

TESLA MOTORS INC  
Form 10-Q  
November 12, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

Commission File Number: 001-34756

**Tesla Motors, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**3500 Deer Creek Road**

**Palo Alto, California**  
(Address of principal executive offices)

**94304**  
(Zip Code)

**(650) 681-5000**

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

As of October 31, 2010, there were 93,270,701 shares of the registrant's Common Stock outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Tesla Motors, Inc.****Condensed Consolidated Balance Sheets****(in thousands, except share and per share data)****(Unaudited)**

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 96,563	\$ 69,627
Restricted cash	88,130	
Accounts receivable	8,062	3,488
Inventory	39,508	23,222
Prepaid expenses and other current assets	8,870	4,222
Total current assets	241,133	100,559
Operating lease vehicles, net	5,743	
Property and equipment, net	37,153	23,535
Restricted cash	57,492	3,580
Other assets	20,100	2,750
Total assets	\$ 361,621	\$ 130,424
<b>Liabilities, Convertible Preferred Stock and Stockholders Equity (Deficit)</b>		
Current liabilities		
Accounts payable	\$ 26,990	\$ 15,086
Accrued liabilities	10,701	14,532
Deferred development compensation		156
Deferred revenue	3,477	1,377
Capital lease obligations, current portion	291	290
Reservation payments	27,869	26,048
Total current liabilities	69,328	57,489
Common stock warrant liability	6,675	
Convertible preferred stock warrant liability		1,734
Capital lease obligations, less current portion	566	800
Deferred revenue, less current portion	2,514	1,240
Long-term debt	56,557	
Other long-term liabilities	6,058	3,459
Total liabilities	141,698	64,722

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### Commitments (Note 13)

<b>Convertible preferred stock; \$0.001 par value; 221,903,982 shares authorized</b>		
Series A convertible preferred stock; 0 and 7,213,000 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively (Liquidation value: \$3,556)	3,549	
Series B convertible preferred stock; 0 and 17,459,456 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively (Liquidation value: \$12,920)	12,899	
Series C convertible preferred stock; 0 and 35,242,290 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively (Liquidation value: \$40,000)	39,789	
Series D convertible preferred stock; 0 and 18,440,449 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively (Liquidation value: \$45,000)	44,941	
Series E convertible preferred stock; 0 and 102,776,779 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively (Liquidation value: \$258,175)	135,669	
Series F convertible preferred stock; 0 and 27,785,263 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively (Liquidation value: \$82,500)	82,378	
<b>Total convertible preferred stock</b>	<b>319,225</b>	
<b>Stockholders' equity (deficit)</b>		
Common stock; \$0.001 par value; 2,000,000,000 shares authorized; 93,253,398 and 7,284,200 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively	93	7
Additional paid-in capital	583,454	7,124
Accumulated deficit	(363,624)	(260,654)
<b>Total stockholders' equity (deficit)</b>	<b>219,923</b>	<b>(253,523)</b>
<b>Total liabilities, convertible preferred stock and stockholders' equity (deficit)</b>	<b>\$ 361,621</b>	<b>\$ 130,424</b>

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

**Table of Contents****Tesla Motors, Inc.****Condensed Consolidated Statements of Operations**

(in thousands, except share and per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Revenues</b>				
Automotive sales	\$ 23,350	\$ 45,527	\$ 67,906	\$ 93,358
Development services	7,891		12,552	
Total revenues	31,241	45,527	80,458	93,358
<b>Cost of revenues</b>				
Automotive sales	19,457	37,828	56,581	85,604
Development services	2,488		4,467	
Total cost of revenues	21,945	37,828	61,048	85,604
Gross profit	9,296	7,699	19,410	7,754
<b>Operating expenses</b>				
Research and development (net of development compensation of \$8,661 and \$17,170 for the three and nine months ended September 30, 2009, respectively) (Note 2)	26,698	1,257	55,379	11,139
Selling, general and administrative	20,432	10,733	59,224	25,587
Total operating expenses	47,130	11,990	114,603	36,726
Loss from operations	(37,834)	(4,291)	(95,193)	(28,972)
Interest income	100	52	195	97
Interest expense	(298)	(18)	(992)	(2,506)
Other income (expense), net	3,180	(577)	(6,770)	(320)
Loss before income taxes	(34,852)	(4,834)	(102,760)	(31,701)
Provision for (benefit from) income taxes	83	(219)	210	(203)
Net loss	\$ (34,935)	\$ (4,615)	\$ (102,970)	\$ (31,498)
Net loss per share of common stock, basic and diluted	\$ (0.38)	\$ (0.66)	\$ (2.86)	\$ (4.51)
Shares used in computing net loss per share of common stock, basic and diluted	92,270,721	7,014,055	36,051,610	6,983,638

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

**Table of Contents****Tesla Motors, Inc.****Condensed Consolidated Statements of Cash Flows****(in thousands)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (102,970)	\$ (31,498)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,733	5,005
Change in fair value of warrant liabilities	5,610	404
Gain on extinguishment of convertible notes and warrants		(1,468)
Stock-based compensation	13,313	449
Inventory write-downs	652	1,029
Interest on convertible notes		2,686
Changes in operating assets and liabilities		
Accounts receivable	(4,575)	1,934
Inventory	(16,937)	(4,032)
Prepaid expenses and other current assets	(3,109)	(2,184)
Operating lease assets	(5,932)	
Other assets	(818)	(654)
Accounts payable		