c) in connection with the enforcement of this Agreement or any other Transaction Document, (d) as required or requested by any Official Body, regulatory, self-regulatory or supervisory authority having proper jurisdiction or pursuant to legal process or as required by applicable law (including securities laws), (e) to any Rating Agency, provided that such Rating Agency has agreed to hold such information in accordance with such Rating Agency's customary procedures, (f) to its attorneys, accountants, agents and Affiliates on a need to know basis provided that each such person to whom disclosure is made shall abide by the confidentiality provisions of this Section 12.11 and (g) without limiting preceding clause (e), to any "nationally recognized statistical rating organization" (as defined in, or by reference to, Rule 17g-5 under the Securities Exchange Act of 1934, as amended ("*Rule 17g-5*")) (each an "*NRSRO*") by posting such confidential information to a password protected internet website accessible to each NRSRO in connection with, and subject to the terms of, Rule 17g-5. Each Lender Party agrees that any confidential information (which includes all information (i) that is not and does not hereafter become publicly available through no fault of such Lender Party or any of its agents or representatives and (ii) that is provided by the Borrower or TFL or any of their respective agents or representatives, in any format whatsoever, including any and all analyses, compilations, reports or other material based upon such information and prepared by such Lender Party or any of its agents or representatives) shall be used only in connection with this Agreement and the transactions contemplated hereby and not for any other purpose; provided, however, that such Lender Party may disclose on a confidential basis any such confidential information to any Rating Agency. Without limiting the generality of the foregoing, each Lender Party shall observe any applicable law prohibiting the disclosure of information regarding Lessees and shall request of each Person to whom disclosure is made pursuant to this Section 12.11 to observe any such applicable laws.

Notwithstanding any other provision herein, each Lender Party, the Borrower and TFL (and each of their respective employees, representatives or other agents) may disclose to any and all Persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transaction contemplated by this Agreement and the other agreements related hereto and all materials of any kind (including opinions or other tax analysis) that are provided to any of them relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

SECTION 12.12 *Payments Set Aside.* To the extent that the Borrower, TFL or any Lessee makes a payment to a Lender Party or a Lender Party exercises its rights of set-off and such payment or set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by, or is required to be refunded, rescinded, returned, repaid or otherwise restored to the Borrower, TFL, such Lessee, a trustee, a receiver or any other Person under any law, including any bankruptcy law, any state or federal law, common law or equitable cause, the obligation or part thereof originally intended to be satisfied shall, to the extent of any such restoration, be reinstated, revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred. The provisions of this Section 12.12 shall survive the termination of this Agreement.

SECTION 12.13 *No Petition.*

(a) Each party hereto agrees, prior to the date which is one (1) year and one (1) day after the payment in full of all indebtedness for borrowed money of the Borrower, not to acquiesce, petition or otherwise, directly or indirectly, invoke, or cause the Borrower to invoke, the process of any Official Body for the purpose of (i) commencing or sustaining a case against Borrower, under any federal or state bankruptcy, insolvency or similar law (including the Bankruptcy Code), (ii) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Borrower, or any substantial part of the property of the Borrower, or (iii) ordering the winding up or liquidation of the affairs of the Borrower.

(b) Each party hereto agrees, prior to the date which is one (1) year and one (1) day after the payment in full of all indebtedness for borrowed money of any Conduit Lender, not to acquiesce, petition or otherwise, directly or indirectly, invoke, or cause such Conduit Lender to invoke, the process of any Official Body for the purpose of (i) commencing or sustaining a case against such Conduit Lender, under any federal or state bankruptcy, insolvency or similar law (including the Bankruptcy Code or similar law in another jurisdiction), (ii) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for such Conduit Lender, or any substantial part of the property of such Conduit Lender, or (iii) ordering the winding up or liquidation of the affairs of such Conduit Lender.

SECTION 12.14 *Characterization of the Transactions Contemplated by this Agreement.* The parties to this Agreement agree to treat the transactions contemplated by this Agreement as a debt financing for tax and accounting purposes and further agree to file on a timely basis all federal and other tax returns consistent with such treatment.

SECTION 12.15 *WAIVER OF JURY TRIAL.* **EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY.**

SECTION 12.16 *Loans.* Any references to the Agreement herein shall, wherever applicable, be read to include each Loan Request and each Notice of Warehouse SUBI Lease Allocation.

SECTION 12.17 *TBM, TFL or Tesla, Inc. Liability.* Except as provided in the Transaction Documents, none of TBM, TFL or Tesla, Inc. shall be liable for the payment obligations of the Borrower hereunder or under any Loan.

SECTION 12.18 *Limitation on Consequential, Indirect and Certain Other Damages.* No claim may be made by the Borrower, TFL, or any of their Affiliates against any Lender Party, the Paying Agent, the Administrative Agent or any of their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages arising out of or related to the transactions contemplated by this Agreement and the other Transaction Documents, or any act, omission or event occurring in connection therewith and each of the Borrower and TFL, to the extent permitted by law, hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

No claim may be made by any Lender Party, the Paying Agent, the Administrative Agent or any of their respective Affiliates against the Borrower, TFL, or any of their Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages arising out of or related to the transactions contemplated by this Agreement and the other Transaction Documents, or any act, omission or event occurring in connection therewith and each Lender Party, the Paying Agent, the Administrative Agent, to the extent permitted by law, hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor; provided that a claim for damages arising from a breach of Section 12.11 shall not be deemed to be a claim for special, indirect or consequential damages.

In no event shall the Paying Agents be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Paying Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 12.19 *Ratable Payments.* If any Lender, whether by setoff or otherwise, has payment made to it with respect to any Secured Obligations in a greater proportion than that received by any other Lender entitled to receive a ratable share of such Secured Obligations, such Lender agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Secured Obligations held by the other Lenders so that after such purchase each Lender will hold its ratable portion of such Secured Obligations; provided that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

SECTION 12.20 *No Third Party Beneficiaries; Hedge Counterparties.* Except as provided in the next sentence, this Agreement is not intended to confer any benefit upon, to give any rights or remedies whatsoever to, or to be enforceable by, any Person other than the parties hereto, the other Indemnified Parties and, with respect to Sections 2.04 and 12.02, the Trustee Bank. The parties hereto expressly intend the provisions of this Agreement to be enforceable by each Interest Rate Hedge provider as a third party beneficiary of this Agreement.

SECTION 12.21 *Back-Up Servicing.* The Administrative Agent, the Group Agents and TFL agree to discuss in good faith on an ongoing basis TFL's ability to perform its obligations under the Transaction Documents without the need for a Back-Up Servicer and, if the Administrative Agent and TFL agree in writing that TFL has such ability, then TFL may, with prior written consent from each Group Agent (such consent not to be unreasonably withheld), and shall, at the written direction of each Group Agent, upon 30 days' prior written notice, terminate the Back-Up Servicer, and, for the avoidance of doubt, no Back-Up Servicer shall thereafter be required and no Back-Up Servicing Fees shall thereafter be payable.

SECTION 12.22 *Limited Recourse Against Conduit Lenders.* Notwithstanding anything in this Agreement or any other Transaction Document to the contrary, no Conduit Lender shall have any obligation to pay any amount required to be paid by it hereunder or thereunder in excess of any amount received pursuant to this Agreement and available to such Conduit Lender after paying or making provision for the payment of its Short-Term Notes. All payment obligations of any Conduit Lender hereunder are contingent upon the availability of funds received pursuant to this Agreement in excess of the amounts necessary to pay Short-Term Notes; and each of the Borrower, TFL and the Secured Parties agrees that they shall not have a claim under Section 101(5) of the Bankruptcy Code (or similar law in another jurisdiction) if and to the extent that any such payment obligation exceeds the amount received pursuant to this Agreement and available to any Conduit Lender to pay such amounts after paying or making provision for the payment of its Short-Term Notes. Notwithstanding the foregoing, the obligations of a Conduit Lender to the Borrower or TFL resulting from the gross negligence or willful misconduct of such Conduit Lender (as finally determined by a court of competent jurisdiction) or for any expenses incurred by the Borrower or TFL as a result of a breach of this Agreement made by a Conduit Lender shall not be limited to any amounts or funds received pursuant to this Agreement (but shall only be limited to the amounts available to such Conduit Lender after paying or making provision for the payment of its Short Term Notes).

SECTION 12.23 *U.S. Patriot Act.* In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including, without limitation, those relating to the funding of terrorist activities and money laundering, including Section 326 of the USA PATRIOT Act of the United States ("Applicable Law"), the Paying Agent is required to obtain, verify, record and update certain information relating to individuals and entities which maintain a business relationship with the Paying Agent. Accordingly, each of the parties agree to provide to the Paying Agent, upon its request from time to time such identifying information and documentation as may be available for such party in order to enable the Paying Agent to comply with Applicable Law. The Paying Agent will follow its typical Know Your Customer (KYC) process on any other entity which becomes a party to this Agreement (through assignment or otherwise) prior to processing any instructions from such entity.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

LML 2018 WAREHOUSE SPV, LLC,
as Borrower

By: /s/ Yaron Klein
Name: Yaron Klein
Title: Chief Financial Officer/Treasurer

TESLA FINANCE LLC

By: /s/ Yaron Klein
Name: Yaron Klein
Title: Chief Financial Officer/Treasurer

[Signature Page to Loan and Security Agreement 1 of 8]

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Paying Agent

By: /s/ Rosemary Cabrera
Name: Rosemary Cabrera
Title: Associate

By: /s/ William Schwerdtman
Name: William Schwerdtman
Title: Associate

[Signature Page to Loan and Security Agreement 2 of 8]

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

DEUTSCHE BANK AG, NEW YORK BRANCH, as
Administrative Agent, as a Group Agent and as a Committed
Lender

By: /s/ Kevin Fagan
Name: Kevin Fagan
Title: Vice President

By: /s/ Daniel Gerber
Name: Daniel Gerber
Title: Director

[Signature Page to Loan and Security Agreement 3 of 8]

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

CITIBANK, N.A., as a Group Agent and as a Committed Lender

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CAFCO LLC, as a Conduit Lender
By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CHARTA LLC, as a Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

CIESCO LLC, as a Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts
Name: Amy Jo Pitts
Title: Vice President

[Signature Page to Loan and Security Agreement 4 of 8]

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

CRC FUNDING LLC, as a Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Amy Jo Pitts

Name: Amy Jo Pitts

Title: Vice President

[Signature Page to Loan and Security Agreement 5 of 8]

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

ROYAL BANK OF CANADA,
as a Group Agent and as a Committed Lender

By: /s/ Karen E. Stone
Name: Karen E. Stone
Title: Authorized Signatory

By: /s/ Eric Wise
Name: Eric Wise
Title: Authorized Signatory

[Signature Page to Loan and Security Agreement 6 of 8]

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

CREDIT SUISSE AG, NEW YORK BRANCH,
as a Group Agent

By: /s/ Patrick Duggan
Name: Patrick Duggan
Title: Vice President

By: /s/ Erin McCutcheon
Name: Erin McCutcheon
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Committed Lender

By: /s/ Patrick Duggan
Name: Patrick Duggan
Title: Authorized Signatory

By: /s/ Erin McCutcheon
Name: Erin McCutcheon
Title: Authorized Signatory

GIFS CAPITAL COMPANY LLC,
as a Conduit Lender

By: /s/ Carey D. Fear
Name: Carey D. Fear
Title: Authorized Signer

[Signature Page to Loan and Security Agreement 7 of 8]

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

BARCLAYS BANK PLC,
as a Group Agent

By: /s/ Chin-Yong Choe
Name: Chin-Yong Choe
Title: Director

SALISBURY RECEIVABLES COMPANY LLC,
as a Conduit Lender

By: Barclays Bank PLC, as attorney-in-fact

By: /s/ Chin-Yong Choe
Name: Chin-Yong Choe
Title: Director

[Signature Page to Loan and Security Agreement 8 of 8]

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Schedule of Litigation

None.

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

**Schedule of Corporate and Limited Liability Company
Names, Trade Names or Assumed Names**

With respect to the Borrower: LML 2018 Warehouse SPV, LLC

Schedule 2-1

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Description of Electronic Lease Vault

See attached.

Schedule 3-1

[] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

eOriginal, Inc. Authoritative Copy System Description

As Integrated with DocuSign, Inc. Electronic Signature Solution

The eContract Processes Background

The eOriginal, Inc. Authoritative Copy System (the “**System**”) enables the creation and management of Authoritative Copies and uses a combination of technological and administrative features in order to: (i) designate a single copy of the Record or Records comprising an eContract as being the Authoritative Copy of such eContract; (ii) manage access to and the rendering of the Authoritative Copy; (iii) identify each entity who has authorized access to the System, (each such entity, a “**System User**”); (iv) identify which System User or third party that is not a System User (each such third party, a “**Non-System User**”) is the Owner of Record of the Authoritative Copy; and (v) provide a means for transferring record ownership of, and the exclusive right of access to, the Authoritative Copy from the current Owner of Record to a successor Owner of Record (the processes performed by the System to execute the functions described in the foregoing clauses (i) through (v) are collectively referred to as the “**eContract Processes**”). The System comprises a Production System and a Back-up System. The Production System is accessible to System Users as described herein and represents that portion of the System of which the Vault is a part. The Production System is backed-up onto the Back-up System as described in Section J.1. below. The System gives each System User and each Authoritative Copy a unique identification number and maintains such unique identification numbers in the System’s administrative database.

The System enables the creation and management of Authoritative Copies, including ancillary electronic Records which amend, modify, support and/or supplement Authoritative Copies (collectively, “**eDocuments**”), and the logical association of each of the eDocuments with the applicable Authoritative Copy. The System also enables the conversion of Authoritative Copies and related eDocuments from electronic media to paper media, and the conversion of Chattel Paper and ancillary documents from paper media to electronic media for management within the System as Authoritative Copies and eDocuments.

The System is integrated with the [***] ([***) to allow eContracts and eDocuments created and, as applicable, electronically executed using [***] to be deposited into the System to be managed as Authoritative Copies and eDocuments, respectively.

Glossary of Defined Terms:

[***]

A. Agreements:

[***]

B. Integration with [***] - Creation and Deposit:

[***]

C. eContract Deposit and Verification:

[***]

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

D. Creation of the Legend

[***]

E. Vault Storage and Management:

[***]

F. System Access:

[***]

G. Rendering of Records:

[***]

H. Authority of Owner of Record:

[***]

I. Transfer or Export:

[***]

J. Back-Up:

[***]

Summary of System Operations:

Below is a summary of the eContract Processes performed by the System with respect to a specific eContract:

[***]

Integration-Specific Exceptions:

[***]

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Ineligible Assignees

1.	Toyota Motor Corporation
2.	General Motors Company
3.	Volkswagen AG
4.	Hyundai Motor Company
5.	Ford Motor Company
6.	Nissan Motor Corporation
7.	Honda Motor Co., Ltd.
8.	Peugeot S.A.
9.	Suzuki Motor Corporation
10.	Renault S.A.
11.	Fiat Chrysler Automobiles NV
12.	Daimler AG
13.	Bayerische Motoren Werke AG
14.	SAIC Motor Corporation Limited
15.	Tata Motors Limited
16.	Mazda Motor Corporation
17.	Dongfeng Motor Corporation
18.	Mitsubishi Motors Corporation
19.	Chang'an Automobile (Group) Co Ltd.
20.	Zhejiang Geely Holding Group Co., Ltd.
21.	Faraday & Future Inc.
22.	Atieva Inc.
23.	Nio Inc.
24.	Lucid Motors, Inc.
25.	Rivian Automotive LLC

Schedule 4-1

*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Insurance Requirements

See the attached insurance certificates.

Schedule 5-1

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
12/27/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER MARSH RISK & INSURANCE SERVICES 345 CALIFORNIA STREET, SUITE 1300 CALIFORNIA LICENSE NO. 0437153 SAN FRANCISCO, CA 94104	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
INSURED Tesla Motors, Inc 6800 Dumbarton Circle Fremont, CA 94555	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	
	NAIC #	
	INSURER A : N/A	N/A
	INSURER B : Zurich American Insurance Company	16535
	INSURER C : Axis Specialty Europe	
INSURER D :		
INSURER E :		
INSURER F :		

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**



COVERAGES

CERTIFICATE NUMBER: SEA-003592721-12

REVISION NUMBER: 7

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
B	***			***	10/31/2018	10/31/2019	***	***\$
B	***			***	10/31/2018	10/31/2019	***	***
C	***			***	10/31/2018	10/31/2019	***	***
	***						***	
		N / A						\$
								\$
								\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 Tesla Lease Trust is a wholly owned subsidiary of Tesla Motors Inc

CERTIFICATE HOLDER	CANCELLATION
Tesla Lease Trust 6800 Dumbarton Circle Fremont, CA 94555	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE of Marsh Risk & Insurance Services /s/ Stephanie Guaiumi

ACORD 25 (2016/03)

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*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
12/27/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER MARSH RISK & INSURANCE SERVICES 345 CALIFORNIA STREET, SUITE 1300 CALIFORNIA LICENSE NO. 0437153 SAN FRANCISCO, CA 94104 [***]	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
E-MAIL ADDRESS:		
INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A :Zurich American Insurance Company		16535
INSURER B :N/A		
INSURER C : N/A		
INSURER D : National Union Fire Ins Co Pittsburgh PA		19445
INSURER E :		
INSURER F :		
INSURED Tesla Motors, Inc. 6800 Dumbarton Circle Fremont, CA 94555		

[*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**



COVERAGES

CERTIFICATE NUMBER: SEA-003592716-01

REVISION NUMBER: 9

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	***			***	10/31/2018	10/31/2019	***	***
A	***			***	10/31/2018	10/31/2019	***	***
B	***			***	10/31/2018	10/31/2019	***	***
	***	N / A					***	
								\$
								\$
								\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
Issued as Evidence of Insurance.

CERTIFICATE HOLDER Tesla Motors, Inc. 6800 Dumbarton Circle Fremont, CA 94555	CANCELLATION
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE of Marsh Risk & Insurance Services s/ Stephanie Guaiumi

*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.



EVIDENCE OF [***] INSURANCE

DATE (MM/DD/YYYY)
12/27/2018

THIS EVIDENCE OF [*] INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.**

AGENCY MARSH RISK & INSURANCE SERVICES 345 CALIFORNIA STREET, SUITE 1300 CALIFORNIA LICENSE NO. 0437153 SAN FRANCISCO, CA 94104 [***]	PHONE 415-743-8000 (A/C, No, Ext):	COMPANY Zurich American Insurance Company
FAX (A/C, No):	E-MAIL ADDRESS:	
CODE:	SUB CODE:	
AGENCY CUSTOMER ID #:		
INSURED Tesla Motors, Inc. 6800 Dumbarton Circle Fremont, CA 94555	LOAN NUMBER	POLICY NUMBER [***]
	EFFECTIVE DATE 10/31/2018	EXPIRATION DATE 10/31/2019
		CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:		

[***] INFORMATION LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF [***] INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION PERILS INSURED 2610 BASIC BROAD SPECIAL

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
[***]	[***]	[***]

REMARKS (Including Special Conditions)

Issued as Evidence of Insurance.

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

SEA-003592722-01

NAME AND ADDRESS Tesla Motors, Inc. 6800 Dumbarton Circle Fremont, CA 94555	ADDITIONAL INSURED	LENDER'S LOSS PAYABLE	LOSS PAYEE
	MORTGAGEE		
LOAN #			
AUTHORIZED REPRESENTATIVE of Marsh Risk & Insurance Services /s/ David N. Heath			

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.



EVIDENCE OF [***] INSURANCE

DATE (MM/DD/YYYY)
12/27/2018

THIS EVIDENCE OF [*] INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.**

AGENCY		PHONE 415-743-8000 (A/C, No, Ext):	COMPANY Zurich American Insurance Company	
MARSH RISK & INSURANCE SERVICES 345 CALIFORNIA STREET, SUITE 1300 CALIFORNIA LICENSE NO. 0437153 SAN FRANCISCO, CA 94104		[***]		
FAX (A/C, No):	E-MAIL ADDRESS:			
CODE:	SUB CODE:			
AGENCY CUSTOMER ID #:		LOAN NUMBER	POLICY NUMBER [***]	
INSURED Tesla Motors, Inc, 6800 Dumbarton Circle Fremont, CA 94555		EFFECTIVE DATE 10/31/2018	EXPIRATION DATE 10/31/2019	CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

[***] INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF [***] INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION PERILS INSURED BASI BROAD SPECIAL

COVERAGE / PERILS / FORM S	AMOUNT OF INSURANCE	DEDUCTIBLE
[***]	[***]	[***]

REMARKS (Including Special Conditions)

Deutsche Bank AG New York Branch, as collateral agent is lenders loss payable as required by written contract.

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.



CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

SEA-003592725-02

<small>NAME AND ADDRESS</small> Deutsche Bank AG New York Branch, as collateral agent Attention: Phelecia Parker 60 Wall Street New York NY 10005	<input type="checkbox"/>	ADDITIONAL INSURED	<input checked="" type="checkbox"/>	LENDER'S LOSS PAYABLE	<input type="checkbox"/>	LOSS PAYEE
	<input type="checkbox"/>	MORTGAGEE				
<small>LOAN #</small> AUTHORIZED REPRESENTATIVE of Marsh Risk & Insurance Services /s/ David N. Heath						

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*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Notice Addresses

Borrower:

c/o Tesla, Inc.
3500 Deer Creek Road
Palo Alto, CA 94304
Attention: General Counsel

With a copy to
Tesla, Inc.
6800 Dumbarton Circle
Fremont, CA 94555
Attention: Legal, Finance

TFL:

c/o Tesla, Inc.
3500 Deer Creek Road
Palo Alto, CA 94304
Attention: General Counsel

With a copy to
Tesla, Inc.
6800 Dumbarton Circle
Fremont, CA 94555
Attention: Legal, Finance

Administrative Agent:

Deutsche Bank AG, New York Branch
60 Wall Street, 5th Floor
New York, New York 10005
Tel: (212) 250-3001
Fax: (212) 797-5300
Attention: Katherine Bologna
Email: abs.conduits@db.com and katherine.bologna@db.com

Deutsche Bank AG, New York Branch, as Lender:

Deutsche Bank AG, New York Branch

Schedule 6-1

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

60 Wall Street, 5th Floor
New York, New York 10005
Tel: (212) 250-3001
Fax: (212) 797-5300
Attention: Katherine Bologna
Email: abs.conduits@db.com and katherine.bologna@db.com

Paying Agent:

Deutsche Bank Trust Company Americas
Deutsche Bank National Trust Company
Global Securities Services (GSS)
100 Plaza One, 8th Floor
Mail stop: JCY03-0801
Jersey City, New Jersey 07311-3901
Tel: +1 (201) 593-8420
Fax: +1 (212) 553-2458
Email: michele.hy.voon@db.com

Citibank, N.A., CAFCO, LLC, CHARTA, LLC, CIESCO, LLC, CRC Funding, LLC, as Lenders:

c/o Citibank, N.A.
Global Securitized Products
750 Washington Blvd., 8th Floor
Stamford, CT 06901
Attention: Robert Kohl
Telephone: 203-975-6383
Email: Robert.kohl@citi.com

c/o Citibank, N.A.
Global Loans - Conduit Operations
1615 Brett Road Ops Building 3
New Castle, DE 19720
Telephone: 302-323-3125
Email: conditoperations@citi.com

Schedule 6-2

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Credit Suisse AG, New York Branch / Credit Suisse AG, Cayman Islands Branch:

c/o Credit Suisse AG, New York Branch
11 Madison Avenue, 4th Floor
New York, New York 10010
Telephone: 212-325-0432
Attention: Kenneth Aiani

Email: kenneth.aiani@credit-suisse.com; patrick.duggan@credit-suisse.com; list.afconduitreports@credit-suisse.com; abcp.monitoring@credit-suisse.com

GIFS Capital Company:

227 West Monroe Street, Suite 4900
Chicago, IL 60696
Telephone: 312-977-4588
Attention: Mark Matthews

Email: mark.matthews@guggenheimpartners.com

Royal Bank of Canada:

c/o RBC Capital Markets
200 Vesey Street
New York, New York 10281
Attention: Angela Nimoh
Telephone: 212-428-6296
Fax: 212-428-6308

Email: conduit.management@rbccm.com; rgeoghegan@rbccm.com; angela.nimoh@rbccm.com; sofia.shields@rbccm.com

Barclays Bank PLC / Salisbury Receivables Company LLC:

c/o Barclays Bank PLC
745 Seventh Avenue, 5th Floor
New York, New York 10019
Telephone: 212-526-7161

Email: asgreports@barclays.com; barcapconduitops@barclays.com; john.j.mccarty@barclays.com; martin.attea@barclays.com; jonathan.wu@barclays.com; david.hirschy@barclays.com; eric.k.chang@barclays.com; eugene.golant@barclays.com.

Schedule 6-3

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Credit and Collection Policy

See attached.

Schedule 7-1

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**



Tesla Finance LLC Credit and Collections Policy

Effective December 2018

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

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[*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

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*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

TESLA FINANCE CREDIT AND COLLECTIONS POLICY**1. MISSION AND PHILOSOPHY**

The purpose of the Credit and Collections Policy is to provide Tesla Finance LLC (also referred to as Tesla Finance or TFL) with an organized and repeatable practice of credit adjudication and portfolio management practices in support of Tesla vehicle sales and profitability, brand experience and loyalty. TFL underwrites credit decisions on behalf of, and acts as the servicer for, Tesla Lease Trust (TLT). This policy helps establish authority, rules, process and the framework to originate, manage, and liquidate the lease portfolio effectively. It is based on sound and established lending and collection practices while operating within the limitations of regulatory requirements. It is, however, not a comprehensive interpretation of specific laws and regulations governing the business but is, rather, a high- to medium- level discussion of intent, practice, and compliance.

While certain roles have specific functional responsibilities, risk management generally is a shared responsibility across the organization. Although credit and collections are distinctly separate functions in the product lifecycle, it is imperative that there be full alignment, communication, and transparency on overall goals, actions, and performance of the portfolio. This is accomplished through a regular and frequent feedback loop between the two functions at the appropriate levels.

This policy is intended to serve as a basic and practical manual. However, no document can fully replace: prudent business judgment; sound assessment of a borrower's ability, capacity, and willingness to pay; or effective decision making about a specific credit request or delinquency resolution activity that is appropriate to the situation and the needs of both the borrower and TFL. The roles and incentives of the various functions are designed to provide the appropriate alignment, unity of purpose, and check and balance to maximize the benefit to the company.

2. CREDIT POLICY**A. Covered Products**

The Tesla Lease product covers individual and joint consumer leasing, small business leasing and commercial leasing. Consumer leasing is intended for consumers - individually and jointly - who wish to lease their Tesla vehicle. Small business leasing is intended for owners and principals of small and medium sized enterprises who wish to lease a vehicle jointly with their business. This may allow the flexibility to deduct some or all of lease payments from business income taxes (customers are always encouraged to consult with a tax professional to understand their own particular situation and eligibility). The lessee will be the business and the co-less will be the business owners or principal. Credit worthiness will be solely evaluated based on the lessee, who is the business owner or principal. Commercial leasing is a product offered to well- established and significant sized businesses who wish to lease in the company's name only and with no co-buyer. This allows for the use of C-suite executives. This product is offered on a limited basis upon request.

B. General Policy Statement

TFL's policy is to review and consider all applications for Leases submitted on the Tesla portal and processed through the Loan/Lease Origination System (LOS) using an appropriate risk/reward balance. The goal of credit decisioning is to approve credit applications with an acceptable probability of payment by considering the following:

- A complete credit application,
- A thorough credit review and analysis in support of the four facets of good credit approval (Ability, Stability, Credit History, and Deal Structure), and
- Proper communication, follow up, and documentation.

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C. Risk Framework and Appetite

TFL accepts risks generally in line with those of other U.S. captive auto finance companies. Our approach to risk management is based on these guiding principles:

- Innovative support of Tesla's sales, profitability, and brand experience
- Strike appropriate risk/reward balance
- Forward looking analytics with timely feedback loop
- Robust governance and compliance
- Overall - sound business judgment rules

Credit Risk Appetite: Credit risk is the possibility of losses stemming from the failure of lessees to meet their financial obligations under the lease agreement. Overall, TFL's credit risk appetite for the lease portfolio is defined by a [***] of [***]% and a [***] of [***]%. The credit policy parameters (discussed in section 2F) with [***] on [***]% and [***]% of [***] along with the [***]% are setup to ensure that risk exposure and portfolio performance are at acceptable levels.

Concentration Risk: Our leasing portfolio concentration follows that of our general business model distribution with new Tesla vehicles including Model S and Model X. Our model mix is expected to shift and grow with the introduction of new products, such as Model 3. Sales are [***] in [***] and this distribution will be monitored and managed dependent on business and market conditions.

Qualitative Risk Factors: The qualitative elements of the risk appetite framework define, in general, the positioning that TFL's management wishes to adopt or maintain in the course of its business model. Generally speaking, the framework is based on maintaining the following qualitative objectives:

- A [***] and predictable risk profile based on a simple and transparent business model, focused primarily on retail customers,
- A stable and consistent credit policy and practice to generate growth, earnings, and manage volatility,
- An independent risk function with active involvement of senior management that guarantees a strong risk culture focused on protecting and ensuring an adequate return on capital, and
- Focus on the business model and products that TFL knows sufficiently well and has the management capacity (people, systems, processes) to execute successfully.

D. Credit Department Roles and Responsibilities

The credit function is headed by the President of Tesla Finance. Credit Analysis is performed by the Underwriting Department and is authorized to make credit decisions per the credit criteria specified in this policy.

The Underwriting Department evaluates and identifies the risk and merits of each application on a case by case basis. The Underwriting team are experienced and trained professionals whose primary role is to make a credit decision after conducting a full analysis of the applicant's credit worthiness within established underwriting guidelines in compliance with fair lending and other applicable regulations. Regional Credit Analysts are a part of the broader Financial Services team and function as the primary interface with the customer, Sales Team and Delivery Specialists in the field, and internal teams on matters related to contracts, documents, communication and follow-up. The department is required to consult with, and escalate, deals to more senior members of the Underwriting team on approvals above the specified limits.

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E. Credit Decisioning

i. Complete Credit Application

To enable a well-rounded credit decision, a complete credit application refers to thorough and accurate information as it pertains to the applicant's income, financial resources and assets, employment and residence history, credit obligations and payment history, and the amount of credit desired as it relates to the vehicle configuration and options. The application specifically needs to contain:

- Information regarding the applicant(s)
- Valid SSN (US), SIN (Optional in Canada) or Tax ID number
- Asset and debt (liability) information
- Vehicle price details
- Any trade-in, capitalized tax or additional down payments that impact capitalized cost

The credit application information is supplemented with the consumer credit bureau record of the applicant's credit borrowing and payment history.

For the purposes of this policy, a credit application is considered incomplete when there is insufficient information to make a fully informed credit decision. Common reasons contributing to an incomplete credit application are:

- SSN is not accurate or does not match true applicant
- Applicant/co-applicant did not have sufficient time, desire, or available information to complete all sections at credit application or upon follow up

An incomplete credit application can be decisioned as pending (Manual Review) or declined due to an incomplete credit application. If the applicant provides the requested information, the credit department can continue to process the application through the normal process. If the applicant does not provide the requested information after reasonable attempts to obtain this information are exhausted, the adverse action notice should be sent and no further action is needed.

Requesting information from the applicant/co-applicant: When insufficient information is received, or additional information is needed to support the credit decision process, the credit department may follow up with the applicant(s), their legally authorized representatives, or Tesla sales /delivery personnel as appropriate. The credit department associates may not ask, discuss, infer, or consider prohibited bases such as an applicant's Race, Color, Religion, Ethnic Origin, Age (if legally eligible to contract), Sex and marital status, public assistance usage with the applicant or any other individual involved in the credit transaction. Inquiries regarding the applicant's immigration status are permissible only to ascertain TFL's rights and remedies regarding contractual repayments and end of lease termination activities. This policy applies to all verbal, written, in person, and electronic communication methods used during the process.

ii. Credit Bureau History

Credit history is a measure of the borrower's creditworthiness evidenced through their current and past borrowing and payment performance. An accurate and valid SSN is crucial for pulling the right credit record. For Canadian customers, while having an accurate SIN is helpful for locating a credit file, consumers are not required to provide one. The major components of the consumer bureau report are:

- FICO Score
- Length and performance of trade-lines

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- Inquiries
- Bankruptcy and public record information

TFL uses the [***], a score [***]. TFL's primary source for [***] is [***] in the United States.

iii. Lease [*] System**

The advantages of using [***] and grades in lending include consistency, a quick turnaround, and uniform risk assessment and monitoring. [***] are [***] into [***] based on [***] and [***] the [***] into [***] as shown below.

[***]

iv. Unscored Applications

An unscored credit file signifies that there is not enough information available to compute a statistically-valid credit score or that there was no credit bureau record found. Applicants without a FICO score will be considered but supplemental documentation will likely be required including but not limited to: proof of income, proof of assets, and/or proof of home ownership and/or a higher down payment to mitigate a lack of established credit history. Unscored applications may occur when a customer is new to the country, when they have not used credit actively in for many years, or when the applicant is a business.

v. Credit Analysis

A thorough credit analysis covers all the information provided on the credit application, vehicle pricing, and the credit bureau report. In addition, there may be discussions with the applicant regarding, but not limited to, verification of income and residence, contact numbers and references where appropriate. The following attributes should be considered [***] during the decisioning process.

Ability

[***]

Stability

[***]

Credit History

[***]

Deal Structure

[***]

vi. Adverse Action Reasons

The LOS displays the designated adverse action reasons or stipulations selected at the time the application is decided. For consistency and accuracy the credit department will check only the [***] reasons for the credit request denial or counter from the list below:

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[***]

The [***] is a critical, but not the only, component of sound, judgmental credit decisioning.

F. Lending [***], Authority and Exceptions

Lease Credit Approval Authority:

[***]

- Authority levels will be assigned based on experience and performance and represent the maximum an Underwriter is permitted to approve
- If multiple applicants, [***] is based on [***] of the [***]
- Exceptions above these guidelines must be approved by [***] of [***]
- In the absence of an entire Authority Level with nobody higher available (i.e. outside of normal working hours), the [***] in the [***] may [***] the [***]

Tesla customers often have unique and complex financial situations. Many are self-employed or have multiple sources of income and bank accounts. Some have relatively low true income but are still very high net-worth individuals (as is the case for some retirees). We [***] and [***].

Due to the fact that [***] is self-reported and is, therefore, inherently of varying quality (due to accidental or deliberate misstatement - both high and low), we [***] on [***] when possible to make a credit decision. [***] such as [***] are generally [***] than [***] and [***], both of which are calculated [***].

[***] capacity guidelines are as follows:

[***]

[***]% and [***]% will generally require additional support, but will be considered for approval if [***] indicate [***]. In many cases [***] may be required, but in order to provide [***] experience consistent with the Tesla brand, Underwriters operate with the goal of identifying and documenting [***] while [***]. As part of this process, applications are reviewed for [***] supporting [***]. This includes: [***] - [***]. It is the responsibility of the Underwriter to determine what is [***] in the context of a credit request. All findings will be well documented within the LOS.

i. Unscored

See above.

ii. Commercial Leasing

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Commercial leases will be underwritten based on the strength of the commercial entity since there is no consumer co-buyer as there is in small business leases.

General characteristics of companies that will be considered for a commercial lease include:

[***]

Commercial Applications will be evaluated on the following criteria and compared to the industry average as reported by [***]:

[***]

Supplemental information may be requested and will be considered if provided such as trade references and bank ratings.

iii. Auto Decisioning

Automated decisioning serves to improve efficiency and maintain uniformity of decisions across applications. Automated decisioning has been set up within TFL's LOS. The logic generally checks the same variables evaluated in judgmental credit decisions made by a live underwriter.

It is important to note that auto approvals eliminate the need for manual review of the strongest segment of applications. This allows Underwriters to spend more time working on and investigating the remaining deals requiring a judgmental credit decision.

Auto decisioning is maintained by TFL's LOS System Administrator and will be reviewed periodically to ensure decisions are consistent with the Credit Policy. Accordingly, the System Administrator may update and adjust the logic, with authorization from TFL's President, to remain in line with business needs while remaining compliant with the Credit Policy and lending regulations.

Auto Approval Logic:

[***]

Auto Decline Logic:

[***]

In case of a joint consumer application, [***] must be [***] or [***] to result in an automated decision.

iv. High Credit Risk Applications

All credit applications with [***] are generally considered high risk and may require the following investigations:

- Proof of Employment
- Proof of Income/Assets
- Proof of Residence
- Personal Cell Number
- References

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v. Potential Skip/Fraud Applications

Fraud detection is a challenging and rapidly changing phenomenon in lending businesses that requires an agile and measured response. To minimize the approval of potential fraudulent and skip hazards, the Underwriter must perform a careful examination of any credit application that often indicate one or more of the following characteristics:

- Unverifiable, unsubstantiated, and questionable information
- Aliases commonly used and reversed
- References with incomplete information
- Short time in residence and employment
- Inconsistencies or facts not adding up to the overall application profile

Proper diligence should be used in analyzing the above factors in compliance with all applicable laws.

vi. Down Payment and Trade-ins

A down payment serves to improve TFL's equity position in the vehicle, lower the applicant debt and payment to income ratios and increases the applicant's vested interest in the transaction. There are no mandatory down payment requirements other than the deposits for ordering the vehicle and for the leasing program. Security deposits are not currently required in the leasing program. However, the credit decision may include a stipulation of additional down payment to qualify the customer for the lease.

A net negative down payment exists when the value of the trade-in or upfront tax liability adds to the capitalized cost of the leased vehicle and there is not an adequate cash down payment to offset the amount. When this condition exists, the Underwriter must evaluate the potential impact to TFL's equity position.

vii. Exception Authority and Process

TFL may consider applications from borrowers whose credit profile does not fit within the provisions of this lending policy on a case by case basis. Any exception to this policy must be for the clear benefit of TFL, meet the standards for review and approval of exception leases established by this policy, and be approved by [***] and documented in the LOS. A written justification that clearly sets forth all the relevant credit factors that support the underwriting decision is needed to support the application approval.

Additionally, it is the responsibility of the risk department to:

- Monitor compliance with this policy,
- Track the aggregate level of exceptions to help detect shifts in the risk characteristics of that element(s) within the lending portfolio, and
- Regularly analyze aggregate exception levels and report them to Senior Management. An excessive volume or a pattern of exceptions may signal an unintended or unwarranted relaxation of TFL's underwriting standards.

When viewed individually, underwriting exceptions may not appear to increase risk significantly. However, when aggregated, even well mitigated exceptions increase portfolio risk to TFL, especially under adverse business and economic conditions. When higher risk approvals are made on an exception basis from sound and normal underwriting policies, it is policy to make them only in limited amounts and only when robust risk management practices are in place to manage and control the higher risk. Exceptions are [***] and will [***] based on [***].

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Applicants with [***] present a significant default risk. TFL will consider applicants with [***] with [***], and strong supporting evidence that [***]. Exceptions may be made if the applicant [***]. Adequate documentation to support such an approval is required which should include a direct in depth conversation with the applicant to gather all the material facts.

G. Fair Lending and Regulatory Compliance

i. General Policy Statement

It is TFL's policy to follow sound lending practices in letter and spirit to comply with applicable federal, state, and local laws. The Credit department will be trained and required to comply with all applicable regulations at the federal, state, and local level. In regards to Fair Lending, we will not discriminate in our treatment of any credit applications with respect to the following prohibited basis:

- Race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);
- Because all or part of the applicant's income derives from any public assistance program; or
- Because the applicant has in good faith exercised any right under the Consumer Protection Act.

In addition to Fair Lending, the following regulations generally apply to TFL's leasing activities:

- Consumer Leasing Act (Reg. M)
- FCRA and Adverse Action Notice
- OFAC
- Red Flag / ID Theft
- California Credit Score Disclosure
- Information Security (Safeguards Rule)
- Service Providers / Vendor Management

In accordance with the Fair Lending program and other regulatory compliance, it is the company's policy to:

- Maintain up to date regulatory policy statements,
- Perform and document periodic training for all employees involved with any aspect of the lending transactions,
- Perform ongoing monitoring for compliance with regulatory policies, procedures and practices,
- Conduct a regular assessment of the marketing of leasing products, and
- Perform meaningful oversight of compliance by Senior Management.

ii. Applicant Notification Letters

The credit department will issue an adverse action notice within 30 days of the decision on each application that is declined or conditionally approved. The LOS generates the adverse action letter which informs the applicant's rights under law including the right to obtain specific adverse action reasons by writing to us within 30 days.

In addition, all California applicants will receive the California Credit Score Disclosure Notice indicating the credit score, the source of that score, and information about where their score falls with respect to other consumers.

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iii. Audit Policy

The business activities of Tesla Finance are subject to periodic audits in accordance with Tesla Inc. Audit Committee rules and risk assessment results. This review may cover all leases or include a sample over a predetermined period, current, past due and liquidated leases. In addition, a sample of smaller leases may also be examined to ensure compliance and flag major departures from established policy and procedure.

iv. Records Retention

The following documents will be held for a period not less than required by relevant statutes in electronic format, where possible:

- Original credit application,
- Credit report obtained from a credit reporting agency,
- Copies of all legal notices sent to the applicant,
- Any written complaint filed by the applicant alleging a violation of the law by TFL,
- Original copy of manufacturer's invoice, and
- Copy of the lease sales contract enforceable in the jurisdiction where the collateral is located, whereby TFL can acquire title and repossess the collateral property in the event of a default.

H. Origination Risk Metrics

Timely tracking and reporting of appropriate metrics are key to effective risk and performance management. The following metrics will be tracked for appropriate actions [***]:

[***]

3. COLLECTIONS AND SERVICING POLICY A. General Policy Statement

The performance of a lending portfolio is subject to individual, maturation, seasonal, economic, and collateral factors. The role of the collections function is to satisfactorily resolve the delinquency situation taking into account the customer's situation, TFL's risk exposure, and overall portfolio performance goals. At a high level the primary collections goals are to:

- Provide outstanding customer service in line with Tesla brand values and expectations,
- Minimize collection costs by identifying the most effective ways to allocate resources,
- Increase collections effectiveness by assessing the cost versus benefit at the lease level,
- Increase total recovered dollars by optimizing early to late stage collection activities while determining the ideal contact method and collection strategy, all at the lease level, and
- Determine the ideal repossession and recovery strategy

B. Loss Mitigation Department Roles and Responsibilities

To successfully achieve each of the above goals, the Loss Mitigation department at TFL's servicer and TFL's internal customer service team maintain timely, professional, compliant, and effective collection practices. The importance of immediate collection follow-up on a delinquent account cannot be over-emphasized. Account profitability is affected by

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more than the potential loss due to repossession. The use of a servicing partner is an important complement to the lease origination function. Employing the expertise of a well-established servicer relieves the company of the many details of this function and can effectively minimize losses, provide outstanding customer service, and reduce the costs of collection.

Daily collections efforts are performed by the servicer's Loss Mitigation Team and managed by the Customer Service and Operations Manager at Tesla. The Loss Mitigation Team is currently comprised of trained collection representatives, each of whom is trained in customer service, client interaction and collections. Leads or Supervisors oversee the daily actions of up to five representatives, with a manager for every two or three leads/supervisors. Each of these functional managers has been at the servicer for more than 10 years, and has worked with the Tesla Roadster lease program from inception.

Tesla's Customer Service and Operations Manager maintains frequent (often daily) interaction with the servicer's Loss Mitigation Manager and is kept abreast of lease level collection efforts through shared reporting and bi-monthly review. The CSO Manager remains the servicer's primary point of contact for escalations that require expedient treatment. While the CSO Manager acts as the servicer's primary escalation point, it is the CSO Manager's responsibility to report abnormal risk exposure to the President of TFL.

C. Collections Treatment Strategy and Plan

The timing and intensity of collections activity is determined by the delinquency stage, risk exposure, and the customers' ability and willingness to fulfill the agreed upon course of action. A combination of relationship building, customer service, and assertive collection skills are critical in an effective collector. The collections process will generally escalate from customer service (how can we help?) towards a front-line collections (when can we expect payment?) approach as the customer's delinquency and risk of default increases.

All past due lease accounts are evaluated on their payment due date and assigned a specific collection strategy which includes payment notices, emails and telephone follow-up calls as part of the delinquency lifecycle activity stream.

i. Initial Delinquency/Customer Service Call

Unless the situation requires it, the [***] an account would be worked is [***]. At this point, Tesla's customer service team will perform courtesy calls and emails to ensure billing related questions (the most common reason for early stage delinquency) are resolved.

ii. Formal Daily Collection Activity

Once account becomes [***], Tesla will turn over formal collections activity to our servicer's Loss Mitigation Team. The team is composed of representatives assigned the responsibility of handling outbound and inbound calls. Representatives handling outbound calls review collection lists and place calls to delinquent accounts. Representatives should attempt to address customer delinquency on a one-call resolution basis.

The Work List sequences accounts for follow-up by the associate based upon the review date and payment due date. This list displays the first 'available' account on the collection list and requires the associate to work the account before moving on to the next account requiring collection activity.

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An 'available' account is one that:

- Is scheduled to be worked that day
- Is not being worked by another associate
- Has not been worked that day

Once an account has been worked, the representative must assign a specific activity code describing the collection effort, and leave detailed notes of the collection activity in the customer's account. Tesla's customer service team has viewing access to account notes and is prepared to pick up where the servicer's team left off should the customer contact a Tesla representative regarding payment.

iii. Collections Risk Strategy

Given the size, quality and expected performance of our portfolio, all delinquent accounts are [***] on [***]. [***] customers will be handled differently than those [***] of the [***]. Customized data driven optimization strategies at the account level incorporating [***] will be deployed over time. Overall, the risk approach to collections is based on a matrix of risk/exposure levels and delinquency stage.

[***]

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[***] **Delinquency**

The low end of the risk spectrum is handled through a [***] or [***] progressing to and culminating in [***] approach.

iv. Delinquency Lifecycle Activity

The following sequence of activities will drive the collection efforts throughout the delinquency lifecycle.

[***]

A late fee of 5% of the contractual base monthly payment (or as limited by state laws) of any amount not received 10 days after the due date will be collected.

[***]

v. End of Term Payment Collections

vi. End of Term Fees Collections

[***]

Collections Authority and Exceptions

[***] Contact will be performed by Tesla's customer service and operations team. Once [***], the servicer's Loss Mitigation Team will begin collections activity unless an account has been flagged as "DNC - Do Not Contact" by the Tesla team. An account is flagged DNC if an ACH or other payment issue is in the process of being resolved.

Delinquency collections activities are performed by the servicer. The CSO Manager stays in frequent communication with the Loss Mitigation Manager to ensure the Collections Policy is adhered to, and that customers are receiving TFL's desired brand and customer experience.

In unique situations where collections activity may deviate from the standard collections timeline, the CSO Manager may authorize collection notices to be mailed in advance or after normal policy guidelines. The CSO Manager may [***] after presenting the payment plans to [***].

In any event where credit loss may occur, the CSO Manager will provide full account details to the President of TFL. Together, the President of TFL and CSO Manager will plan the optimal recovery strategy. The recovery strategy will aim to minimize loss, protect the asset/equipment, and maintain positive customer experience.

vii. Customer Contact and Documentation Policy

All forms of communication (telephone, general correspondence, email) between TFL, the servicer and customers should be performed in an appropriate professional manner. Representatives are not to demonstrate conduct that is annoying, illegal, or harassing.

Representatives must utilize effective and professional telephone skills when contacting customers. When speaking with the customer, representatives must identify themselves and state they are calling on behalf of Tesla Finance.

Representatives must not indicate they are calling on behalf of Tesla Finance when speaking to a party other than the debtor or when leaving voice messages.

Representatives should communicate in a clear, confident and polite manner and treat all customers fairly, courteously and equitably. Upon assuming control of the conversation, representatives should employ the following guidelines:

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- Determine the customer's financial situation.
- Demonstrate understanding by allowing the customer the opportunity to propose solutions to the delinquency. Customers are more likely to follow through on their own proposals or promises rather than those suggested by the representative.
- Explore viable short-term and long-term solutions to the delinquency.
- Offer the customer satisfactory payment arrangements to remit the full amount due, including late charges.*
- Obtain a specific and detailed payment commitment from the customer for bringing the account current.
- Emphasize to the customer the importance of keeping the payment arrangements.
- Follow-up on promises or commitments to pay on agreed upon dates.
- Promote positive customer relations.

*Once payment arrangements are obtained, the loss mitigation representative should ensure the appropriate system entry notes and update tasks are accomplished.

viii. Telephone Collection Policy

TFL collection procedures emphasize the use of the telephone as the primary means for contacting delinquent customers. Telephone contact is timely and often provides for immediate results. When conducting telephone collections, it is policy to treat all delinquent customers in a fair manner and comply with all regulations. A delinquent customer is entitled to receive helpful assistance in a courteous manner.

Objectives:

The representative's main objectives in contacting the customer should be:

- Verify pertinent customer information such as current home address, home and/or business telephone number, and employment status.
- Obtain the reason(s) for delinquency.
- Obtain a firm commitment from the customer on payment arrangements for bringing the account current and keeping the account current until account liquidation.

It is essential that the reason for delinquency is determined, notated on the system, and the account delinquency is resolved on the initial customer contact (once and done).

Basic Guidelines for Effective Customer Interaction

Each customer has a reason(s) for delinquency; therefore, the representative must evaluate and work each account on an individual basis. The representative must maintain a positive and professional approach in resolving the delinquency situation of each account. The basic guidelines are as follows:

- Focus on Specifics - The representative must focus on the specifics of the delinquency situation. A customer may overreact to the most business like collection contact by raising his/her voice or by using profanity. Representatives should not take these actions personally and never reply in kind.
- Build and Maintain Self-Confidence and Self-Esteem - Representatives must emphasize the benefits of keeping the account in good standing, without engaging in any threats, implied or otherwise.
- Build and Maintain a Positive, Constructive Relationship - Representatives must advise the customer of their intention to help resolve the situation.

D. Bankruptcy Handling

Filing of the bankruptcy petition requires (with limited exceptions) TFL to cease or "stay" further action to collect their

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claims. Once filed, the petition prohibits actions to accelerate, set-off, enforce a statutory, or otherwise collect the debt. The petition also prohibits post- bankruptcy contacts with the lessee (i.e., "dunning" letters.) The stay remains in effect until the bankruptcy court releases the lessee's property from the estate, dismisses the bankruptcy case, and approves a creditor's request for termination of the stay or the lessee obtains or is denied a discharge.

E. Repossession and Reinstatement

Unless [***], the repossession of a leased vehicle [***] action considered to resolve the situation. However, repo assignment should happen [***]. All repo assignments must be approved by the President of TFL. TFL will comply with all applicable state level laws regarding cure notices, reporting delinquency to bureaus, and right to reinstate. Repossessed vehicles may be sold at public auction to reduce TFL's exposure to loss. The President of TFL will decide how repossessed equipment is sold.

F. Fair Debt Collection and Regulatory Compliance

General Policy Statement

It is TFL's policy to follow sound collections practices in letter and spirit to comply with applicable federal and state laws. The collections department will be trained and required to comply with all applicable regulations at the federal, state, and local level. We will follow the provisions and intent of the Fair Debt Collection Practices Act (FDCPA) to:

- Eliminate the use of abusive, deceptive, and unfair debt collection practices by debt collectors,
- To ensure that those reputable debt collectors who refrain from using abusive debt collection practices are not competitively dis-advantaged, and
- Promote consistent state action to protect consumers against debt collection abuses.

The FDCPA defines activities that are harassing, deceptive, or otherwise unacceptable. The representatives are not permitted to engage in any conduct that would mislead, harass, or abuse any person. Some examples of such conduct include:

- The use or threat of violence, or other criminal means to harm the customer, the customer's reputation, or the customer's property.
- Collecting any amount unless authorized by the contract or applicable law.
- The use of obscene or profane language, or language which the receiving party could consider abusive.
- Calling outside the hours or frequency prescribed by law. Engaging the customer or any third person (to the extent otherwise permitted) in telephone conversation repeatedly or continuously.
- Continuous attempts to contact a customer through the customer's employer.
- Failing to reveal to the customer that the purpose of the call is to collect a debt.
- Threatening to initiate a specific type of collection action against the customer that cannot be taken legally or for which there is no intent to take the action.
- Implying that non-payment will result in arrest, imprisonment, or garnishment of wages or otherwise falsely representing the amount that may be collected or the manner in which collection may be enforced.
- Falsely representing the outstanding balance amount or nature or status of an account, or the penalties or late charges that may be assessed because of non- payment.
- Utilizing deceptive means or false representations in an attempt to collect an account or to obtain information concerning the customer.
- Placing collect telephone calls to the customer.
- Attempting to shame or disgrace a customer by falsely representing or implying that the customer has committed a crime or acted disgracefully.
- Use of any business, company, or organization names other than that of Tesla Finance LLC and Tesla Lease Trust.

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- Discussing the delinquency status of an account with any person other than the customer, unless specifically authorized by the customer in writing.
- Deceptive claims regarding debt payments and impact on credit reports, scores, and credit worthiness.

In addition, we will fully comply with the following regulations that generally apply to TFL's servicing and collection activities:

- EFTA
- GLBA (Privacy Rule and Notice, Reg. P)
- SCRA
- Bankruptcy Laws
- Information Security (Safeguards Rule)
- Service Providers / Vendor Management
- Customer Complaint Management

i. Training

All representatives involved in servicing and collections are trained and certified on the Fair Debt Collection Practices Act and additional compliance training is done by the servicer's Loss Mitigation Manager.

ii. Customer Letters

The Privacy Notice is mailed with the first statement to the lease customer and annually thereafter. Additional letters sent out during the servicing and collections process may include collection letters, repossession notices, and end of lease notices.

iii. Audit Policy

TFL's business activities are subject to periodic audits in accordance with Tesla Inc. Audit Committee rules and risk assessment results. This review may cover all leases or include a sample over a predetermined period, current and past due and liquidated leases. In addition, a sample of smaller leases may also be examined to ensure compliance and flag major departure from established policy and procedures.

iv. Records Retention

The following documents and information will be held for a period not less than required by statutes in electronic format, where possible:

- Refresh credit report obtained from a credit reporting agency,
- Other supporting information obtained during the collections process,
- Copies of all legal and collection notices sent to the customer,
- Any written complaint filed by the applicant alleging a violation of the law by TFL,
- Copy of the lease sales contract, incl. the security agreement enforceable in the jurisdiction where the collateral is located, whereby TFL can acquire title and repossess the collateral property in the event of a default.

G. Charge-off Policy

The general policy is to charge-off [***]. The following conditions should generally result in a charge-off:

[***]

[*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

H. Lease Extension Policy

Customers interested in extending their lease may extend for a maximum of [***] beyond original contract maturity date and may complete the extension form within [***] of original maturity date. To qualify for extension, the lease account must be eligible, including that it must be current on payments. Once an account is determined to be eligible for extension, an extension form is signed by the lessee(s) and TFL. An account is not formally extended unless a completed extension form is accepted at TFL's discretion.

I. Lease Repurchase Policy

Lease repurchases by Tesla, Inc. may occur if the lease customer experiences reliability issues with the vehicle. The lease repurchase will be processed differently based on vehicle title status. In all lease repurchase situations, the lessee(s) will sign a release of liability and odometer disclosure form.

J. Insurance Tracking

- Proof of insurance is a funding requirement, meaning leases are not booked until insurance is provided (either current vehicle insurance, or insurance listing the new Tesla vehicle).
- If the servicer's insurance tracking team does not receive complete insurance information [***], Tesla's CSO lead will send each customer an email requesting a copy of their insurance card, listing the Tesla leased vehicle.
- If Tesla or the servicer receives notification that the insurance policy has been changed, cancelled, or altered, the servicer reaches out to the insurance company for updated policy details.
- If the servicer is unable to reach the insurance company, the CSO Lead emails the lessees directly for policy information.
- If the CSO Lead is unable to reach the lessee over email, the servicer contacts the lessee by phone to resolve.

K. Collections and Portfolio Management Metrics

Timely tracking and reporting of appropriate metrics are key to effective risk and performance management. The following metrics will be tracked for appropriate actions [***] as the portfolio grows and performance evolves:

[***]

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Commitments of Lenders

Committed Lender	Commitment
Deutsche Bank AG, New York Branch	\$350,000,000.00
Citibank, N.A.	\$325,000,000.00
Royal Bank of Canada	\$157,500,000.00
Credit Suisse AG, Cayman Islands Branch	\$135,000,000.00
Barclays Bank PLC	\$132,500,000.00
	Total: \$1,100,000,000.00

Schedule 8-1

*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Short-Term Note Rate

The Short-Term Note Rate applicable to each of **CAFCO, LLC, CHARTA, LLC, CIESCO, LLC, CRC Funding, LLC** for any Interest Period (or portion thereof), shall be determined as follows: (a) to the extent that such Conduit Lender funds its Percentage of the Loan Balance during such Interest Period with Short-Term Notes, the per annum rate equal to the weighted average of the rates at which all Short-Term Notes issued by such Conduit Lender to fund its Percentage of the Loan Balance during such Interest Period were sold, which rates include all dealer commissions and other costs of issuing such Short-Term Notes, whether any such Short-Term Notes were specifically issued to fund its Percentage of the Loan Balance or are allocated, in whole or in part, to such funding, and (b) otherwise, the Bank Interest Rate.

The Short-Term Note Rate applicable to **GIFS Capital Company LLC** means, for any day during any Interest Period, the per annum rate equivalent to (a) the rate (expressed as a percentage and an interest yield equivalent and calculated on the basis of a 360-day year) or, if more than one rate, the weighted average thereof, paid or payable by such Conduit Lender from time to time as interest on or otherwise in respect of the Short-Term Notes issued by such Conduit Lender that are allocated, in whole or in part, by such Conduit's Lender's agent to fund the purchase or maintenance of the Loans outstanding made by such Conduit Lender (and which may also, in the case of a pool-funded conduit Conduit Lender, be allocated in part to the funding of other assets of such Conduit Lender and which Short-Term Notes need not mature on the last day of any Interest Period) during such Interest Period as determined by such Conduit Lender's agent, which rates shall reflect and give effect to (i) certain documentation and transaction costs (including, without limitation, dealer and placement agent commissions, and incremental carrying costs incurred with respect to Short-Term Notes maturing on dates other than those on which corresponding funds are received by such Conduit Lender) associated with the issuance of the Conduit Lender's Short-Term Notes, and (ii) other borrowings by such Conduit Lender, including borrowings to fund small or odd dollar amounts that are not easily accommodated in the commercial paper market, solely to the extent such amounts are allocated, in whole or in part, by the Conduit Lender's agent to fund such Conduit Lender's purchase or maintenance of the Loans outstanding made by such Conduit Lender during such Interest Period; *provided, that*, if any component of such rate is a discount rate, in calculating the applicable "Short-Term Note Rate" for such day, such Conduit Lender's agent shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum.

The Short-Term Note Rate applicable to **Salisbury Receivables Company LLC** shall mean, for each day during an Interest Period, the greater of (x) zero and (y) the weighted average rate at which interest or discount is accruing on or in respect of the Short-Term Notes with respect to such Conduit Lender allocated, in whole or in part, by the related Agent, to fund the purchase or maintenance of such portion of such Loan Balance (including, without limitation, any interest attributable to the commissions of placement agents and dealers in respect of such Short-Term Notes and any costs associated with funding small or odd-lot amounts, to the extent that such commissions or costs are allocated, in whole or in part, to such Short-Term Notes by such Agent); *provided, that*, notwithstanding anything herein to the contrary, the Short-Term Note Rate with respect to Salisbury Receivables Company LLC shall, at the election of the related Agent, be determined by such Agent by application of this definition of Short-Term Note Rate with the words "short-term promissory notes of Sheffield Receivables Company LLC" replacing the words "Short-Term Notes with respect to such Conduit Lender" or "such Short-Term Notes" wherever they appear herein.

Schedule 8-2

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Form of Loan Request

Loan Request

[DATE]

To:
Deutsche Bank AG, New York Branch,

as Administrative Agent
60 Wall Street, 5th Floor
New York, New York 10005
Attention: Katherine Bologna

VIA EMAIL, FACSIMILE AND OVERNIGHT COURIER

Re: Loan and Security Agreement (Warehouse SUBI Certificate) dated as of December 27, 2018 (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement"), among LML 2018 Warehouse SPV, LLC, as Borrower (the "Borrower"), Tesla Finance LLC ("TFL"), the Lenders and Group Agents party thereto and Deutsche Bank AG, New York Branch, as Administrative Agent ("Administrative Agent")

Ladies and Gentlemen:

This is a Loan Request delivered pursuant to the Agreement. Capitalized terms used in this Loan Request but not otherwise defined herein shall have the respective meanings assigned to such terms in the Agreement.

The Borrower hereby requests that the Lenders make Loans on [_____] in the aggregate principal amount of \$[_____] [*if the Loan Increase Date is a Warehouse SUBI Lease Allocation Date, insert:* and that a proposed allocation be made to the Warehouse SUBI of Leases and related Leased Vehicles with an aggregate Securitization Value of \$[_____] as of the applicable Cut-Off Date].

The Borrower hereby requests that the proceeds of the loan be wire transferred to the following account [_____].

Attached hereto are (i) a completed worksheet which calculates the amount of the Loans, its impact on the Loan Balance, the Available Facility Limit (on a pro forma basis as of the date hereof, after giving effect to such Loans) and the relationship of the increased Loan Balance to the Maximum Loan Balance, after giving effect to the allocation of the Lease Pool, if any, to the Warehouse SUBI on the Loan Increase Date (Attachment A), (ii) [*if the Loan Increase Date is a Warehouse SUBI Lease Allocation Date, insert:* an Allocation Notice with respect to the proposed allocation to the Warehouse SUBI of Leases and related Leased Vehicles on the Loan Increase Date] and [(iii)] in the copy of this Notice delivered to the Lender, a Pool Cut Report as to all Leases included in the Warehouse SUBI (including, without limitation, the Lease Pool (if any) proposed to be allocated to the Warehouse SUBI on the Loan Increase Date) (Attachment B).

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***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

The Borrower hereby certifies that each of the conditions precedent to the Loan Increase herein contemplated set forth in Sections 2.01(b) and 5.02 of the Agreement shall be satisfied as of the Loan Increase Date.

IN WITNESS WHEREOF, the Borrower has caused this Loan Request to be executed and delivered by its duly authorized officer as of the date first above written.

Very truly yours,
LML 2018 WAREHOUSE SPV, LLC

By: _____
Name:
Title:

A-2

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Form of Control Agreement

This Control Agreement (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement"), dated as of [____], is among LML 2018 Warehouse SPV, LLC (the "Borrower"), Tesla Finance LLC (the "Servicer"), Deutsche Bank AG, New York Branch, as administrative agent (the "Secured Party"), and [____], as securities intermediary (the "Securities Intermediary"). Except as otherwise defined herein, capitalized terms used herein shall have the respective meanings assigned to such terms in the Loan and Security Agreement (defined below) and the interpretive rules thereof shall apply to this Agreement.

RECITALS

WHEREAS, pursuant to the Loan and Security Agreement, the Borrower has granted to the Secured Party a security interest in investment property consisting of the Securities Accounts, related Security Entitlements and the Financial Assets and other investment property from time to time included therein; and

WHEREAS, the parties hereto desire that the security interests of the Secured Party in the Securities Accounts be a first priority security interest perfected by "control" pursuant to Articles 8 and 9 of the UCC.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. General Definitions. Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Agreement.

"Agreement" has the meaning set forth in the Preamble.

"Bankruptcy Code" means the United States Bankruptcy Code, Title 11 United States Code.

"Borrower" has the meaning set forth in the Preamble.

"Entitlement Holder" means, with respect to any Financial Asset, a Person identified in the records of the Securities Intermediary as the Person having a Security Entitlement against the Securities Intermediary with respect to such Financial Asset.

"Entitlement Order" means a notification directing the Securities Intermediary to transfer or redeem a Financial Asset.

"Financial Asset" has the meaning specified in Section 8-102(a)(9) of the UCC.

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***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

“Loan and Security Agreement” means the Loan and Security Agreement (Warehouse SUBI Certificate) dated as of December 27, 2018 (as amended, supplemented or otherwise modified and in effect from time to time), among the Borrower, Tesla Finance LLC, the Lenders and the Group Agents parties thereto from time to time, and the Administrative Agent described therein.

“Person” means any legal person, including any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, business trust, bank, trust company, estate (including any beneficiaries thereof), unincorporated organization or government or any agency or political subdivision thereof.

“Secured Party” has the meaning set forth in the Preamble.

“Securities Accounts” means the Warehouse SUBI Collection Account and the Warehouse SUBI Reserve Account, individually or collectively, as the context requires or permits.

“Securities Intermediary” has the meaning set forth in the Preamble.

“Security Entitlement” means the rights and property interest of an Entitlement Holder with respect to a Financial Asset, as specified in Part 5 of Article 8 of the UCC.

“Servicer” has the meaning set forth in the Preamble.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York.

“Warehouse SUBI Collection Account” means account number [***] in the name “Warehouse SUBI Collection Account of LML 2018 Warehouse SPV, LLC for the benefit of Deutsche Bank AG, New York Branch, as Administrative Agent” established with the Securities Intermediary pursuant to the Loan and Security Agreement, together with any successor accounts established pursuant to the Loan and Security Agreement.

“Warehouse SUBI Reserve Account” means account number [***] in the name “Reserve Account of LML 2018 Warehouse SPV, LLC for the benefit of Deutsche Bank AG, New York Branch, as Administrative Agent” established with the Securities Intermediary pursuant to the Loan and Security Agreement, together with any successor accounts established pursuant to the Loan and Security Agreement.

Section 1.02. Incorporation of UCC by Reference. Except as otherwise specified herein or as the context may otherwise require, all terms used in this Agreement not otherwise defined herein which are defined in Article 1, 8 or 9 of the UCC shall have the respective meanings assigned to such terms in such Article the UCC.

ARTICLE II

ESTABLISHMENT OF CONTROL OVER SECURITIES ACCOUNT

Section 2.01. Establishment of Securities Account. The Securities Intermediary hereby confirms that (i) the Securities Intermediary has established the Securities Accounts specifically referenced in the definition thereof, (ii) each of the Securities Accounts is an account to which Financial Assets are or may be credited, (iii) the Securities Intermediary shall, subject to the terms of this Agreement, treat the Secured Party as entitled to exercise the rights that comprise any Financial Asset credited to any Securities Account, (iv) all property delivered to the Securities Intermediary by or on behalf of the Borrower, the Servicer or the Secured Party for deposit to any Securities Account will promptly be credited to such Securities Account and (v) all securities or other property

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[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

underlying any Financial Assets credited to any Securities Account shall be registered in the name of the Securities Intermediary, endorsed to the Securities Intermediary or in blank or credited to another securities account maintained in the name of the Securities Intermediary and in no case will any Financial Asset credited to any Securities Account be registered in the name of the Borrower or the Servicer, payable to the order of the Borrower or the Servicer or specially endorsed to the Borrower or the Servicer, except to the extent the foregoing have been specially endorsed to the Securities Intermediary or in blank.

Section 2.02. “Financial Assets” Election. The Securities Intermediary hereby agrees that each item of property (whether investment property, financial asset, security, instrument or cash) credited to a Securities Account shall be treated as a “financial asset” within the meaning of Section 8-102(a)(9) of the UCC.

Section 2.03. Entitlement Orders. If at any time the Securities Intermediary shall receive an Entitlement Order from the Secured Party with respect to any Securities Account (or the Financial Assets credited thereto), the Securities Intermediary shall comply with such Entitlement Order without further consent by the Borrower, the Servicer or any other Person. Without limiting the generality of the foregoing, if the Secured Party notifies the Securities Intermediary in writing that the Secured Party shall exercise exclusive control over any Securities Account (and any Financial Assets credited thereto) (such notice, which shall be substantially in the form of Attachment A attached hereto, “Notice of Exclusive Control”), the Securities Intermediary shall cease (i) complying with Entitlement Orders or other directions relating to such Securities Account (or the Financial Assets credited thereto) originated by the Borrower, the Servicer or any other Person other than the Secured Party and (ii) distributing to the Borrower, the Servicer or any Person other than the Secured Party interest, dividends or other amounts received by the Securities Intermediary in respect of any Financial Asset or other property credited to such Securities Account (and, instead, shall (at the direction of the Secured Party from time to time) retain such interest, dividends and other amounts in such Securities Account or distribute same to, or at the direction of, the Secured Party). The Securities Intermediary shall provide to the Borrower copies of Entitlement Orders received from the Secured Party.

Except as otherwise provided in this Section 2.03, the Servicer may give Entitlement Orders to the Securities Intermediary relating to the redemption or transfer of Financial Assets in the Securities Accounts. Such Entitlement Orders shall be in accordance with the information contained in the related Settlement Statement.

Section 2.04. Waiver of Lien; Waiver of Set-Off. In the event that the Securities Intermediary has or subsequently obtains by agreement, operation of law or otherwise a security interest in any Securities Account or any Security Entitlement or Financial Asset credited thereto, the Securities Intermediary hereby waives such security interest (except as provided in the next sentence). The Financial Assets and other items deposited to any Securities Account will not be subject to deduction, set-off, banker’s lien or any other right in favor of any Person or entity other than the Secured Party (except that the Securities Intermediary may set off against amounts on deposit in the Securities Accounts (i) all amounts due to it in respect of its customary fees and expenses for the routine maintenance and operation of the Securities Accounts, and (ii) the face amount of any checks that have been credited to any such Securities Account, but are subsequently returned unpaid because of uncollected or insufficient funds).

Section 2.05. Notice of Adverse Claims. Except for the claims and interests of the Secured Party and the Borrower in the Securities Accounts, the Securities Intermediary does not know of any claim to, or interest in, any Securities Account or in any Financial Asset credited thereto. If any Person asserts any lien, encumbrance or adverse claim (including any writ, garnishment, judgment, warrant of attachment, execution or similar process) against any Securities Account or in any Financial Asset carried therein, the Securities Intermediary will promptly notify the Secured Party and the Borrower thereof.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND
COVENANTS OF THE SECURITIES INTERMEDIARY

Section 3.01. Representations, Warranties and Covenants of the Securities Intermediary. The Securities Intermediary hereby represents and warrants to the Secured Party, the Borrower and the Servicer, and covenants that:

- (a) The Securities Intermediary is a banking corporation duly organized, validly existing and in good standing under the laws of [_____] and each other state where the nature of its business requires it to qualify, except to the extent that the failure to so qualify would not have a material adverse effect on the ability of the Securities Intermediary to perform its obligations under this Agreement.
- (b) Each Securities Account has been established as set forth in Section 2.01 and will be maintained in the manner set forth herein until termination of this Agreement. The Securities Intermediary shall not change the name or account number of any Securities Account without the prior written consent of the Secured Party.
- (c) No Financial Asset carried in any Securities Account is or will be registered in the name of the Borrower, payable to the order of the Borrower, or specially endorsed to the Borrower, except to the extent such Financial Asset has been endorsed to the Securities Intermediary or in blank.
- (d) This Agreement is the valid and legally binding obligation of the Securities Intermediary.
- (e) The Securities Intermediary has not entered into, and until the termination of this Agreement will not, without the prior written consent of the Borrower, the Servicer and the Secured Party, enter into, any agreement pursuant to which it agrees to comply with Entitlement Orders of any Person other than the Secured Party with respect to each Securities Account.
- (f) The Securities Intermediary has not entered into, and until the termination of this Agreement will not, without the prior written consent of the Borrower, the Servicer and the Secured Party, enter into, any other agreement with the Borrower the Servicer, the Secured Party or any other Person purporting to limit or condition the obligation of the Securities Intermediary to comply with Entitlement Orders as set forth in Section 2.03.
- (g) If requested by the Secured Party, the Securities Intermediary will deliver to the Secured Party copies of all statements and confirmations relating to the Securities Accounts (and the Financial Assets credited thereto), such delivery to be made at the same time as delivery to the Borrower or the Servicer.

ARTICLE IV

MISCELLANEOUS

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***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Section 4.01. Choice of Law. This Agreement and the Securities Accounts shall be governed by the laws of the State of New York (without regard to its conflicts of law principles). Regardless of any provision in any other agreement, for purposes of the UCC, New York shall be deemed to be the Securities Intermediary's location and the Securities Accounts (as well as the Security Entitlements related thereto) shall be governed by the laws of the State of New York.

Section 4.02. Conflict with other Agreements. As of the date hereof, there are no other agreements entered into between the Securities Intermediary in such capacity and the Borrower with respect to any Securities Account. In the event of any conflict between this Agreement (or any portion thereof) and any other agreement now existing or hereafter entered into, the terms of this Agreement shall prevail.

Section 4.03. Amendments. No amendment or modification of this Agreement or waiver of any right hereunder shall be binding on any party hereto unless it is in writing and is signed by all of the parties hereto.

Section 4.04. Successors. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors.

Section 4.05. Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered at or mailed by registered mail, return receipt requested, to, in the case of (i) the Borrower, at c/o Tesla, Inc., 3500 Deer Creek Road, Palo Alto, California 94304, Attention: General Counsel, facsimile no. (650) 523-4770, (ii) the Servicer, at c/o Tesla, Inc., 3500 Deer Creek Road, Palo Alto, California 94304, Attention: General Counsel, facsimile no. (650) 523-4770, (iii) the Secured Party, [____], Attention: Asset Finance Group, telecopy no. [____], and (iv) the Securities Intermediary, [____], telecopy no. (____)_____ or as to any of such parties, at such other address as shall be designated by such party in a written notice to the other parties.

Section 4.06. Termination. The rights and powers granted herein to the Secured Party have been granted in order to perfect its security interest in each Securities Account, are powers coupled with an interest and will neither be affected by the bankruptcy of the Borrower nor by the lapse of time. The obligations of the Securities Intermediary hereunder shall continue in effect with respect to each Securities Account until the Secured Party has notified the Securities Intermediary in writing that its security interest under the Loan and Security Agreement has been terminated. Upon the joint written instruction of the Secured Party and the Borrower, the Securities Intermediary shall close a Securities Account and disburse as directed the balance of any assets therein.

Section 4.07. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing and delivering one or more counterparts.

Section 4.08. No Petition. Each party hereto agrees, prior to the date which is one (1) year and one (1) day after the payment in full of all indebtedness for borrowed money of the Borrower, not to acquiesce, petition or otherwise, directly or indirectly, invoke, or cause the Borrower to invoke, the process of any Official Body for the purpose of (a) commencing or sustaining a case against Borrower, under any federal or state bankruptcy, insolvency or similar law (including the Bankruptcy Code), (b) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Borrower, or any substantial part of the property of the Borrower, or (c) ordering the winding up or liquidation of the affairs of the Borrower.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

TESLA FINANCE LLC,
as Servicer

By: _____
Name:
Title:

LML 2018 WAREHOUSE SPV, LLC,
as Borrower

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK BRANCH, as
Administrative Agent, as Secured Party,

By: _____
Name:
Title:

[_____] ,
as Securities Intermediary

By: _____
Name:
Title:

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*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

FORM OF NOTICE OF EXCLUSIVE CONTROL

[_____ , ____]

[BANK]

[ADDRESS]

Re: Control Agreement

Ladies and Gentlemen:

We hereby notify you that, in accordance with the provisions of the Loan and Security Agreement, dated as of December 27, 2018 (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement"), among the Borrower, Tesla Finance LLC, the Lenders and the Group Agents parties thereto from time to time and the undersigned, as Administrative Agent ("Administrative Agent"), we intend to exercise in the place and stead of the Borrower and the Servicer any and all rights in respect of or in connection with the Control Agreement dated [•], 20[•], among the Administrative Agent, the Borrower, the Servicer and you (the "Control Agreement") and the [_____] Account.

Capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Control Agreement.

Very truly yours,
DEUTSCHE BANK AG, NEW YORK BRANCH,
as Administrative Agent

By: _____
Title: _____

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*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Form of Compliance Certificate

Certificate of Treasurer

I, the undersigned, Treasurer of LML 2018 Warehouse SPV, LLC (the "Borrower") do hereby CERTIFY, pursuant to Section 6.01(a)(i) of the Loan and Security Agreement (Warehouse SUBI Certificate) dated as of December 27, 2018 (as amended, supplemented or otherwise modified and in effect from time to time, the "Loan and Security Agreement") among the Borrower, TFL, the Lenders and Group Agents party thereto, and Deutsche Bank AG, New York Branch, as Administrative Agent, that on and as of the date hereof, there exists no Default, Event of Default or, to my knowledge, Servicer Default.

Capitalized terms not otherwise defined herein have the respective meanings assigned to such terms in the Loan and Security Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this ____ day of _____, 20__.

LML 2018 WAREHOUSE SPV, LLC

By: _____
Name:
Title: Treasurer

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*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Form of Notice of Warehouse SUBI Lease Allocation

Notice of Warehouse SUBI Lease Allocation

[DATE]

Deutsche Bank AG, New York Branch,
as Administrative Agent
60 Wall Street, 5th Floor
New York, New York 10005
Attention: Katherine Bologna

VIA EMAIL, FACSIMILE AND OVERNIGHT COURIER

Re: Loan and Security Agreement (Warehouse SUBI Certificate) dated as of December 27, 2018 (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement"), among Tesla 2014 Warehouse Borrower SPV LLC, as Borrower (the "Borrower"), Tesla Finance LLC ("TFL"), the Lenders and Group Agents party thereto and Deutsche Bank AG, New York Branch, as Administrative Agent ("Administrative Agent")

Ladies and Gentlemen:

This is a Notice of Warehouse SUBI Lease Allocation delivered pursuant to the Agreement and Section 11.2 of the Warehouse SUBI Supplement. Capitalized terms used in this Notice of Warehouse SUBI Lease Allocation but not otherwise defined herein shall have the respective meanings assigned to such terms in the Agreement.

TFL hereby notifies the Administrative Agent of a proposed allocation to the Warehouse SUBI of Leases and related Leased Vehicles to occur on [____] (the "Warehouse SUBI Lease Allocation Date") pursuant to the Agreement and the Warehouse SUBI Supplement. The aggregate Securitization Value of such Leases is \$[_____] as of the applicable Cut-Off Date.

Attached hereto are (i) a Pool Cut Report as to the Leases proposed to be allocated to the Warehouse SUBI on the Warehouse SUBI Lease Allocation Date (Attachment A) and (ii) a schedule of Leases proposed to be allocated to the Warehouse SUBI on the Warehouse SUBI Lease Allocation Date (Attachment B).

Pursuant to Section 2.3 of the Warehouse SUBI Servicing Agreement, TFL, as Servicer, hereby certifies to the Administrative Agent, it has received all of the Lease Documents (other than (x) the original Certificates of Title, which shall be delivered to the Servicer promptly following receipt from the applicable Registrar of Titles and (y) any Lease Documents (including each Lease that constitutes Electronic Chattel Paper) related to the Leases identified in Attachment B hereto.

IN WITNESS WHEREOF, the Borrower and TFL have caused this Notice of Warehouse SUBI Lease Allocation to be executed and delivered by its duly authorized officer as of the date first above written.

D-1

[*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Very truly yours,
LML 2018 WAREHOUSE SPV, LLC

By: _____
Name:
Title:

TESLA FINANCE LLC

By: _____
Name:
Title:

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*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Form of Pool Cut Report

E-1

*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Account Number	VIN	Customer State	FICO Score	Original Term	Contractual Total Monthly Payment Amount	Buy Rate (APR)	Contractual Residual Amount	ALG Estimate of Residual	Current Maturity Date	Number of Days Past Payments Remaining	Current to Market ALG Value
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
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16											
17											
18											
19											
20											

E-1

*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

MTM Date	SUBI Date	Base RV	Base RV Type	Req. Disc. Rate	Original SV	Lease SV	BRV SV	Facility SV	Country Ineligible?	Original Term Ineligible?	Initial SV Ineligible?	Excess Miles Ineligible?	Scheduled Payments Made	Past due Ineligible?
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E-2

*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

FICO Ineligible?	Early Paid	Repo?	Charged- off?	Bankruptcy Extension	Repurchase	Maturity Ineligible?	Facility Eligibility	Maturity Month	Tape	Current Lease Receivable	Vehicle Make and Model
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E-3

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Form of Notice of Securitization Take-Out

[Date]

Deutsche Bank AG, New York Branch
as Administrative Agent
60 Wall Street, 5th Floor
New York, New York 10005
Attention: Katherine Bologna

Attention:

Re: Loan and Security Agreement (Warehouse SUBI Certificate) dated as of December 27, 2018 (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement"), among LML 2018 Warehouse SPV, LLC, as Borrower (the "Borrower"), Tesla Finance LLC, the Lenders and the Group Agents party thereto from time to time, and Deutsche Bank AG, New York Branch, as Administrative Agent ("Administrative Agent")

Ladies and Gentlemen:

This is a Notice of Securitization Take-Out delivered pursuant to the Agreement. Capitalized terms used in this Notice of Securitization Take-Out but not otherwise defined herein shall have the respective meanings assigned to such terms in the Agreement.

The Borrower hereby notifies the Administrative Agent that it intends to effect a Securitization Take-Out on the Securitization Take-Out Date of _____, 20__ [*Insert date which may be no fewer than 5 Business Days after the date of this Notice*].

The Securitization Take-Out Price for the Securitization Take-Out is estimated to be \$_____ .

F-1

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

IN WITNESS WHEREOF, Borrower has caused this Notice of Securitization Take-Out to be executed and delivered by its duly authorized officer as of the date first above written.

Very truly yours,
LML 2018 WAREHOUSE SPV, LLC

By: _____
Name: _____
Title: _____

F-2

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Form of Securitization Take-Out Certificate

LML 2018 WAREHOUSE SPV, LLC
Securitization Take-Out Certificate

This Securitization Take-Out Certificate is delivered pursuant to Section 2.09(b)(i) of the Loan and Security Agreement (Warehouse SUBI Certificate), dated as of December 27, 2018, among LML 2018 Warehouse SPV, LLC, as Borrower, Tesla Finance LLC, certain Lenders party thereto, certain Group Agents party thereto and Deutsche Bank AG, New York Branch, as Administrative Agent (as in effect from time to time, the "Loan and Security Agreement"). Unless otherwise defined herein, capitalized terms used in this Securitization Take-Out Certificate shall have the respective meanings assigned to such terms in the Loan and Security Agreement.

Today's Date: _____

Securitization Take-Out Date: _____

I. CALCULATION OF LOAN BALANCE		
A.	Securitization Value of Warehouse SUBI Leases (prior to Securitization Take-Out)	\$ -
B.	Less: Securitization Value of Warehouse SUBI Leases to be reallocated to UTI in connection with Securitization Take-Out	\$
C.	Remaining aggregate Securitization Value of Warehouse SUBI Leases other than Defaulted Leases, Terminated Leases, Delinquent Lease and Leases which exceed the Excess Concentration Amount and after giving effect to any other reductions thereto in accordance with the term "Maximum Loan Balance" determined as if the remaining Leases are now being allocated to the Warehouse SUBI	\$ -
D.	Advance Rate	%
E.	Maximum Loan Balance which can be outstanding following Securitization Take-Out (= (D. x C.))	\$ -
II. LOAN BALANCE RECONCILIATION		
A.	Loan Balance prior to Securitization Take-Out	\$ -
B.	Maximum Loan Balance which can be outstanding following Securitization Take-Out (I.E)	\$ -
C.	Portion of Loan Balance to be repaid on Securitization Take-Out Date (A. minus B.)	\$ -
D.	Actual Loan Balance following Securitization Take-Out (A. minus C.)	\$
III. AVAILABLE MAXIMUM LOAN BALANCE		
A.	Maximum Loan Balance	\$[]
B.	Loan Balance (following Securitization Take-Out) (II.D)	\$ -
C.	Available Maximum Loan Balance (A. minus B.)	\$

The Borrower hereby represents and warrants, in connection with the Securitization Take-Out to which this Securitization Take-Out relates, that each of the conditions and other requirements set forth in Section 2.09(b) of the Loan and Security Agreement has been satisfied.

G-2

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

IN WITNESS WHEREOF, I _____, a Responsible Officer of the Borrower, has executed this Securitization Take-Out Certificate as of the date set forth above.

LML 2018 WAREHOUSE SPV, LLC

By: _____
Name:
Title:

G-3

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

[RESERVED]

H-1

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

[Reserved]

I-1

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

[Reserved]

J-1

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

[Reserved]

K-1

*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

[Reserved]

L-1

***** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Form of Assignment and Acceptance Agreement

This Assignment and Assumption Agreement (this "Assignment") dated as of [____], 20__ is made by [____] [(together with the Group Agent (as defined below),] the "Assignor") to [____] (the "Assignee") [with the consent of LML 2018 Warehouse SPV, LLC, as Borrower under the Loan and Security Agreement (defined below)], pursuant to Section 12.10 of the Loan and Security Agreement (Warehouse SUBI Certificate) dated as of December 27, 2018 (as amended, supplemented, or otherwise modified and in effect from time to time, the "Loan and Security Agreement"), among LML 2018 Warehouse SPV, LLC, as Borrower, Tesla Finance LLC, the Lenders and Group Agents party thereto from time to time, and Deutsche Bank AG, New York Branch, as Administrative Agent. Capitalized terms used (but not defined) in this Assignment shall have the respective meanings assigned to such terms in the Loan and Security Agreement.

SECTION 1. Assignment and Assumption. In consideration of the payment of \$_____ by the Assignee to the Assignor, the receipt and sufficiency of which payment is hereby acknowledged, effective on _____, 20__ (the "Effective Date"), the Assignor hereby assigns to the Assignee [(or to _____ (the "Assignee Group Agent"), for the benefit of the Assignee)] without recourse and (except as provided below) without representation or warranty, and the Assignee hereby purchases and assumes, an undivided ___% interest in the Assignor's Loans (and the Assignor's rights and obligations under its Loans), together with the Assignor's related interest in the Collateral and the Assignor's Commitment Amount. The Assignor represents and warrants to the Assignee that (i) it is the owner of the portion of the Loans assigned hereby and (ii) it has not created any lien upon or with respect to the portion of the Loans assigned hereby.

SECTION 2. Effect of Assignment. (a) From and after the Effective Date, (i) the Assignee shall be a party to and be bound by all of the terms of the Loan and Security Agreement and shall have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the assignment effected hereby, relinquish its rights and be released from its obligations under the Loan and Security Agreement. Without limiting the generality of this Section 2(a), the Assignee acknowledges receipt of a copy of Section 12.11 of the Loan and Security Agreement and agrees to be bound thereby.

(b) After giving effect to the assignment effected by this Assignment, (i) the Assignor's Commitment Amount shall be \$_____, and its portion of the Loan Balance shall be \$_____, and (ii) the Assignee's Commitment Amount shall be \$_____, and its portion of the Loan Balance shall be \$_____.

SECTION 3. Administrative Agent. The Assignee [and the Assignee's Group Agent] hereby accept(s) the appointment of, and authorizes, the Administrative Agent to take such action on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan and Security Agreement, together with such powers as are reasonably incidental thereto.

SECTION 4. Miscellaneous.

(a) The Assignor shall deliver a copy of this Assignment to the Servicer, the Borrower and the Administrative Agent.

M-1

*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

(b) THIS ASSIGNMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO ITS CONFLICTS OF LAW PRINCIPLES).

(c) Schedule I attached hereto sets forth information (as such information may be changed from time to time in accordance with Section 12.05 of the Loan and Security Agreement) relating to the Assignee [and its Group Agent]. Such Schedule I shall be deemed to amend Schedule I to the Loan and Security Agreement without any further action of any party to the Loan and Security Agreement.

(d) This Assignment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized signatories, have executed and delivered this Assignment as of the date first above written.

[ASSIGNOR]

By: _____
Authorized Signatory
Title:

[ASSIGNOR'S FACILITY AGENT]

By: _____
Authorized Signatory
Title:

[ASSIGNEE]

By: _____
Authorized Signatory
Title:

[ASSIGNEE'S FACILITY AGENT]

By: _____
Authorized Signatory
Title:

[CONSENTED TO:

LML 2018 WAREHOUSE SPV, LLC, as Borrower

By: _____]
Authorized Signatory
Title: _____

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*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Form of Assumption Agreement

THIS ASSUMPTION AGREEMENT (this "Agreement"), dated as of [_____, ____], is among LML 2018 Warehouse SPV, LLC (the "Borrower"), [_____, _____], as a Conduit Lender (the "New Conduit Lender[s]"), [_____, _____], as a Related Committed Lender (the "New Committed Lender[s]") and together with the New Conduit Lender[s], the "New Lenders"), [_____, _____], as group agent for the New Lenders (the "New Group Agent" and together with the New Lenders, the "New Group") and Deutsche Bank AG, New York Branch ("Deutsche Bank"), as Administrative Agent (in such capacity, the "Administrative Agent"), as a Lender and as a Group Agent.¹

BACKGROUND

The Borrower and various others are parties to a certain Loan and Security Agreement (Warehouse SUBI Certificate), dated as of December 27, 2018 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Loan Agreement"). Capitalized terms used and not otherwise defined herein have the respective meaning assigned to such terms in the Loan Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. This letter constitutes an Assumption Agreement pursuant to Section 12.10(j) of the Loan Agreement. The Borrower desires the New Lenders and the New Group Agent to become a Group under the Loan Agreement, and upon the terms and subject to the conditions set forth in the Loan Agreement, the New Lenders and the New Group Agent agree to become a Group thereunder, each in the respective capacities set forth on the signature pages hereto.

SECTION 2. Upon execution and delivery of this Agreement by the Borrower and each member of the New Group, satisfaction of the other conditions with respect to the addition of a Group specified in Section 12.10(j) of the Loan Agreement (including the written consent of the Administrative Agent) and receipt by the Administrative Agent of counterparts of this Agreement (whether by facsimile or otherwise) executed by each of the parties hereto:

- (a) [each of] the New Conduit Lender[s] shall become a party to, and have all of the rights and obligations of, a Conduit Lender under the Loan Agreement;
- (b) [each of] the New Committed Lender[s] shall become a party to, and have the rights and obligations of, a Committed Lender under the Loan Agreement and the Commitment shall be as set forth on its signature page hereto;
- (c) the New Group Agent shall become a party to, and have all the rights and obligations of, a Group Agent under the Loan Agreement;
- (d) the New Committed Lender shall make a Loan to the Borrower by transferring to the Administrative Agent an amount equal to the product of (x) the Loan Balance with respect to all outstanding Loans made by each existing Committed Lender prior to giving effect to the Loan to be made by the New

¹ Note: Each existing Committed Lender and Group Agent should be included as parties to the Assumption Agreement.

Committed Lender described in this clause (d) (such amount, the "Existing Loan Balance") multiplied by (y) a fraction the numerator of which is the Commitment Amount of the New Committed Lender and the denominator of which is the aggregate Commitments of all Committed Lenders (including the New Committed Lender) (such amount, the "Committed Balancing Amount");

- (e) the Administrative Agent shall distribute to existing Committed Lenders (as principal repayment of their Loans) the applicable portion of the Commitment Balancing Amount, if any, such that (i) the Loan to be made by the New Committed Lender described in Section 2(d) will not increase the Existing Loan Balance and (ii) the New Committed Lender's Loan to the Borrower will be proportionate to the Loans of each other Committed Lender based on their relative Commitment;
- (f) the Administrative Agent shall record in the Register (i) the relevant information with respect to the New Group, (ii) the Loan made by the New Committed Lender described in clause (d) of this Section 2 and (iii) the application of the Commitment Balancing Amount as described in clause (e) of this Section 2;
- (g) each existing Committed Lender shall, to the extent such rights have been assigned by it under this Agreement, relinquish its assigned rights and be released from its assigned obligations under the Loan Agreement, except for those rights that expressly survive the termination of the Loan Agreement by its terms;
- (h) the Administrative Agent shall make, or cause to be made, all payments under the Loan Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the New Group; and
- (i) each existing Committed Lender and the New Group shall make all appropriate adjustments in payments under the Loan Agreement for periods prior to the date hereof directly among themselves.

SECTION 3. The parties hereto agree that immediately after giving effect to (a) this Agreement, (b) the Loan made by the New Committed Lender described in Section 2(d) and (c) the application of the Commitment Balancing Amount as described in Section 2(e), the Commitment, Loan and Percentage of each Lender are as set forth in Schedule I attached hereto.

SECTION 4. The Administrative Agent and each Group Agent as of the date hereof hereby consent to the addition of the New Conduit Lender[s] and the New Committed Lender[s] as Lenders under the Loan Agreement.

SECTION 5. Each party hereto hereby covenants and agrees that it will not institute against, or join any other Person in instituting against, the Borrower or any Conduit Lender, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after the latest maturing commercial paper notes issued by the Borrower is paid in full. The covenant contained in this paragraph shall survive any termination of the Loan Agreement.

SECTION 6. Deutsche Bank and the New Group confirm and agree with each other and the other parties to the Loan Agreement that: (i) other than as provided herein, Deutsche Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement or any other instrument or document furnished pursuant thereto; (ii) the New Group confirms that it has received a copy of the Loan Agreement, together with copies of such financial

statements and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (iii) the New Group will, independently and without reliance upon Deutsche Bank or any other Lender party to the Loan Agreement and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (iv) the New Lenders appoints and authorizes the New Group Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such agent by the terms hereof, together with such powers as are reasonably incidental thereto; (v) the New Lenders agree that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender and (vi) the New Group Agent agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Group Agent.

SECTION 7. The Short-Term Note Rate applicable to the New Conduit Lender[s] for any Interest Period (or portion thereof), shall be determined as follows: [_____].

SECTION 8. THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK. This Agreement may be executed in counterparts, and by the different parties on different counterparts, each of which shall constitute an original, but all together shall constitute one and the same agreement.

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*****] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

(Signature Page Follows)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the date first above written.

[_____] , as a Conduit Lender

By: _____
Name Printed: _____
Title: _____
[Address]

[_____] , as a Committed Lender
for the New Group

By: _____
Name Printed: _____
Title: _____
[Address]
[Commitment]
[Scheduled Termination Date]

[_____] , as Group Agent
for the New Group

By: _____
Name Printed: _____
Title: _____
[Address]

LML 2018 WAREHOUSE SPV, LLC, as Borrower

By: _____
Name Printed: _____
Title: _____

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*** Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Schedule I

Lender	Lender Type	Commitment	Loan	Percentage
Deutsche Bank AG, New York Branch	Committed Lender	\$_[_____]	\$_[_____]	[_]%
\$_[_____]	\$_[_____]	\$_[_____]	\$_[_____]	[_]%

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[*] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.**

Exhibit 21.1**SUBSIDIARIES OF TESLA, INC.**

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Allegheny Solar 1, LLC	Delaware
Allegheny Solar Manager 1, LLC	Delaware
Ancon Holdings II, LLC	Delaware
Ancon Holdings III, LLC	Delaware
Ancon Holdings, LLC	Delaware
Ancon Solar Corporation	Delaware
Ancon Solar I, LLC	Delaware
Ancon Solar II Lessee Manager, LLC	Delaware
Ancon Solar II Lessee, LLC	Delaware
Ancon Solar II Lessor, LLC	Delaware
Ancon Solar III Lessee Manager, LLC	Delaware
Ancon Solar III Lessee, LLC	Delaware
Ancon Solar III Lessor, LLC	Delaware
Ancon Solar Managing Member I, LLC	Delaware
Arpad Solar Borrower, LLC	Delaware
Arpad Solar I, LLC	Delaware
Arpad Solar Manager I, LLC	Delaware
AU Solar 1, LLC	Delaware
AU Solar 2, LLC	Delaware
Banyan SolarCity Manager 2010, LLC	Delaware
Banyan SolarCity Owner 2010, LLC	Delaware
Basking Solar I, LLC	Delaware
Basking Solar II, LLC	Delaware
Basking Solar Manager II, LLC	Delaware
Beatrix Solar I, LLC	Delaware
Bernese Solar Manager I, LLC	Delaware
Blue Skies Solar I, LLC	Delaware
Blue Skies Solar II, LLC	Delaware
Building Solutions Acquisition Corporation	Delaware
Caballero Solar Managing Member I, LLC	Delaware
Caballero Solar Managing Member II, LLC	Delaware
Caballero Solar Managing Member III, LLC	Delaware
Cardinal Blue Solar, LLC	Delaware
Castello Solar I, LLC	Delaware
Castello Solar II, LLC	Delaware
Castello Solar III, LLC	Delaware
Chaparral SREC Borrower, LLC	Delaware
Chaparral SREC Holdings, LLC	Delaware
Chompie Solar I, LLC	Delaware
Chompie Solar II, LLC	Delaware
Chompie Solar Manager I, LLC	Delaware
Chompie Solar Manager II, LLC	Delaware
City UB Solar, LLC	Delaware
Clydesdale SC Solar I, LLC	Delaware
Common Assets Capital, LLC	Delaware
Common Assets Financial, LLC	Delaware
Common Assets Securities, LLC	Delaware
Common Assets Technologies, LLC	Delaware
Common Assets, LLC	Delaware
Dahlia Holdings I, LLC	Delaware
Dahlia Holdings II, LLC	Delaware

Dom Solar General Partner I, LLC	Delaware
Dom Solar Limited Partner I, LLC	Delaware
Eiger Lease Co, LLC	Delaware
Energy Freedom Coalition of America, LLC	Delaware
Falconer Solar Manager I, LLC	Delaware
Firehorn Solar Manager I, LLC	Delaware
FocalPoint Solar Borrower, LLC	Delaware
FocalPoint Solar I, LLC	Delaware
FocalPoint Solar Manager I, LLC	Delaware
Fontane Solar I, LLC	Delaware
Fotovoltaica GI 4, S. de R.L. de C.V.	Mexico
Fotovoltaica GI 5, S. de R.L. de C.V.	Mexico
FTE Solar I, LLC	Delaware
Grohmann Engineering Trading (Shanghai) Co. Ltd.	China
Grohmann USA, Inc.	Delaware
Hammerhead Solar, LLC	Delaware
Hangzhou Silevo Electric Power Co., Ltd.	China
Harpoon Solar I, LLC	Delaware
Harpoon Solar Manager I, LLC	Delaware
Haymarket Holdings, LLC	Delaware
Haymarket Manager 1, LLC	Delaware
Haymarket Solar 1, LLC	Delaware
Ikehu Manager I, LLC	Delaware
IL Buono Solar I, LLC	Delaware
Iliosson, S.A. de C.V.	Mexico
Knight Solar Managing Member I, LLC	Delaware
Knight Solar Managing Member II, LLC	Delaware
Knight Solar Managing Member III, LLC	Delaware
Landlord 2008-A, LLC	Delaware
LML Partnership, LLC	Delaware
LML 2018 Warehouse SPV, LLC	Delaware
LML Warehouse SPV, LLC	Delaware
Louis Solar II, LLC	Delaware
Louis Solar III, LLC	Delaware
Louis Solar Manager II, LLC	Delaware
Louis Solar Manager III, LLC	Delaware
Louis Solar Master Tenant I, LLC	Delaware
Louis Solar MT Manager I, LLC	Delaware
Louis Solar Owner I, LLC	Delaware
Louis Solar Owner Manager I, LLC	Delaware
Mako GB SPV Holdings, LLC	Delaware
Mako GB SPV, LLC	Delaware
Mako Solar Holdings, LLC	Delaware
Mako Solar, LLC	Delaware
Master Tenant 2008-A, LLC	Delaware
Matterhorn Solar I, LLC	Delaware
Megalodon Solar, LLC	Delaware
Monte Rosa Solar I, LLC	Delaware
Mound Solar Manager V, LLC	Delaware
Mound Solar Manager VI, LLC	Delaware
Mound Solar Manager X, LLC	Delaware
Mound Solar Manager XI, LLC	Delaware
Mound Solar Manager XII, LLC	Delaware
Mound Solar Master Tenant IX, LLC	Delaware
Mound Solar Master Tenant V, LLC	California
Mound Solar Master Tenant VI, LLC	Delaware

Mound Solar Master Tenant VII, LLC	Delaware
Mound Solar Master Tenant VIII, LLC	Delaware
Mound Solar MT Manager IX, LLC	Delaware
Mound Solar MT Manager VII, LLC	Delaware
Mound Solar MT Manager VIII, LLC	Delaware
Mound Solar Owner IX, LLC	Delaware
Mound Solar Owner Manager IX, LLC	Delaware
Mound Solar Owner Manager VII, LLC	Delaware
Mound Solar Owner Manager VIII, LLC	Delaware
Mound Solar Owner V, LLC	California
Mound Solar Owner VI, LLC	Delaware
Mound Solar Owner VII, LLC	Delaware
Mound Solar Owner VIII, LLC	Delaware
Mound Solar Partnership X, LLC	Delaware
Mound Solar Partnership XI, LLC	Delaware
Mound Solar Partnership XII, LLC	Delaware
MS SolarCity 2008, LLC	Delaware
MS SolarCity Commercial 2008, LLC	Delaware
MS SolarCity Residential 2008, LLC	Delaware
MT Solar Corporation	Delaware
NBA SolarCity AFB, LLC	California
NBA SolarCity Commercial I, LLC	California
NBA SolarCity Solar Phoenix, LLC	California
Northern Nevada Research Co., LLC	Nevada
Oranje Solar I, LLC	Delaware
Oranje Solar Manager I, LLC	Delaware
Paramount Energy Fund I Lessee, LLC	Delaware
Paramount Energy Fund I Lessor, LLC	Delaware
PEF I MM, LLC	Delaware
Perbix Machine Company, Inc.	Minnesota
Poppy Acquisition LLC	Delaware
Presidio Solar I, LLC	Delaware
Presidio Solar II, LLC	Delaware
Presidio Solar III, LLC	Delaware
Pukana La Solar I, LLC	Delaware
Roadster Automobile Sales and Service (Beijing) Co., Ltd.	China
Roadster Finland Oy	Finland
Sequoia Pacific Holdings, LLC	Delaware
Sequoia Pacific Manager I, LLC	Delaware
Sequoia Pacific Solar I, LLC	Delaware
Sequoia SolarCity Owner I, LLC	Delaware
Servicios de Tecnología Y Administración Ilios, S.A. de C.V.	Mexico
Sierra Solar Power (Hong Kong) Limited	Hong Kong
Silevo, LLC	Delaware
Solar Aquarium Holdings, LLC	Delaware
Solar Energy of America 1, LLC	Delaware
Solar Energy of America Manager 1, LLC	Delaware
Solar Explorer, LLC	Delaware
Solar House I, LLC	Delaware
Solar House II, LLC	Delaware
Solar House III, LLC	Delaware
Solar House IV, LLC	Delaware
Solar Integrated Fund I, LLC	Delaware
Solar Integrated Fund II, LLC	Delaware
Solar Integrated Fund III, LLC	Delaware
Solar Integrated Fund IV-A, LLC	Delaware

Solar Integrated Fund V, LLC	Delaware
Solar Integrated Fund VI, LLC	Delaware
Solar Integrated Manager I, LiLC	Delaware
Solar Integrated Manager II, LLC	Delaware
Solar Integrated Manager III, LLC	Delaware
Solar Integrated Manager IV-A, LLC	Delaware
Solar Integrated Manager V, LLC	Delaware
Solar Integrated Manager VI, LLC	Delaware
Solar Services Company, LLC	Delaware
Solar Ulysses Manager I, LLC	Delaware
Solar Ulysses Manager II, LLC	Delaware
Solar Voyager, LLC	Delaware
Solar Warehouse Manager I, LLC	Delaware
Solar Warehouse Manager II, LLC	Delaware
Solar Warehouse Manager III, LLC	Delaware
Solar Warehouse Manager IV, LLC	Delaware
SolarCity Alpine Holdings, LLC	Delaware
SolarCity Amphitheatre Holdings, LLC	Delaware
SolarCity Arbor Holdings, LLC	Delaware
SolarCity Arches Holdings, LLC	Delaware
SolarCity AU Holdings, LLC	Delaware
SolarCity Cruyff Holdings, LLC	Delaware
SolarCity Electrical New York Corporation	Delaware
SolarCity Electrical, LLC	Delaware
SolarCity Engineering, Inc.	California
SolarCity Finance Company, LLC	Delaware
SolarCity Finance Holdings, LLC	Delaware
SolarCity Foxborough Holdings, LLC	Delaware
SolarCity FTE Series 1, LLC	Delaware
SolarCity FTE Series 2, LLC	Delaware
SolarCity Fund Holdings, LLC	Delaware
SolarCity Grand Canyon Holdings, LLC	Delaware
SolarCity Holdings 2008, LLC	Delaware
SolarCity International, Inc.	Delaware
SolarCity Leviathan Holdings, LLC	Delaware
SolarCity LMC Series I, LLC	Delaware
SolarCity LMC Series II, LLC	Delaware
SolarCity LMC Series III, LLC	Delaware
SolarCity LMC Series IV, LLC	Delaware
SolarCity LMC Series V, LLC	Delaware
SolarCity Mid-Atlantic Holdings, LLC	Delaware
SolarCity Nitro Holdings, LLC	Delaware
SolarCity Orange Holdings, LLC	Delaware
SolarCity Series Holdings I, LLC	Delaware
SolarCity Series Holdings II, LLC	Delaware
SolarCity Series Holdings IV, LLC	Delaware
SolarCity Steep Holdings, LLC	Delaware
SolarCity Ulu Holdings, LLC	Delaware
SolarCity Village Holdings, LLC	Delaware
SolarRock, LLC	Delaware
SolarStrong, LLC	Delaware
Sparrowhawk Solar I, LLC	Delaware
SREC Holdings, LLC	Delaware
TALT Holdings, LLC	Delaware
TBM Partnership II, LLC	Delaware
TES 2017-1, LLC	Delaware

TES 2017-2, LLC	Delaware
TES 2018-K2, LLC	Delaware
TES Holdings 2017-1, LLC	Delaware
TES Holdings 2018-K2, LLC	Delaware
Tesla (Beijing) New Energy R&D Co., Ltd.	China
Tesla 2014 Warehouse SPV LLC	Delaware
Tesla Auto Lease Trust 2018-A	Delaware
Tesla Auto Lease Trust 2018-B	Delaware
Tesla Motors (Beijing) Co., Ltd.	China
Tesla Automobile Sales and Service (Beijing) Co., Ltd.	China
Tesla Automobile Sales and Service (Changsha) Co., Ltd.	China
Tesla Automobile Sales and Service (Chengdu) Co., Ltd.	China
Tesla Automobile Sales and Service (Chongqing) Co., Ltd.	China
Tesla Automobile Sales and Service (Guangzhou) Co., Ltd.	China
Tesla Automobile Sales and Service (Hangzhou) Co., Ltd.	China
Tesla Automobile Sales and Service (Nanjing) Co., Ltd.	China
Tesla Automobile Sales and Service (Ningbo) Co., Ltd.	China
Tesla Automobile Sales and Service (Qingdao) Co., Ltd.	China
Tesla Automobile Sales and Service (Shanghai) Co., Ltd.	China
Tesla Automobile Sales and Service (Shenzhen) Co., Ltd.	China
Tesla Automobile Sales and Service (Shenyang) Co., Ltd.	China
Tesla Automobile Sales and Service (Suzhou) Co. Ltd.	China
Tesla Automobile Sales and Service (Tianjin) Co. Ltd.	China
Tesla Automobile Sales and Service (Wenzhou) Co., Ltd.	China
Tesla Automobile Sales and Service (Wuhan) Co., Ltd.	China
Tesla Automobile Sales and Service (Xi'an) Co., Ltd.	China
Tesla Automobile Sales and Service (Xiamen) Co., Ltd.	China
Tesla Automobile Sales and Service (Zhengzhou) Co. Ltd.	China
Tesla Automobiles Sales and Service Mexico, S. de R.L. de C.V.	Mexico
Tesla Belgium BVBA	Belgium
Tesla Canada GP Inc.	Canada
Tesla Canada LP	Canada
Tesla Czech Republic s.r.o.	Czech Republic
Tesla Energia Macau Limitada	Macau
Tesla Energy Electrical LLC	Delaware
Tesla Energy Operations, Inc.	Delaware
Tesla Energy Sales LLC	Delaware
Tesla Finance LLC	Delaware
Tesla Financial Leasing (China) Co., Ltd.	China
Tesla Financial Services GmbH	Germany
Tesla Financial Services Holdings B.V.	Netherlands
Tesla Financial Services Limited	United Kingdom
Tesla France S.à r.l.	France
Tesla Germany GmbH	Germany
Tesla Greece Single Member P.C.	Greece
Tesla Grohmann Automation GmbH	Germany
Tesla Insurance Services, Inc.	California
Tesla International B.V.	Netherlands
Tesla Italy S.r.l.	Italy
Tesla Jordan Car Trading LLC	Jordan
Tesla Korea Limited	Republic of Korea
Tesla Lease Trust	Delaware
Tesla Motors Australia, Pty Ltd	Australia
Tesla Motors Austria GmbH	Austria
Tesla Motors Canada ULC	Canada
Tesla Motors Coöperatief U.A.	Netherlands

Tesla Motors Denmark ApS	Denmark
Tesla Motors Exports LLC	Delaware
Tesla Motors FL, Inc.	Florida
Tesla Motors HK Limited	Hong Kong
Tesla Motors Ireland Limited	Ireland
Tesla Motors Japan GK	Japan
Tesla Motors Limited	United Kingdom
Tesla Motors Luxembourg S.à r.l.	Luxembourg
Tesla Motors MA, Inc.	Massachusetts
Tesla Motors Netherlands B.V.	Netherlands
Tesla Motors New York LLC	New York
Tesla Motors NL LLC	Delaware
Tesla Motors Norway AS	Norway
Tesla Motors NV, Inc.	Nevada
Tesla Motors PA, Inc.	Pennsylvania
Tesla Motors Sales and Service LLC	Turkey
Tesla Motors Singapore Holdings Pte. Ltd.	Singapore
Tesla Motors Singapore Private Limited	Singapore
Tesla Motors Stichting	Netherlands
Tesla Motors Switzerland GmbH	Switzerland
Tesla Motors Taiwan Limited	Taiwan
Tesla Motors TN, Inc.	Tennessee
Tesla Motors TX, Inc.	Texas
Tesla Motors UT, Inc.	Utah
Tesla New Zealand ULC	New Zealand
Tesla Portugal, Sociedade Unipessoal LDA	Portugal
Tesla Poland sp. z o.o.	Poland
Tesla Puerto Rico LLC	Puerto Rico
Tesla Sales, Inc.	Delaware
Tesla Services Sdn. Bhd.	Malaysia
Tesla Shanghai Co., Ltd	China
Tesla Spain, S.L. Unipersonal	Spain
Tesla, Inc.	Delaware
The Big Green Solar Holdings, LLC	Delaware
The Big Green Solar I, LLC	Delaware
The Big Green Solar Manager I, LLC	Delaware
Three Rivers Solar 1, LLC	Delaware
Three Rivers Solar 2, LLC	Delaware
Three Rivers Solar 3, LLC	Delaware
Three Rivers Solar Manager 1, LLC	Delaware
Three Rivers Solar Manager 2, LLC	Delaware
Three Rivers Solar Manager 3, LLC	Delaware
TM International C.V.	Netherlands
TM Sweden AB	Sweden
USB SolarCity Manager 2009, LLC	Delaware
USB SolarCity Manager 2009-2010, LLC	Delaware
USB SolarCity Manager III, LLC	Delaware
USB SolarCity Manager IV, LLC	Delaware
USB SolarCity Master Tenant 2009, LLC	California
USB SolarCity Master Tenant 2009-2010, LLC	California
USB SolarCity Master Tenant IV, LLC	California
USB SolarCity Owner 2009, LLC	California
USB SolarCity Owner 2009-2010, LLC	California
USB SolarCity Owner IV, LLC	California
Visigoth Solar 1, LLC	Delaware
Visigoth Solar Holdings, LLC	Delaware

Visigoth Solar Managing Member 1, LLC
Weisshorn Solar I, LLC
Weisshorn Solar Manager I, LLC
Zep Solar Hong Kong Limited
Zep Solar LLC
Zep Solar Trading Ltd

Delaware
Delaware
Delaware
Hong Kong
California
China

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S 3 (Nos. 333-221378 and 333-211437) and S-8 (Nos. 333-223169, 333-216376, 333-209696, 333-198002, 333-187113, 333-183033, and 333-167874) of Tesla, Inc. of our report dated February 19, 2019 relating to the financial statements and the effectiveness of internal control over financial reporting, which appear in this Form 10 K.

/s/ PricewaterhouseCoopers LLP
San Jose, California
February 19, 2019

Exhibit 31.1

CERTIFICATIONS

I, Elon Musk, certify that:

1. I have reviewed this Annual Report on Form 10-K of Tesla, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2019

/s/ Elon Musk

Elon Musk
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Deepak Ahuja, certify that:

1. I have reviewed this Annual Report on Form 10-K of Tesla, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2019

/s/ Deepak Ahuja
Deepak Ahuja
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

SECTION 1350 CERTIFICATIONS

I, Elon Musk, certify, pursuant to 18 U.S.C. Section 1350, that, to my knowledge, the Annual Report of Tesla, Inc. on Form 10-K for the annual period ended December 31, 2018, (i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) that the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Tesla, Inc.

Date: February 19, 2019

/s/ Elon Musk
Elon Musk
Chief Executive Officer
(Principal Executive Officer)

I, Deepak Ahuja, certify, pursuant to 18 U.S.C. Section 1350, that, to my knowledge, the Annual Report of Tesla, Inc. on Form 10-K for the annual period ended December 31, 2018, (i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) that the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Tesla, Inc.

Date: February 19, 2019

/s/ Deepak Ahuja
Deepak Ahuja
Chief Financial Officer
(Principal Financial Officer)