


TESLA MOTORS INC

MEETING DATE	Thu, 17 Nov 2016 13:00 pm	TYPE	EGM	ISSUE DATE	Fri, 11 Nov 2016
MEETING LOCATION	Tesla's Page Avenue Facility, 901 Page Avenue, Fremont, California 94538				
CURRENT INDICES	PIRC Global				
SECTOR	Motor vehicles and passenger car bodies				

COMPANY OVERVIEW

Tesla Motors, Inc. designs, develops, manufactures and sells high-performance fully electric vehicles and advanced electric vehicle powertrain components. Tesla Motors, Inc. has wholly-owned subsidiaries in North America, Europe and Asia. The Company was incorporated in the state of Delaware on July 1, 2003.

PROPOSALS

ADVICE

1 Issue Shares in Connection with Merger

For

The Board has put forward a resolution requesting shareholders approve the Agreement and Plan of Merger, dated as of July 31, 2016, amongst Tesla Motors, Inc., SolarCity Corporation and D Subsidiary, Inc. (a Delaware corporation and wholly owned subsidiary of Tesla (Merger Sub)). Pursuant to the Merger Agreement, Merger Sub will merge with and into SolarCity, with the SolarCity surviving the Merger as a wholly owned subsidiary of Tesla. In the Merger, SolarCity stockholders will receive the fixed amount of 0.110 shares of Tesla Common Stock in exchange for each share of SolarCity Common Stock. Immediately after the Merger is completed, it is expected that current Tesla shareholders will own approximately 93.1% of the outstanding common stock and former SolarCity shareholders will own approximately 6.9% of the outstanding common stock, based on the number of shares of common stock outstanding of Tesla and SolarCity as of September 23, 2016.

Voting recommendations on corporate actions, such as merger decisions, are based on the information presented and on the view of the overall independence of the Board. Concerns have been raised over the benefits of the merger to Tesla's shareholders; Elon's Musk dominance over the Board; and the financial performance of SolarCity. Over the time that the merger agreement was approved and until the present time only one director is considered to be independent of the deal. This level of independence is not considered to be sufficient and does not provide assurance that the transaction received the appropriate level of objective scrutiny. It is noted that, the merger is part of Elon's 'master plan', and he is the beneficial owner of 21.9% of SolarCity and 18.4% of Tesla.

Despite the governance concerns, Triodos votes in favour of the merger. We have concerns about the financial stability on the short term, and we consider the merger a financial risk, especially for Tesla. For SolarCity, the merger however is a positive development. Because we believe in the successful combination of the two companies, especially on the long term, and because we invest for the long term, we will support the merger.

2 Adjourn Meeting and Allow Proxy Solicitation

Oppose

The Board requests authority to adjourn the special meeting until a later date or dates, if necessary, in order to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger. An oppose vote is recommended to any adjournment or postponement of meetings if a sufficient number of votes are present to constitute a quorum. It is considered that where a quorum is present, the vote outcome should be considered representative of shareholder opinion.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 1 - Issue Shares in Connection with Merger

Rationale

Tesla and SolarCity both believe that this is an opportune time to combine in order to operate more efficiently and fully integrate their products, while providing customers with an aesthetically beautiful and simple one-stop solar and energy storage experience. The Combined Company is expected to achieve approximately \$150 million in cost synergies in the first full year after closing, and save customers money, by lowering hardware costs through consolidation of supply chains, reducing installation costs, improving the Combined Company's manufacturing efficiency and reducing its customer acquisition costs. Additionally, the Combined Company will generate cost savings from not having to operate on an arm's-length basis in affiliate transactions. The proposed exchange ratio of 0.110 shares represents a premium of approximately 20% based on the unaffected closing price per share of Company common stock of \$21.19 on June 21, 2016; and a premium of approximately 21% based on the volume-weighted average price per share of Company common stock of \$21.02 over the 30-day period ending June 21, 2016.

External Advisors

Tesla retained Evercore to act as its financial advisor in connection with the Merger. Tesla requested that Evercore evaluate the fairness of the merger consideration to be paid by Tesla pursuant to the Merger Agreement, from a financial point of view, to Tesla. Evercore delivered to the Tesla Board its oral opinion, confirmed by its delivery of a written opinion dated July 30, 2016, that, as of the date thereof, and subject to the assumptions, limitations, qualifications and conditions set forth in Evercore's written opinion, the merger consideration to be paid by Tesla pursuant to the Merger Agreement was fair, from a financial point of view, to Tesla.

Conflicts of Interest

Messrs. Elon Musk, Tesla's Chairman and Chief Executive Officer, Antonio Gracias, a member of Tesla's board, and Jeffrey B. Straubel, Tesla's Chief Technology Officer, each serve on the SolarCity Board, of which Mr. Elon Musk is also the Chairman. In addition, Messrs. Lyndon R. Rive and Peter J. Rive, each of whom serve on the SolarCity Board, are each a cousin of Mr. Elon Musk and of Mr. Kimbal Musk, a member of Tesla's board.

Mr. Stephen T. Jurvetson, a member of the Tesla Board, is a managing director of Draper Fisher Jurvetson ('DFJ'); another managing director of DFJ is a director of SolarCity.

Mr. Ira Ehrenpreis, a member of the Tesla Board, is a manager of DBL Partners Fund III ('DBL III') and a co-owner of DBL Partners, which manages DBL III, but which is owned and managed independently from DBL Investors LLC. Another co-owner of DBL Partners is a director of SolarCity.

Mr. Brad W. Buss, a member of the Tesla Board, was the Chief Financial Officer of SolarCity from August 2014 until February 2016.

Shareholder Rights

The Company and Tesla are both organised under the laws of the State of Delaware. There are no material changes to shareholder rights between the two companies.

BOARD AND COMMITTEE COMPOSITION (post-Meeting)

DIRECTOR	GENDER	INDEPENDENT BY		BOARD	AC	RC	NC	TENURE
		PIRC	COMPANY					
Elon Musk	M	No	No	Ch & CEO	-	-	-	12
Antonio J. Gracias	M	No	Yes	SID	M	M	M	9
Stephen T. Jurvetson	M	No	Yes	NED	M	-	-	7
Ira Ehrenpreis	M	No	Yes	NED	-	C	C	9
Brad W. Buss	M	No	No	NED	-	-	-	7
Robyn M. Denholm	F	Yes	Yes	NED	C	M	M	2
Kimbal Musk	M	No	No	NED	-	-	-	12
Number of Meetings				-	-	-	-	
Number of NED only Meetings				-				

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. AC = Audit Committee, RC = Remuneration Committee, NC = Nomination Committee, C = Chairperson of Committee, M = Member of Committee.

BOARD OF DIRECTORS (post-Meeting)

ELON MUSK		CHAIRMAN & CHIEF EXECUTIVE			
AGE	44	TENURE	12 Years	COMMITTEES	None
OTHER POSITION	SolarCity Corporation [Ch]; Space Exploration Technologies Corporation [CEO, CTO, Ch]; ex-PayPal [Co-Fnd]; ex-Zip2 Corporation [Co-Fnd]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Class III Director. He owns 18.4% of the Company's outstanding common stock.				
ANTONIO J. GRACIAS		SENIOR INDEPENDENT DIRECTOR			
AGE	45	TENURE	9 Years	COMMITTEES	A,R,N
OTHER POSITION	SolarCity [NED]; SpaceX [NED]; Valor Management Corp. (VMC) [CEO]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		Y	
COMMENT	Class II Lead Director. Not considered independent as he is a director of SpaceX where Elon Musk, the CEO of the Company, is also the Chief Executive Officer, Chief Technology Officer, Chairman and a significant stockholder. He is also a director of SolarCity, of which Elon Musk is the Chairman, and a significant shareholder. VMC funds are a minority investor in SpaceX and SolarCity.				
STEPHEN T. JURVETSON		NON-EXECUTIVE DIRECTOR			
AGE	49	TENURE	7 Years	COMMITTEES	A
OTHER POSITION	D-Wave Systems Inc. [NED]; Draper Fisher Jurvetson [MD]; SpaceX [NED]; Synthetic Genomics Inc. [NED]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		Y	
COMMENT	Class I Director. Not considered independent as he is a director of SpaceX, of which Elon Musk is Chief Executive Officer, Chief Technology Officer, Chairman and a significant stockholder, and as he is a Managing Director of Draper Fisher Jurvetson which a significant stockholder of SolarCity, of which Elon Musk is the Chairman, and significant shareholder.				

IRA EHRENPREIS		NON-EXECUTIVE DIRECTOR			
AGE	47	TENURE	9 Years	COMMITTEES	R*,N*
OTHER POSITION	DBL Partners [Managing Partner]; Technology Partners [Managing Member]; VCNetwork [Ch]; Western Association of Venture Capitalists [co-Pres]; World Energy Innovation Forum [Ch]; ex-American Council on Renewable Energy [NED]; ex-Cleantech Venture Network [NED]; ex-National Venture Capital Association [Dir]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		Y	
COMMENT	Class III Director. Not considered independent as he is a minority investor in SpaceX, of which Elon Musk is Chief Executive Officer, Chief Technology Officer, Chairman and a significant stockholder. The Company has an agreement with SpaceX regarding lease of aircrafts.				

BRAD W. BUSS		NON-EXECUTIVE DIRECTOR			
AGE	52	TENURE	7 Years	COMMITTEES	None
OTHER POSITION	Advance Auto Parts, Inc [NED]; CaféPress.com [NED]; ex-Altera Corp. [VP]; ex-Cypress Semiconductor Corporation [EVP, CFO]; ex-SolarCity Corp. [CFO]; ex-Zaffire, Inc. [CFO]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Class III Director. Not independent as Mr Buss is the former CFO of SolarCity, where Elon Musk, the Company's CEO, Product Architect and Chairman, serves as Chairman and is a significant stockholder. In addition, it is noted that until August 2014, Mr. Buss was the Chief Financial Officer of Cypress Semiconductor Corporation, a semiconductor design and manufacturing company, which provides semiconductors to a third party manufacturer engaged by Tesla to build certain components for use in its 'Model S' car.				

ROBYN M. DENHOLM		NON-EXECUTIVE DIRECTOR			
AGE	52	TENURE	2 Years	COMMITTEES	A*,R,N
OTHER POSITION	ex-Arthur Andersen & Company [Finance roles]; ex-Juniper Networks, Inc. [EVP, CFO]; ex-Sun Microsystems, Inc. [SVP, CAO]; ex-Toyota Motor Corporation Australia [Finance roles]				
INDEPENDENT BY PIRC	Y	INDEPENDENT BY COMPANY		Y	
COMMENT	Class I Director. It is noted that Ms. Denholm served as the Executive Vice President and CFO of Juniper. Tesla purchases networking equipment manufactured by Juniper in the ordinary course of business through resellers.				

KIMBAL MUSK		NON-EXECUTIVE DIRECTOR			
AGE	43	TENURE	12 Years	COMMITTEES	None
OTHER POSITION	Chipotle Mexican Grill, Inc. [NED]; SpaceX [NED]; The Kitchen Restaurant Group [Owner, CEO]; ex-Zip2 Corporation [co-Fnd]				
INDEPENDENT BY PIRC	N	INDEPENDENT BY COMPANY		N	
COMMENT	Class II Director. Not independent as he is the brother of Elon Musk, CEO and Chairman of the Company.				

BOARD COMPOSITION

BOARD COMPOSITION FOLLOWING THE EGM

			- MEAN	
	Number	% of Board	Number	% of Board
Executive Director	1	14.29	n/a	n/a
Independent NEDs	1	14.29	n/a	n/a
Connected NEDs	5	71.43	n/a	n/a
Other	0	0.0	n/a	n/a

BOARD COMMITTEES FOLLOWING THE EGM**- MEAN**

	Number of Members	% Independent by PIRC	% Independent by Company	Number of Members	% Independent by PIRC
Whole Board	7	14.29	57.14	-	-
Audit	3	33.33	100.0	-	-
Remuneration	3	33.33	100.0	-	-
Nomination	3	33.33	100.0	-	-

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