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, 2020

OR

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

Commission File Number: 001-34756

Tesla, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**91-2197729**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3500 Deer Creek Road Palo Alto, California	**94304**
(Address of principal executive offices)	**(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	Trading Symbol(s)	Name of each exchange on which registered
Common stock	TSLA	The Nasdaq Global Select Market

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 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 ☒

As of October 20, 2020, there were 947,900,733 shares of the registrant's common stock outstanding.

TESLA, INC.
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2020

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Forward-Looking Statements

The discussions in this Quarterly Report on Form 10-Q 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 any potential future impact of the coronavirus disease ("COVID-19") pandemic on our business, 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 II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission. We do not assume any obligation to update any forward-looking statements.

Tesla, Inc.

Consolidated Balance Sheets
(in millions, except per share data)
(unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 14,531	$ 6,268
Accounts receivable, net	1,757	1,324
Inventory	4,218	3,552
Prepaid expenses and other current assets	1,238	959
Total current assets	21,744	12,103
Operating lease vehicles, net	2,742	2,447
Solar energy systems, net	6,025	6,138
Property, plant and equipment, net	11,848	10,396
Operating lease right-of-use assets	1,375	1,218
Intangible assets, net	318	339
Goodwill	203	198
Other non-current assets	1,436	1,470
Total assets	$ 45,691	$ 34,309
Liabilities		
Current liabilities		
Accounts payable	$ 4,958	$ 3,771
Accrued liabilities and other	3,252	3,222
Deferred revenue	1,258	1,163
Customer deposits	708	726
Current portion of debt and finance leases	3,126	1,785
Total current liabilities	13,302	10,667
Debt and finance leases, net of current portion	10,559	11,634
Deferred revenue, net of current portion	1,233	1,207
Other long-term liabilities	3,049	2,691
Total liabilities	28,143	26,199
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests in subsidiaries	608	643
Convertible senior notes (Note 10)	48	—
Equity		
Stockholders' equity		
Preferred stock; $0.001 par value; 100 shares authorized; no shares issued and outstanding	—	—
Common stock; $0.001 par value; 2,000 shares authorized; 948 and 905 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively (1)	1	1
Additional paid-in capital (1)	21,574	12,736
Accumulated other comprehensive income (loss)	125	(36)
Accumulated deficit	(5,669)	(6,083)
Total stockholders' equity	16,031	6,618
Noncontrolling interests in subsidiaries	861	849
Total liabilities and equity	$ 45,691	$ 34,309

(1) Prior period results have been adjusted to reflect the five-for-one stock split effected in the form of a stock dividend in August 2020. See Note 1, *Overview* for details.

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

Tesla, Inc.

Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues				
Automotive sales	$ 7,346	$ 5,132	$ 17,150	$ 13,809
Automotive leasing	265	221	772	644
Total automotive revenues	7,611	5,353	17,922	14,453
Energy generation and storage	579	402	1,242	1,095
Services and other	581	548	1,628	1,646
Total revenues	8,771	6,303	20,792	17,194
Cost of revenues				
Automotive sales	5,361	4,014	12,774	11,124
Automotive leasing	145	117	415	340
Total automotive cost of revenues	5,506	4,131	13,189	11,464
Energy generation and storage	558	314	1,189	956
Services and other	644	667	1,850	2,096
Total cost of revenues	6,708	5,112	16,228	14,516
Gross profit	2,063	1,191	4,564	2,678
Operating expenses				
Research and development	366	334	969	998
Selling, general and administrative	888	596	2,176	1,947
Restructuring and other	—	—	—	161
Total operating expenses	1,254	930	3,145	3,106
Income (loss) from operations	809	261	1,419	(428)
Interest income	6	15	24	34
Interest expense	(163)	(185)	(502)	(515)
Other (expense) income, net	(97)	85	(166)	70
Income (loss) before income taxes	555	176	775	(839)
Provision for income taxes	186	26	209	68
Net income (loss)	369	150	566	(907)
Net income attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	38	7	115	60
Net income (loss) attributable to common stockholders	$ 331	$ 143	$ 451	$ (967)
Less: Buy-out of noncontrolling interest	31	-	31	8
Net income (loss) used in computing net income (loss) per share of common stock	$ 300	$ 143	$ 420	$ (975)
Net income (loss) per share of common stock attributable to common stockholders (1)				
Basic	$ 0.32	$ 0.16	$ 0.45	$ (1.11)
Diluted	$ 0.27	$ 0.16	$ 0.40	$ (1.11)
Weighted average shares used in computing net income (loss) per share of common stock (1)				
Basic	937	897	927	882
Diluted	1,105	922	1,059	882

(1) Prior period results have been adjusted to reflect the five-for-one stock split effected in the form of a stock dividend in August 2020. See Note 1, *Overview* for details.

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

Tesla, Inc.

Consolidated Statements of Comprehensive Income (Loss)
(in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	$ 369	$ 150	$ 566	$ (907)
Other comprehensive income (loss):				
Foreign currency translation adjustment	165	(114)	161	(112)
Comprehensive income (loss)	534	36	727	(1,019)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	38	7	115	60
Comprehensive income (loss) attributable to common stockholders	$ 496	$ 29	$ 612	$ (1,079)

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

Tesla, Inc.

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

Three Months Ended September 30, 2019	Redeemable Noncontrolling Interests	Common Stock Shares (1)	Common Stock Amount (1)	Additional Paid-In Capital (1)	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance as of June 30, 2019	$ 580	896	$ 1	$ 12,051	$ (6,331)	$ (6)	$ 5,715	$ 854	$ 6,569
Issuance of common stock for equity incentive awards and acquisitions, net of transaction costs	—	5	0	79	—	—	79	—	79
Stock-based compensation	—	—	—	217	—	—	217	—	217
Contributions from noncontrolling interests	12	—	—	—	—	—	—	51	51
Distributions to noncontrolling interests	(11)	—	—	—	—	—	—	(51)	(51)
Net income (loss)	19	—	—	—	143	—	143	(12)	131
Other comprehensive loss	—	—	—	—	—	(114)	(114)	—	(114)
Balance as of September 30, 2019	$ 600	901	$ 1	$ 12,347	$ (6,188)	$ (120)	$ 6,040	$ 842	$ 6,882

Nine Months Ended September 30, 2019	Redeemable Noncontrolling Interests	Common Stock Shares (1)	Common Stock Amount (1)	Additional Paid-In Capital (1)	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance as of December 31, 2018	$ 556	863	$ 1	$ 10,248	$ (5,318)	$ (8)	$ 4,923	$ 834	$ 5,757
Adjustments for prior periods from adopting ASC 842	—	—	—	—	97	—	97	—	97
Conversion feature of Convertible Senior Notes due in 2024	—	—	—	491	—	—	491	—	491
Purchase of convertible note hedges	—	—	—	(476)	—	—	(476)	—	(476)
Sales of warrants	—	—	—	174	—	—	174	—	174
Issuance of common stock for equity incentive awards and acquisitions, net of transaction costs	—	20	0	393	—	—	393	—	393
Issuance of common stock in May 2019 public offering at $48.60 per share (1), net of issuance costs of $15	—	18	0	847	—	—	847	—	847
Stock-based compensation	—	—	—	672	—	—	672	—	672
Contributions from noncontrolling interests	53	—	—	—	—	—	—	100	100
Distributions to noncontrolling interests	(49)	—	—	—	—	—	—	(112)	(112)
Buy-outs of noncontrolling interests	—	—	—	(8)	—	—	(8)	—	(8)
Other	—	—	—	6	—	—	6	—	6
Net income (loss)	40	—	—	—	(967)	—	(967)	20	(947)
Other comprehensive loss	—	—	—	—	—	(112)	(112)	—	(112)
Balance as of September 30, 2019	$ 600	901	$ 1	$ 12,347	$ (6,188)	$ (120)	$ 6,040	$ 842	$ 6,882

(1) Prior period results have been adjusted to reflect the five-for-one stock split effected in the form of a stock dividend in August 2020. See Note 1, *Overview* for details.

Three Months Ended September 30, 2020	Redeemable Noncontrolling Interests	Common Stock Shares (1)	Common Stock Amount (1)	Additional Paid-In Capital (1)	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance as of June 30, 2020	$ 613	932	$ 1	$ 15,894	$ (6,000)	$ (40)	$ 9,855	$ 869	$ 10,724
Reclassification between equity and mezzanine equity for convertible senior notes	—	—	—	(4)	—	—	(4)	—	(4)
Exercises of conversion feature of convertible senior notes	—	1	0	32	—	—	32	—	32
Issuance of common stock for equity incentive awards	—	4	0	144	—	—	144	—	144
Issuance of common stock through the at-the-market offering program, net of issuance cost of $26	—	11	0	4,973	—	—	4,973	—	4,973
Stock-based compensation	—	—	—	566	—	—	566	—	566
Contributions from noncontrolling interests	4	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests	(25)	—	—	—	—	—	—	(30)	(30)
Buy-out of noncontrolling interests	—	—	—	(31)	—	—	(31)	—	(31)
Net income	16	—	—	—	331	—	331	22	353
Other comprehensive income	—	—	—	—	—	165	165	—	165
Balance as of September 30, 2020	$ 608	948	$ 1	$ 21,574	$ (5,669)	$ 125	$ 16,031	$ 861	$ 16,892

Nine Months Ended September 30, 2020	Redeemable Noncontrolling Interests	Common Stock Shares (1)	Common Stock Amount (1)	Additional Paid-In Capital (1)	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance as of December 31, 2019	$ 643	905	$ 1	$ 12,736	$ (6,083)	$ (36)	$ 6,618	$ 849	$ 7,467
Adjustments for prior periods from adopting ASU 2016-13	—	—	—	—	(37)	—	(37)	—	(37)
Reclassification between equity and mezzanine equity for convertible senior notes	—	—	—	(48)	—	—	(48)	—	(48)
Exercises of conversion feature of convertible senior notes	—	2	0	97	—	—	97	—	97
Issuance of common stock for equity incentive awards	—	15	0	361	—	—	361	—	361
Issuance of common stock in February 2020 public offering at $153.40 per share (1), net of issuance costs of $28	—	15	0	2,309	—	—	2,309	—	2,309
Issuance of common stock through the at-the-market offering program, net of issuance cost of $26	—	11	0	4,973	—	—	4,973	—	4,973
Stock-based compensation	—	—	—	1,177	—	—	1,177		1,177
Contributions from noncontrolling interests	6	—	—	—	—	—	—	17	17
Distributions to noncontrolling interests	(52)	—	—	—	—	—	—	(107)	(107)
Buy-outs of noncontrolling interests	(2)	—	—	(31)	—	—	(31)	—	(31)
Net income	13	—	—	—	451	—	451	102	553
Other comprehensive income	—	—	—	—	—	161	161	—	161
Balance as of September 30, 2020	$ 608	948	$ 1	$ 21,574	$ (5,669)	$ 125	$ 16,031	$ 861	$ 16,892

(1) Prior period results have been adjusted to reflect the five-for-one stock split effected in the form of a stock dividend in August 2020. See Note 1, *Overview* for details.

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

Tesla, Inc.

Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Nine Months Ended September 30,	
	2020	**2019**
Cash Flows from Operating Activities		
Net income (loss)	$ 566	$ (907)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and impairment	1,704	1,577
Stock-based compensation	1,101	617
Amortization of debt discounts and issuance costs	144	138
Inventory and purchase commitments write-downs	140	167
Loss on disposals of fixed assets	67	69
Foreign currency transaction net loss (gain)	144	(102)
Non-cash interest and other operating activities	116	189
Operating cash flow related to repayment of discounted convertible notes	—	(188)
Changes in operating assets and liabilities, net of effect of business combinations:		
Accounts receivable	(550)	(150)
Inventory	(602)	(485)
Operating lease vehicles	(640)	(467)
Prepaid expenses and other current assets	(290)	(236)
Other non-current assets	(105)	46
Accounts payable and accrued liabilities	765	143
Deferred revenue	118	625
Customer deposits	(15)	(114)
Other long-term liabilities	261	58
Net cash provided by operating activities	2,924	980
Cash Flows from Investing Activities		
Purchases of property and equipment excluding finance leases, net of sales	(2,006)	(915)
Purchases of solar energy systems, net of sales	(62)	(68)
Receipt of government grants	1	—
Purchase of intangible assets	(5)	(5)
Business combinations, net of cash acquired	(13)	(45)
Net cash used in investing activities	(2,085)	(1,033)
Cash Flows from Financing Activities		
Proceeds from issuances of common stock in public offerings, net of issuance costs	7,282	848
Proceeds from issuances of convertible and other debt	7,826	7,119
Repayments of convertible and other debt	(7,537)	(5,601)
Collateralized lease repayments	(224)	(302)
Proceeds from exercises of stock options and other stock issuances	361	167
Principal payments on finance leases	(248)	(223)
Debt issuance costs	(6)	(32)
Purchase of convertible note hedges	—	(476)
Proceeds from issuance of warrants	—	174
Proceeds from investments by noncontrolling interests in subsidiaries	23	153
Distributions paid to noncontrolling interests in subsidiaries	(163)	(211)
Payments for buy-outs of noncontrolling interests in subsidiaries	(33)	(8)
Net cash provided by financing activities	7,281	1,608
Effect of exchange rate changes on cash and cash equivalents and restricted cash	100	(6)
Net increase in cash and cash equivalents and restricted cash	8,220	1,549
Cash and cash equivalents and restricted cash, beginning of period	6,783	4,277
Cash and cash equivalents and restricted cash, end of period	$ 15,003	$ 5,826
Supplemental Non-Cash Investing and Financing Activities		
Equity issued in connection with business combination	$ —	$ 207
Acquisitions of property and equipment included in liabilities	$ 913	$ 375
Leased assets obtained in exchange for finance lease liabilities	$ 116	$ 497
Leased assets obtained in exchange for operating lease liabilities	$ 333	$ 172

The accompanying notes are an integral part of these 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 our company, manages resource allocations and measures performance among two operating and reportable segments: (i) automotive and (ii) energy generation and storage.

As of and following September 30, 2020, there has continued to be widespread impact to the global economy from the COVID-19 pandemic. We temporarily suspended operations at each of our manufacturing facilities worldwide for a part of the first half of 2020. Some of our suppliers and partners also experienced temporary suspensions before resuming, including Panasonic, which manufactures battery cells for our products at our Gigafactory Nevada. We also instituted temporary employee furloughs and compensation reductions while our U.S. operations were scaled back. Reduced operations or closures at motor vehicle departments, vehicle auction houses and municipal and utility company inspectors resulted in challenges in or postponements for our new vehicle deliveries, used vehicle sales, and energy product deployments in 2020. Exiting the first half of 2020, however, we have resumed operations at all of our manufacturing facilities, continue to increase our output and add additional capacity, and are working with each of our suppliers and government agencies on meeting, ramping and sustaining our production. On the other hand, certain government regulations, public advisories and shifting social behaviors that have temporarily or sporadically limited or closed non-essential transportation, government functions, business activities and person-to-person interactions remain in place. In some cases, the relaxation of such trends has been followed by a return to stringent restrictions. We cannot predict the duration or direction of such trends, which have also adversely affected and may in the future affect our operations.

On February 19, 2020, we completed a public offering of our common stock and issued a total of 15.2 million shares (as adjusted to give effect to the Stock Split, as described in the paragraph below), for total cash proceeds of $2.31 billion, net of underwriting discounts and offering costs of $28 million.

On August 10, 2020, our Board of Directors declared a five-for-one split of the Company's common stock effected in the form of a stock dividend (the "Stock Split"). Each stockholder of record on August 21, 2020 received a dividend of four additional shares of common stock for each then-held share, distributed after close of trading on August 28, 2020. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the Stock Split.

On September 1, 2020, we entered into an Equity Distribution Agreement with certain sales agents to sell $5.00 billion in shares of our common stock from time to time through an "at-the-market" offering program. Such sales were completed by September 4, 2020 and settled by September 9, 2020, with the sale of 11,141,562 shares of common stock resulting in gross proceeds of $5.00 billion and net proceeds of $4.97 billion, net of sales agents' commissions of $25 million and other offering costs of $1 million.

Note 2 – Summary of Significant Accounting Policies

Unaudited Interim Financial Statements

The consolidated balance sheet as of September 30, 2020, the consolidated statements of operations, the consolidated statements of comprehensive income (loss), the consolidated statements of redeemable noncontrolling interests and equity for the three and nine months ended September 30, 2020 and 2019 and the consolidated statements of cash flows for the nine months ended September 30, 2020 and 2019, as well as other information disclosed in the accompanying notes, are unaudited. The consolidated balance sheet as of December 31, 2019 was derived from the audited consolidated financial statements as of that date. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual consolidated financial statements and the accompanying notes contained in our Annual Report on Form 10-K for the year ended December 31, 2019.

The interim consolidated financial statements and the accompanying notes have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the results of operations for the periods presented. The consolidated results of operations for any interim period are not necessarily indicative of the results to be expected for the full year or for any other future years or interim periods.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures in the accompanying notes.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. The estimates used for, but not limited to, determining 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, fair value and residual value of operating lease vehicles and solar energy systems subject to leases could be impacted. We have assessed the impact and are not aware of any specific events or circumstances that required an update to our estimates and assumptions or materially affected the carrying value of our assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation in the consolidated financial statements and the accompanying notes. Restricted cash and MyPower customer notes receivable have been reclassified to other assets and resale value guarantees has been reclassified to other liabilities.

Revenue Recognition

Revenue by source

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Automotive sales without resale value guarantee	$ 6,788	$ 4,821	$ 15,578	$ 13,423
Automotive sales with resale value guarantee (1)	161	177	393	(75)
Automotive regulatory credits	397	134	1,179	461
Energy generation and storage sales	439	241	837	680
Services and other	581	548	1,628	1,646
Total revenues from sales and services	8,366	5,921	19,615	16,135
Automotive leasing	265	221	772	644
Energy generation and storage leasing	140	161	405	415
Total revenues	$ 8,771	$ 6,303	$ 20,792	$ 17,194

(1) Due to pricing adjustments we made to our vehicle offerings during the nine months ended September 30, 2020 and 2019, we estimated that there was a greater likelihood that customers would exercise their buyback options and adjusted our sales return reserve on vehicles previously sold under our buyback options program, which resulted in a reduction of automotive sales with resale value guarantee. For the three and nine months ended September 30, 2020, price adjustments resulted in a reduction of automotive sales with resale value guarantee of $12 million and $72 million, respectively. For the nine months ended September 30, 2019, price adjustments resulted in a reduction of automotive sales with resale value guarantee by $555 million. The amounts presented represent automotive sales with resale value guarantee net of such pricing adjustments' impact.

Automotive Sales Revenue

Automotive Sales with and without Resale Value Guarantee

Deferred revenue related to the access to our Supercharger network, internet connectivity and Full Self Driving ("FSD") features and over-the-air software updates on automotive sales with and without resale value guarantee amounted to $1.73 billion and $1.47 billion as of September 30, 2020 and December 31, 2019, respectively. Deferred revenue is equivalent to the total transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, as of the balance sheet date. Revenue recognized from the deferred revenue balance as of December 31, 2019 and 2018 was $223 million and $177 million for the nine months ended September 30, 2020 and 2019, respectively. Of the total deferred revenue on automotive sales with and without resale value guarantees, we expect to recognize $969 million of revenue in the next 12 months. The remaining balance will be recognized over the various performance periods of the obligations, which is up to the eight-year life of the vehicle.

At the time of revenue recognition, we reduce the transaction price and record a sales return reserve against revenue for estimated variable consideration related to future product returns. Such estimates are based on historical experience. On a quarterly basis, we assess the estimated market values of vehicles under our buyback options program to determine whether there will be changes to future product returns. 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. Due to price adjustments we made to our vehicle offerings during 2020, we estimated that there is a greater likelihood that customers will exercise their buyback options that were provided prior to such adjustments. As a result, along with the estimated variable consideration related to normal future product returns for vehicles sold under the buyback options program, we adjusted our sales return reserve on vehicles previously sold under our buyback options program resulting in a reduction of automotive sales revenues of $12 million and $72 million, respectively, for the three and nine months ended September 30, 2020. If customers elect to exercise the buyback option, we expect to be able to subsequently resell the returned vehicles, which resulted in a corresponding reduction in automotive cost of sales of $5 million and $42 million, respectively, for the three and nine months ended September 30, 2020. The net impact was a reduction in gross profit of $7 million and $30 million, respectively, for the three and nine months ended September 30, 2020.

With the exception of two programs which are discussed within the *Automotive Leasing Revenue* section, we recognize revenue when control transfers upon delivery to customers 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 total sales return reserve on vehicles previously sold under our buyback options program was $682 million and $639 million as of September 30, 2020 and December 31, 2019, respectively, of which $163 million and $93 million was short term, respectively.

Automotive Regulatory Credits

In connection with the production and delivery of our zero emission vehicles in global markets, we have earned and will continue to earn various tradable automotive 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. We also earn other types of saleable regulatory credits in the United States and abroad, including greenhouse gas, fuel economy and clean fuels 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 automotive regulatory credits at the time control of the regulatory credits is transferred to the purchasing party as automotive revenue in the consolidated statements of operations. Deferred revenue related to sales of automotive regulatory credits was $0 million and $140 million as of September 30, 2020 and December 31, 2019, respectively. Revenue recognized from the deferred revenue balance as of December 31, 2019 was $140 million for the nine months ended September 30, 2020.

Automotive Leasing Revenue

Automotive leasing revenue includes revenue recognized under operating lease accounting guidance for our direct leasing programs as well as the two programs with resale value guarantees described below. Additionally, we introduced direct sales-type leasing programs in volume during the third quarter of 2020 where we recognize all revenue associated with the sales-type lease upon delivery to the customer.

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

The maximum amount we could be required to pay under our collateralized lease borrowing program, should we decide to repurchase all vehicles, was $56 million and $214 million as of September 30, 2020 and December 31, 2019, respectively, including $19 million within a 12-month period from September 30, 2020. As of September 30, 2020 and December 31, 2019, we had $56 million and $238 million, respectively, of collateralized lease borrowings recorded in accrued liabilities and other and other long-term liabilities, and $13 million and $29 million, respectively, recorded in deferred revenue liability. For the three and nine months ended September 30, 2020, we recognized $18 million and $70 million, respectively, of leasing revenue related to this program, and $43 million and $146 million, respectively, for the same periods in 2019. The net carrying amount of operating lease vehicles under this program was $54 million and $190 million as of September 30, 2020 and December 31, 2019, respectively.

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

As of September 30, 2020, we had an immaterial amount of resale value guarantees where exercise is probable recorded in accrued liabilities and other. As of December 31, 2019, we had $115 million of resale value guarantees where exercise is probable recorded in accrued liabilities and other. For the three and nine months ended September 30, 2020, we recognized $1 million and $102 million, respectively, of leasing revenue related to this program, and $32 million and $117 million, respectively, for the same periods in 2019. The net carrying amount of operating lease vehicles under this program was immaterial as of September 30, 2020 and $83 million as of December 31, 2019.

Energy Generation and Storage Sales

As of September 30, 2020 and December 31, 2019, deferred revenue related to non-refundable customer prepayments, remote monitoring service, and operations and maintenance service amounted to $189 million and $156 million, respectively. Revenue recognized from the deferred revenue balance as of December 31, 2019 and 2018 was $31 million and $27 million for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, 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 $95 million. Of this amount, we expect to recognize $5 million in the next 12 months and the remaining over a period of up to 27 years.

Income Taxes

There are transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. As of September 30, 2020 and December 31, 2019, the aggregate balances of our gross unrecognized tax benefits were $264 million and $273 million, respectively, of which $239 million and $247 million, respectively, would not give rise to changes in our effective tax rate since these tax benefits would increase a deferred tax asset that is currently fully offset by a valuation allowance.

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. During the three and nine months ended September 30, 2020, we decreased net income attributable to common stockholders by $31 million to arrive at the numerator used to calculate net income per share. During the three and nine months ended September 30, 2019, we increased net loss attributable to common stockholders by $0 and $8 million, respectively, to arrive at the numerator used to calculate net loss per share. These adjustments represent the difference between the cash we paid to the financing fund investors for their noncontrolling interest in one of our subsidiaries and the carrying amount of the noncontrolling interest on our consolidated balance sheets, in accordance with ASC 260, *Earnings per Share*. 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 or have settled in cash the principal outstanding under our 0.25% Convertible Senior Notes due in 2019, 1.25% Convertible Senior Notes due in 2021, 2.375% Convertible Senior Notes due in 2022, 2.00% Convertible Senior Notes due in 2024 and our subsidiary's 5.50% Convertible Senior Notes due in 2022, we use the treasury stock method applied using our average share price during the period when calculating their potential dilutive effect, if any. Furthermore, in connection with the offerings of our notes, we entered into convertible note hedges and warrants (see Note 10, *Debt*). However, our convertible note hedges are not included when calculating potentially dilutive shares since their effect is always anti-dilutive. Warrants which have a strike price above our average share price during the period were out of the money and were not included in the tables below.

The following table presents the reconciliation of basic to diluted weighted average shares used in computing net income (loss) per share of common stock attributable to common stockholders, as adjusted to give effect to the Stock Split (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average shares used in computing net income (loss) per share of common stock, basic	937	897	927	882
Add:				
Stock-based awards	74	25	59	—
Convertible senior notes	52	—	45	—
Warrants	42	—	28	—
Weighted average shares used in computing net income (loss) per share of common stock, diluted	1,105	922	1,059	882

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 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock-based awards	1	37	0	61
Convertible senior notes	0	5	1	5

Accounts Receivable and Allowance for Doubtful Accounts

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

Depending on the day of the week on which the end of a fiscal quarter falls, our accounts receivable balance may fluctuate as we are waiting for certain customer payments to clear through our banking institutions and receipts of payments from our financing partners, which can take up to approximately two weeks based on the contractual payment terms with such partners. Our accounts receivable balances associated with our sales of regulatory credits, which are typically transferred to other manufacturers during the last few days of the quarter, is dependent on contractual payment terms. Additionally, government rebates, depending upon the specific jurisdictions issuing them, can take more than six months to be collected. These various factors may have a significant impact on our accounts receivable balance from period to period.

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 fair value of our restricted cash invested in commercial paper equals the carrying value using quoted prices in active markets (Level I). We record restricted cash as other assets in the consolidated balance sheets and determine current or non-current classification based on the expected duration of the restriction.

Our total cash and cash equivalents and restricted cash, as presented in the consolidated statements of cash flows, was as follows (in millions):

	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 14,531	$ 6,268	$ 5,338	$ 3,686
Restricted cash included in prepaid expenses and other current assets	174	246	233	193
Restricted cash included in other non-current assets	298	269	255	398
Total as presented in the consolidated statements of cash flows	$ 15,003	$ 6,783	$ 5,826	$ 4,277

MyPower Customer Notes Receivable

We have customer notes receivable under the legacy MyPower loan program. MyPower was offered by one of our subsidiaries 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 credit losses, are presented on the consolidated balance sheet as a component of prepaid expenses and other current assets for the current portion and as other non-current assets for the long-term portion. We adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASC 326") on January 1, 2020 on a modified retrospective basis. Under ASC 326, expected credit loss for customer notes receivable are measured on a collective basis and are determined as the difference between the amortized cost basis and the present value of cash flows expected to be collected. In determining expected credit losses, we consider our historical level of credit losses, current economic trends, and reasonable and supportable forecasts that affect the collectability of the future cash flows. We write-off customer notes receivable when they are deemed uncollectible and the amount of potentially uncollectible amounts has been insignificant. Using a modified retrospective approach for the impact upon adoption, we recorded an increase to the allowance for credit losses of $37 million on January 1, 2020, with an offset to accumulated deficit. As of September 30, 2020 and December 31, 2019, the total outstanding balance of MyPower customer notes receivable, net of allowance for credit losses, was $342 million and $402 million, respectively, of which $9 million was due in the next 12 months as of September 30, 2020 and December 31, 2019. As of September 30, 2020, the allowance for credit losses was $45 million. In addition, there were no material non-accrual or past due customer notes receivable as of September 30, 2020.

Concentration of Risk

Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk consist of cash and 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 September 30, 2020, one entity represented 10% or more of our total accounts receivable balance, which was related to sales of regulatory credits. As of December 31, 2019, no entity represented 10% of our total accounts receivable balance. The risk of concentration for our convertible note hedges and 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.

Although we have resumed operations at all of our manufacturing facilities, continue to increase our output and add additional capacity, and are working with each of our suppliers and government agencies on meeting, ramping and sustaining our production, our ability to sustain this trajectory depends, among other things, on the readiness and solvency of our suppliers and vendors through any macroeconomic factors resulting from the COVID-19 pandemic.

Operating Lease Vehicles

The gross cost of operating lease vehicles as of September 30, 2020 and December 31, 2019 was $3.17 billion and $2.85 billion, respectively. Operating lease vehicles on the consolidated balance sheets are presented net of accumulated depreciation of $425 million and $406 million, as of September 30, 2020 and December 31, 2019, respectively.

Warranties

We provide a manufacturer's warranty on all new and used vehicles and a warranty on the installation and components of the energy generation and storage systems we sell for periods typically between 10 to 25 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 operating lease accounting and our solar energy systems under lease contracts or Power Purchase Agreements ("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 sheets. Warranty expense is recorded as a component of cost of revenues in the consolidated statements of operations. Due to the magnitude of our automotive business, accrued warranty balance was primarily related to our automotive segment. Accrued warranty activity consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Accrued warranty—beginning of period	$ 1,197	$ 941	$ 1,089	$ 748
Warranty costs incurred	(77)	(59)	(220)	(175)
Net changes in liability for pre-existing warranties, including expirations and foreign exchange impact	(26)	(37)	6	36
Provision for warranty	175	138	394	374
Accrued warranty—end of period	$ 1,269	$ 983	$ 1,269	$ 983

Recent Accounting Pronouncements

Recently issued accounting pronouncements not yet adopted

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU include removing exceptions to incremental intraperiod tax allocation of losses and gains from different financial statement components, exceptions to the method of recognizing income taxes on interim period losses, and exceptions to deferred tax liability recognition related to foreign subsidiary investments. In addition, the ASU requires that entities recognize franchise tax based on an incremental method and requires an entity to evaluate the accounting for step-ups in the tax basis of goodwill as inside or outside of a business combination. The amendments in the ASU are effective for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. We have not early adopted this ASU as of September 30, 2020. The ASU is currently not expected to have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). The ASU provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate (e.g., LIBOR) reform if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU is effective as of March 12, 2020 through December 31, 2022. We will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. The ASU is currently not expected to have a material impact on our consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The ASU simplifies the accounting for convertible instruments by removing certain separation models in ASC 470- 20, Debt—Debt with Conversion and Other Options, for convertible instruments. The ASU updates the guidance on certain embedded conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital, such that those features are no longer required to be separated from the host contract. The convertible debt instruments will be accounted for as a single liability measured at amortized cost. This will also result in the interest expense recognized for convertible debt instruments to be typically closer to the coupon interest rate when applying the guidance in Topic 835, Interest. Further, the ASU made amendments to the EPS guidance in Topic 260 for convertible instruments, the most significant impact of which is requiring the use of the if-converted method for diluted EPS calculation, and no longer allowing the net share settlement method. The ASU also made revisions to Topic 815-40, which provides guidance on how an entity must determine whether a contract qualifies for a scope exception from derivative accounting. The amendments to Topic 815-40 change the scope of contracts that are recognized as assets or liabilities. The ASU is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted after December 15, 2020. Adoption of the ASU can either be on a modified retrospective or full retrospective basis. We are currently evaluating the impacts of this ASU on our consolidated financial statements.

Recently adopted accounting pronouncements

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. Further, the FASB issued ASU No. 2019-04, ASU No. 2019-05, ASU 2019-10, ASU 2019-11, ASU 2020-02 and ASU 2020-03 to provide additional guidance on the credit losses standard. Adoption of the ASUs is on a modified retrospective basis. We adopted the ASUs on January 1, 2020. The ASUs did not have a material impact on our consolidated financial statements. This ASU applies to all financial assets including loans, trade receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The adoption of this ASU did not have any impact except on MyPower customer notes receivable. Refer to *MyPower Customer Notes Receivable* above for further details.

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. Adoption of the ASU is prospective. We adopted the ASU prospectively on January 1, 2020. The ASU did not have a material impact on our 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). Adoption of the ASU is either retrospective or prospective. We adopted the ASU prospectively on January 1, 2020. The ASU did not have a material impact on our consolidated financial statements.

Note 3 – Intangible Assets

Information regarding our intangible assets including assets recognized from our acquisitions was as follows (in millions):

	September 30, 2020				December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Other	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Other	Net Carrying Amount
Finite-lived intangible assets:								
Developed technology	$ 302	$ (102)	$ 1	$ 201	$ 291	$ (72)	$ 1	$ 220
Trade names	3	(1)	—	2	3	(1)	1	3
Favorable contracts and leases, net	113	(30)	—	83	113	(24)	—	89
Other	38	(18)	1	21	38	(16)	—	22
Total finite-lived intangible assets	456	(151)	2	307	445	(113)	2	334
Indefinite-lived intangible assets:								
Gigafactory Nevada water rights	11	—	—	11	5	—	—	5
Total intangible assets	$ 467	$ (151)	$ 2	$ 318	$ 450	$ (113)	$ 2	$ 339

Total future amortization expense for finite-lived intangible assets was estimated as follows (in millions):

Three months ending December 31, 2020	$ 13
2021	51
2022	50
2023	44
2024	27
Thereafter	122
Total	$ 307

Note 4 – 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 millions):

	September 30, 2020				December 31, 2019			
	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III
Money market funds (cash and cash equivalents)	$ 9,211	$ 9,211	$ —	$ —	$ 1,632	$ 1,632	$ —	$ —
Interest rate swap assets	—	—	—	—	1	—	1	—
Interest rate swap liabilities	(64)	—	(64)	—	(27)	—	(27)	—
Total	$ 9,147	$ 9,211	$ (64)	$ —	$ 1,606	$ 1,632	$ (26)	$ —

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.

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 non-current assets or other long-term liabilities, with any changes in their fair values recognized as other (expense) income, net, in the consolidated statements of operations and with any cash flows recognized as operating activities in the consolidated statements of cash flows. Our interest rate swaps outstanding were as follows (in millions):

	September 30, 2020			December 31, 2019		
	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	$ 558	$ —	$ 64	$ 821	$ 1	$ 27

Our interest rate swaps activity was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Gross losses	$ —	$ 13	$ 42	$ 51
Gross gains	$ 1	$ —	$ 1	$ —

Disclosure of Fair Values

Our financial instruments that are not re-measured at fair value include accounts receivable, MyPower customer notes receivable, accounts payable, accrued liabilities, customer deposits and debt. The carrying values of these financial instruments other than our 1.25% Convertible Senior Notes due in 2021, 2.375% Convertible Senior Notes due in 2022, 2.00% Convertible Senior Notes due in 2024, our subsidiary's Zero-Coupon Convertible Senior Notes due in 2020 and our subsidiary's 5.50% Convertible Senior Notes due in 2022 (collectively referred to as "Convertible Senior Notes" below), 5.30% Senior Notes due in 2025, solar asset-backed notes and solar loan-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 our solar asset-backed notes and solar loan-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 millions):

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible Senior Notes	$ 3,769	$ 27,531	$ 3,729	$ 6,110
5.30% Senior Notes due in 2025	$ 1,784	$ 1,866	$ 1,782	$ 1,748
Solar asset-backed notes	$ 1,119	$ 1,132	$ 1,155	$ 1,211
Solar loan-backed notes	$ 146	$ 151	$ 175	$ 189

Note 5 – Inventory

Our inventory consisted of the following (in millions):

	September 30, 2020	December 31, 2019
Raw materials	$ 1,573	$ 1,428
Work in process	572	362
Finished goods (1)	1,674	1,356
Service parts	399	406
Total	$ 4,218	$ 3,552

(1) Finished goods inventory includes vehicles in transit to fulfill customer orders, new vehicles available for sale, used vehicles, energy storage products and Solar Roof products available for sale.

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

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 three and nine months ended September 30, 2020, we recorded write-downs of $26 million and $108 million, respectively, in cost of revenues. During the three and nine months ended September 30, 2019, we recorded write-downs of $24 million and $113 million, respectively, in cost of revenues.

Note 6 – Solar Energy Systems, Net

Solar energy systems, net, consisted of the following (in millions):

	September 30, 2020	December 31, 2019
Solar energy systems in service	$ 6,744	$ 6,682
Initial direct costs related to customer solar energy system lease acquisition costs	103	102
	6,847	6,784
Less: accumulated depreciation and amortization	(897)	(723)
	5,950	6,061
Solar energy systems under construction	25	18
Solar energy systems pending interconnection	50	59
Solar energy systems, net (1)	$ 6,025	$ 6,138

(1) As of September 30, 2020 and December 31, 2019, solar energy systems, net, included $36 million of gross finance leased assets with accumulated depreciation and amortization of $7 million and $6 million, respectively.

Note 7 – Property, Plant and Equipment, Net

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

	September 30, 2020	December 31, 2019
Machinery, equipment, vehicles and office furniture	$ 7,943	$ 7,167
Tooling	1,794	1,493
Leasehold improvements	1,291	1,087
Land and buildings	3,245	3,024
Computer equipment, hardware and software	782	595
Construction in progress	1,607	764
	16,662	14,130
Less: Accumulated depreciation	(4,814)	(3,734)
Total	$ 11,848	$ 10,396

Construction in progress is primarily comprised of construction of Gigafactory Berlin and Gigafactory Texas, Gigafactory Shanghai expansion and equipment and tooling related to the manufacturing of our products. Completed assets are transferred to their respective asset classes, and depreciation begins when an asset is ready for its intended use. 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 three and nine months ended September 30, 2020, we capitalized $13 million and $33 million, respectively, of interest. During the three and nine months ended September 30, 2019, we capitalized $6 million and $21 million, respectively, of interest.

Depreciation expense during the three and nine months ended September 30, 2020 was $403 million and $1.13 billion, respectively. Depreciation expense during the three and nine months ended September 30, 2019 was $353 million and $987 million, respectively. Gross property plant and equipment under finance leases as of September 30, 2020 and December 31, 2019 was $2.22 billion and $2.08 billion, respectively, with accumulated depreciation of $732 million and $483 million, respectively.

Panasonic has partnered with us on Gigafactory Nevada 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 the terms of the arrangement convey a finance lease under ASC 842, *Leases*, we account for their production equipment as leased assets when production commences. We account for each lease and any non-lease components associated with that lease as a single lease component for all asset classes, except production equipment classes embedded in supply agreements. 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 debt and finance leases. Depreciation on Panasonic production equipment 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 September 30, 2020 and December 31, 2019, we had cumulatively capitalized costs of $1.76 billion and $1.73 billion, respectively, on the consolidated balance sheets in relation to the production equipment under our Panasonic arrangement.

Note 8 – Accrued Liabilities and Other

As of September 30, 2020 and December 31, 2019, accrued liabilities and other current liabilities consisted of the following (in millions):

	September 30, 2020	December 31, 2019
Accrued purchases (1)	$ 711	$ 638
Payroll and related costs	502	466
Taxes payable (2)	635	611
Accrued interest	51	86
Financing obligation, current portion	48	57
Accrued warranty reserve, current portion	400	344
Sales return reserve, current portion	461	272
Resale value guarantees, current portion	20	317
Operating lease liabilities, current portion	251	228
Other current liabilities	173	203
Total	$ 3,252	$ 3,222

(1) Accrued purchases primarily reflects 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.

(2) Taxes payable includes value added tax, sales tax, property tax, use tax and income tax payables.

Note 9 – Other Long-Term Liabilities

As of September 30, 2020 and December 31, 2019, other long-term liabilities consisted of the following (in millions):

	September 30, 2020	December 31, 2019
Accrued warranty reserve	$ 869	$ 745
Financing obligation	30	37
Sales return reserve	519	545
Resale value guarantees	36	36
Operating lease liabilities	1,101	956
Other non-current liabilities	494	372
Total other long-term liabilities	$ 3,049	$ 2,691

Note 10 –Debt

The following is a summary of our debt and finance leases as of September 30, 2020 (in millions):

	Net Carrying Value		Unpaid Principal Balance	Unused Committed Amount (1)	Contractual Interest Rates	Contractual Maturity Date
	Current	Long-Term				
Recourse debt:						
1.25% Convertible Senior Notes due in 2021 ("2021 Notes")	$ 1,350	—	1,376	$ —	1.25%	March 2021
2.375% Convertible Senior Notes due in 2022 ("2022 Notes")	249	678	977	—	2.375%	March 2022
2.00% Convertible Senior Notes due in 2024 ("2024 Notes")	32	1,413	1,833	—	2.00%	May 2024
5.30% Senior Notes due in 2025 ("2025 Notes")	—	1,784	1,800	—	5.30%	August 2025
Credit Agreement	—	1,885	1,885	281	3.3%	July 2023
Zero-Coupon Convertible Senior Notes due in 2020	3	—	3	—	0.0%	December 2020
Solar Bonds and other Loans	2	52	56	—	3.6%-5.8%	October 2020 - January 2031
Total recourse debt	1,636	5,812	7,930	281		
Non-recourse debt:						
Automotive Asset-backed Notes	857	1,027	1,892	—	0.2%-7.9%	August 2021-August 2024
Solar Asset-backed Notes	40	1,079	1,144	—	3.0%-7.7%	September 2024-February 2048
China Loan Agreements	—	592	592	1,650	4.0%	December 2020-December 2024
Cash Equity Debt	13	421	447	—	5.3%-5.8%	July 2033-January 2035
Solar Loan-backed Notes	13	133	151	—	4.8%-7.5%	September 2048-September 2049
Warehouse Agreements	36	267	303	797	1.7%-1.9%	September 2022
Solar Term Loans	154	—	155	—	3.7%	January 2021
Automotive Lease-backed Credit Facilities	17	18	35	144	1.9%-5.9%	September 2022-November 2022
Solar Renewable Energy Credit and other Loans	—	79	79	21	2.7%-5.1%	June 2022-February 2033
Total non-recourse debt	1,130	3,616	4,798	2,612		
Total debt	2,766	9,428	$ 12,728	$ 2,893		
Finance leases	360	1,131				
Total debt and finance leases	$ 3,126	$ 10,559				

The following is a summary of our debt and finance leases as of December 31, 2019 (in millions):

	Net Carrying Value		Unpaid Principal Balance	Unused Committed Amount (1)	Contractual Interest Rates	Contractual Maturity Date
	Current	Long-Term				
Recourse debt:						
2021 Notes	$ —	$ 1,304	$ 1,380	$ —	1.25%	March 2021
2022 Notes	—	902	978	—	2.375%	March 2022
2024 Notes	—	1,383	1,840	—	2.00%	May 2024
2025 Notes	—	1,782	1,800	—	5.30%	August 2025
Credit Agreement	141	1,586	1,727	499	2.7%-4.8%	June 2020-July 2023
Zero-Coupon Convertible Senior Notes due in 2020	97	—	103	—	0.0%	December 2020
Solar Bonds and other Loans	15	53	70	—	3.6%-5.8%	March 2020-January 2031
Total recourse debt	253	7,010	7,898	499		
Non-recourse debt:						
Automotive Asset-backed Notes	573	997	1,577	—	2.0%-7.9%	February 2020- May 2023
Solar Asset-backed Notes	32	1,123	1,183	—	4.0%-7.7%	September 2024-February 2048
China Loan Agreements	444	297	741	1,542	3.7%-4.0%	September 2020-December 2024
Cash Equity Debt	10	430	454	—	5.3%-5.8%	July 2033-January 2035
Solar Loan-backed Notes	11	164	182	—	4.8%-7.5%	September 2048-September 2049
Warehouse Agreements	21	146	167	933	3.1%-3.6%	September 2021
Solar Term Loans	8	152	161	—	5.4%	January 2021
Automotive Lease-backed Credit Facility	24	16	40	—	4.2%-5.9%	November 2022
Solar Renewable Energy Credit and other Loans	23	67	89	6	4.5%-7.4%	March 2020-June 2022
Total non-recourse debt	1,146	3,392	4,594	2,481		
Total debt	1,399	10,402	$ 12,492	$ 2,980		
Finance leases	386	1,232				
Total debt and finance leases	$ 1,785	$ 11,634				

(1) There are no restrictions on draw-down or use for general corporate purposes with respect to any available committed funds under our credit facilities and financing funds, except as may be described in the notes to the consolidated financial statements included in our reports on Form 10-K and Form 10-Q filed subsequent to December 31, 2019 (such as specified conditions prior to draw-down, including 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).

Recourse debt refers to debt that is recourse to our general assets. Non-recourse debt refers to debt that is recourse to only 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 September 30, 2020, we were in material compliance with all financial debt covenants, which include minimum liquidity and expense-coverage balances and ratios.

2021 Notes, 2022 Notes and 2024 Notes

During the first quarter of 2020, we classified the carrying value of our 2021 Notes as current liabilities as the maturity date of the 2021 Notes is March 2021. During each of the quarters of 2020 through September 30, 2020, the closing price of our common stock exceeded 130% of the applicable conversion price of each of our 2021 Notes, 2022 Notes and 2024 Notes on at least 20 of the last 30 consecutive trading days of the quarter; causing the 2021 Notes, 2022 Notes and 2024 Notes to be convertible by their holders during the second, third and fourth quarters of 2020. As the settlement of conversion of the 2021 Notes would be in cash for the principal amount and, if applicable, cash and/or shares of our common stock for any conversion premium at our election, we reclassified $26 million, representing the difference between the aggregate principal of our 2021 Notes and the carrying value as of September 30, 2020, as mezzanine equity from permanent equity on our consolidated balance sheet as of September 30, 2020. As we now expect to settle a portion of the 2022 and 2024 Notes in the fourth quarter of 2020, we reclassified $249 million and $32 million, respectively, of the carrying value of the 2022 and 2024 Notes from debt and finance leases, net of current portion to current portion of debt and finance leases on our consolidated balance sheet as of September 30, 2020. Additionally, we reclassified $13 million and $9 million, respectively, representing the difference between the current portion of aggregate principal of our 2022 and 2024 Notes and the current portion of the carrying value as of September 30, 2020, as mezzanine equity from permanent equity on our consolidated balance sheet as of September 30, 2020. As the settlement of conversion of the remainder of the 2022 Notes and 2024 Notes would be in cash, shares of our common stock or a combination thereof is at our election, the liability is classified as non-current. Should the closing price conditions be met in a future quarter for any of these notes, such notes will be convertible at their holders' option during the immediately following quarter. The debt discounts recorded on the 2021 Notes, the 2022 Notes and the 2024 Notes is recognized as interest expense through the respective maturity dates of each note and early conversions can result in the acceleration of such recognition.

As adjusted to give effect to the Stock Split, each $1,000 of principal of the 2021 Notes, 2022 Notes and 2024 Notes is now convertible into 13.8940 shares, 15.2670 shares and 16.1380 shares, respectively, of our common stock, which is equivalent to conversion prices of approximately $71.97, $65.50 and $61.97 per share, respectively. Under the note hedge transactions we entered in connection with the issuance of the 2021 Notes, 2022 Notes and 2024 Notes, we have the option to purchase 19.2 million shares, 14.9 million shares and 29.7 million shares, respectively, for the 2021 Notes, 2022 Notes and 2024 Notes at prices of approximately $71.97, $65.50, and $61.97 per share, respectively, as adjusted to give effect to the Stock Split. Additionally, in connection with the issuance of the 2021 Notes, 2022 Notes and 2024 Notes, we sold warrants whereby the holders of the warrants have the option to purchase 19.2 million shares, 14.9 million shares and 29.7 million shares, respectively, for the 2021 Notes, 2022 Notes and 2024 Notes at prices of approximately $112.13, $131.00, and $121.50 per share, respectively, as adjusted to give effect to the Stock Split. 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 2021 Notes, 2022 Notes and 2024 Notes and to effectively increase the overall conversion price from approximately $71.97, $65.50, and $61.97 per share, respectively, to approximately $112.13, $131.00, and $121.50 per share, respectively.

Credit Agreement

In March 2020, we upsized our senior asset-based revolving credit agreement (the "Credit Agreement") by $100 million, which matures July 2023, to $2.525 billion. In June 2020, $197 million of commitment under the Credit Agreement expired in accordance with its terms and the total commitment decreased to $2.328 billion.

Zero-Coupon Convertible Senior Notes due in 2020

During the second quarter of 2020, $67 million in aggregate principal amount of the Zero-Coupon Convertible Senior Notes due in 2020 were converted, pursuant to which we issued 1.1 million shares of our common stock to the holders of such notes, as adjusted to give effect to the Stock Split.

During the third quarter of 2020, $33 million in aggregate principal amount of the Zero-Coupon Convertible Senior Notes due in 2020 were converted, pursuant to which we issued 0.6 million shares of our common stock to the holders of such notes, as adjusted to give effect to the Stock Split.

As adjusted to give effect to the Stock Split, each $1,000 of principal of the Zero-Coupon Convertible Senior Notes is now convertible into 16.6665 shares of our common stock, which is equivalent to a conversion price of $60.00 per share.

Automotive Asset-backed Notes

In August 2020, we transferred beneficial interests related to certain leased vehicles into a special purpose entity and issued $709 million in aggregate principal amount of Automotive Asset-backed Notes, with terms similar to our other Automotive Asset-backed Notes. The proceeds from the issuance, net of discounts and fees, were $706 million.

China Loan Agreements

In May 2020, one of our subsidiaries entered into an additional Working Capital Loan Contract (the "2020 China Working Capital Facility") with a lender in China for an unsecured revolving facility of up to RMB 4.00 billion (or the equivalent amount drawn in U.S. dollars), to be used for expenditures related to production at our Gigafactory Shanghai. Borrowed funds bear interest at an annual rate of: (i) for RMB-denominated loans, the market quoted interest rate published by an authority designated by the People's Bank of China minus 0.35%, (ii) for U.S. dollar-denominated loans, the sum of one-year LIBOR plus 0.8%. The 2020 China Working Capital Facility is non-recourse to our assets and will mature in June 2021, the first anniversary of the first borrowing under the loan.

In September 2020, the revolving facility that one of our subsidiaries entered in September 2019 to finance vehicles in-transit to China matured.

Warehouse Agreements

In August 2020, one of our subsidiaries terminated the loan and security agreement entered in December 2018 (the "2018 Warehouse Agreement") after having fully repaid all obligations thereunder. The loan and security agreement entered in August 2016 and amended and restated in August 2017 (the "2016 Warehouse Agreement") is the only remaining facility under our Warehouse Agreements. In August 2020, we further amended and restated the 2016 Warehouse Agreement (the "A&R 2016 Warehouse Agreement") to extend the maturity date to September 2022. The A&R 2016 Warehouse Agreement has an aggregate lender commitment of $1.10 billion, the same amount as the aggregate lender commitment previously shared with the 2018 Warehouse Agreement prior to the termination of the latter.

Automotive Lease-backed Credit Facilities

In September 2020, a special purpose entity entered into a revolving credit facility with a bank for borrowings secured by the beneficial interests related to certain leased vehicles that we transferred to the special purpose entity. Amounts drawn under this facility bear interests at 1.85% plus LIBOR and are non-recourse to our other assets.

Our credit agreement entered into by one of our Canadian subsidiaries in December 2016, previously referred to as the "Canada Credit Facility," is also included in this caption.

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 includes the 0.25% Convertible Senior Notes due in 2019 (matured in March 2019), the 2021 Notes, the 2022 Notes and the 2024 Notes (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Contractual interest coupon	$ 19	$ 19	$ 58	$ 45
Amortization of debt issuance costs	2	2	5	5
Amortization of debt discounts	50	43	138	104
Total	$ 71	$ 64	$ 201	$ 154

Note 11 – Equity Incentive Plans

In June 2019, we adopted the 2019 Equity Incentive Plan (the "2019 Plan"). The 2019 Plan provides for the grant of stock options, restricted stock, RSUs, stock appreciation rights, performance units and performance shares to our employees, directors and consultants. Stock options granted under the 2019 Plan may be either incentive stock options or nonstatutory stock options. Incentive stock options may only be granted to our employees. Nonstatutory stock options may be granted to our employees, directors and consultants. Generally, our stock options and RSUs vest over four years and our stock options are exercisable over a maximum period of 10 years from their grant dates. Vesting typically terminates when the employment or consulting relationship ends.

As of September 30, 2020, 52 million shares were reserved and available for issuance under the 2019 Plan, as adjusted to give effect to the Stock Split.

2018 CEO Performance Award

In March 2018, our stockholders approved the Board of Directors' grant of 101,320,210 stock option awards to our CEO (the "2018 CEO Performance Award"), as adjusted to give effect to the Stock Split. 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 $100.0 billion for the first tranche and increases by increments of $50.0 billion thereafter (based on both a six calendar month trailing average and a 30 calendar day trailing average, counting only trading days), has been achieved, and (ii) any one of the following eight operational milestones focused on total revenue or eight operational milestones focused on Adjusted EBITDA have been achieved 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. Upon vesting and exercise, including the payment of the exercise price of $70.01 per share as adjusted to give effect to the Stock Split, our CEO must hold shares that he acquires for five years post-exercise, other than a cashless exercise where shares are simultaneously sold to pay for the exercise price and any required tax withholding.

The achievement status of the operational milestones as of September 30, 2020 was as follows:

Total Annualized Revenue		Annualized Adjusted EBITDA	
Milestone (in billions)	Achievement Status	Milestone (in billions)	Achievement Status
$ 20.0	Achieved and certified	$ 1.5	Achieved and certified
$ 35.0	Probable	$ 3.0	Achieved and certified
$ 55.0	-	$ 4.5	Probable (1)
$ 75.0	-	$ 6.0	Probable
$ 100.0	-	$ 8.0	-
$ 125.0	-	$ 10.0	-
$ 150.0	-	$ 12.0	-
$ 175.0	-	$ 14.0	-

(1) Under the terms of the award, this milestone will be achieved as of the date of issuance of this Quarterly Report on Form 10-Q.

Stock-based compensation expense associated with each tranche under the 2018 CEO Performance Award is recognized over the longer of (i) the expected achievement period for the operational milestone for such tranche and (ii) the expected achievement period for the related market capitalization milestone determined on the grant date, beginning at the point in time when the relevant operational milestone is considered probable of being achieved. If such operational milestone becomes probable any time after the grant date, we will recognize a cumulative catch-up expense from the grant date to that point in time. If the related market capitalization milestone is achieved earlier than its expected achievement period and the achievement of the related operational milestone, then the stock-based compensation expense will be recognized over the expected achievement period for the operational milestone, which may accelerate the rate at which such expense is recognized. The market capitalization milestone period and the valuation of each tranche were 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. Upon vesting of a tranche, all unamortized expense for the tranche will be recognized immediately. Additionally, stock-based compensation under the 2018 CEO Performance Award represents a non-cash expense and is recorded as a selling, general, and administrative operating expense in our consolidated statement of operations.

During the three months ended June 30, 2020, the first tranche of the 2018 CEO Performance Award vested upon certification by the Board of Directors that the first market capitalization milestone of $100.0 billion and the operational milestone of $20.0 billion annualized revenue had been achieved. Therefore, the remaining unamortized expense of $22 million for that tranche, which was previously expected to be recognized ratably in future quarters as determined on the grant date, was accelerated into the second quarter of 2020. Additionally, the operational milestone of annualized Adjusted EBITDA of $4.5 billion became probable of being achieved during the second quarter of 2020 and consequently, we recognized a catch-up expense of $79 million in that quarter.

During the three months ended September 30, 2020, the second and third tranches of the 2018 CEO Performance Award vested upon certification by the Board of Directors that the market capitalization milestones of $150.0 billion and $200.0 billion and the operational milestones of annualized Adjusted EBITDA of $1.5 billion and annualized Adjusted EBITDA of $3.0 billion had been achieved. Therefore, the remaining unamortized expense of $95 million and $118 million associated with the second and third tranches, respectively, which were previously expected to be recognized ratably in future quarters through the first quarter of 2022 as determined on the grant date for the second market capitalization milestone period and through the first quarter of 2023 as determined on the grant date for the third market capitalization milestone period, were accelerated into the third quarter of 2020. Additionally, the operational milestone of annualized Adjusted EBITDA of $6.0 billion became probable of being achieved during the third quarter of 2020 and consequently, we recognized a catch-up expense of $77 million in that quarter.

In October 2020, the market capitalization milestone of $250.0 billion was achieved, and the operational milestone of annualized Adjusted EBITDA of $4.5 billion will be achieved as of the date of issuance of this Quarterly Report on Form 10-Q. Accordingly, the fourth tranche of the 2018 CEO Performance Award will vest upon certification by the Board of Directors that such milestones have been achieved. Therefore, we expect that the remaining unamortized expense of $122 million associated with the fourth market capitalization milestone period, which was previously expected to be recognized ratably in future quarters through the third quarter of 2023 as determined on the grant date, will be accelerated into the fourth quarter of 2020.

As of September 30, 2020, we had $354 million of total unrecognized stock-based compensation expense for the operational milestones that were considered either probable of achievement or achieved but not yet certified, which will be recognized over a weighted-average period of 2.4 years. As of September 30, 2020, we had unrecognized stock-based compensation expense of $888 million for the operational milestones that were considered not probable of achievement. For the three and nine months ended September 30, 2020, we recorded stock-based compensation expense of $338 million and $571 million, respectively, related to the 2018 CEO Performance Award, and $56 million and $167 million, respectively, for the same periods in 2019.

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 5,365,000 shares of our common stock, as adjusted to give effect to the Stock Split. 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 September 30, 2020, 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 September 30, 2020, we had unrecognized stock-based compensation expense of $4 million for the performance milestone that was considered not probable of achievement. For the three and nine months ended September 30, 2020, and for the same periods in 2019, we did not record any additional stock-based compensation related to these awards.

2012 CEO Performance Award

In August 2012, our Board of Directors granted 26,374,505 stock option awards to our CEO (the "2012 CEO Performance Award"), as adjusted to give effect to the Stock Split. 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 September 30, 2020, 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 September 30, 2020, we had unrecognized stock-based compensation expense of $6 million for the performance milestone that was considered not probable of achievement. For the three and nine months ended September 30, 2020, and for the same periods in 2019, we did not record any additional stock-based compensation expense related to the 2012 CEO Performance Award.

Our CEO historically earned a base salary that reflected the applicable minimum wage requirements under California law, and he was subject to income taxes based on such base salary. However, he has never accepted his salary. Commencing in May 2019 at our CEO's request, we eliminated altogether the earning and accrual of his base 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 millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cost of revenues	$ 62	$ 29	$ 147	$ 91
Research and development	76	72	214	216
Selling, general and administrative	405	98	740	307
Restructuring and other	—	—	—	3
Total	$ 543	$ 199	$ 1,101	$ 617

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 September 30, 2020, we had $2.91 billion of total unrecognized stock-based compensation expense related to non-performance awards, which will be recognized over a weighted-average period of 2.7 years.

Note 12 – Commitments and Contingencies

Operating Lease Arrangement in Buffalo, New York

We have an operating lease through the Research Foundation for the State University of New York (the "SUNY Foundation") for a manufacturing facility constructed on behalf of the SUNY Foundation, which was completed in April 2018. We use this facility, referred to as Gigafactory New York, primarily for the development and production of our Solar Roof and other solar products and components, energy storage components, and Supercharger components, and for other lessor-approved functions. Under the lease and a related research and development agreement, on behalf of the SUNY Foundation, we have and will continue to install certain utilities and other improvements and acquire certain equipment designated by us to be used in the manufacturing facility.

Under this agreement, we are obligated to, among other things, meet employment targets as well as specified minimum numbers of personnel in the State of New York and spend or incur $5.00 billion in combined capital, operational expenses, costs of goods sold and other costs in the State of New York during the 10-year period beginning April 30, 2018. On an annual basis during the initial lease term, as measured on each anniversary of such date, if we fail to meet these specified investment and job creation requirements, then we would be obligated to pay a $41 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 may become payable by us.

As we temporarily suspended most of our manufacturing operations at Gigafactory New York pursuant to a New York State executive order issued in March 2020 as a result of the COVID-19 pandemic, we were granted a one-year deferral of our obligation to be compliant with our applicable targets under such agreement on April 30, 2020, which was memorialized in an amendment to our agreement with the SUNY Foundation in July 2020. Moreover, as we had exceeded our investment and employment obligations under this agreement prior to such mandated reduction of operations, we do not currently expect any issues meeting all applicable future obligations under this agreement. However, if our expectations as to the costs and timelines of our investment and operations at Buffalo or our production ramp of the Solar Roof prove incorrect, we may incur additional expenses or substantial payments to the SUNY Foundation.

Operating Lease Arrangement in Shanghai, China

We have an operating lease arrangement for an initial term of 50 years with the local government of Shanghai for land use rights where we are constructing Gigafactory Shanghai. Under the terms of the arrangement, we are required to spend RMB 14.08 billion in capital expenditures, and to generate RMB 2.23 billion of annual tax revenues starting at the end of 2023. If we are unwilling or unable to meet such target or obtain periodic project approvals, in accordance with the Chinese government's standard terms for such arrangements, we would be required to revert the site to the local government and receive compensation for the remaining value of the land lease, buildings and fixtures. We believe the capital expenditure requirement and the tax revenue target will be attainable even if our actual vehicle production was far lower than the volumes we are forecasting.

Legal Proceedings

Securities Litigation Relating to the SolarCity Acquisition

Between September 1, 2016 and October 5, 2016, seven lawsuits were filed in the Delaware Court of Chancery by purported stockholders of Tesla challenging our acquisition of SolarCity Corporation ("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, and the Delaware Supreme Court denied that request without ruling on the merits but electing not to hear an appeal at this early stage of the case. Defendants filed their answer on May 18, 2018, and mediations were held on June 10, 2019. Plaintiffs and defendants filed respective motions for summary judgment on August 25, 2019, and further mediations were held on October 3, 2019. The Court held a hearing on the motions for summary judgment on November 4, 2019. On January 22, 2020, all of the director defendants except Elon Musk reached a settlement to resolve the lawsuit against them for an amount that would be paid entirely under the applicable insurance policy. The settlement, which does not involve an admission of any wrongdoing by any party, was approved by the Court on August 17, 2020. Tesla received payment of approximately $43 million on September 16, 2020, which has been recognized in our consolidated statement of operations as a reduction to selling, general and administrative operating expenses for costs previously incurred in the securities litigation related to the acquisition of SolarCity. On February 4, 2020, the Court issued a ruling that denied plaintiffs' previously-filed motion and granted in part and denied in part defendants' previously-filed motion. Fact and expert discovery is complete, and the case was set for trial in March 2020 until it was postponed by the Court due to safety precautions concerning COVID-19. The current tentative dates for the trial are from March 29 to April 12, 2021, subject to change based on any further safety measures implemented by the Court.

These plaintiffs and others filed parallel actions in the U.S. District Court for the District of Delaware on or about April 21, 2017. They include claims for violations of the federal securities laws and breach of fiduciary duties by Tesla's board of directors. Those actions have been consolidated and stayed pending the above-referenced 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 Tesla'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 defendants' motion to dismiss with leave to amend. Plaintiffs filed their amended complaint on September 28, 2018, and defendants filed a motion to dismiss the amended complaint on February 15, 2019. The hearing on the motion to dismiss was held on March 22, 2019, and on March 25, 2019, the Court ruled in favor of defendants and dismissed the complaint with prejudice. On April 8, 2019, plaintiffs filed a notice of appeal and on July 17, 2019 filed their opening brief. We filed our opposition on September 16, 2019. A hearing on the appeal before the U.S. Court of Appeals for the Ninth Circuit ("Ninth Circuit") was held on April 30, 2020, and the parties await a ruling. We continue to 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 case. On February 5, 2019, the Court stayed this new case pending a ruling on the motion to dismiss the complaint in such earlier filed federal case. After such earlier filed federal case was dismissed, defendants filed a motion on July 2, 2019 to dismiss this case as well. This case is now stayed pending a ruling from the appellate court on such earlier filed federal case with an agreement that if defendants prevail on appeal in such case, this case will be dismissed. 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 Elon Musk and the members of Tesla's board of directors as then constituted, alleging corporate waste, unjust enrichment, and 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 was held on May 9, 2019. On September 20, 2019, the Court granted the motion to dismiss as to the corporate waste claim but denied the motion as to the breach of fiduciary duty and unjust enrichment claims. Our answer was filed on December 3, 2019, and trial is set for October 2021. We believe the claims asserted in this lawsuit 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 this lawsuit.

Litigation Related to Directors' Compensation

On June 17, 2020, a purported Tesla stockholder filed a derivative action in the Delaware Court of Chancery, purportedly on behalf of Tesla, against certain of Tesla's current and former directors regarding compensation awards granted to Tesla's directors, other than Elon Musk, between 2017 and 2020. The suit asserts claims for breach of fiduciary duty and unjust enrichment and seeks declaratory and injunctive relief, unspecified damages, and other relief. Defendants filed their answer on September 17, 2020. 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.

Securities Litigation Relating 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 Mr. Musk's August 7, 2018 Twitter post that he was considering taking Tesla private. All of the suits are now pending in the U.S. 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. The now-consolidated purported stockholder class action was stayed while the issue of selection of lead counsel was briefed and argued before the Ninth Circuit. The Ninth Circuit ruled regarding lead counsel. Defendants filed a motion to dismiss the complaint on November 22, 2019. The hearing on the motion was held on March 6, 2020. On April 15, 2020, the Court denied defendants' motion to dismiss. Trial is set for March 2022. Plaintiffs filed their motion for class certification on September 24, 2020. 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. In addition to these cases, on October 25, 2018, another derivative lawsuit was filed in the U.S. District Court for the District of Delaware against Mr. Musk and the members of the Tesla board of directors as then constituted. The Courts in both the Delaware federal court and Delaware Court of Chancery actions have consolidated their respective actions and stayed each consolidated action pending resolution of the above-referenced consolidated purported stockholder class action. 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, if any, associated with these lawsuits.

Beginning on March 7, 2019, various stockholders filed derivative suits in the Delaware Court of Chancery, purportedly on behalf of Tesla, naming Mr. Musk and Tesla's board of directors as then constituted, also related to Mr. Musk's August 7, 2018 Twitter post that is the basis of the above-referenced consolidated purported stockholder class action, as well as to Mr. Musk's February 19, 2019 Twitter post regarding Tesla's vehicle production. The suit asserts claims for breach of fiduciary duty and seeks declaratory and injunctive relief, unspecified damages, and other relief. Plaintiffs agreed to a stipulation that these derivative cases would be stayed pending the outcome of the above-referenced consolidated purported stockholder class action. In March 2019, plaintiffs in one of these derivative suits moved to lift the stay and for an expedited trial. Briefs were filed on March 13, 2019, and the hearing was held on March 18, 2019. Defendants prevailed, with the Court denying the plaintiffs' request for an expedited trial and granting defendants' request to continue to stay this suit pending the outcome of the above-referenced consolidated purported stockholder class action. On May 4, 2020, the same plaintiffs again filed a motion requesting to lift the stay and for an expedited trial. Briefs were filed on May 13, 2020 and May 15, 2020 and a hearing was held on May 19, 2020. Defendants again prevailed, with the Court denying plaintiffs' request to lift the stay and for an expedited trial. The plaintiffs also sought leave to file an amended complaint, which was granted. The Court entered an order implementing its ruling on May 21, 2020. The amended complaint asserts additional allegations of breach of fiduciary duty related to two additional Twitter posts by Mr. Musk, dated July 29, 2019 and May 1, 2020, and seeks unspecified damages and declaratory and injunctive relief. 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, if any, associated with these lawsuits.

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 had issued subpoenas to Tesla in connection with (a) Elon 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 take-private investigation was resolved and closed with a settlement entered into with the SEC in September 2018 and as further clarified in April 2019 in an amendment. On December 4, 2019, the SEC (i) closed the investigation into the projections and other public statements regarding Model 3 production rates and (ii) issued a subpoena seeking information concerning certain financial data and contracts including Tesla's regular financing arrangements. Separately, the DOJ had also asked us to voluntarily provide it with information about the above matters related to taking Tesla private and Model 3 production rates.

Aside from the settlement, as amended, 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 investment tax credits ("ITC"s). 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 for this obligation are not probable or material 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 September 30, 2020, we had $232 million of unused letters of credit outstanding.

Note 13 – 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 millions):

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 113	$ 106
Accounts receivable, net	49	27
Prepaid expenses and other current assets	92	100
Total current assets	254	233
Operating lease vehicles, net	—	1,183
Solar energy systems, net	4,846	5,030
Other non-current assets	174	156
Total assets	$ 5,274	$ 6,602
Liabilities		
Current liabilities		
Accrued liabilities and other	$ 70	$ 80
Deferred revenue	10	78
Customer deposits	14	9
Current portion of debt and finance leases	871	608
Total current liabilities	965	775
Deferred revenue, net of current portion	174	264
Debt and finance leases, net of current portion	1,463	1,516
Other long-term liabilities	21	22
Total liabilities	$ 2,623	$ 2,577

Note 14 – Related Party Transactions

In February 2020, our CEO and a member of our Board of Directors purchased from us 65,185 and 6,250 shares, respectively, of our common stock in a public offering at the public offering price for an aggregate $10 million and $1 million, respectively, as adjusted to give effect to the Stock Split.

In June 2020, our CEO entered into an indemnification agreement with us for an interim term of 90 days. During the interim term, we resumed our annual evaluation of all available options for providing directors' and officers' indemnity coverage, which we had suspended during the height of shelter-in-place requirements related to the COVID-19 pandemic. As part of such process, we obtained a binding market quote for a directors' and officers' liability insurance policy with an aggregate coverage limit of $100 million.

Pursuant to the indemnification agreement, our CEO provided, from his personal funds, directors' and officers' indemnity coverage to us during the interim term in the event such coverage is not indemnifiable by us, up to a total of $100 million. In return, we agreed to pay our CEO a total of $3 million, which represents the market-based premium for the market quote described above, as prorated for 90 days and further discounted by 50%. Following the lapse of the 90-day period, we did not extend the term of the indemnification agreement with our CEO and instead bound a customary directors' and officers' liability insurance policy with third-party carriers.

Note 15 – 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, retail merchandise, sales by our acquired subsidiaries to third party customers, and vehicle insurance revenue. The energy generation and storage segment includes the design, manufacture, installation, sales, and leasing of solar energy generation and energy storage products and related services and sales of solar energy systems incentives. Our CODM does not evaluate operating segments using asset or liability information. The following table presents revenues and gross profit by reportable segment (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Automotive segment				
Revenues	$ 8,192	$ 5,901	$ 19,550	$ 16,099
Gross profit	$ 2,042	$ 1,103	$ 4,511	$ 2,539
Energy generation and storage segment				
Revenues	$ 579	$ 402	$ 1,242	$ 1,095
Gross profit	$ 21	$ 88	$ 53	$ 139

The following table presents revenues by geographic area based on the sales location of our products (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
United States	$ 4,215	$ 3,127	$ 10,073	$ 8,937
China	1,744	669	4,044	2,138
Other	2,812	2,507	6,675	6,119
Total	$ 8,771	$ 6,303	$ 20,792	$ 17,194

The revenues in certain geographic areas were impacted by the price adjustments we made to our vehicle offerings during the nine months ended September 30, 2020 and 2019. Refer to Note 2, *Summary of Significant Accounting Policies*, for details.

The following table presents long-lived assets by geographic area (in millions):

	September 30, 2020	December 31, 2019
United States	$ 15,742	$ 15,644
International	2,131	890
Total	$ 17,873	$ 16,534

ITEM 2. 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 Quarterly Report on Form 10-Q.

Overview

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, financial and other services related to our products.

In 2020, we have produced 329,980 vehicles and delivered 318,980 vehicles through the third quarter. We are currently focused on increasing vehicle production, building new vehicle factories, developing and ramping our battery cell technology, increasing the affordability of our vehicles, and increasing our delivery capabilities.

In 2020, we have deployed 1.44 GWh of energy storage products and 119 MW of solar energy systems through the third quarter. We are currently focused on ramping production of energy storage products, improving our Solar Roof installation capabilities, and increasing market share of retrofit solar energy systems.

During the three and nine months ended September 30, 2020, we recognized total revenues of $8.77 billion and $20.79 billion, respectively, representing increases of $2.47 billion and $3.60 billion, respectively, over the same periods ended September 30, 2019. We continue to ramp production to enable increased deliveries and deployments of our products and further revenue growth.

During the three and nine months ended September 30, 2020, our net income attributable to common stockholders was $331 million and $451 million, respectively, representing favorable changes of $188 million and $1.42 billion, respectively, over the same periods ended September 30, 2019. We continue to focus on operational efficiencies, while we have seen an acceleration of non-cash stock-based compensation expense due to a rapid increase in our market capitalization.

We ended the third quarter of 2020 with $14.53 billion in cash and cash equivalents, representing an increase of $8.26 billion from the end of 2019. Our cash flows from operating activities during the nine month period ended September 30, 2020 was $2.92 billion, compared to $980 million during the same period ended September 30, 2019, and capital expenditures amounted to $2.01 billion during the nine month period ended September 30, 2020, compared to $915 million during the same period ended September 30, 2019. Sustained growth has allowed our business to fund itself, and we will see a number of capital-intensive projects in upcoming periods.

Management Opportunities, Challenges and Risks

Impact of COVID-19 Pandemic

There continues to be worldwide impact from the COVID-19 pandemic. While we have been relatively successful in navigating such impact to date, we have previously been affected by temporary manufacturing closures, employment and compensation adjustments, and impediments to administrative activities supporting our product deliveries and deployments. There are also ongoing related risks to our business depending on the progression of the pandemic, and recent trends in certain regions have indicated potential returns to limited or closed government functions, business activities and person-to-person interactions. Please see the "Results of Operations" section of this Item below and certain risk factors described in Part II, Item 1A, *Risk Factors* in this Quarterly Report on Form 10-Q, particularly the first risk factor included there, for more detailed descriptions of the impact and risks to our business.

We cannot predict the duration or direction of current global trends from this pandemic, the sustained impact of which is largely unknown, is rapidly evolving, and has varied across geographic regions. Ultimately, we continue to monitor macroeconomic conditions to remain flexible and to optimize and evolve our business as appropriate, and we will have to accurately project demand and infrastructure requirements globally and deploy our production, workforce, and other resources accordingly.

Automotive—Production

The following is a summary of the status of production of each of our vehicle models in production and under development, as of the date of this Quarterly Report on Form 10-Q:

Production Location	Vehicle Model(s)	Production Status
Fremont Factory	Model S and Model X	Active
	Model 3 and Model Y	Active
Gigafactory Shanghai	Model 3	Active
	Model Y	Constructing manufacturing facilities
Gigafactory Berlin	Model Y	Constructing manufacturing facilities
	Model 3	In development
Gigafactory Texas	Model Y	Constructing manufacturing facilities
	Cybertruck	In development
U.S location(s) TBD	Tesla Semi	In development
	Tesla Roadster	In development

Following a quarterly record for vehicle production in the third quarter of 2020, we are focused on further increasing production rates for Model 3 and Model Y in the rest of the year to at least the capacity that we have installed. The next phase of production growth will depend on the construction of Gigafactory Berlin, Gigafactory Texas and Model Y manufacturing facilities at Gigafactory Shanghai, each of which is progressing as planned for deliveries beginning in 2021. Our goal is to continuously decrease production costs and increase the affordability of our vehicles. To that end, we recently announced our plans to develop and manufacture our own battery cells, with which we are targeting lower capital and production costs and longer range. As cell supply is critical to our business, coupling this strategy with cells from our suppliers will help us stay ahead of any potential constraints. With these efforts, we also hope to eventually release a future vehicle that is even more affordable than our current offerings.

However, these plans are subject to uncertainties inherent in establishing new manufacturing operations, which may be exacerbated by the number of concurrent international projects and any future impact from the COVID-19 pandemic. Moreover, we must meet ambitious technological targets with our plans for battery cells as well as for iterative manufacturing and design improvements for our vehicles with each new factory.

Automotive—Demand and Sales

Our cost reduction efforts and additional localized manufacturing are key to our vehicles' affordability, and have allowed us to recently decrease Model 3 prices in China. We will also continue to generate demand and brand awareness by improving our vehicles' functionality, including Autopilot, FSD and software features, and introducing anticipated future vehicles. We believe that achieving a quarterly deliveries record in the third quarter of 2020 during an industry-wide downturn in the current global pandemic was aided by our undeterred commitment to our roadmap, the flexibility and resiliency of our operations, and greater consumer awareness of the demonstratively positive environmental impact from the worldwide reduction in fossil fuel consumption.

While such trends are encouraging signs of future demand for our vehicles and sustainable energy products, they are relatively recent indicators and we operate in a cyclical industry that is sensitive to trade, environmental and political uncertainty, all of which may also be compounded by any future global impact from the pandemic. In addition, improvements to the macroeconomic outlook may benefit the transportation industry as a whole, making it even more crucial for us to maintain the momentum that we have gained relative to a growing number of potential competitors, including in the electric vehicle market.

Automotive—Deliveries and Customer Infrastructure

Our vehicle delivery capability became a bottleneck on our total deliveries as our production increased to a record level, and we are focused on increasing our capacity and efficiency in this area. Situating our factories closer to local markets should mitigate the strain on our deliveries. In any case, as we expand, we will have to continue to increase and staff our delivery, servicing and charging infrastructure, maintain our vehicle reliability and optimize our Supercharger locations to ensure cost-effectiveness and customer satisfaction.

Energy Generation and Storage Demand, Production and Deployment

The long-term success of this business is dependent upon increasing margins through greater volumes. We continue to increase the production of our energy storage products to meet high levels of demand, particularly for Megapack. For Powerwall, better availability and growing grid stability concerns drive higher interest, and cross-selling with our residential solar energy products will continue to benefit both product lines. We remain committed to increasing our retrofit solar energy business by offering a low-cost and simplified online ordering experience. In addition, we are working to improve our installation capabilities for Solar Roof by on-boarding and training a large number of installers and reducing the installation time dramatically. As these product lines grow, we will have to maintain adequate battery cell supply for our energy storage products and hire additional personnel, particularly skilled electricians to support the ramp of Solar Roof.

Trends in Cash Flow, Capital Expenditures and Operating Expenses

Our capital expenditures are typically difficult to project beyond the short term given the number and breadth of our core projects at any given time, and uncertainties in future global market conditions resulting from the COVID-19 pandemic currently makes projections more challenging. We are simultaneously ramping new products in Model Y and Solar Roof, constructing manufacturing facilities on three continents and piloting the development and manufacture of new battery cell technologies, and the pace of our capital spend may vary depending on overall priority among projects, the pace at which we meet milestones, production adjustments to and among our various products, increased capital efficiencies, and the addition of new projects. Owing and subject to the foregoing as well as the pipeline of announced projects under development and all other continuing infrastructure growth, we currently expect our capital expenditures to be at the high end of our range of $2.5 to $3.5 billion in 2020 and increase to $4.5 to $6.0 billion in each of the next two fiscal years.

Notwithstanding the capital-intensive projects that are in progress or planned, our business is now consistently generating cash flow from operations in excess of our level of capital spend, and in the third quarter of 2020 we also reduced the use of our working capital credit facilities. We expect our ability to be self-funding to continue as long as macroeconomic factors support current trends in our sales. Combined with better working capital management resulting in shorter days sales outstanding than days payable outstanding, our sales growth is also facilitating positive cash generation. We also opportunistically strengthened our liquidity through an at-the-market offering of common stock in September 2020, with net proceeds to us of approximately $4.97 billion.

Likewise, as long as we see expanding sales, and excluding the impact of non-cash stock compensation expense attributable to the 2018 CEO Performance Award as explained below, we expect operating expenses relative to revenues to decrease as we additionally increase operational efficiency and process automation.

In March 2018, our stockholders approved the 2018 CEO Performance Award, with vesting contingent on our Board of Directors' certification of the achievement of specified market capitalization and operational milestones. We will incur significant non-cash stock-based compensation expense for each tranche under this award after the related operational milestone initially becomes probable of being met, and if later than the grant date, we will also have to record a cumulative catch-up expense at such time. Such catch-up expense may be material depending on the length of time elapsed from the grant date. Moreover, as the expense for a tranche is recorded over the longer of (i) the expected achievement period of the relevant operational milestone and (ii) only if the related market capitalization milestone has not been achieved, its expected achievement period, the achievement of a market capitalization milestone earlier than expected may accelerate the rate at which such expense is recognized. Upon vesting of a tranche, all remaining associated expense will be recognized immediately. During 2020, a number of operational milestones became probable and a number of tranches vested, including as a result of our market capitalization increasing rapidly, resulting in the recognition or acceleration of related expense earlier than anticipated and within a relatively short period of time. See Note 11, *Equity Incentive Plans—2018 CEO Performance Award*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details regarding the stock-based compensation relating to the 2018 CEO Performance Award. As our market capitalization is unpredictable and our financial performance improves, it is possible that the earlier-than-planned recognition of such expenses will continue in the near term.

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 may be affected.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. The estimates used for, but not limited to, determining 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, fair value and residual value of operating lease vehicles and solar energy systems subject to leases could be impacted. We have assessed the impact and are not aware of any specific events or circumstances that required an update to our estimates and assumptions or materially affected the carrying value of our assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

For a description of our critical accounting policies and estimates, refer to Part II, Item 7, *Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes to our critical accounting policies and estimates since our Annual Report on Form 10-K for the year ended December 31, 2019.

Recent Accounting Pronouncements

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

Results of Operations

Effects of COVID-19

The COVID-19 pandemic has impacted our business and financial results in 2020.

The temporary suspension of production at our factories during the first half of 2020 had caused production limitations that negatively impacted our deliveries for the first half of 2020. While we have resumed operations at all of our factories worldwide, our temporary suspension at our factories resulted in idle capacity charges as we still incurred fixed costs such as depreciation, certain payroll related expenses, and property taxes. As part of our response strategy to the business disruptions and uncertainty around macroeconomic conditions caused by the COVID-19 pandemic, we had instituted cost reduction initiatives across our business globally to be commensurate to the scope of our operations while they were scaled back. This included temporary labor cost reduction measures such as employee furloughs and compensation reductions. Additionally, we suspended non-critical operating spend and opportunistically renegotiated supplier and vendor arrangements. As part of various governmental responses to the pandemic granted to companies globally, we received certain payroll related benefits which helped to reduce the impact of the COVID-19 pandemic on our financial results. Such payroll related benefits related to our direct headcount have been primarily netted against our idle capacity charges disclosed as well as marginally reduced our operating expenses. The impact of the idle capacity charges incurred during the first half of 2020 were almost entirely offset by our cost savings initiatives and payroll related benefits.

Revenues

(Dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2020	2019	$	%	2020	2019	$	%
Automotive sales	$ 7,346	$ 5,132	$ 2,214	43%	$ 17,150	$ 13,809	$ 3,341	24%
Automotive leasing	265	221	44	20%	772	644	128	20%
Total automotive revenues	7,611	5,353	2,258	42%	17,922	14,453	3,469	24%
Services and other	581	548	33	6%	1,628	1,646	(18)	-1%
Total automotive & services and other segment revenue	8,192	5,901	2,291	39%	19,550	16,099	3,451	21%
Energy generation and storage segment revenue	579	402	177	44%	1,242	1,095	147	13%
Total revenues	$ 8,771	$ 6,303	$ 2,468	39%	$ 20,792	$ 17,194	$ 3,598	21%

Automotive & Services and Other Segment

Automotive sales revenue includes revenues related to cash deliveries of new Model S, Model X, Model 3 and Model Y vehicles, including access to our Supercharger network, internet connectivity, FSD features and over-the-air software updates, as well as sales of regulatory credits to other automotive manufacturers. Cash deliveries are vehicles that are not subject to lease accounting. Our revenue from regulatory credits fluctuates by quarter depending on when a contract is executed with a buyer and when the credits are delivered. For example, our revenue from regulatory credit sales in the three months ended September 30, 2019 was $134 million while it was $397 million in the three months ended September 30, 2020.

Automotive leasing revenue includes the amortization of revenue for Model S, Model X, Model 3 and Model Y vehicles under direct operating lease agreements as well as those sold with resale value guarantees accounted for as operating leases under lease accounting. We began offering direct leasing for Model 3 vehicles in the second quarter of 2019 and we began offering direct leasing for Model Y vehicles in the third quarter of 2020. Additionally, automotive leasing revenue includes direct sales-type leasing programs where we recognize all revenue associated with the sales-type lease upon delivery to the customer, which we introduced in volume during the third quarter of 2020.

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

Automotive sales revenue increased $2.21 billion, or 43%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to an increase of 41,820 Model 3 and Model Y cash deliveries at relatively consistent combined average selling prices from production ramping at both Gigafactory Shanghai and the Fremont Factory. Additionally, we had an increase of $263 million from additional sales of regulatory credits to $397 million in the three months ended September 30, 2020. These increases were partially offset by 1,596 fewer Model S and Model X cash deliveries at relatively consistent combined average selling prices in the three months ended September 30, 2020 compared to the same period in the prior year.

Automotive sales revenue increased $3.34 billion, or 24%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to an increase of 66,685 Model 3 and Model Y cash deliveries despite production limitations as a result of temporary suspension of production at the Fremont Factory and Gigafactory Nevada during the first half of 2020. We were able to increase deliveries year over year from production ramping at both Gigafactory Shanghai and the Fremont Factory. There was also an increase of $718 million from additional sales of regulatory credits to $1.18 billion in the nine months ended September 30, 2020. Additionally, due to pricing adjustments we made to our vehicle offerings during the nine months ended September 30, 2019, we estimated that there was a greater likelihood that customers would exercise their buyback options and adjusted our sales return reserve on vehicles previously sold under our buyback options program which resulted in a reduction of automotive sales revenue of $555 million. We made further pricing adjustments that resulted in a similar but smaller reduction of automotive sales revenue of $72 million during the nine months ended September 30, 2020. These factors increasing automotive sales revenue were partially offset by a decrease in the average selling price of Model 3 from inclusion of lower priced China manufactured Model 3 and an increase in Standard Range variants in our overall sales mix and 8,841 fewer Model S and Model X cash deliveries at relatively consistent combined average selling prices in the nine months ended September 30, 2020 compared to the same period in the prior year.

Automotive leasing revenue increased $44 million, or 20%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to the introduction of direct sales-type leasing programs which we began offering in volume during the third quarter of 2020 and where we recognize all revenue associated with the sales-type lease upon delivery to the customer. Additionally, we had an increase in cumulative vehicles under our direct operating lease program. These increases were partially offset by the decreases in automotive leasing revenue associated with our resale value guarantee leasing programs which are accounted for as operating leases as those portfolios are declining.

Automotive leasing revenue increased $128 million, or 20%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to an increase in cumulative vehicles under our direct operating lease program and the introduction of direct sales-type leasing programs which we began offering in volume during the third quarter of 2020 where we recognize all revenue associated with the sales-type lease upon delivery to the customer. These increases were partially offset by the decreases in automotive leasing revenue associated with our resale value guarantee leasing programs accounted for as operating leases as those portfolios are declining.

Services and other revenue increased $33 million, or 6%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to an increase in non-warranty maintenance services revenue as our fleet continues to grow, an increase in retail merchandise revenue and an increase in the volume of traded-in Tesla vehicles sales at lower average selling prices. These increases were partially offset by a decrease in the volume of traded-in non-Tesla vehicle sales at lower average selling prices.

Services and other revenue decreased $18 million, or 1%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to a decrease in the volume of used vehicle sales at increased average selling prices as traded-in Tesla vehicles made up a larger portion of the overall sales mix, partially offset by an increase in non-warranty maintenance services revenue as our fleet continues to grow, an overall increase in retail merchandise revenue and an increase in sales by our acquired subsidiaries to third party customers due to additional acquired subsidiaries since 2019.

Energy Generation and Storage Segment

Energy generation and storage revenue includes sales and leasing of solar energy generation and energy storage products, services related to such products, and sales of solar energy systems incentives.

Energy generation and storage revenue increased by $177 million, or 44%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to increases in deployments of Megapack, Powerwall and solar cash and loan jobs, partially offset by reduced average selling prices on our solar cash and loan jobs as a result of our low cost solar strategy.

Energy generation and storage revenue increased by $147 million, or 13%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to increases in deployments of Megapack and Powerwall, partially offset by a decrease in deployments of Powerpack and reduced average selling prices on our solar cash and loan jobs as a result of our low cost solar strategy.

Cost of Revenues and Gross Margin

(Dollars in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change $	Change %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change $	Change %
Cost of revenues								
Automotive sales	$ 5,361	$ 4,014	$ 1,347	34%	$ 12,774	$ 11,124	$ 1,650	15%
Automotive leasing	145	117	28	24%	415	340	75	22%
Total automotive cost of revenues	5,506	4,131	1,375	33%	13,189	11,464	1,725	15%
Services and other	644	667	(23)	-3%	1,850	2,096	(246)	-12%
Total automotive & services and other segment cost of revenues	6,150	4,798	1,352	28%	15,039	13,560	1,479	11%
Energy generation and storage segment	558	314	244	78%	1,189	956	233	24%
Total cost of revenues	$ 6,708	$ 5,112	$ 1,596	31%	$ 16,228	$ 14,516	$ 1,712	12%
Gross profit total automotive	$ 2,105	$ 1,222			$ 4,733	$ 2,989		
Gross margin total automotive	28%	23%			26%	21%		
Gross profit total automotive & services and other segment	$ 2,042	$ 1,103			$ 4,511	$ 2,539		
Gross margin total automotive & services and other segment	25%	19%			23%	16%		
Gross profit energy generation and storage segment	$ 21	$ 88			$ 53	$ 139		
Gross margin energy generation and storage segment	4%	22%			4%	13%		
Total gross profit	$ 2,063	$ 1,191			$ 4,564	$ 2,678		
Total gross margin	24%	19%			22%	16%		

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 the amortization of operating lease vehicles over the lease term, cost of goods sold associated with direct sales-type leases which were introduced in volume in the third quarter of 2020, as well as warranty expenses related to leased vehicles. 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.

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

Cost of automotive sales revenue increased $1.35 billion, or 34%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to an increase of 41,820 Model 3 and Model Y cash deliveries, partially offset by a decrease in average Model 3 costs per unit due to a higher sales mix of lower end trims and lower freight and duty costs from local production in China. Additionally, there was a decrease of 1,596 Model S and Model X cash deliveries.

Cost of automotive sales revenue increased $1.65 billion, or 15%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to an increase of 66,685 Model 3 and Model Y cash deliveries. Due to pricing adjustments we made to our vehicle offerings during the nine months ended September 30, 2019, we estimated that there was a greater likelihood that customers would exercise their buyback options and if customers elect to exercise the buyback option, we expect to be able to subsequently resell the returned vehicles, which resulted in a reduction of cost of automotive sales revenue of $451 million. We made further pricing adjustments that resulted in a similar but smaller reduction of cost of automotive sales revenue of $42 million during the nine months ended September 30, 2020. Additionally, there was an increase to cost of automotive sales revenue from idle capacity charges of $213 million as a result of temporary suspension of production at the Fremont Factory and Gigafactory Nevada during the first half of 2020. These factors increasing cost of automotive sales revenue were partially offset by a decrease in average Model 3 costs per unit due to a higher sales mix of lower end trims, lower freight and duty costs from local production in China, and additional manufacturing efficiencies in the production of Model 3 in our Fremont Factory, as well as a decrease of 8,841 Model S and Model X cash deliveries in the nine months ended September 30, 2020 compared to the same period in the prior year.

Cost of automotive leasing revenue increased $28 million, or 24%, in the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to the introduction of direct sales-type leasing programs which we began offering in volume during the third quarter of 2020 and where we recognize all revenue associated with the sales-type lease upon delivery to the customer. Additionally, we had an increase in cumulative vehicles under our direct operating lease program. These increases were partially offset by the decreases in cost of automotive leasing revenue associated with our resale value guarantee leasing programs which are accounted for as operating leases as those portfolios are declining.

Cost of automotive leasing revenue increased $75 million, or 22%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to an increase in cumulative vehicles under our direct operating lease program and the introduction of direct sales-type leasing programs which we began offering in volume during the third quarter of 2020 and where we recognize all revenue associated with the sales-type lease upon delivery to the customer. These increases were partially offset by the decreases in automotive lease revenue associated with our resale value guarantee leasing programs which are accounted for as operating leases as those portfolios are declining.

Cost of services and other revenue decreased $23 million, or 3%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to decreased costs of used vehicle sales from a decrease in the volume of traded-in non-Tesla vehicle sales, partially offset by increases in non-warranty maintenance services as our fleet continues to grow and an increase in costs of used vehicle sales from an increase in the volume of traded-in Tesla vehicles.

Cost of services and other revenue decreased $246 million, or 12%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to decreased costs of used vehicle sales from lower sales volume, partially offset by increases in non-warranty maintenance services as our fleet continues to grow, increase in cost of sales by our acquired subsidiaries to third party customers in line with the increase in revenue and an increase in costs of retail merchandise as our sales have increased.

Gross margin for total automotive increased from 23% to 28% in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to an increase of $263 million in sales of regulatory credits and an improvement of Model 3 gross margin primarily from lower freight and duty costs from local production in China, partially offset by a decrease in average selling prices of Model 3 from inclusion of lower priced China manufactured Model 3 in our sales mix in the three months ended September 30, 2020.

Gross margin for total automotive increased from 21% to 26% in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to an improvement of Model 3 gross margin primarily from lower freight and duty costs from local production in China and additional manufacturing efficiencies in the production of Model 3 in our Fremont Factory, partially offset by a decrease in average selling prices of Model 3 from inclusion of lower priced China manufactured Model 3 and an increase in Standard Range variants in our overall sales mix. Additionally, there was an increase of $718 million in sales of regulatory credits. These increases were partially offset by idle capacity charges of $213 million as a result of temporary suspension of production at the Fremont Factory and Gigafactory Nevada during the first half of 2020.

Gross margin for total automotive & services and other segment increased from 19% to 25% in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to the automotive gross margin impacts discussed above and improved services and other gross margin from improved used vehicle sales gross margins. Additionally, there was an increase due to a lower proportion of services and other, which operates at a lower gross margin than our automotive business, within the segment in the three months ended September 30, 2020.

Gross margin for total automotive & services and other segment increased from 16% to 23% in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 primarily due to the automotive gross margin impacts discussed above and improved services and other gross margin from improved used vehicle sales gross margins and increased operational efficiencies in our non-warranty maintenance services business. Additionally, there was an increase due to a lower proportion of services and other, which operates at a lower gross margin than our automotive business, within the segment in the nine months ended September 30, 2020.

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.

Cost of energy generation and storage revenue increased by $244 million, or 78%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to increases in deployments of Megapack, Powerwall, solar cash and loan jobs and higher costs from temporary manufacturing underutilization of our Solar Roof ramp.

Cost of energy generation and storage revenue increased by $233 million, or 24%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to increases in deployments of Megapack and Powerwall, higher costs from temporary manufacturing underutilization of our Solar Roof ramp and idle capacity charges of $20 million as a result of temporary suspension of production at Gigafactory New York during the first half of 2020. These increases were partially offset by a decrease in deployments of Powerpack.

Gross margin for energy generation and storage decreased from 22% to 4% in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to lower gross margins in our solar cash and loan business driven by higher costs from temporary manufacturing underutilization of our Solar Roof ramp and reduced average selling prices on our solar cash and loan jobs as a result of our low cost solar strategy.

Gross margin for energy generation and storage decreased from 13% to 4% in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to lower gross margins in our solar cash and loan business driven by higher costs from temporary manufacturing underutilization of our Solar Roof ramp and reduced average selling prices on our solar cash and loan jobs as a result of our low cost solar strategy, partially offset by an improvement in our energy storage gross margin as a result of lower material costs.

Research and Development Expense

(Dollars in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change $	Change %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change $	Change %
Research and development	$ 366	$ 334	$ 32	10%	$ 969	$ 998	$ (29)	-3%
As a percentage of revenues	4%	5%			5%	6%		

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 $32 million, or 10%, in the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The increase was primarily due to a $10 million increase in expensed materials, an $8 million increase in employee and labor related expenses and a $7 million increase in facilities, freight and depreciation.

R&D expenses as a percentage of revenue decreased from 5% to 4% in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. The decrease is primarily from an increase in total revenues from expanding sales, partially offset by an increase in our R&D expenses as detailed above.

R&D expenses decreased $29 million, or 3%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The decrease was primarily due to a $41 million decrease in employee and labor related expenses partially offset by an $15 million increase in facilities, freight and depreciation expenses. The decreases observed were driven by our continued focus on increasing operational efficiency and process automation and from our cost savings initiatives as part of our COVID-19 response strategy as discussed above.

R&D expenses as a percentage of revenue decreased from 6% to 5% in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The decrease is primarily an increase in total revenues from expanding sales and a decrease in our R&D expenses as detailed above.

Selling, General and Administrative Expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(Dollars in millions)	2020	2019	$	%	2020	2019	$	%
Selling, general and administrative	$ 888	$ 596	$ 292	49%	$ 2,176	$ 1,947	$ 229	12%
As a percentage of revenues	10%	9%			10%	11%		

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 $292 million, or 49%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. The increase was primarily due to an increase of $307 million in stock-based compensation expense, of which $282 million was attributable to the 2018 CEO Performance Award. We had recorded a $77 million cumulative catch-up expense for the service provided from the grant date when an additional operational milestone was considered probable of being met in the third quarter of 2020 and the remaining unamortized expense of $95 million and $118 million for the second and third tranches were recognized in the third quarter of 2020 upon vesting as the second and third market capitalization milestones were achieved (see Note 11, *Equity Incentive Plans*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q). The remaining stock-based compensation expense increase of $25 million attributable to other directors and employees is primarily related to the issuance of equity awards in the current year at higher grant date fair values due to our increased share price. Additionally, there was an increase of $48 million in employee and related expenses primarily due to headcount increases, partially offset by a reduction to operating expenses for costs previously incurred of $43 million for the settlement in part of the securities litigation relating to the SolarCity acquisition (see Note 12, *Commitments and Contingencies—Legal Proceedings—Securities Litigation Relating to the SolarCity Acquisition*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q).

SG&A expenses as a percentage of revenue increased from 9% to 10% in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. The increase is primarily due to an increase in our SG&A expenses as detailed above, partially offset by an increase in total revenues from expanding sales.

SG&A expenses increased $229 million, or 12%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The increase is primarily due to an increase of $433 million in stock-based compensation expense, of which $404 million was attributable to the 2018 CEO Performance Award. We had recorded $156 million cumulative catch-up expense for the service provided from the grant date when two operational milestones were considered probable of being met in the nine months ended September 30, 2020 and the remaining unamortized expense of $235 million for the first three tranches were recognized in the nine months ended September 30, 2020 upon vesting as the first three market capitalization milestones were achieved (see Note 11, *Equity Incentive Plans*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q). The remaining stock-based compensation expense increase of $29 million attributable to other directors and employees is primarily related to the issuance of equity awards in the current year at higher grant date fair values due to our increased share price. The increase in stock-based compensation was partially offset by a decrease of $88 million in office, information technology and facilities-related expenses and sales and marketing activities and a decrease of $76 million in employee and related expenses. The decreases observed were driven by our continued focus on increasing operational efficiency and process automation and from our cost savings initiatives as part of our COVID-19 response strategy as discussed above. Additionally, there was a reduction to operating expenses for costs previously incurred of $43 million for the settlement in part of the securities litigation relating to the SolarCity acquisition (see Note 12, *Commitments and Contingencies—Legal Proceedings—Securities Litigation Relating to the SolarCity Acquisition*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q).

SG&A expenses as a percentage of revenue decreased from 11% to 10% in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The decrease is primarily from an increase in total revenues from expanding sales, partially offset by an increase in our SG&A expenses as detailed above.

Restructuring and other

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(Dollars in millions)	2020	2019	$	%	2020	2019	$	%
Restructuring and other	$ —	$ —	$ —	Not meaningful	$ —	$ 161	$ (161)	-100%
As a percentage of revenues	0%	0%			0%	1%		

During the first half of 2019, we carried out certain restructuring actions in order to reduce costs and improve efficiency. As a result, we recognized $50 million of costs primarily related to employee termination expenses and losses from closing certain stores. These costs were substantially paid by the end of second quarter of 2019. During the second quarter of 2019, we recognized $47 million in impairment related to IPR&D as we abandoned further development efforts and $15 million for the related equipment. We also incurred a loss of $49 million for closing certain facilities. There were no restructuring actions in the three and nine months ended September 30, 2020.

Interest Expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(Dollars in millions)	2020	2019	$	%	2020	2019	$	%
Interest expense	$ (163)	$ (185)	$ 22	-12%	$ (502)	$ (515)	$ 13	-3%
As a percentage of revenues	2%	3%			2%	3%		

Interest expense decreased by $22 million, or 12%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019, primarily due to a decrease in our weighted average interest rate as compared to the three months ended September 30, 2020.

Interest expense decreased by $13 million, or 3%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily due to an increase of $12 million in the amount of interest we capitalized from the consolidated statements of operations to property, plant, and equipment on the consolidated balance sheets. Increased capitalization results in lower interest expense. The amount of interest we capitalize is driven by our construction in progress balance, which increased year-over-year due to our construction and expansion of multiple factories.

Other (Expense) Income, Net

(Dollars in millions)	Three Months Ended September 30, 2020	2019	Change $	Change %	Nine Months Ended September 30, 2020	2019	Change $	Change %
Other (expense) income, net	$ (97)	$ 85	$ (182)	-214%	$ (166)	$ 70	$ (236)	-337%
As a percentage of revenues	1%	1%			1%	0%		

Other (expense) income, 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 (expense) income, net, changed unfavorably by $182 million, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Other (expense) income, net, changed unfavorably by $236 million, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The unfavorable changes were primarily due to unfavorable fluctuations in foreign currency exchange rates compared to the three and nine months ended September 30, 2019.

Provision for Income Taxes

(Dollars in millions)	Three Months Ended September 30, 2020	2019	Change $	Change %	Nine Months Ended September 30, 2020	2019	Change $	Change %
Provision for income taxes	$ 186	$ 26	$ 160	615%	$ 209	$ 68	$ 141	207%
Effective tax rate	34%	15%			27%	-8%		

Our provision for income taxes increased by $160 million, or 615%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Our provision for income taxes increased by $141 million, or 207%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The increases were primarily due to the substantial increases in taxable profits within our foreign jurisdictions year-over-year.

Our effective tax rate increased from 15% to 34% in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Our effective tax rate increased from -8% to 27% in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The increases were primarily due to substantial pre-tax income in the three and nine months ended September 30, 2020 as compared to a smaller pre-tax income in the three months and pre-tax loss for the nine months ended September 30, 2019.

Net Income Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

(Dollars in millions)	Three Months Ended September 30, 2020	2019	Change $	Change %	Nine Months Ended September 30, 2020	2019	Change $	Change %
Net income attributable to noncontrolling interests and redeemable noncontrolling interests in subsidiaries	$ 38	$ 7	$ 31	443%	$ 115	$ 60	$ 55	92%

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

Net income attributable to noncontrolling interests and redeemable noncontrolling interests increased by $31 million, or 443%, in the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. Net income attributable to noncontrolling interests and redeemable noncontrolling interests increased by $55 million, or 92%, in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. The increases were primarily due to lower activities from new financing fund arrangements.

Liquidity and Capital Resources

As of September 30, 2020, we had $14.53 billion of cash and cash equivalents. Balances held in foreign currencies had a U.S. dollar equivalent of $3.85 billion and consisted primarily of euros, Chinese yuan and Canadian dollars. Our sources of cash are predominantly 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 and technologies including our announced proprietary battery cells, production at existing manufacturing facilities, the continued expansion of Gigafactory Nevada and Gigafactory Shanghai, the construction of Gigafactory Berlin and Gigafactory Texas, the manufacturing ramp of the Solar Roof at Gigafactory New York, and the continued expansion of our retail and service locations, body shops, Mobile Service fleet, Supercharger network, and energy product installation capabilities.

As discussed in and subject to the considerations referenced in Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations—Management Opportunities, Challenges and Risks—Trends in Cash Flow, Capital Expenditures and Operating Expenses* in this Quarterly Report on Form 10-Q, we currently expect our capital expenditures to be at the high end of our range of $2.5 to $3.5 billion in 2020 and increase to $4.5 to $6.0 billion in each of the next two fiscal years.

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, although we may choose to seek alternative financing sources. For example, we expect that part of our investment in our future factories will be funded through indebtedness arranged through local financial institutions, such as the credit facilities that our local subsidiary has entered into to support construction and production at Gigafactory Shanghai. See Note 10, *Debt*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. 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 beginning April 30, 2018. As we temporarily suspended most of our manufacturing operations at Gigafactory New York pursuant to a New York State executive order issued in March 2020 as a result of the COVID-19 pandemic, we were granted a one-year deferral of our obligation to be compliant as of April 30, 2020 with our applicable targets under such agreement. We do not currently expect any issues meeting all applicable future obligations under this agreement, 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, even considering the anticipated increase in capital expenditures in the next two fiscal years. 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. For example, if our near-term manufacturing operations decrease in scale or ramp more slowly than expected, including due to global economic conditions and levels of consumer outlook and spend impacting demand in the worldwide transportation, automotive and energy product industries, the pace of our capital expenditures may be correspondingly slowed. 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 $2.92 billion of unused committed amounts under our credit facilities and financing funds as of September 30, 2020, 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). For details regarding our indebtedness and financing funds, refer to Note 10, *Debt*, and Note 13, *Variable Interest Entity Arrangements*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Summary of Cash Flows

	Nine Months Ended September 30,	
(Dollars in millions)	2020	2019
Net cash provided by operating activities	$ 2,924	$ 980
Net cash used in investing activities	$ (2,085)	$ (1,033)
Net cash provided by financing activities	$ 7,281	$ 1,608

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, customer lease payments, customer deposits, cash from 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, operating expenses, operating lease payments and interest payments on our financings.

Net cash provided by operating activities increased by $1.94 billion to $2.92 billion during the nine months ended September 30, 2020 from $980 million during the nine months ended September 30, 2019. This favorable change was primarily due to an increase in net income, excluding non-cash expenses and gains, of $2.23 billion and $188 million of the repayment of our 0.25% Convertible Senior Notes due in 2019 during the three months ended March 31, 2019 (which was classified as an operating activity, as this represented an interest payment on the discounted convertible notes), partially offset by an increase in our net operating assets and liabilities of $478 million. The increase in our net operating assets and liabilities was mainly driven by a smaller increase in deferred revenue in the nine months ended September 30, 2020 as compared to the same period in 2019 due to delivery of regulatory credits under a previous arrangement where we had received payment in advance, larger increases in accounts receivable from increase in receivables of government rebates already passed through to customers and regulatory credits, and in operating lease vehicles, as Model 3 direct leasing was introduced in the second quarter of 2019 and Model Y direct leasing was introduced in the third quarter of 2020. The increase in our net operating assets and liabilities was partially offset by a larger increase in accounts payable and accrued liabilities from ramp up in production at the Fremont Factory and Gigafactory Shanghai.

Cash Flows from Investing Activities

Cash flows from investing activities and their variability across each period related primarily to capital expenditures, which were $2.01 billion during the nine months ended September 30, 2020, mainly for Model Y production expansion at the Fremont Factory and construction of Gigafactory Shanghai, Gigafactory Berlin and Gigafactory Texas, and $915 million during the nine months ended September 30, 2019, mainly for Gigafactory Shanghai and Model 3 production expansion. Design, acquisition and installation of solar energy systems amounted to $62 million and $68 million for the nine months ended September 30, 2020 and 2019, respectively. Additionally, we also paid $13 million and $45 million, net of the cash acquired, for business combinations in the nine months ended September 30, 2020 and September 30, 2019, respectively.

Cash Flows from Financing Activities

Cash flows from financing activities during the nine months ended September 30, 2020 consisted primarily of $4.97 billion from issuance of common stock through the at-the-market offering program in September 2020, net of issuance cost, $2.31 billion from our February 2020 public offering of common stock, net of issuance costs, $361 million of proceeds from exercise of stock options and other stock issuances, and $315 million net borrowings from the automotive asset-backed notes. These cash inflows were partially offset by $248 million principal repayments of our finance leases, collateralized lease repayments of $224 million, and $173 million net payments to financing fund investors.

Cash flows from financing activities during the nine months ended September 30, 2019 consisted primarily of $1.82 billion from the issuance of the 2024 Notes, net of transaction costs, and $847 million from the issuance of common stock, net of underwriting discounts and offering costs, in registered public offerings, $494 million of net borrowings under our Warehouse Agreements, $287 million of net borrowings under the Credit Agreement, and $174 million from the issuance of warrants in connection with the offering of the 2024 Notes. These cash inflows were partially offset by a $732 million portion of the repayment of our 0.25% Convertible Senior Notes due in 2019 that was classified as financing activity, a purchase of convertible note hedges of $476 million in connection with the offering of the 2024 Notes, repayments of $345 million of the automotive asset-backed notes and collateralized lease repayments of $302 million.

Contractual Obligations

Contractual obligations did not materially change during the nine months ended September 30, 2020 except for debt and finance lease activity, as discussed in more detail in Note 10, *Debt*, and the aggregate impact of new and updated supplier arrangements for Gigafactory Shanghai, Gigafactory Berlin and Gigafactory Texas during the nine months ended September 30, 2020. The following tables sets forth the aggregate impact from these supplier arrangements on our purchase obligations as of September 30, 2020 (in millions):

Three months ending December 31, 2020	$	1,307
2021		495
Total	$	1,802

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.

ITEM 3. 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, operating expenses and localized subsidiary debt denominated in currencies other than the U.S. dollar (primarily the Chinese yuan, euro, Canadian dollar and British pound in relation to our current year operations). 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 as we do not typically hedge foreign currency risk.

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 nine months ended September 30, 2020, we recognized a net foreign currency loss of $144 million in other (expense) income, net, with our largest re-measurement exposures from the U.S. dollar, euro and Chinese yuan as our subsidiaries' monetary assets and liabilities are denominated in various local currencies. For the nine months ended September 30, 2019, we recognized a net foreign currency gain of $102 million in other (expense) income, net, with our largest re-measurement exposures from the U.S. dollar, euro and Canadian dollar.

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 date 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 $108 million at September 30, 2020 and $362 million at December 31, 2019 assuming no foreign currency hedging.

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 interest rates on our floating rate debt would have increased or decreased our interest expense for the nine months ended September 30, 2020 and 2019 by $4 million and $7 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that our management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as identified in connection with the evaluation required by Rule 13a-15(d) and Rule 15d-15(d) of the Exchange Act, that occurred during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Note 12, *Commitments and Contingencies*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

In addition, the following matters are being disclosed pursuant to Item 103 of Regulation S-K because they relate to environmental regulations and aggregate civil penalties could potentially exceed $100,000.

The Bay Area Air Quality Management District (the "BAAQMD") has issued notices of violation to us relating to air permitting for the Tesla Factory, but has not initiated formal proceedings. We dispute certain of these allegations and are working to resolve them with the BAAQMD. Further, we assert that there has been no related adverse community or environmental impact. While we cannot predict the outcome of this matter, including the final amount of any penalties, it is not expected to have a material adverse impact on our business.

The German Umweltbundesamt ("UBA") has issued our subsidiary in Germany a notice and fine in the amount of 12 million euro alleging its non-compliance under applicable laws relating to market participation notifications and take-back obligations with respect to end-of-life battery products required thereunder. This is primarily relating to administrative requirements, but Tesla has continued to take back battery packs, and although we cannot predict the outcome of this matter, including the final amount of any penalties, we have filed our objection and it is not expected to have a material adverse impact on our business.

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 may be impacted by macroeconomic conditions resulting from the global COVID-19 pandemic.

Since the first quarter of 2020, there has been a worldwide impact from the COVID-19 pandemic. Government regulations and shifting social behaviors have limited or closed non-essential transportation, government functions, business activities and person-to-person interactions. In some cases, the relaxation of such trends has recently been followed by actual or contemplated returns to stringent restrictions on gatherings or commerce, including in parts of the U.S. and a number of areas in Europe.

We temporarily suspended operations at each of our manufacturing facilities worldwide for a part of the first half of 2020. Some of our suppliers and partners also experienced temporary suspensions before resuming, including Panasonic, which manufactures battery cells for our products at our Gigafactory Nevada. We also instituted temporary employee furloughs and compensation reductions while our U.S. operations were scaled back. Reduced operations or closures at motor vehicle departments, vehicle auction houses and municipal and utility company inspectors resulted in challenges in or postponements for our new vehicle deliveries, used vehicle sales, and energy product deployments in 2020. Global macroeconomic conditions and changes to levels of consumer outlook and spend in the future may further adversely impact the automotive and energy product industries. Sustaining our production trajectory will require the readiness and solvency of our suppliers and vendors, a stable and motivated production workforce, and ongoing government cooperation, including for travel and visa allowances. The contingencies inherent in the construction of and ramp at new facilities such as Gigafactory Shanghai, Gigafactory Berlin and Gigafactory Texas may be exacerbated by these challenges.

We cannot predict the duration or direction of current global trends, the sustained impact of which is largely unknown, is rapidly evolving, and has varied across geographic regions. Ultimately, we continue to monitor macroeconomic conditions to remain flexible and to optimize and evolve our business as appropriate, and we will have to accurately project demand and infrastructure requirements globally and deploy our production, workforce, and other resources accordingly. If current global market conditions continue or worsen, or if we cannot or do not maintain operations at a scope that is commensurate with such conditions or are later required to or choose to suspend such operations again, our business, prospects, financial condition, and operating results may be harmed.

We may experience delays in launching and ramping the production of our products and features, or we may be unable to control our manufacturing costs.

We have previously experienced and may in the future experience launch and production ramp delays for new products and features. For example, we encountered unanticipated supplier issues that led to delays during the ramp of Model X and experienced challenges with a supplier and with ramping full automation for certain of our initial Model 3 manufacturing processes. In addition, we may introduce in the future new or unique manufacturing processes and design features for our products, as we did with aluminum spot welding and high-speed blow forming systems, large display screens, dual motor drivetrain, hardware for our Autopilot and FSD hardware, falcon-wing doors, heat pump and octovalve system, and larger castings. There is no guarantee that we will be able to successfully and timely introduce and scale such processes or features. Finally, because our vehicle models share certain manufacturing resources, any issues with the production of one model may negatively impact the production of other models.

In particular, our future business depends in large part on increasing the production of mass-market vehicles including Model 3 and Model Y, which we are planning to achieve through multiple factories worldwide. We have relatively limited experience to date in manufacturing Model 3 at high volumes and even less experience building and ramping vehicle production lines across multiple factories in different geographies. Moreover, it is still relatively early in the production ramp of Model Y, which commenced in January 2020. In order to be successful, we will need to implement, maintain and ramp efficient and cost-effective manufacturing capabilities, processes and supply chains and achieve the design tolerances, high quality and output rates we have planned at our manufacturing facilities in California, Nevada, Texas, China and Germany. We will also need to hire, train and compensate skilled employees to operate these facilities. Bottlenecks and other unexpected challenges such as those we experienced in the past may arise during our production ramps, and we must address them promptly while continuing to improve manufacturing processes and reducing costs. If we are not successful in achieving these goals, we could face delays in establishing and/or sustaining our Model 3 and Model Y ramps or be unable to meet our related cost and profitability targets.

We may also experience similar future delays in launching and/or ramping production of our energy storage products and the Solar Roof; new product variants; new vehicles such as Tesla Semi, Cybertruck, and the new Tesla Roadster; and future features and services such as new Autopilot or FSD features and the autonomous Tesla ride-hailing network. Likewise, we may encounter delays with the design, construction and regulatory or other approvals necessary to build and bring online future manufacturing facilities.

Any delay or other complication in ramping the production of our current products or the development, manufacture, launch and production ramp of our future products, features and services, or in doing so cost-effectively and with high quality, may harm our brand, business, prospects, financial condition and operating results.

We may be unable to grow our global product sales, delivery and installation capabilities and our servicing and vehicle charging networks, or we may be unable to accurately project and effectively manage this growth.

Our success will depend on our ability to continue to expand our sales capabilities. We also frequently adjust our retail operations and product offerings in order to optimize our reach, costs, product line-up and model differentiation, and customer experience. However, there is no guarantee that such steps will be accepted by consumers accustomed to traditional sales strategies. For example, marketing methods such as touchless test drives that we have pioneered in certain markets have not been proven at scale. We are targeting with Model 3 and Model Y a global mass demographic with a broad range of potential customers, in which we have relatively limited experience projecting demand and pricing our products. We currently produce numerous international variants at a limited number of factories, and if our specific demand expectations for these variants prove inaccurate, we may not be able to timely generate deliveries matched to the vehicles that we produce in the same timeframe or that are commensurate with the size of our operations in a given region. Likewise, as we develop and grow our energy products and services worldwide, our success will depend on our ability to correctly forecast demand in various markets.

Because we do not have independent dealer networks, we are responsible for delivering all of our vehicles to our customers. While we have improved our delivery logistics, we may face difficulties with deliveries at increasing volumes, particularly in international markets requiring significant transit times. For example, we saw challenges in ramping our logistical channels in China and Europe to initially deliver Model 3 there in the first quarter of 2019. We have deployed a number of delivery models, such as deliveries to customers' homes and workplaces and touchless deliveries, but there is no guarantee that such models will be scalable or be accepted globally. Likewise, as we ramp Solar Roof, we are working to substantially increase installation personnel and decrease installation times. If we are not successful in matching such capabilities with actual production, or if we experience unforeseen production delays or inaccurately forecast demand for the Solar Roof, our business, financial condition and operating results may be harmed.

Moreover, because of our unique expertise with our vehicles, we recommend that our vehicles be serviced by us or by 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 our vehicles, particularly higher-volume and newer additions to our fleet such as Model 3 and Model Y, it could overburden our servicing capabilities and parts inventory. Similarly, the increasing number of Tesla vehicles also requires us to continue to rapidly increase the number of our Supercharger stations and connectors throughout the world.

There is no assurance that we will be able to ramp our business to meet our sales, delivery, installation, servicing and vehicle charging targets globally, that our projections on which such targets are based will prove accurate, or that the pace of growth or coverage of our customer infrastructure network will meet customer expectations. These plans require significant cash investments and management resources and there is no guarantee that they will generate additional sales or installations of our products, or that we will be able to avoid cost overruns and hire additional personnel to support them. As we expand, we will also need to ensure our compliance with regulatory requirements in various jurisdictions applicable to the sale, installation and servicing of our products, the sale or dispatch of electricity related to our energy products, and the operation of Superchargers. If we fail to manage our growth effectively, it may harm our brand, business, prospects, financial condition and operating results.

Our future growth and success are dependent upon consumers' demand for electric vehicles and specifically our vehicles in an automotive industry that is generally competitive, cyclical and volatile.

If the market for electric vehicles in general and Tesla vehicles in particular does not develop as we expect, develops more slowly than we expect, or if demand for our vehicles decreases in our markets or our vehicles compete with each other, our business, prospects, financial condition and operating results may be harmed.

We are still at an earlier stage and have limited resources and production relative to established competitors that offer internal combustion engine vehicles. In addition, electric vehicles still comprise a small percentage of overall vehicle sales. As a result, the market for our vehicles could be negatively 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, and access to charging facilities;
- 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, such as wide fluctuations in crude oil prices during 2020;

- government regulations and economic incentives; and
- concerns about our future viability.

Finally, the target demographics for our vehicles, particularly Model 3 and Model Y, are highly competitive. Sales of vehicles in the automotive industry tend to be cyclical in many markets, which may expose us to further volatility as we expand and adjust our operations and retail strategies. Moreover, the COVID-19 pandemic may negatively impact the transportation and automotive industries long-term. It is uncertain as to how such macroeconomic factors will impact us as a company that has been experiencing growth and increasing market share in an industry that has globally been experiencing a recent decline in sales.

Our suppliers may fail to deliver components according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these components effectively.

Our products contain thousands of parts that we purchase globally from hundreds of mostly single-source direct suppliers, generally without long-term supply agreements. This exposes us to multiple potential sources of component shortages, such as those that we experienced in 2012 and 2016 with our Model S and Model X ramps. Unexpected changes in business conditions, materials pricing, labor issues, wars, governmental changes, tariffs, natural disasters such as the March 2011 earthquakes in Japan, health epidemics such as the global COVID-19 pandemic, and other factors beyond our or our suppliers' control could also affect these suppliers' ability to deliver components to us or to remain solvent and operational. The unavailability of any component or supplier could result in production delays, idle manufacturing facilities, product design changes, and loss of access to important technology and tools for producing and supporting our products. Moreover, significant increases in our production, such as for Model 3 and Model Y, or product design changes by us have required and may in the future require us to procure additional components in a short amount of time. Our suppliers may not be able to sustainably meet our timelines or our cost, quality and volume needs, or may increase prices to do so, requiring us to replace them with other sources. Finally, we have limited vehicle manufacturing experience outside of the Fremont Factory and we may experience issues increasing the level of localized procurement at our Gigafactory Shanghai and at future factories such as Gigafactory Berlin and Gigafactory Texas. While we believe that we will be able to secure additional or alternate sources or develop our own replacements for most of our components, there is no assurance that we will be able to do so quickly or at all, particularly with highly-customized components. Additionally, we may be unsuccessful in our continuous efforts to negotiate with existing suppliers to obtain cost reductions and avoid unfavorable changes to terms, source less expensive suppliers for certain parts, and redesign certain parts to make them less expensive to produce. Any of these occurrences may harm our business, prospects, financial condition and operating results.

As the scale of our vehicle production increases, we will also need to accurately forecast, purchase, warehouse and transport components at high volumes to our manufacturing facilities and servicing locations internationally. 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 and parts management, we may incur unexpected production disruption, storage, transportation and write-off costs, which may harm our business and operating results.

We may experience issues with lithium-ion cells or other components manufactured at Gigafactory Nevada, which may harm the production and profitability of our products, including Model 3, Model Y and our energy storage products.

Our plan to grow the volume and profitability of our vehicles and energy storage products depends on significant lithium-ion battery cell production by our partner Panasonic at Gigafactory Nevada. Although Panasonic has a long track record of producing high-quality cells at significant volume at its factories in Japan, it has relatively limited experience with cell production at Gigafactory Nevada, which began in 2017. Moreover, although Panasonic is co-located with us at Gigafactory Nevada, it is free to make its own operational decisions, such as its determination to temporarily suspend its manufacturing there in response to the COVID-19 pandemic. In addition, we produce several components for Model 3 and Model Y, such as battery modules incorporating the cells produced by Panasonic and drive units (including to support Gigafactory Shanghai production), at Gigafactory Nevada, and also manufacture energy storage products there. In the past, some of the manufacturing lines for certain product components took longer than anticipated to ramp to their full capacity, and additional bottlenecks may arise in the future as we continue to increase the production rate and introduce new lines. If we or Panasonic are unable to or otherwise do not maintain and grow our respective operations at Gigafactory Nevada production, or if we are unable to do so cost-effectively or hire and retain highly-skilled personnel there, our ability to manufacture our products profitably would be limited, which may harm our business and operating results.

Finally, the high volumes of lithium-ion cells and battery modules and packs manufactured at Gigafactory Nevada are stored and recycled at our various facilities. Any mishandling of battery cells may cause disruption to the operation of such 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. Any such disruptions or issues may harm our brand and business.

We may be unable to meet our projected construction timelines, costs and production ramps at new factories, or we may experience difficulties in generating and maintaining demand for products manufactured there.

Our ability to increase production of our vehicles on a sustained basis, make them affordable globally by accessing local supply chains and workforces, and streamline delivery logistics is dependent on the construction and ramp of Gigafactory Shanghai, Gigafactory Berlin and Gigafactory Texas. The construction of and commencement and ramp of production at these factories are subject to a number of uncertainties inherent in all new manufacturing operations, including ongoing compliance with regulatory requirements, maintenance of operational licenses and approvals for additional expansion, potential supply chain constraints, hiring, training and retention of qualified employees, and the pace of bringing production equipment and processes online with the capability to manufacture high-quality units at scale. Moreover, we have announced our intention to incorporate sequential design and manufacturing changes into vehicles manufactured at each new factory. We have limited experience to date with developing and implementing vehicle manufacturing innovations outside of the Fremont Factory, as we only recently began production at Gigafactory Shanghai. If we experience any issues or delays in meeting our projected timelines, costs, capital efficiency and production capacity for our new factories, implementing iterative design and production changes there, maintaining and complying with the terms of any debt financing that we obtain to fund them, or generating and maintaining demand for the vehicles we manufacture there, our business, prospects, operating results and financial condition may be harmed.

In particular, local manufacturing is critical to our expansion and sales in China, which is the largest market for electric vehicles in the world. We are currently manufacturing Model 3 at Gigafactory Shanghai and constructing its next phase to add Model Y manufacturing capacity there, and we will need demand to keep pace with our planned production. Our vehicle sales in China have also been harmed in the past by certain tariffs on automobiles manufactured in the U.S., such as our vehicles. If we are not able to successfully and timely ramp Gigafactory Shanghai as planned, we may be exposed to the impact of such unfavorable tariffs, duties or costs to our detriment compared to locally-based competitors, or be unable to offer our products in China at competitive prices, or at all.

We will need to maintain and significantly grow our access to battery cells, including through the development and manufacture of our own cells, and control our related costs.

We are dependent on the continued supply of lithium-ion battery cells for our vehicles and energy storage products, and we will require substantially more cells to grow our business according to our plans. Currently, we rely on suppliers such as Panasonic for these cells. However, we have to date fully qualified only a very limited number of such suppliers and have limited flexibility in changing suppliers. Any disruption in the supply of battery cells from our suppliers could limit production of our vehicles and energy storage products. In the long term, we intend to supplement cells from our suppliers with cells manufactured by us, which we believe will be more efficient, manufacturable at greater volumes and cost-effective than currently available cells. However, our efforts to develop and manufacture such battery cells have required and may require significant investments, and there can be no assurance that we will be able to achieve these targets in the timeframes that we have planned or at all. If we are unable to do so, we may have to curtail our planned vehicle and energy storage product production or procure additional cells from suppliers at potentially greater costs, either of which may harm our business and operating results.

In addition, the cost of battery cells, whether manufactured by our suppliers or by us, depends in part upon the prices and availability of raw materials such as lithium, nickel, cobalt and/or other metals. 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 global production of electric vehicles and energy storage products. Any reduced availability of these materials may impact our access to cells and any increases in their prices may reduce our profitability if we cannot recoup the increased costs through increased vehicle prices. Moreover, any such attempts to increase product prices may harm our brand, prospects and operating results.

We face risks associated with maintaining and expanding our international operations, including unfavorable and uncertain regulatory, political, economic, tax and labor conditions.

We are subject to legal and regulatory requirements, political uncertainty and social, environmental and economic conditions in numerous jurisdictions, over which we have little control and which are inherently unpredictable. Our operations in such jurisdictions, particularly as a company based in the U.S., create risks relating to conforming our products to regulatory and safety requirements and charging and other electric infrastructures; organizing local operating entities; establishing, staffing and managing foreign business locations; attracting local customers; navigating foreign government taxes, regulations and permit requirements; enforceability of our contractual rights; trade restrictions, customs regulations, tariffs and price or exchange controls; and preferences in foreign nations for domestically manufactured products. Such conditions may increase our costs, impact our ability to sell our products and require significant management attention, and may harm our business if we unable to manage them effectively.

Our business may suffer if our products or features contain defects, fail to perform as expected or take longer than expected to become fully functional.

If our products contain design or manufacturing defects that cause them not to perform as expected or that require repair, or certain features of our vehicles such as new Autopilot or FSD features take longer than expected to become enabled, are legally restricted or become subject to onerous regulation, our ability to develop, market and sell our products and services may be harmed, and we may experience delivery delays, product recalls, product liability, breach of warranty and consumer protection claims, and significant warranty and other expenses. In particular, the operation of our vehicles is highly dependent on software, which is inherently complex and may contain latent defects or errors or be subject to external attacks. Issues experienced by our customers have included those related to the Model S and Model X 17-inch display screen, the panoramic roof and the 12-volt battery in the Model S, the seats and doors in the Model X, and the operation of solar panels installed by us. 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 completely satisfy our customers. While we have performed extensive internal testing on our products and features, we currently have a limited frame of reference by which to evaluate their long-term quality, reliability, durability and performance characteristics. 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 customers.

We may be required to defend or insure against product liability claims.

The automobile industry generally experiences significant product liability claims, and as such we face the risk of such 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 vehicles have been involved and we expect in the future will be involved in accidents resulting in death or personal injury, and such accidents where Autopilot or FSD features are 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 such new technologies that we are pioneering. In addition, 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 our battery packs 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, in particular due to a high-speed crash. Likewise, as our solar energy systems and energy storage products generate and store electricity, they have the potential to fail or cause injury to people or property. Any product liability claim may subject us to lawsuits and substantial monetary damages, product recalls or redesign efforts, and even a meritless claim may require us to defend it, all of which may generate negative publicity and be expensive and time-consuming. 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 and not by insurance.

We face strong competition for our products and services from a growing list of established and new competitors.

The worldwide automotive market is highly competitive today and we expect it will become even more so in the future. For example, Model 3 and Model Y face competition from existing and future automobile manufacturers in the extremely competitive entry-level premium sedan and compact SUV markets, including BMW, Ford, Lexus, Mercedes, Volkswagen Group and Volvo. 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 other vehicle applications and software platforms. In some cases, our competitors offer or will offer alternative fuel vehicles in important markets such as China and Europe, and/or have announced an intention to produce electric vehicles exclusively at some point in the future. Many of our competitors have significantly greater or better-established resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. Increased competition could result in lower vehicle unit sales, price reductions, revenue shortfalls, loss of customers and loss of market share, which may harm our business, financial condition and operating results.

We also face competition in our energy generation and storage business from other manufacturers, developers, installers and service providers of competing energy systems, as well as from large utilities. Decreases in the retail or wholesale 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 residential customer defaults under our existing long-term leases and PPAs. Moreover, if prices for components we use decline, such as has been the case with solar product components, it may put additional pressure on the costs we incur for such components.

We will need to maintain public credibility and confidence in our long-term business prospects in order to succeed.

In order to maintain and grow our business, we must maintain credibility and confidence among customers, suppliers, analysts, investors, ratings agencies and other parties in our long-term financial viability and business prospects. Maintaining such confidence may be challenging due to our limited operating history relative to established competitors; customer unfamiliarity with our products; any delays we may experience 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 other factors including those over which we have no control. In particular, Tesla's products, business, results of operations, statements and actions are well-publicized by a range of third parties. Such attention includes frequent criticism, which is often exaggerated or unfounded, such as speculation regarding the sufficiency or stability of our management team. Any such negative perceptions, whether caused by us or not, may harm our business and make it more difficult to raise additional funds if needed.

We may be unable to effectively grow, or manage the compliance, residual value, financing, and credit risks related to, our various financing programs.

We offer financing arrangements for our vehicles in North America, Europe, and Asia primarily through various financial institutions. We also currently offer vehicle financing arrangements directly through our local subsidiaries in the United States, Canada, China, Germany and the U.K. Depending on the country, such arrangements are available for certain models and may include operating leases directly with us under which 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. We have also offered various arrangements for customers of our solar energy systems whereby they pay us a fixed payment to lease or finance the purchase of such systems or purchase electricity generated by them. If we do not successfully monitor and comply with applicable national, state, and/or local financial regulations and consumer protection laws governing these transactions, we may become subject to enforcement actions or penalties.

The profitability of any directly-leased 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. We have made in the past and may make in the future certain adjustments to our prices from time to time in the ordinary course of business, which may impact the residual values of our vehicles and reduce the profitability of our vehicle leasing program. The funding and growth of this program also relies on our ability to secure adequate financing and/or business partners. If we are unable to adequately fund our leasing program through internal funds, partners or other financing sources, and compelling alternative financing programs are not available for our customers who may expect or need such options, we may be unable to grow our vehicle deliveries. Furthermore, if our vehicle leasing business grows substantially, our business may suffer if we cannot effectively manage the resulting greater levels of residual risk.

Similarly, we have provided resale value guarantees to vehicle 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 are subject to fluctuations over the term of the financing arrangements, such as from the vehicle pricing changes discussed above. 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 financial condition and operating results may be harmed.

Finally, our vehicle and solar energy system financing programs and our energy storage sales programs also expose us to customer credit risk. In the event of a widespread economic downturn or other catastrophic event, our customers may be unable or unwilling to satisfy their payment obligations to us on a timely basis or at all. If a significant number of our customers default, we may incur substantial credit losses and/or impairment charges with respect to the underlying assets.

Demand for our products and services may be impacted by the status of government and economic incentives supporting the development and adoption of such products.

Government and economic incentives that support the development and adoption of electric vehicles in the U.S. and abroad, including certain tax exemptions, tax credits and rebates, may be reduced, eliminated or exhausted from time to time. For example, a $7,500 federal tax credit that was available in the U.S. for the purchase of our vehicles was reduced in phases during and ultimately ended in 2019. We believe that this sequential phase-out likely pulled forward some vehicle demand into the periods preceding each reduction. 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. Any similar 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 costs and encourage customers to buy our products and investors to invest in our solar financing funds. However, these incentives may expire when the allocated funding is exhausted, reduced or terminated as renewable energy adoption rates increase, sometimes without warning. For example, the U.S. federal government currently offers an investment tax credit ("ITC") for the installation of solar power facilities and energy storage systems that are charged from a co-sited solar power facility; however, the ITC is currently scheduled to decline in phases according to the type of construction. 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. The benefit available under net energy metering has been or has been proposed to be reduced, altered, or eliminated in several jurisdictions, and has also been contested and may continue to be contested before the Federal Energy Regulatory Commission (FERC). Any reductions or terminations of such incentives may harm our business, prospects, financial condition and operating 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.

Finally, we and our fund investors claim the ITC and certain state incentives in amounts based on independently appraised fair market values of our solar and energy storage systems. Nevertheless, the relevant governmental authorities have audited such values and in certain cases have determined that these values 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.

We must manage ongoing obligations under our agreement with the Research Foundation for the State University of New York relating to our Gigafactory New York.

We are party to an operating lease and a research and development agreement through the SUNY Foundation. These agreements provide for the construction and use of our Gigafactory New York, which we have primarily used for the development and production of our Solar Roof and other solar products and components, energy storage components, and Supercharger components, and for other lessor-approved functions. Under this agreement, we are obligated to, among other things, meet employment targets as well as 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 beginning April 30, 2018. As we temporarily suspended most of our manufacturing operations at Gigafactory New York pursuant to a New York State executive order issued in March 2020 as a result of the COVID-19 pandemic, we were granted a one-year deferral of our obligation to be compliant with our applicable targets under such agreement on April 30, 2020, which was memorialized in an amendment to our agreement with the SUNY Foundation in July 2020. While we expect to have and grow significant operations at Gigafactory New York and the surrounding Buffalo area, any failure by us in any year over the course of the term of the agreement to meet all applicable future obligations may result in our obligation to pay a "program payment" of $41.2 million to the SUNY Foundation for such year, the termination of our lease at Gigafactory New York, and/or the need to adjust certain of our operations, in particular our production ramp of the Solar Roof or Supercharger components. Any of the foregoing events may harm our business, financial condition and operating results.

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

The loss of the services of any of our key employees or any significant portion of our workforce could disrupt our operations or delay the development, introduction and ramp of our products and services. In particular, we are highly dependent on the services of Elon Musk, our Chief Executive 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 also depends upon our ability to attract, hire and retain a large number of engineering, manufacturing, marketing, sales and delivery, service, installation, technology and support personnel, especially to support our planned high-volume product sales, market and geographical expansion and technological innovations. Recruiting efforts, particularly for senior employees, may be time-consuming, which may delay the execution of our plans. If we are not successful in managing these risks, our business, financial condition and operating results may be harmed.

Employees may leave Tesla or choose other employers over 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 electrical and building construction expertise. Moreover, we may be impacted by perceptions relating to reductions in force that we have conducted in the past in order to optimize our organizational structure and reduce costs and the departure of certain senior personnel for various reasons. Likewise, as a result of our temporary suspension of various U.S. manufacturing operations in the first half of 2020, in April 2020 we temporarily furloughed certain hourly employees and reduced most salaried employees' base salaries. We also 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.

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. We periodically seek and obtain approval from our stockholders for future increases to the number of awards available under our equity incentive and employee stock purchase plans. If we are unable to obtain the requisite stockholder approvals for such future increases, we may have to expend additional cash to compensate our employees and our ability to retain and hire qualified personnel may be harmed.

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 must manage risks relating to our information technology systems and the threat of intellectual property theft, data breaches and cyber-attacks.

We must continue to expand and improve our information technology systems as our operations grow, such as product data management, procurement, inventory management, production planning and execution, sales, service and logistics, dealer management, financial, tax and regulatory compliance systems. This includes the implementation of new internally developed systems and the deployment of such systems in the U.S. and abroad. We must also continue to maintain information technology measures designed to protect us against intellectual property theft, data breaches, sabotage and other external or internal cyber-attacks or misappropriation. However, the implementation, maintenance, segregation and improvement of these systems require significant management time, support and cost, and there are inherent risks associated with developing, improving and expanding our core systems as well as implementing new systems and updating current systems, including disruptions to the related areas of business operation. These risks may affect our ability to manage our data and inventory, procure parts or supplies or manufacture, sell, deliver and service products, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, tax laws and other applicable regulations.

Moreover, 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 or intellectual property 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.

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. While we have implemented security measures intended to prevent unauthorized access to our information technology networks, our products and their systems, 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 through our security vulnerability reporting policy, and we aim to remedy any reported and verified vulnerability. However, there can be no assurance that any vulnerabilities will not be exploited 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. 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, may harm our brand, prospects and operating results. We have been the subject of such reports in the past.

We are subject to evolving laws and regulations that could impose substantial costs, legal prohibitions or unfavorable changes upon our operations or products.

As we grow our manufacturing operations in additional regions, we are or will be subject to complex environmental, manufacturing, health and safety laws and regulations at numerous jurisdictional levels in the U.S., China, Germany and other locations abroad, including laws relating to the use, handling, storage, recycling, disposal and/or human exposure to hazardous materials, product material inputs and post-consumer products and with respect to constructing, expanding and maintaining our facilities. The costs of compliance, including remediations of any discovered issues and any changes to our operations mandated by new or amended laws, may be significant, and any failures to comply could result in significant expenses, delays or fines. We are also 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 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.

In particular, we offer in our vehicles Autopilot and FSD features that today assist drivers with certain tedious and potentially dangerous aspects of road travel, but which currently require drivers to remain engaged. We are continuing to develop our FSD technology with the goal of achieving full self-driving capability in the future. 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, which could adversely affect our business.

Finally, as a manufacturer, installer and service provider with respect to 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. Certain existing or proposed regulations and policies would limit the economic or practical benefits of our energy systems for our customers. If such regulations and policies are continued or adopted, 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 may harm our business, financial condition and operating results.

Any failure by us to comply with a variety of U.S. and international privacy and consumer protection laws may harm us.

Any failure by us or our vendor or other business partners to comply with our public privacy notice or with federal, state or international privacy, data protection or security laws or regulations relating to the processing, collection, use, retention, security and transfer of personally identifiable information could result in regulatory or litigation-related actions against us, legal liability, fines, damages, ongoing audit requirements and other significant 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 began to fully apply to the processing of personal information collected from individuals located in the European Union, and has created new compliance obligations and has significantly increased fines for noncompliance. Similarly, as of January 2020, the California Consumer Privacy Act imposes certain legal obligations on our use and processing of personal information related to California residents. Notwithstanding our efforts to protect the security and integrity of our customers' personal information, we may be required to expend significant resources to comply with data breach requirements if, for example, 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 may result in fines, penalties and damages and harm our brand, prospects and operating results.

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

It is not uncommon for employees of certain trades at companies 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. From time to time, labor unions have engaged in campaigns to organize certain of our operations, as part of which such unions have filed unfair labor practice charges against us with the National Labor Relations Board, and they may do so in the future. In September 2019, an administrative law judge issued a recommended decision for Tesla on certain issues and against us on certain others. The National Labor Relations Board has not yet adopted the recommendation and we have appealed certain aspects of the recommended decision. Any unfavorable ultimate 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 suppliers and trucking and freight companies. Any work stoppages or strikes organized by such unions could delay the manufacture and sale of our products and may harm our business and operating results.

We may choose to or be compelled to undertake product recalls or take other similar actions.

As a manufacturing company, we must manage the risk of product recalls with respect to our products. 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, concerns of corrosion in Model S and Model X power steering assist motor bolts, and certain suspension failures in Model S and Model X. 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, even if attributable to unique local circumstances and without indication of actual harm, such as our recall in China of certain Model S and Model X to replace suspension linkages. In the future, we may voluntarily or involuntarily initiate recalls if any of our products, including as a result of 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 may harm our brand, business, prospects, financial condition and operating results.

Our current and future warranty reserves may be insufficient to cover future warranty claims.

We provide a manufacturer's warranty on all new and used Tesla vehicles we sell. We also provide warranties on the installation and maintenance of our energy generation and storage systems we sell as well as on their components; for components not manufactured by us, we pass through to our customers the inverter and panel manufacturers' warranties. Finally, we offer a performance guarantee with our financed solar energy systems that can compensate a customer on an annual basis if their system does not meet the electricity production guarantees set forth in their PPA or lease. Under these performance guarantees, we bear the risk of electricity 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 financial condition and operating results may be harmed. Warranty reserves include our management's best estimates of the projected costs to repair or to replace items under warranty, which 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, Model Y, 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 coverage 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 may harm 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, 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 short-term quarterly financial results. If any of this occurs, the trading price of our stock could fall substantially, either suddenly or over time.

There is no guarantee that we will have sufficient cash flow from our business to pay our substantial indebtedness or that we will not incur additional indebtedness.

As of September 30, 2020, we and our subsidiaries had outstanding $12.73 billion in aggregate principal amount of indebtedness (see Note 10, *Debt*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q). 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.

Holders of convertible senior notes issued by us or our subsidiary may convert such notes at their option prior to the scheduled maturities of the respective convertible senior notes under certain circumstances pursuant to the terms of such notes. Upon conversion of the applicable convertible senior notes, we will be obligated to deliver cash and/or shares pursuant to the terms of such notes. Moreover, holders of such convertible senior notes may have the right to require us to repurchase their notes upon the occurrence of a fundamental change pursuant to the terms of such notes.

Our ability to make scheduled payments of the principal and interest on our indebtedness when due, to make payments upon conversion or repurchase demands with respect to our convertible senior 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 these activities on desirable terms or at all, which may result in a default on our existing or future indebtedness and harm our financial condition and operating results.

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

The terms of certain of our credit facilities, including the 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.

Additional funds may not be available to us when we need or want them.

Our business is and our future plans for expansion will be capital-intensive, 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 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 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.

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 12, *Commitments and Contingencies*, to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. To our knowledge, no government agency in any such ongoing investigation has concluded that any wrongdoing occurred. However, we cannot predict the outcome or impact of any such 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 our board of directors, and made further enhancements to our disclosure controls and other corporate governance-related matters. On April 26, 2019, this settlement was amended to clarify certain of the previously-agreed disclosure procedures, which was subsequently approved by the Court. All other terms of the prior settlement were reaffirmed without modification. Although we intend to continue to comply with the terms and requirements of the settlement, if there is a lack of compliance or an alleged lack of compliance, additional enforcement actions or other legal proceedings may be instituted against us.

We may be negatively impacted by any early obsolescence of our manufacturing equipment.

We depreciate the cost of our manufacturing equipment over their expected useful lives. However, manufacturing technology may evolve rapidly, and we may decide to update our manufacturing processes more quickly than expected. Moreover, improvements in engineering and manufacturing expertise and efficiency may result in our ability to manufacture our products using less of our currently installed equipment. Alternatively, as we ramp and mature the production of our products to higher levels, we may 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 may be harmed.

We are exposed to fluctuations in currency exchange rates.

We transact business globally in multiple currencies and have foreign currency risks related to our revenue, costs of revenue, operating expenses, and localized subsidiary debt denominated in currencies other than the U.S. dollar, currently primarily the Chinese yuan, euro, Canadian dollar and British pound. To the extent we have significant revenues denominated in such foreign currencies, 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 Chinese yuan and 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 may be harmed.

We may face regulatory challenges to or limitations on our ability to sell vehicles directly.

While we intend to continue to leverage our most effective sales strategies, including sales through our website, we may not be able to sell our vehicles through our own stores in certain states in the U.S. with laws that may be interpreted to impose limitations on this direct-to-consumer sales model. Laws in some states have also limited our ability to obtain dealer licenses from state motor vehicle regulators and may continue to do so. In certain locations, decisions by regulators permitting us to sell vehicles have been and 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. The application of state laws applicable to our operations continues to be difficult to predict.

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 may harm our financial condition and operating results.

We may need to defend ourselves against intellectual property infringement claims, which may be time-consuming and expensive.

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, which could result in substantial costs, negative publicity and management attention, regardless of merit. While we endeavor to obtain and protect the intellectual property rights that we expect will allow us to retain or advance our strategic initiatives, there can be no assurance that we will be able to adequately identify and protect the portions of intellectual property that are strategic to our business, or mitigate the risk of potential suits or other legal demands by our competitors. Accordingly, 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 and associated litigation could significantly increase our operating expenses. In addition, if we are determined to have or believe there is a high likelihood that we 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 are required to take one or more such actions, our brand, business, financial condition and operating results may be harmed.

Our operations could be adversely affected by events outside of our control, such as natural disasters, wars, or health epidemics.

We may be impacted by natural disasters, wars, health epidemics, or other events outside of our control. For example, our corporate headquarters, the Fremont Factory, and Gigafactory Nevada are located in seismically active regions in Northern California and Nevada, and our Gigafactory Shanghai is located in a flood-prone area. If major disasters such as earthquakes, floods, 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. In addition, the global COVID-19 pandemic has impacted economic markets, manufacturing operations, supply chains, employment and consumer behavior in nearly every geographic region and industry across the world, and we have been, and may in the future be, adversely affected as a result. We may incur expenses or delays relating to such events outside of our control, 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 over the last 52 weeks an intra-day trading high of $502.49 per share and a low of $61.85 per share (as adjusted to give effect to the Stock Split). 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 or the market price of our shares, securities class action litigation has been filed against us. While we 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 may provide from time to time guidance regarding our expected financial and business performance. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process, and our guidance may not ultimately be accurate and has in the past been inaccurate in certain respects, such as the timing of new product manufacturing ramps. 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 varies from actual results due to our assumptions not being met 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 senior 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 convertible senior notes issued by us or our subsidiaries would dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of such notes by their holders, and we may be required to deliver a significant number of shares. Any sales in the public market of the common stock issuable upon such conversion could adversely affect their prevailing market prices. In addition, the existence of the convertible senior notes may encourage short selling by market participants because the conversion of such notes could be used to satisfy short positions, or the anticipated conversion of such notes into shares of our common stock could depress the price of our common stock.

Moreover, in connection with certain of the convertible senior 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 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 senior notes.

If Elon Musk were forced to sell shares of our common stock that he has pledged to secure certain personal loan obligations, 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, Mr. Musk may be forced by one or more of the banking institutions to sell shares of Tesla common stock to satisfy his loan obligations if he could not do so through other means. 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 senior notes could impair a takeover attempt.

Our certificate of incorporation and bylaws afford certain rights and powers to our board of directors that may facilitate 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 senior notes may 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See Index to Exhibits at the end of this Quarterly Report on Form 10-Q for the information required by this Item.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1†	Letter of Consent, dated as of August 14, 2020, by and among LML 2018 Warehouse SPV, LLC, Tesla 2014 Warehouse SPV LLC, Deutsche Bank AG, New York Branch, as Administrative Agent and Group Agent, and the Group Agents party thereto, in respect of (i) the Loan and Security Agreement, dated as of December 27, 2018 and as amended from time to time, by and among LML 2018 Warehouse SPV, LLC, Tesla Finance LLC, and the Lenders, Group Agents, Paying Agent and Administrative Agent from time to time party thereto, and (ii) the Amended and Restated Loan and Security Agreement, dated as of August 17, 2017 and as amended from time to time, by and among LML Warehouse SPV, LLC, Tesla Finance LLC, and the Lenders, Group Agents and Administrative Agent from time to time party thereto.	—	—	—	—	X
10.2†	Second Amended and Restated Loan and Security Agreement, dated as of August 28, 2020, by and among Tesla 2014 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
10.3	Payoff and Termination Letter, executed on August 28, 2020, by and among LML 2018 Warehouse SPV, 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, relating to Loan and Security Agreement.	—	—	—	—	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	Inline XBRL Instance Document	—	—	—	—	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	—	—	—	—	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	—	—	—	—	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	—	X

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	—	—	—	—	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—	X
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)					

† Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).
* Furnished herewith

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.

Tesla, Inc.

Date: October 26, 2020

/s/ Zachary J. Kirkhorn

Zachary J. Kirkhorn
Chief Financial Officer
(Principal Financial Officer and
Duly Authorized Officer)

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit 10.1

LML 2018 WAREHOUSE SPV, LLC
3500 Deer Creek
Palo Alto, CA 94304

TESLA 2014 WAREHOUSE SPV LLC
3500 Deer Creek
Palo Alto, CA 94304

August 14, 2020

Lenders under the Loan Agreement
referred to below

Ladies and Gentlemen:

Reference is made to (i) the Loan and Security Agreement, dated as of December 27, 2018 (as amended, restated or otherwise modified prior to the date hereof, the "2018 Loan Agreement"), among LML 2018 Warehouse SPV, LLC (the "2018 Borrower"), as borrower, Tesla Finance LLC ("TFL"), Deutsche Bank Trust Company Americas, as paying agent, Deutsche Bank AG, New York Branch ("DBNY"), as administrative agent, the lenders parties thereto from time to time and the agents parties thereto from time to time and (ii) the Amended and Restated Loan and Security Agreement, dated as of August 17, 2017 (as amended, restated, supplemented or otherwise modified in writing from time to time, the "2014 Loan Agreement" and together with the 2018 Loan Agreement, the "Loan Agreements"), among Tesla 2014 Warehouse SPV LLC, a Delaware limited liability company (the "2014 Borrower" and together with the 2018 Borrower, the "Borrowers"), TFL, the Lenders and Group Agents from time to time party thereto, Deutsche Bank Trust Company Americas, as paying agent, and DBNY, as administrative agent. Capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the 2018 Loan Agreement and/or the 2014 Loan Agreement, as the context requires.

1. Reallocation of Maximum Facility Limit.

On December 31, 2019, the Recommenced TFL Borrowing Date occurred. Pursuant to Section 2.12(b) of the 2018 Loan Agreement, on each Payment Date after the Recommenced TFL Borrowing Date, any excess of the 2018 Facility Limit over the aggregate principal amount was automatically reallocated from the 2018 Facility Limit to the TFL Facility Limit.

On August 5, 2020, TFL provided notice to the Administrative Agent and the TFL Administrative Agent, requesting a reallocation of $180,046,836.92, of the Maximum Facility Limit from the 2018 Facility Limit to the TFL Facility Limit, such that the TFL Facility Limit would be $1,100,000,000 and the Facility Limit would be $0 on the date hereof (the "Maximum Facility Limit Reallocation Date").

2. Single Month Maturity Limit.

Due to the recent Securitization Take-Out, which occurred on August 5, 2020, on the next date of deterimation, 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 will be greater than [***].

3. Six Month Maturity Limit.

Due to the recent Securitization Take-Out, on the next date of deterimation, 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 will be greater than [***].

4. Scheduled Expiration Date.

While the process for the extension of the Scheduled Expiration Date for the 2014 Loan Agreement is underway, the parties acknowledge the renewal process will not be completed prior to the Scheduled Expiration Date and therefore agree to delay the Scheduled Expiration Date for the 2014 Loan Agreement to August 28, 2020.

5. Consent.

The Borrowers hereby request that the Group Agents under the Loan Agrements, on behalf of the Lenders of their Group under each of the Loan Agreements, consent to, as applicable:

(a) (i) the reallocation of $180,046,836.92 of the Maximum Facility Limit from the 2018 Facility Limit to the TFL Facility Limit on the Maximum Facility Limit Reallocation Date as required under Section 2.12(a)(iv) and (ii) the waiver of the requirement that the Maximum Facility Limit Reallocation Date be at least 10 Business Days after the date of the Maximum Facility Limit Reallocation Notice;

(b) the Single Month Maturity Limit not applying during the period beginning on the applicable Securitization Take-Out Date and ending on August 28, 2020;

(c) the Six Month Maturity Limit not applying during the period beginning on the applicable Securitization Take-Out Date and ending on August 28, 2020;

(d) the Scheduled Expiration Date occurring on August 28, 2020.

Please indicate your consent to the foregoing by countersigning this letter. The foregoing consent and agreement shall become effective (the date of such effectiveness, the "Consent Effective Date") upon receipt by the Borrowers of this letter countersigned by all the Group Agents under the Loan Agreements.

6. Representations and Warranties.

Each of the 2018 Borrower and 2014 Borrower hereby confirm that each of the representations and warranties made by it in the applicable Loan Agreement is true and correct in all material respects on and as of the date hereof (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). Each of the 2018 Borrower and 2014 Borrower represent and warrant that, as of the date hereof, no Default or Event of Default has occurred and is continuing, and no Default or Event of Default will result after giving effect to the occurrence of the Consent Effective Date.

7. Miscellaneous.

Except as expressly set forth herein, this letter 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 applicable Loan Agreement or any other Transaction Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the applicable Loan Agreement or any other Transaction 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 applicable Loan Agreement or any other Transaction Document in similar or different circumstances.

This letter agreement shall constitute a Transaction Document for purposes of the applicable Loan Agreement and the Transaction Documents. This letter agreement and the rights and obligations of the parties hereto shall be governed by, and construed in accordance with, the laws of the State of New York.

This letter agreement may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This letter agreement may be delivered by facsimile or other electronic transmission of the relevant signature pages hereof.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Very truly yours,

LML 2018 WAREHOUSE SPV, LLC

By: /s/ Jeffrey Munson
Name: Jeffrey Munson
Title: President

TESLA 2014 WAREHOUSE SPV LLC

By: /s/ Jeffrey Munson
Name: Jeffrey Munson
Title: President

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Consented and agreed to as of
the date first above written:

DEUTSCHE BANK AG, NEW YORK BRANCH,
as Administrative Agent, as Group Agent under the 2018 Loan Agreement and the 2014 Loan Agreement

By: /s/ Katherine Bologna
Name: Katherine Bologna
Title: MD

By: /s/ Maureen Farley
Name: Maureen Farley
Title: Director

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Consented and agreed to as of
the date first above written:

CITIBANK, N.A., as a Group Agent under the 2018 Loan Agreement and the 2014 Loan Agreement

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Consented and agreed to as of
the date first above written:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Group Agent under the 2018 Loan Agreement and the 2014 Loan Agreement

By: /s/Brian Grushkin
Name: Brian Grushkin
Title: Director

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Consented and agreed to as of
the date first above written:

CREDIT SUISSE AG, NEW YORK BRANCH, as a Group Agent under the 2018 Loan Agreement and the 2014 Loan Agreement

By: /s/ Kevin Quinn
Name: Kevin Quinn
Title: Vice President

By: /s/ Jason Ruchelsman
Name: Jason Ruchelsman
Title: Director

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Consented and agreed to as of
the date first above written:

BARCLAYS BANK PLC, as a Group Agent under the 2018 Loan Agreement and the 2014 Loan Agreement

By: /s/ John McCarthy
Name: John McCarthy
Title: Director

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit 10.2

SECOND AMENDED AND RESTATED
LOAN AND SECURITY AGREEMENT
(Warehouse SUBI Certificate)

among

TESLA 2014 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 August 28, 2020

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Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "*Agreement*") is entered into as of August 28, 2020 by and among the following parties:

(i) TESLA 2014 WAREHOUSE SPV LLC, a Delaware limited liability company, as Borrower (the "*Borrower*");

(ii) Solely for purposes of Sections 2.11, 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.

R E C I T A L S:

WHEREAS, the Borrower, TFL, the Paying Agent, the Administrative Agent, and the lenders and group agents party thereto are parties to the Existing Warehouse Agreement (as defined below);

WHEREAS, the Borrower and TFL have requested that the Administrative Agent, the Paying Agent, the Lenders and the Group Agents amend and restate the Existing Warehouse Agreement;

WHEREAS, to provide assurance for the repayment of the Loans and the other Secured Obligations of the Borrower hereunder, the Borrower will continue to 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 III hereof;

NOW, THEREFORE, the parties hereto hereby agree that, effective on the Effective Date, the Existing Warehouse Agreement is amended and restated in its entirety to read as follows:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

ARTICLE I

DEFINITIONS

SECTION 1.01 *Certain Defined Terms*. As used in this Agreement, the following terms shall have the following respective meanings:

"*2018 Warehouse Agreement*" shall mean the Loan and Security Agreement, dated as of December 27, 2018, among the LML 2018 Warehouse SPV, LLC, TFL, Deutsche Bank AG, New York Branch, as administrative agent, Deutsche Bank Trust Company Americas, as paying agent and the lenders and group agents party thereto, as the same may be amended from time to time.

"*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.

"*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 Financial Institution*" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

"*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.

"*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 H* hereto.

"*Assumption Agreement*" has the meaning set forth in Section 12.10(j).

"*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 Resolution Authority in respect of any liability of an Affected Financial Institution.

"*Bail-In Legislation*" shall mean, (a) 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 and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

"*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 applicable 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) but a Benchmark Transition Event has not occurred, 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.

"*Benchmark Replacement*" means the sum of: (a) the alternate benchmark rate (which may include a SOFR-Based Rate) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the Eurodollar Rate for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

"*Benchmark Replacement Adjustment*" means, with respect to any replacement of the Eurodollar Rate with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the Eurodollar Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the Eurodollar Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar denominated syndicated credit facilities at such time.

"*Benchmark Replacement Conforming Changes*" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Alternate Base Rate," "Bank Interest Rate", the definition of "Interest Period," timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as

the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

"*Benchmark Replacement Date*" means the earlier to occur of the following events with respect to the Eurodollar Rate:

(i) in the case of clause (i) or (ii) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the applicable Eurodollar Rate permanently or indefinitely ceases to provide the related Eurodollar Rate; or

(ii) in the case of clause (iii) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

"*Benchmark Transition Event*" means the occurrence of one or more of the following events with respect to the Eurodollar Rate:

(i) a public statement or publication of information by or on behalf of the administrator of the applicable Eurodollar Rate announcing that such administrator has ceased or will cease to provide the applicable Eurodollar Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the applicable Eurodollar Rate;

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the applicable Eurodollar Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the applicable Eurodollar Rate, a resolution authority with jurisdiction over the administrator for the applicable Eurodollar Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the applicable Eurodollar Rate, in each case, which states that the administrator of the applicable Eurodollar Rate has ceased or will cease to provide the applicable Eurodollar Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the applicable Eurodollar Rate; and/or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the applicable Eurodollar Rate announcing that the applicable Eurodollar Rate is no longer representative.

"*Benchmark Transition Start Date*" means (i) in the case of a Benchmark Transition Event, the earlier of (a) the applicable Benchmark Replacement Date and (b) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (ii) in the case of an Early Opt-in Election, the date specified by the Administrative Agent or the Required Group Agents, as

applicable, with notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Group Agents) and the Lenders.

"*Benchmark Unavailability Period*" means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the Eurodollar Rate and solely to the extent that the Eurodollar Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the Eurodollar Rate for all purposes hereunder in accordance with Section 2.15 and (y) ending at the time that a Benchmark Replacement has replaced the Eurodollar Rate for all purposes hereunder pursuant to Section 2.15.

"*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 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 the 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, at least 80% of the equity and voting interests of TFL free and clear of all Adverse Claims; or

(iii) TFL 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 August 31, 2016.

"*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 Take-Out 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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

"*Commercial Lease*" means any Lease originated by the Trust in accordance with TFL's commercial originations channel to a Lessee that is either a business or is the owner-operator of a business.

"*Commercial Lease Limit*" shall have the meaning specified in the Fee Letter.

"*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 the Commitment Amount of a Lender may be (x) increased or decreased pursuant to the terms of this Agreement pursuant to Section 2.11 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 Facility Limit (after giving effect to any increase or reduction in 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.

"*Compounded SOFR*" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which may include compounding in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Administrative Agent in accordance with:

(i) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; or

(ii) if, and to the extent that, the Administrative Agent determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that the Administrative Agent determines in its reasonable discretion are substantially consistent with any evolving or then-prevailing market convention for determining compounded SOFR for U.S. dollar-denominated syndicated credit facilities at such time;

provided, further, that if the Administrative Agent decides that any such rate, methodology or convention determined in accordance with clause (i) or clause (ii) is not administratively feasible for the Administrative Agent, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of "Benchmark Replacement".

"*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 depositary institution at which one or more Eligible Accounts subject to the Control Agreement are maintained, as securities intermediary or deposit bank.

"*Corresponding Tenor*" with respect to a Benchmark Replacement, means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the applicable Interest Period with respect to the Eurodollar Rate.

"*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.

"*Cut-Off Date*" shall mean, (i) with respect to the Leases and Leased Vehicles allocated to the Warehouse SUBI on the Initial Loan Date, the close of business on July 31, 2016 and (ii) with respect to the Leases and Leased Vehicles thereafter 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; 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.

"*Early Opt-in Election*" means the occurrence of:

(a) (i) a determination by the Administrative Agent or (ii) a notification by the Required Group Agents to the Administrative Agent (with a copy to the Borrower) that the Required Group Agents have determined that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 2.15 are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the Eurodollar Rate, and

(b) (i) the election by the Administrative Agent or (ii) the election by the Required Group Agents, in either case, in consultation with the Borrower, to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders or by the Required Group Agents of written notice of such election to the Administrative Agent.

"*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 delegee) having responsibility for the resolution of any EEA Financial Institution.

"*Effective Date*" shall mean the date on which the conditions precedent to the effectiveness of this Agreement contained in Section 5.1 are satisfied or waived.

"*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).

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

"*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 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, that 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

(vii) 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 (other than the interest of the Collateral Agent under the Collateral Agency and Security Agreement);

(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 UTI 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) 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;

(xxvi) the related Leased Vehicle is new on the date of origination of such Lease;

(xxvii) the Lessee of which is a Lessee of no more than two other existing Leases or, if the Lease is a Commercial Lease, the related Lessee is the Lessee in respect of no more than (A) a total of five (5) Leases that are Warehouse SUBI Leases and (B) a total of ten (10) Leases that are included in the portfolio of closed-end lease contracts for new automobiles originated in the United States by the Trust; and

(xxviii) the Lease provides that the Excess Mileage Fee applies if mileage exceeds a threshold not greater than 20,000 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.

"*EU Securitization Regulation*" means Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017, as amended from time to time.

"*EU Securitization Rules*" means (i) the EU Securitization Regulation as supplemented by any applicable regulatory technical standards or implementing technical standards from time to time and (ii) to the extent informing the interpretation thereof, any official guidance published in relation thereto by the European Banking Authority, the European Central Bank, the European Securities and Markets Authority, the European Commission or the European Council, the German Federal Financial Supervisory Authority (BaFin) or any other relevant competent authority in the European Union (or, in each case, any predecessor or successor entity thereof) and (iii) in relation to the foregoing, (x) any equivalent laws or implementing regulations in force in any Member State (or, following the expiry of any applicable transition period, former Member State) of the European Union or the European Economic Area, and (y) any successor or replacement provisions for Article 6 thereof.

"*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, with respect to an Interest Period:

(i) with respect to Deutsche Bank AG, New York Branch, an interest rate per annum equal to the 90-day London Interbank Offered Rate appearing on the Bloomberg ICE (Intercontinental Exchange) Benchmark Administration Page 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 Eurodollar 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 Eurodollar 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 Eurodollar Rate during such Interest Period; or

(ii) with respect to any other Lender, 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 Eurodollar 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 Eurodollar 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 Eurodollar 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 August 31, 2016, 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) 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; provided, that this clause (ii) shall not apply during (A) the period beginning on the Effective Date and ending on February 28, 2021 and (B) if a Securitization Take-Out Date occurs during the period beginning on the Effective Date and ending on January 31, 2021, during the period beginning on such Securitization Take-Out Date and ending on the Payment Date occurring in the fourth (4th) month after the month in which such Securitization Take-Out Date occurs;

(iii) 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; provided, that this clause (iii) shall not apply during (A) the period beginning on the Effective Date and ending on February 28, 2021 and (B) if a Securitization Take-Out Date occurs during the period beginning on the Effective Date and ending on January 31, 2021, during the period beginning on such Securitization Take-Out Date and ending on the Payment Date occurring in the sixth (6th) month after the month in which such Securitization Take-Out Date occurs;

(iv) the amount calculated as of the first Loan Increase Date after the Effective Date 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) 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;

(ix) the aggregate Securitization Value of all Warehouse SUBI Leases that are Extended Leases exceeds the Extended Lease Limit;

(x) the aggregate Securitization Value of Warehouse SUBI Leases with Lessees with no FICO score exceeds the No FICO Score Limit;

(xi) the aggregate Securitization Value of Warehouse SUBI Leases with Lessees with less than a 600 FICO score exceeds the Sub 600 FICO Score Limit; and

(xii) the aggregate Securitization Value of Warehouse SUBI Leases that are Commercial Leases exceed the Commercial 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.

"*Existing Warehouse Agreement*" shall mean that certain Amended and Restated Loan and Security Agreement, dated as of August 17, 2017, among the Borrower, TFL, the Servicer, the Paying Agent, the Administrative Agent and the committed lenders and group agents party thereto, as amended to the date hereof.

"*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 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 or terminated in accordance with Section 8.02 or Section 12.01.

"*Facility Limit Increase Amount*" shall have the meaning specified in Section 2.11.

"*Facility Limit Increase Date*" shall have the meaning specified in Section 2.11.

"*Facility Limit Increase Notice*" shall have the meaning specified in Section 2.11.

"*Facility Limit Reduction Amount*" shall have the meaning specified in Section 2.11.

"*Facility Limit Reduction Date*" shall have the meaning assigned such term in Section 2.11.

"*Facility Limit Reduction Notice*" shall have the meaning assigned such term in Section 2.11.

"*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.

"*Federal Reserve Bank of New York's Website*" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

"*Fee Letter*" shall mean the Fifth Amended and Restated Fee Letter, dated as of August 28, 2020, 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).

"*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 September, 2016, 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 [***].

"[***] *Subservicing 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 maintained 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 October 10, 2014, as amended and restated as of July 28, 2016.

"*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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

"*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 Section 5.02.

"*Loan Maturity Date*" shall mean the Payment Date in September 2022.

"*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 August 31, 2017, (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 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 UTI 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.

"*No FICO Score Limit*" shall have the meaning specified in the Fee Letter.

"*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 RVLR 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 October 20, 2016.

"*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 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 average of the Delinquency Ratios for the three (3) most recent consecutive Settlement Periods subsequent to the occurrence of such Portfolio Performance 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 Portfolio Performance 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 Portfolio Performance 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 UTI to the Warehouse SUBI in connection with a Securitization Take-Out (if any), or (b) the payment by TFL in connection with the reallocation of any Lease from the Warehouse SUBI to the UTI (such payment to be not less than the Securitization Value of such Lease) arising from a breach of TFL'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.

"*Register*" shall have the meaning set forth in Section 2.14(b).

"*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 Governmental Body*" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"*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 TFL pursuant to Section 2.7 of the Warehouse SUBI Sale 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 (a) 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 (b) 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 RVLR 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 RVLR 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.

"*Resolution Authority*" means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

"*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.

"*RVLR Calculation Date*" shall mean the last day of each February, May, August and November, commencing on November 30, 2016.

"*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 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 13, 2021, 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 UTI 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 UTI or another special unit of beneficial interest in the Trust 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; provided, that in the event that any such rate shall be less than zero, the "Short-Term Note Rate" for such Conduit Lender for such period shall be deemed to be zero for the purposes of this Agreement. 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.

"*SOFR*" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's Website.

"*SOFR-Based Rate*" means SOFR, Compounded SOFR or Term SOFR.

"*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 RVLR Calculation Date*" shall mean any RVLR Calculation Date if, during the three Settlement Periods ended on the last day of the calendar month immediately preceding such RVLR Calculation Date, at least fifty (50) Leases reached their Turn In Dates during such three Settlement Periods.

"*Sub 600 FICO Score Limit*" shall have the meaning specified in the Fee Letter.

"*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 "*Turbo Amortization Period*"; (xvii) Section 2.04; (xviii) Section 6.01(n); (xix) Section 6.03; and (xx) 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.

"*Term SOFR*" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"*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 Party*" shall mean the Borrower or the Trust.

"*TFL*" shall have the meaning specified in the preamble to this 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.

"*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.

"*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.

"*UK Financial Institution*" means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended form time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"*UK Resolution Authority*" means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

"*Unadjusted Benchmark Replacement*" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

"*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 "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 directs the UTI Trustee to allocate Leases and the related Leased Vehicles from the UTI to the Warehouse SUBI pursuant to 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 Warehouse SUBI Sale Agreement, dated as of the Closing Date, by and between TFL, as seller, and the Borrower, as buyer.

"*Warehouse SUBI Servicing Agreement*" shall mean the Second Amended and Restated Warehouse SUBI Servicing Agreement dated as of August 17, 2017, by and among the Trust, the Servicer and the Back-Up Servicer, as amended from time to time.

"*Warehouse SUBI Supplement*" shall mean the 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, (a) 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, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

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 Affected 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 Affected 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 the applicable 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 the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected 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 Affected 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 the applicable Resolution Authority.

SECTION 1.05 *Acknowledgement Regarding Any Supported QFCs*. To the extent that the Transaction Documents provide support, through a guarantee or otherwise, for any Interest Rate Hedge or any other agreement or instrument that is a QFC (such support, "*QFC Credit Support*" and each such QFC a "*Supported QFC*"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "*U.S. Special Resolution Regimes*") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Transaction Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other State of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "*Covered Party*") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a State of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Transaction Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Transaction Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 1.05, the following terms have the following meanings:

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

ARTICLE II

THE FACILITY

SECTION 2.01 *Loans; Payments*.

(a) On the terms and subject to the conditions hereinafter set forth (including in Section 2.01(b), and Section 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 2.01 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 UTI to the Warehouse SUBI pursuant to the 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 Increase 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 (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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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 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) 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 second 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 depositary 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 depositary institution and the indemnities owed to such depositary 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 this 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 RVLR 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 in form and substance mutually agreed between the

Servicer and the Administrative Agent 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 TFL 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 TFL 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 UTI 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 special unit of beneficial interest in the Trust 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 another special unit of beneficial interest in the Trust 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 Warehouse SUBI 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 and the aggregate notional principal amount of all such Eligible Interest Rate Hedges 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 Facility Limit and Reduction of 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, request an increase of the Facility Limit subject to the following terms and conditions:

(i) TFL shall send a written notice (such notice, "*Facility Limit Increase Notice*") signed by an Authorized Signatory to the Administrative Agent (who shall forward the same to the Group Agents), which notice shall specify:

(A) the amount by which the Facility Limit is proposed to be increased (the "*Facility Limit Increase Amount*"); and

(B) the date on which such increase is proposed to occur (the "*Facility Limit Increase Date*"), which Facility Limit Increase Date shall be not less than thirty (30) days after the date of such Facility Limit Increase Notice.

(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 Facility Limit Increase Amount, then TFL and the Borrower may effect such portion of the requested 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 Facility Limit Increase Date and new Lenders, if any, who are becoming parties to this Agreement on such Facility Limit Increase Date) to own its respective Commitment Percentage of the Facility Limit, and Loans, on any Facility Limit Increase Date (after giving effect to the increase of the Facility Limit on such Facility Limit Increase Date), each existing Lender shall sell, transfer and assign pursuant to one or more Assignment and Assumption Agreements, on such 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 Facility Limit Increase Date, the Facility Limit will be increased by the Facility Limit Increase Amount specified in the related 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 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 Facility Limit Increase Date.

(v) On each Facility Limit Increase Date, the Administrative Agent shall update its books and records to reflect the updated Facility Limit and Commitment of each Lender.

(b) TFL may, at the written directions of the Borrower, reduce the Facility Limit subject to the following terms and conditions:

(i) TFL shall send a written notice (such notice, "*Facility Limit Reduction Notice*") signed by an Authorized Signatory to the Administrative Agent (who shall forward the same to the Group Agents), which notice shall specify:

(A) the amount by which the Facility Limit is proposed to be reduced (the "*Facility Limit Reduction Amount*"); provided, that the resulting Facility Limit after taking into account the Facility Limit Reduction Amount shall not be less than the sum of the Loan Balance on the Facility Limit Reduction Date; and

(B) the date on which such reduction is proposed to occur (the "*Facility Limit Reduction Date*"), which Facility Limit Reduction Date shall be not less than five (5) Business Days after the date of such Facility Limit Reduction Notice.

(ii) On each Facility Limit Reduction Date, the Facility Limit will be reduced by the amount specified in the related 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 Facility Limit Reduction Amount.

(iii) No reduction in the 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 Facility Limit Reduction Date, the Administrative Agent shall update its books and records to reflect the updated Facility Limit and Commitment of each Lender.

SECTION 2.12 *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 Section 2.09 and Section 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 2.12 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 (3) additional Business Days.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

SECTION 2.13 *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 2.14 *Register*.

(a) 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) 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.

SECTION 2.15 *Effect of Benchmark Transition Event*

(a) *Benchmark Replacement*. Notwithstanding anything to the contrary herein or in any other Transaction Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace the Eurodollar Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all Lenders and the Borrower so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from Lenders comprising the Required Group Agents. Any such amendment with respect to an Early Opt-in Election will become effective on the date that Lenders comprising the Required Group Agents have delivered to the Administrative Agent written notice that such Required Group Agents accept such amendment. No replacement

of the Eurodollar Rate with a Benchmark Replacement will occur prior to the applicable Benchmark Transition Start Date.

(b) *Benchmark Replacement Conforming Changes*. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(c) *Notices; Standards for Decisions and Determinations*. The Administrative Agent will promptly notify the Borrower and the Group Agents of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or Lenders pursuant to this Section 2.15, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 2.15.

(d) *Benchmark Unavailability Period*. Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Loan as to which the applicable Interest Rate will be the Eurodollar Rate, conversion to or continuation of any Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a Loan or conversion to a Loan at the Alternate Base Rate. During any Benchmark Unavailability Period, the component of the Alternate Base Rate based upon clause (iii) of the definition thereof will not be used in any determination of the Alternate Base Rate.

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 with Section 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 Effective 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*. TFL 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 TFL to cause such Leases and related Leased Vehicles to be reallocated to the UTI 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 Effective 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 and TFL, 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, (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 and (vii) search reports by parties acceptable to the Administrative Agent as to the UCC financing statements of record naming such Person as debtor under the laws of Delaware, each such certificate or report to be dated a date reasonably near the Effective Date;

(b) An officer's certificate for each of the Borrower and Servicer dated the Effective 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 Effective 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 TFL 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) 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 or TFL;

(f) 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 Effective Date listing all effective financing statements which name the Borrower or TFL (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);

(g) 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;

(h) A favorable opinion of in-house 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;

(i) 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;

(j) Representative forms of Leases;

(k) Fully executed copies of the Warehouse SUBI Sale Agreement and the other Transaction Documents;

(l) 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;

(m) 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 Effective Date of the office of the Comptroller of the Currency, certifying its good standing under the laws of such jurisdiction;

(n) 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;

(o) 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;

(p) A schedule of Warehouse SUBI Leases as of the Cut-Off Date (which schedule may be in electronic form);

(q) Evidence of the payment in full of all fees payable on the Effective 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

(r) Evidence of the payment in full and termination of the 2018 Warehouse Agreement.

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:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

(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; and

(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.

ARTICLE VI

COVENANTS

SECTION 6.01 *Covenants of the Borrower*. At all times from the Closing Date 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 TFL, Tesla, Inc. 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);

(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 TFL or any Affiliate thereof 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 TFL or its 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 or any Affiliate of TFL 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 its 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(g).

(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 and until the first Business Day after any period of sixty (60) consecutive days on which one month LIBOR is less than 2.50%, 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 date on which an Interest Rate Hedge Trigger Event occurs and until the first business day after any period of sixty (60) consecutive days on which one month LIBOR is less than 2.50%, 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 Provider, 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 Provider. In the event that pursuant to the terms of the applicable Interest Rate Hedge, the related Interest Rate Hedge Provider 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 Provider 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 Provider 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 Provider 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 Provider, 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 Provider 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 Warehouse SUBI Collection Account and applied in accordance with Section 2.04(c). The Borrower agrees to give the applicable Interest Rate Hedge Provider 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 Closing Date 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 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 (x) relates solely to the UTI or a special unit of beneficial interest other than the Warehouse SUBI and (y) does not have any adverse effect on the Lenders, the Administrative Agent or any other Secured Party, the Collateral or the Warehouse 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) *Consolidations and Mergers*. The Borrower shall not consolidate or merge with or into any other Person.

(h) *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.

(i) *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.

(j) *Debt*. The Borrower shall not create, incur, assume or suffer to exist any Debt except for Debt expressly contemplated under the Transaction Documents.

(k) *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.

(l) *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

TFL to the Borrower which are in compliance with all applicable Requirements of Law and the Transaction Documents.

(m) *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.

(n) *Change in Business*. The Borrower shall not make any change in the character of its business.

(o) *Subsidiaries*. The Borrower shall not form or own any Subsidiary.

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, Section 4.01 (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) any Repurchase Amount fails to be paid when due, and such failure shall continue for three (3) Business Days; 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 RVLR 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) on any Payment Date (after giving effect to all payments and distributions on such Payment Date pursuant to Section 2.04(c) hereof), the amount on deposit in the Reserve Account shall be less than the Required Reserve Account Balance and the same shall continue unremedied on the next succeeding Payment Date after giving effect to all payments and distributions on such Payment Date pursuant to Section 2.04(c) hereof;

(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" 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.

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 AND THE PAYING 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. The Borrower hereby appoints Deutsche Bank Trust Company Americas 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 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 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, any pandemic or epidemic, 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, TFL or Tesla, Inc. or to inspect the property (including the books and records) of any Tesla Party, 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. The Paying Agent may conclusively rely on any Settlement Statement provided to it and shall have no duty or obligation to examine the same to

confirm the contents therein are correct. No provision of this Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers contemplated hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

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 and each Tesla Party, any of their respective Affiliates and any Person who may do business with or own securities of Tesla, Inc., TFL 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 9.04 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 written request or at the written 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 Responsible Officer of the Paying Agent has received written 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 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 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 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. 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 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.

(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.

(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).

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, 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, any Tesla Party or any other Person or to inspect the property (including the books and records) of Tesla, Inc., TFL 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, any Tesla Party, any of their respective Affiliates and any Person who may do business with or own securities of Tesla, Inc., TFL, 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.

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 Party 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 11.01, 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 11.01 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 11.02) 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 11.02) 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 Section 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 Section 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 Section 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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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:

(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, the Required Supermajority 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, the Required Supermajority 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.

(d) Notwithstanding the foregoing, if the Administrative Agent determines that it is necessary to establish an alternate rate of interest to the applicable Eurodollar Rate

pursuant to and in accordance with Section 2.15, the Administrative Agent, the Group Agents and the Borrower shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable, and the Administrative Agent and the Borrower may make Benchmark Replacement Conforming Changes in accordance with Section 2.15(c).

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. 45500 Fremont Blvd. Fremont, CA 94538 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. 45500 Fremont Blvd. Fremont, CA 94538 Attention: Legal, Finance
If to the Paying Agent:	Deutsche Bank Trust Company Americas c/o Deutsche Bank National Trust Company 1761 East St. Andrew Place Santa Ana, California 92705 Attn: Trust and Agency Services - TESLA14 Tel: (714) 247-6255 Fax: (714) 656-2622 Email: amy.mcnulty@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; Electronic Signatures; 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. Each party agrees that facsimile, documents executed, scanned and transmitted electronically and electronic signatures shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such facsimile, scanned and electronic signatures having the same legal effect as original signatures. The parties agree that this Agreement, any addendum, or amendment, or exhibit hereto or any other document necessary for the consummation of the transaction contemplated by this Agreement may be accepted, executed or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act, Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties hereto to the same extent as if it were physically executed and each party hereby consents to the use of any third party electronic signature capture service providers as may be reasonably chosen by a signatory hereto.

(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, 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 or Tesla, Inc., including the Warehouse SUBI Assets, furnished to such assignor by or on behalf of any Tesla Party, TFL 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 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) 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 I* 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).

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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 *TFL or Tesla, Inc. Liability*. Except as provided in the Transaction Documents, neither TFL nor 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 Section 2.04 and Section 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 *Full Force and Effect of Transaction Documents*. Except to the extent that any Transaction Document (as defined in the Existing Warehouse Agreement) is being explicitly terminated, replaced or amended and restated in connection with the amendment and restatement being implemented hereby, each such document shall continue to be in full force and effect and is hereby ratified and confirmed in all respects, except that, from and after the Effective Date, each reference in any such document to the "Loan Agreement," "thereunder," "thereof" or words of like import shall be deemed to mean references to this Agreement. As of the date hereof and as of the Effective Date, each party hereto each hereby (i) reaffirms each of its covenants,

agreements and obligations contained in any such Transaction Document, (ii) reaffirms each guarantee, pledge and grant of a security interest made in favor of the Administrative Agent under or in connection with the Existing Warehouse Agreement and any Transaction Document entered into in connection therewith and agrees that notwithstanding the amendment and restatement of the Existing Warehouse Agreement, such guarantees, pledges and grants of security interest in favor of the Administrative Agent shall continue in full force and effect.

SECTION 12.24 *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.

SECTION 12.25 *Consent to Amendment of Warehouse SUBI Servicing Agreement*. By execution of this Agreement, the Borrower, the Administrative Agent and the Lenders hereby consent to Amendment No. 4 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.

[Signature Pages Follow]

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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.

TESLA 2014 WAREHOUSE SPV LLC,as Borrower

By: /s/ Jeffrey Munson
Name: Jeffrey Munson
Title: President

TESLA FINANCE LLC

By: /s/ Yaron Klein
Name: Yaron Klein
Title: President

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DEUTSCHE BANK TRUST COMPANY AMERICAS, as Paying Agent

By: /s/ Amy McNulty
Name: Amy McNulty
Title: Assistant Vice President

By: /s/ Cynthia Valverde
Name: Cynthia Valverde
Title: Assistant Vice President

[Signature Page to Second Amended and Restated Loan and Security Agreement]

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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/ Katherine Bologna
Name: Katherine Bologna
Title: MD

[Signature Page to Second Amended and Restated Loan and Security Agreement]

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CITIBANK, N.A., as a Group Agent and as a Committed Lender

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

CAFCO, LLC, as a Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

CHARTA, LLC, as a Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

CIESCO, LLC, as a Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

[Signature Page to Second Amended and Restated Loan and Security Agreement]

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CRC FUNDING, LLC, as a Conduit Lender

By: Citibank, N.A., as Attorney-in-Fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

[Signature Page to Second Amended and Restated Loan and Security Agreement]

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CREDIT SUISSE AG, NEW YORK BRANCH,
as a Group Agent

By: /s/ Kevin Quinn
Name: Kevin Quinn
Title: Vice President

By: /s/ Jason Ruchelsman
Name: Jason Ruchelsman
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Committed Lender

By: /s/ Kevin Quinn
Name: Kevin Quinn
Title: Authorized Signatory

By: /s/ Jason Ruchelsman
Name: Jason Ruchelsman
Title: Authorized Signatory

GIFS CAPITAL COMPANY LLC,
as a Conduit Lender

By: /s/ Carey D. Fear
Name: Carey D. Fear
Title: Manager

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BARCLAYS BANK PLC,
as a Group Agent and as Committed Lender

By: /s/ David Hufnagel
Name: David Hufnagel
Title: Director

SALISBURY RECEIVABLES COMPANY LLC,
as a Conduit Lender

By: Barclays Bank PLC, as attorney-in-fact

By: /s/ David Hufnagel
Name: David Hufnagel
Title: Director

[Signature Page to Second Amended and Restated Loan and Security Agreement]

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WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Group Agent and as a Committed Lender

By: /s/ Austin Vanassa
Name: Austin Vanassa
Title: Managing Director

[Signature Page to Second Amended and Restated Loan and Security Agreement]

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Schedule 1
to Loan and Security Agreement

Schedule of Litigation

None.

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Schedule 2
to Loan and Security Agreement

Schedule of Corporate and Limited Liability Company Names, Trade Names or Assumed Names

With respect to the Borrower: Tesla 2014 Warehouse SPV LLC

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Schedule Listed Below Omitted Pursuant to Regulation S-K Item 601(a)(5)

Schedule 3 to Loan and Security Agreement: Description of Electronic Lease Vault

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Schedule 4
to Loan and Security Agreement

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
26. Porsche AG
27. Nikola Corporation

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Schedule Listed Below Omitted Pursuant to Regulation S-K Item 601(a)(5)

Schedule 5 to Loan and Security Agreement: Insurance Certificates

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Schedule 6
to Loan and Security Agreement

Notice Addresses

Borrower:

c/o Tesla, Inc.
3500 Deer Creek Road
Palo Alto, CA 94304
Attention: General Counsel

With a copy to
Tesla, Inc.
45500 Fremont Blvd.
Fremont, CA 94538
Attention: Legal, Finance
Email: legal.finance@tesla.com

TFL:

c/o Tesla, Inc.
3500 Deer Creek Road
Palo Alto, CA 94304
Attention: General Counsel

With a copy to
Tesla, Inc.
45500 Fremont Blvd.
Fremont, CA 94538
Attention: Legal, Finance
Email: legal.finance@tesla.com

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

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Deutsche Bank AG, New York Branch, as Lender:

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

Paying Agent:

Deutsche Bank Trust Company America Trust & Agency Securities
c/o Deutsche Bank National Trust Company
1761 East St. Andrew Place
Santa Ana, California 92705
Attn: Trust and Agency Services - TESLA14
Tel: (714) 247-6255
Fax: (714) 656-2622
Email: amy.mcnulty@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., 7th 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

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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: 312-827-0100
Attention: Operations
Email: chioperations@guggenheimpartners.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.hisrchy@barclays.com; eric.k.chang@barclays.com; eugene.golant@barclays.com.

Wells Fargo Bank, National Association
Wells Fargo Bank, N.A.
550 S Tryon Street, 5th floor
Charlotte, NC 28202-4200
Telephone: 704-410-1863
Attention: Austin Vanassa
Email: austin.vanassa@wellsfargo.com; WFSConsumerFinanceTesla@wellsfargo.com

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Schedule 7
to Loan and Security Agreement

Credit and Collection Policy

See attached.

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Tesla Finance LLC
Credit and Collections Policy

Effective August 2020

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Table of Contents

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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 co-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.

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 [***] of [***] and [***]of [***] 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, Model X and 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.

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
- 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 decisioned. For consistency and accuracy the credit department will check only [***] reasons for the credit request denial or counter from the list below:

[***]

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), [***] in the [***] may [***] the [***]
- For applications that have been approved or auto-approved, the [***] has authority to approve [***] up to [***], and the [***] has authority to approve of [***] up to [***] and [***].
- For applications that have been approved or auto-approved, the [***] may fund contracts with a [***] within [***] of 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 using [***].

[***] 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

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. The [***] must be [***] and [***].

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

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 [***].

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 has [***]. 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 (Saleguards 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.

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 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.

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 [***] 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.

[***]

The low end of the risk spectrum is handled through [***] 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 receive 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 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 Senior Manager of Financial Services Operations. Together, the Senior Manager of Financial Services Operations 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:

- 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 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 Senior Manager of Financial Services Operations. 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 back to Tesla Inc. using third party wholesale pricing tools to determine the fair market value of the vehicle. The Senior Manager of Financial Services Operations 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.
- 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:

[***]

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 3 months 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 [***] Policy

Lease [***] by [***] may occur if the [***]. The lease [***] will be processed differently based [***]. In all lease [***] situations, the lessee(s) will [***] and [***].

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 within [***] of contract date, 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:

[***]

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Schedule 8
to Loan and Security Agreement

Commitments of Lenders

Committed Lender	**Commitment**
Deutsche Bank AG, New York Branch	$357,500,000.00
Citibank, N.A.	$325,000,000.00
Wells Fargo, National Association	$150,000,000.00
Credit Suisse AG, Cayman Islands Branch	$135,000,000.00
Barclays Bank PLC	$132,500,000.00
Total:	**$1,100,000,000.00**

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Schedule 9
to Loan and Security Agreement

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 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 Group 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 Group 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 Group Agent, be determined by such Group 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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit A
to Loan and Security Agreement

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: Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate) dated as of August 28, 2020 (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement"), among Tesla 2014 Warehouse SPV LLC, as Borrower (the "Borrower"), Tesla Finance LLC ("TFL"), the Lenders and Group Agents party thereto, Deutsche Bank Trust Company Americas, as Paying Agent 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).

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,

TESLA 2014 WAREHOUSE SPV LLC

By: _____
Name:
Title:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit B
to Loan and Security Agreement

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 Tesla 2014 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.

"Loan and Security Agreement" means the Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate) dated as of August 28, 2020 (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, the Paying Agent and the Administrative Agent, each 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 Tesla 2014 Warehouse SUBI 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 Tesla 2014 Warehouse SUBI 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 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

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, telecopier no. [_____], (ii) the Servicer, at c/o Tesla, Inc., 3500 Deer Creek Road, Palo Alto, California 94304, Attention: General Counsel, telecopier no. [_____], (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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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:

TESLA 2014 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:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

ATTACHMENT A
to
Control Agreement

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 Second Amended and Restated Loan and Security Agreement, dated as of August 28, 2020 (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, Deutsche Bank Trust Company Americas, as Paying Agent 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: _____

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit C
to Loan and Security Agreement

Form of Compliance Certificate

Certificate of Treasurer

I, the undersigned, Treasurer of Tesla 2014 Warehouse SPV LLC (the "Borrower") do hereby CERTIFY, pursuant to Section 6.01(a)(i) of the Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate) dated as of August 28, 2020 (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, Deutsche Bank Trust Company Americas, as Paying Agent 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__.

TESLA 2014 WAREHOUSE SPV LLC

By: _____
Name:
Title: Treasurer

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit D
to Loan and Security Agreement

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: Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate) dated as of August 28, 2020 (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, Deutsche Bank Trust Company Americas, as Paying Agent 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).

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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.

Very truly yours,

TESLA 2014 WAREHOUSE SPV LLC

By: _____
Name:
Title:

TESLA FINANCE LLC

By: _____
Name:
Title:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit E
to Loan and Security Agreement

Form of Pool Cut Report

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

	A	B	C	D	E	F	G
1	**Account Number**	**Customer State**	**FICO Score**	**Original Term**	**Contractual Total Monthly Payment Amount**	**Buy Rate (APR)**	**Contractual Residual Amount**
2							
3							
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Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

	H	I	J	K	L	M	N	O
1	ALG Estimate of Residual	Current Maturity Date	Number of Payments Remaining	Current Days Past Due	Mark-to-Market ALG Value	MTM Date	SUBI Date	Base RV
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Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

	P	Q	R	S	T	U	V	W	X	Y
1	**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?**
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Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ
1	**Scheduled Payments Made**	**Pastdue Ineligible?**	**FICO Ineligible?**	**Early Paid**	**Repo?**	**Charged-off?**	**Bankruptcy**	**Extension**	**Repurchase**	**Maturity Ineligible?**	**Facility Eligibility**
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	AK	AL	AM
1	**Maturity Month**	**Tape**	**Current Lease Receivable**
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Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit F
to Loan and Security Agreement

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: Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate) dated as of August 28, 2020 (as amended, supplemented or otherwise modified and in effect from time to time, the "Agreement"), among Tesla 2014 Warehouse SPV LLC, as Borrower (the "Borrower"), Tesla Finance LLC, the Lenders and the Group Agents party thereto from time to time, Deutsche Bank Trust Company Americas, as Paying Agent, 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 $____.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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,
TESLA 2014 WAREHOUSE SPV LLC

By: _____
Name:
Title:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit G
to Loan and Security Agreement

Form of Securitization Take-Out Certificate

TESLA 2014 WAREHOUSE SPV LLC
Securitization Take-Out Certificate

This Securitization Take-Out Certificate is delivered pursuant to Section 2.09(b)(i) of the Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate), dated as of August 28, 2020, among Tesla 2014 Warehouse SPV LLC, as Borrower, Tesla Finance LLC, certain Lenders party thereto, certain Group Agents party thereto, Deutsche Bank Trust Company Americas, as Paying Agent, 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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

IN WITNESS WHEREOF, I _____, a Responsible Officer of the Borrower, has executed this Securitization Take-Out Certificate as of the date set forth above.

TESLA 2014 WAREHOUSE SPV LLC

By: _____
Name:
Title:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit H
to Loan and Security Agreement

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 Tesla 2014 Warehouse SPV LLC, as Borrower under the Loan and Security Agreement (defined below)], pursuant to Section 12.10 of the Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate) dated as of August 28, 2020 (as amended, supplemented, or otherwise modified and in effect from time to time, the "Loan and Security Agreement"), among Tesla 2014 Warehouse SPV LLC, as Borrower, Tesla Finance LLC, the Lenders and Group Agents party thereto from time to time, Deutsche Bank Trust Company Americas, as Paying Agent, 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 $_____.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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.

(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 6 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:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

[ASSIGNEE]

By: _____
Authorized Signatory
Title:

[ASSIGNEE'S FACILITY AGENT]

By: _____
Authorized Signatory
Title:

[CONSENTED TO:

TESLA 2014 WAREHOUSE SPV LLC,
as Borrower

By: _____]
Authorized Signatory
Title:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Schedule I to
Assignment and Assumption
Agreement

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Exhibit I
to Loan and Security Agreement

Form of Assumption Agreement

THIS ASSUMPTION AGREEMENT (this "Agreement"), dated as of [_____ ___, ____], is among Tesla 2014 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 Second Amended and Restated Loan and Security Agreement (Warehouse SUBI Certificate), dated as of August 28, 2020 (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;

[1] Note: Each existing Committed Lender and Group Agent should be included as parties to the Assumption 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 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 "Commitment 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.

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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.

(Signature Page Follows)

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

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]

TESLA 2014 WAREHOUSE SPV LLC, as Borrower

By: _____
Name Printed:
Title:

Certain identified information has been omitted from this document because it is not material and would be competitively harmful if publicly disclosed, and has been marked with "[***]" to indicate where omissions have been made.

Schedule I

Lender	**Lender Type**	**Commitment**	**Loan**	**Percentage**
Deutsche Bank AG, New York Branch	Committed Lender	$[_____]	$[_____]	[__]%
[_____]	[_____]	$[_____]	$[_____]	[__]%

Exhibit 10.3

PAYOFF AND TERMINATION LETTER

August 28, 2020

LML 2018 Warehouse SPV, LLC
c/o Tesla, Inc.
45500 Fremont Blvd.
Fremont, California 94538
Attention: Legal, Finance

Ladies and Gentlemen:

Reference is hereby made to the Loan and Security Agreement, dated as of December 27, 2018 (as amended, restated, supplemented or modified, the "Agreement") among LML 2018 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 August 28, 2020 (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 $0.00 in immediately available funds. The components of the Payoff Amount are described 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.

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.

Each party agrees that this Payoff Letter and any other documents to be delivered in connection herewith may be electronically signed, and that any electronic signatures appearing on this Payoff Letter or such other documents are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

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 2018 WAREHOUSE SPV, LLC,
as Borrower

By: /s/ Jeffrey Munson
Name: Jeffrey Munson
Title: President

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Paying Agent

By: /s/ Amy McNulty
Name: Amy McNulty
Title: Assistant Vice President

By: /s/ Cynthia Valverde
Name: Cynthia Valverde
Title: Assistant Vice President

DEUTSCHE BANK AG, NEW YORK BRANCH,
as Administrative Agent, a Group Agent
and a Committed Lender

By: /s/ Kevin Fagan
Name: Kevin Fagan
Title: Vice President

By: /s/ Katherine Bologna
Name: Katherine Bologna
Title: MD

CITIBANK, N.A.,
as Group Agent and as a Committed Lender

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

CAFCO, LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

CHARTA, LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

CIESCO, LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

CRC FUNDING, LLC,
as a Conduit Lender

By: Citibank, N.A.,
as attorney-in fact

By: /s/ Brian Chin
Name: Brian Chin
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Group Agent and as a Committed Lender

By: /s/ Austin Vanassa
Name: Austin Vanassa
Title: Managing Director

CREDIT SUISSE AG, NEW YORK BRANCH,
as a Group Agent

By: /s/ Kevin Quinn
Name: Kevin Quinn
Title: Vice President

By: /s/ Jason Ruchelsman
Name: Jason Ruchelsman
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a Committed Lender

By: /s/ Kevin Quinn
Name: Kevin Quinn
Title: Authorized Signatory

By: /s/ Jason Ruchelsman
Name: Jason Ruchelsman
Title: Authorized Signatory

GIFS CAPITAL COMPANY,
as a Conduit Lender

By: /s/ Carey D. Fear
Name: Carey D. Fear
Title: Manager

BARCLAYS BANK PLC,
as a Group Agent and a Committed Lender

By: /s/ David Hufnagel
Name: David Hufnagel
Title: Director

SALISBURY RECEIVABLES COMPANY LLC,
as a Conduit Lender

By: Barclays Bank PLC,
as attorney-in-fact

By: /s/ David Hufnagel
Name: David Hufnagel
Title: Director

SCHEDULE I

Payoff Amount

Aggregate outstanding principal:	$0.00
Accrued interest and fees (Unused Fees):	$0.00
Other costs, expenses and Obligations:	$0.00
TOTAL:	**$0.00**

Exhibit 31.1

CERTIFICATIONS

I, Elon Musk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: October 26, 2020

/s/ Elon Musk

Elon Musk
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Zachary J. Kirkhorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: October 26, 2020

/s/ Zachary J. Kirkhorn
Zachary J. Kirkhorn
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 Quarterly Report of Tesla, Inc. on Form 10-Q for the quarterly period ended September 30, 2020, (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-Q fairly presents, in all material respects, the financial condition and results of operations of Tesla, Inc.

Date: October 26, 2020

/s/ Elon Musk
Elon Musk
Chief Executive Officer
(Principal Executive Officer)

I, Zachary J. Kirkhorn, certify, pursuant to 18 U.S.C. Section 1350, that, to my knowledge, the Quarterly Report of Tesla, Inc. on Form 10-Q for the quarterly period ended September 30, 2020, (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-Q fairly presents, in all material respects, the financial condition and results of operations of Tesla, Inc.

Date: October 26, 2020

/s/ Zachary J. Kirkhorn
Zachary J. Kirkhorn
Chief Financial Officer
(Principal Financial Officer)