

**Tesla Motors, Inc.****(TSLA: NNM; \$23.08)****Sell | Target: \$22**

February 15, 2011

Carter Driscoll, CFA / 973-821-4330 /
carter@capstoneinvestments.com**Company Statistics**

12-month Price Target:	\$22
Current Price:	\$23.08
Shares Outstanding (M):	92.3
Institutional Holdings:	40%
Market Cap (M):	\$2,129.6
EV (M):	\$2,089.6
EV/EBITDA:	NM
52-wk Range:	\$14.98-\$36.42
Avg. Daily Vol. (000):	1,272
Dividend:	NA
Price/Book Value:	9.7x
Book Value/sh:	\$2.38

Financials

FYE Dec		2009A	2010E	2011E
EBITDA (M):		(\$45.0)	(\$142.6)	(\$161.7)
P/E Ratio:		NM	NM	NM
Revenue (M):	Q1	\$20.9	\$20.8	\$41.1
	Q2	\$26.9	\$28.4	\$41.3
	Q3	\$45.5	\$31.2	\$41.5
	Q4	\$18.6	\$37.9	\$41.7
Total		\$111.9	\$118.3	\$165.5
EPS:	Q1	(\$0.77)	(\$1.35)A	(\$0.53)
	Q2	(\$0.52)	(\$1.68)A	(\$0.53)
	Q3	(\$0.22)	(\$0.38)A	(\$0.51)
	Q4	(\$1.15)	(\$0.60)E	(\$0.51)
Total		(\$2.65)	(\$2.76)E	(\$2.09)

Company Description

Founded in 2003 and headquartered in Palo Alto, CA, Tesla Motors designs, manufactures and sells high performance electric vehicles (EV) and electric powertrain technology including battery packs. Launched in 2008, Tesla's Roadster was the first commercial EV that complied with federal standards with ~ 1,400 vehicles sold through 3Q10. Tesla's next-generation EV called the Model S is set to launch in 2012 with extended range features. The company also sells battery packs to Daimler for use in their smart and A-class EVs and recently agreed to jointly develop batteries for Toyota's RAV4 model.

TSLA: USE EXPECTED 4Q10 HYPE TO SELL

- **Do earnings really matter?** TSLA reports 4Q10 results AMC with a 5pm call. We forecast sales of \$37.9M and EPS of (\$0.60), the latter we expect TSLA to surpass. Given that profitability is at least 2-3 years away we do not place much weight on quarterly results but expect a favorable reaction nonetheless, which we would use as an opportunity to sell. On the call we look for (1) Model S reservations (2) clearer indication of timing of Model S commercial introduction (3) gross margin trends (4) DoE loan facility usage (5) progress on joint developments with Toyota, Panasonic and Daimler (6) Model S prototype road test results (7) supplier sourcing.
- **Model S reservations.** At last count TSLA indicated they had secured ~3,500 reservations for the Model S. We would view 5,000 or more reservations as positive indication that Model S demand is improving.
- **EV rebate – will Republicans oppose it?** President Obama proposed front-loading \$7,500 EV tax credit so auto dealers can reduce the vehicle price upfront rather than force potential purchasers to wait until they file their tax returns (making it a cash rebate). While we would expect a modest increase in EV sales if enacted, we do not believe potential TSLA customers would be much affected. We do not see TSLA customers as very price sensitive with a sticker of ~\$57-70K (Model S) and \$109K (Roadster). Introduction of the credit as a stand alone bill is unlikely but may become part of a larger energy bill. We believe passage would be at least 6-9 months away under ideal circumstances.
- **Maintain SELL.** We saw overwhelming evidence that major auto OEMs are aggressively entering the EV space during January's auto show. In addition, we believe TSLA has consistently underestimated the tremendous capital needed to become an integrated auto OEM. We do not believe offering one vehicle is sustainable business model and question both the timing of volume manufacturing and adoption rate of EVs. We believe the competitive landscape is increasing rapidly, shrinking the time frame in which TSLA has to introduce and capitalize on its Models S introduction. We maintain our SELL rating.

FOR INSTITUTIONAL CONSIDERATION ONLY.

FOR REQUIRED DISCLOSURES, INCLUDING ANALYST CERTIFICATION, PLEASE REFER TO THE IMPORTANT DISCLOSURES STARTING ON PAGE 5 OF THIS REPORT.

INVESTMENT RISK

Tesla faces intense competition from established auto OEMs, execution risk for Model S, lack of widespread EV adoption, potential reduction in government support and continued operating losses.

VALUATION METHODOLOGY

We value TSLA using 3 metrics - EV/S, EV/EBITDA and a 5-year DCF. Our \$22 target price is the average relative multiples and our DCF - using 15x terminal EBITDA multiple and 14% WACC.



Figure 1: Tesla Motors, Inc.: HISTORICAL AND PROJECTED INCOME STATEMENT

\$M	2009					2010E					2011E					2011E YEAR	2012E YEAR
	1Q	2Q	3Q	4Q	2009 YEAR	1QA	2QA	3QA	4QE	2010E YEAR	1Q	2Q	3Q	4Q			
	Mar-09	Jun-09	Sep-09	Dec-09		Mar-10	Jun-10	Sep-10	Dec-10		Mar-11	Jun-11	Sep-11	Dec-11			
Automotive Revenues	\$20.9	\$26.9	\$45.5	\$18.6	\$111.9	\$20.6	\$24.0	\$23.4	\$18.2	\$86.1	\$20.0	\$20.0	\$20.0	\$20.0	\$80.1	\$514.8	
Battery Packs, Develop. Service Revenue	0.0	0.0	0.0	0.0	0.0	0.2	4.4	7.9	19.6	32.2	21.0	21.2	21.5	21.7	85.4	90.7	
Total Revenues	\$20.9	\$26.9	\$45.5	\$18.6	\$111.9	\$20.8	\$28.4	\$31.2	\$37.9	\$118.3	\$41.1	\$41.3	\$41.5	\$41.7	\$165.5	\$605.5	
YoY Growth	0%	0%	0%	0%	659%	0%	5%	-31%	104%	6%	97%	45%	33%	10%	40%	266%	
QoQ Growth	NA	29%	69%	-59%		12%	36%	10%	21%		8%	1%	1%	1%			
Cost of Sales - Auto	22.9	24.8	37.8	16.8	102.4	17.0	22.1	21.9	29.7	90.8	29.5	30.0	30.5	29.9	119.9	526.5	
Cost of Sales - Batteries, Develop. Services	0.0	0.0	0.0	0.0	0.0	0.1	1.9	2.5	7.9	12.3	9.5	9.6	9.7	8.7	37.3	31.7	
Total COGS	22.9	24.8	37.8	16.8	102.4	17.0	22.1	21.9	29.7	90.8	29.5	30.0	30.5	29.9	119.9	526.5	
Gross Profit	(2.0)	2.1	7.7	1.8	9.5	3.9	6.3	9.3	8.1	27.5	11.6	11.3	11.0	11.8	45.7	79.0	
R & D	7.9	1.9	1.3	8.1	19.3	13.3	15.4	26.7	36.0	91.3	39.0	39.2	39.4	39.6	157.3	101.1	
S G & A	6.6	8.2	10.7	16.6	42.2	16.6	22.2	20.4	30.3	89.5	24.6	23.9	21.6	21.5	91.6	109.6	
Total Operating Expenses	14.5	10.2	12.0	24.7	61.4	29.9	37.6	47.1	66.2	180.9	63.7	63.2	61.0	61.1	248.9	210.7	
EBIT	(16.6)	(8.1)	(4.3)	(22.9)	(51.9)	(26.0)	(31.4)	(37.8)	(58.1)	(153.3)	(52.1)	(51.9)	(50.0)	(49.3)	(203.2)	(131.7)	
EBITDA	(15.2)	(6.4)	(2.3)	(21.0)	(45.0)	(23.9)	(28.9)	(34.7)	(55.1)	(142.6)	(42.2)	(42.1)	(39.3)	(38.1)	(161.7)	(75.9)	
EBITDA Margin	-73%	-24%	-5%	-113%	-40%	-115%	-102%	-111%	-146%	-121%	-103%	-102%	-95%	-91%	-98%	-13%	
Interest & Other Income, Net	0.6	(2.8)	(0.5)	(1.1)	(3.2)	(3.4)	(7.1)	3.0	0.6	(6.9)	0.4	0.5	(0.3)	(1.2)	(0.6)	(9.0)	
Pretax Income	(16.0)	(10.9)	(4.8)	(24.0)	(55.1)	(29.4)	(38.5)	(34.9)	(57.5)	(160.2)	(51.6)	(51.4)	(50.3)	(50.5)	(203.8)	(140.8)	
Taxes	0.0	0.0	(0.2)	0.2	0.0	0.1	0.0	0.1	0.1	0.3	0.0	0.1	0.1	0.1	0.3	0.2	
Tax Rate	0.0%	-0.1%	4.5%	-1.0%	0.0%	-0.4%	0.0%	-0.2%	-0.2%	-0.2%	0.0%	-0.2%	-0.2%	-0.2%	-0.1%	-0.1%	
GAAP Net Income	(16.0)	(10.9)	(4.6)	(24.2)	(55.1)	(29.5)	(38.5)	(34.9)	(57.6)	(160.6)	(51.6)	(51.5)	(50.4)	(50.6)	(204.1)	(140.9)	
GAAP Net Margin	-77%	-40%	-10%	-130%	-49%	-142%	-136%	-112%	-152%	-136%	-126%	-125%	-121%	-121%	-123%	-23%	
GAAP EPS	(\$0.77)	(\$0.52)	(\$0.22)	(\$1.15)	(\$2.65)	(\$1.35)	(\$1.68)	(\$0.38)	(\$0.60)	(\$2.76)	(\$0.53)	(\$0.53)	(\$0.51)	(\$0.51)	(\$2.09)	(\$1.40)	
YoY Growth	NA	NA	NA	NA	3%	76%	223%	73%	-48%	-4%	-60%	-69%	35%	-15%	24%	33%	
QoQ Growth	NA	32%	58%	-425%		-17%	-25%	77%	-59%		11%	1%	3%	0%			
Chg in Fair Value Warrants	0.1	0.0	0.3	0.0	0.4	2.3	6.3	(3.1)	0.0	5.6	0.0	0.0	0.0	0.0	0.0	0.0	
Amort. Stock Comp. Expense	0.1	0.2	0.2	0.0	0.4	3.4	6.1	3.8	4.0	17.3	3.5	3.5	3.5	3.5	14.0	16.0	
Pro Forma Net Income	(\$15.9)	(\$10.7)	(\$4.1)	(\$24.2)	(\$54.3)	(\$23.8)	(\$26.1)	(\$34.2)	(\$53.6)	(\$137.7)	(\$48.1)	(\$48.0)	(\$46.9)	(\$47.1)	(\$190.1)	(\$124.9)	
Pro forma EPS						(\$1.09)	(\$1.14)	(\$0.37)	(\$0.56)	(\$2.36)	(\$0.50)	(\$0.49)	(\$0.48)	(\$0.48)	(\$1.94)	(\$1.24)	
Average Shares Outstanding	20.9	20.9	21.0	21.1	21.1	21.9	22.9	92.3	96.0	58.3	96.8	97.5	98.3	99.0	97.9	100.9	
<u>Percent of Revenue</u>																	
Cost of Sales	109.8%	92.2%	83.1%	90.4%	91.5%	81.5%	78.0%	70.2%	78.5%	76.7%	71.8%	72.7%	73.5%	71.7%	72.4%	87.0%	
Gross Profit	(9.8%)	7.8%	16.9%	9.6%	8.5%	18.5%	22.0%	29.8%	21.5%	23.3%	28.2%	27.3%	26.5%	28.3%	27.6%	13.0%	
R & D	38.0%	7.2%	2.8%	43.8%	17.2%	63.7%	54.3%	85.5%	95.0%	77.2%	95.0%	95.0%	95.0%	95.0%	95.0%	16.7%	
S G & A	31.6%	30.6%	23.6%	89.1%	37.7%	79.7%	78.2%	65.4%	80.0%	75.7%	60.0%	58.0%	52.0%	51.5%	55.4%	18.1%	
Total Operating Expenses	69.7%	37.8%	26.3%	132.9%	54.9%	143.4%	132.5%	150.9%	175.0%	152.9%	155.0%	153.0%	147.0%	146.5%	150.4%	34.8%	

Source: Company reports and CapStone Investments estimates

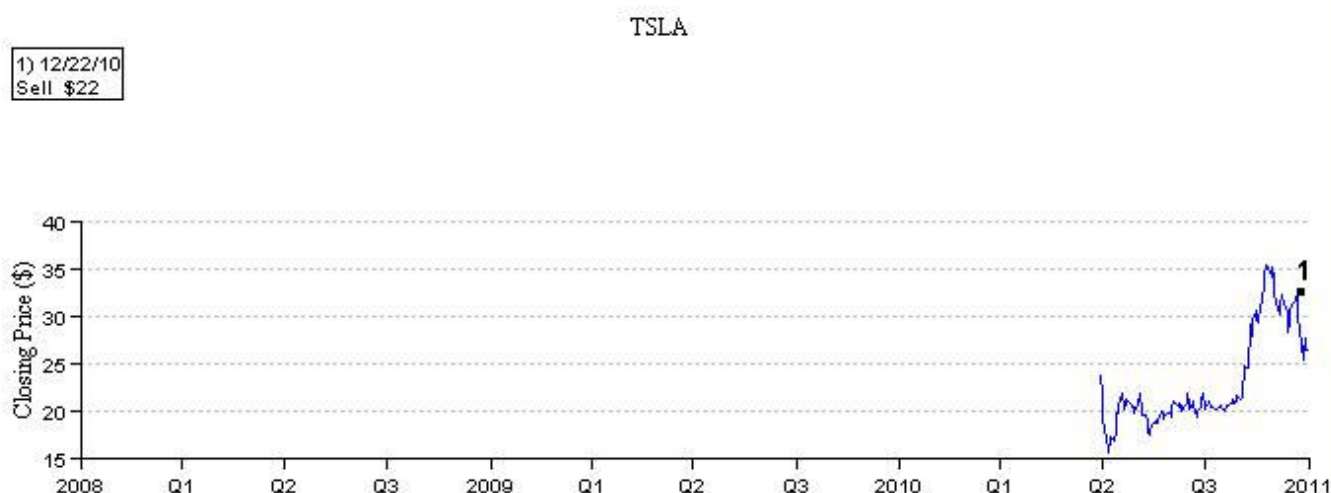
Figure 2: Tesla Motors, Inc.: HISTORICAL AND PROJECTED CASH FLOWS AND BALANCE SHEET

\$M	2009					2010E					2011E				
	1Q Mar-09	2Q Jun-09	3Q Sep-09	4Q Dec-09	2009 YEAR	1Q Mar-10	2Q Jun-10	3Q Sep-10	4Q Dec-10	2010E YEAR	1Q Mar-11	2Q Jun-11	3Q Sep-11	4Q Dec-11	2011E YEAR
Operating Sources:															
Net Income	(\$16.0)	(\$10.9)	(\$4.6)	(\$24.2)	(\$55.7)	(\$29.5)	(\$38.5)	(\$34.9)	(\$57.6)	(\$160.6)	(\$51.6)	(\$51.5)	(\$50.4)	(\$50.6)	(\$204.1)
Depreciation and Amortization	1.4	1.7	1.9	1.9	6.9	2.1	2.5	3.1	3.0	10.7	9.9	9.8	10.6	11.2	41.6
Total	(14.6)	(9.2)	(2.7)	(22.3)	(48.8)	(27.4)	(36.0)	(31.8)	(54.6)	(149.8)	(41.7)	(41.7)	(39.7)	(39.4)	(162.6)
Change in Working Capital															
Accounts Receivable	2.8	(4.0)	3.2	(2.1)	(0.2)	(2.4)	(0.5)	(1.6)	(2.3)	(6.9)	(0.9)	(0.1)	(0.1)	(0.1)	(1.1)
Inventories	(4.9)	(3.8)	4.7	(3.9)	(7.9)	(5.5)	(1.1)	(10.3)	5.5	(11.4)	0.3	(0.6)	(0.6)	0.7	(0.2)
Other Current Assets	(0.2)	(2.3)	(0.3)	0.4	(2.5)	(0.1)	(1.3)	(8.5)	0.0	(9.9)	0.0	0.0	0.0	0.0	0.0
Non-Debt Current Liabilities	0.5	5.2	(29.3)	(3.4)	(27.0)	2.2	8.5	2.8	(1.5)	12.0	1.8	2.4	2.4	1.5	8.2
Total	(1.9)	(4.9)	(21.7)	(9.0)	(37.5)	(5.8)	5.5	(17.6)	1.7	(16.1)	1.2	1.8	1.8	2.1	6.9
Capital Expenditures	0.9	2.5	2.3	6.2	11.9	5.5	12.2	5.4	67.0	90.1	25.5	22.2	31.0	57.0	135.7
Operating Cash Flow	(\$17.4)	(\$16.6)	(\$26.7)	(\$37.5)	(\$98.2)	(\$38.7)	(\$42.7)	(\$54.8)	(\$119.9)	(\$256.0)	(\$66.0)	(\$62.2)	(\$68.9)	(\$94.3)	(\$291.3)
Cash Flow per Share	(\$0.83)	(\$0.79)	(\$1.27)	(\$1.78)	(\$4.66)	(\$1.76)	(\$1.86)	(\$0.59)	(\$1.25)	(\$4.39)	(\$0.66)	(\$0.62)	(\$0.68)	(\$0.92)	(\$2.98)
Non-Operating Activities:	8.1	16.6	133.2	0.6	158.6	30.6	28.5	104.0	110.0	273.1	68.7	68.7	93.7	93.7	324.7
Beginning Cash and Invest.	\$9.3	\$0.0	\$0.0	\$106.5	\$9.3	\$69.6	\$61.5	\$47.3	\$96.6	\$69.6	\$86.7	\$89.4	\$95.9	\$120.7	\$86.7
Net Cash Flow	(9.3)	0.0	106.5	(36.9)	60.4	(8.1)	(14.2)	49.3	(9.9)	17.1	2.7	6.5	24.8	(0.6)	33.4
Ending Cash and Invest.	\$0.0	\$0.0	\$106.5	\$69.6	\$69.6	\$61.5	\$47.3	\$96.6	\$86.7	\$86.7	\$89.4	\$95.9	\$120.7	\$120.1	\$120.1
Assets															
Cash & Equivalents				\$69.6		\$61.5	\$47.3	\$96.6	\$86.7		\$89.4	\$95.9	\$120.7	\$120.1	
Restricted Cash				0.0		0.0	0.0	88.1	88.1		88.1	88.1	88.1	88.1	
Accounts Receivable				3.5		5.9	6.5	8.1	10.4		11.3	11.3	11.4	11.4	
Inventories				23.2		28.6	29.5	39.5	34.0		33.7	34.3	34.8	34.2	
Prepaid & Other CA				4.2		4.5	6.7	8.9	8.9		8.9	8.9	8.9	8.9	
Total Current Assets				100.6		100.6	90.0	241.1	228.0		231.3	238.5	263.9	262.7	
Operating Lease Vehicles				0.0		0.0	0.0	5.7	5.7		5.7	5.7	5.7	5.7	
Net PP&E				23.5		26.9	33.2	37.2	124.1		139.7	152.1	172.4	212.5	
Goodwill & Intangible Assets				3.6		7.5	5.4	57.5	57.5		57.5	57.5	57.5	57.5	
Other Assets				2.8		10.4	19.4	20.1	20.1		20.1	20.1	20.1	20.1	
Total Assets				\$130.4		\$145.3	\$148.0	\$361.6	\$435.5		\$454.3	\$473.9	\$519.6	\$558.5	
Liabilities															
Accounts Payable				\$15.1		\$18.2	\$25.6	\$27.0	\$24.5		\$24.3	\$24.7	\$25.1	\$24.6	
Accrued Liabilities				14.5		7.9	8.4	10.7	10.7		10.7	10.7	10.7	10.7	
Debt Development Compensation				0.2		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
Deferred Revenue				1.4		6.7	8.1	3.5	3.5		3.5	3.5	3.5	3.5	
Capital Lease Obligations, Current				14.5		7.9	8.4	10.7	10.7		10.7	10.7	10.7	10.7	
Reservation Payments				1.4		6.7	8.1	3.5	3.5		3.5	3.5	3.5	3.5	
Current Liabilities				\$57.5		\$59.1	\$68.6	\$69.3	\$67.8		\$69.6	\$72.1	\$74.5	\$76.0	
Common Stock Warrant Liability				0.0		0.0	16.7	6.7	4.7		0.0	0.0	0.0	0.0	
Convertible Pfd Stock Warrant Liability				1.7		10.4	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
Capital Lease Obligations, Non-Current				0.8		0.7	0.6	0.6	0.6		0.0	0.0	0.0	0.0	
Deferred Revenue, less current				1.2		1.4	2.1	2.5	3.0		0.0	0.0	0.0	0.0	
Long-Term Debt - DoE Loan				0.0		29.9	45.4	56.6	56.6		56.6	56.6	206.6	356.6	
Other Long Term Liabilities				3.5		3.9	5.0	6.1	7.1		7.1	7.1	7.1	7.1	
Total Liabilities				\$64.7		\$105.4	\$138.5	\$141.7	\$139.7		\$0.0	\$0.0	\$0.0	\$0.0	
Total Convertible Pfd Stock				\$319.2		\$319.2	\$319.2	\$0.0	\$0.0		\$0.0	\$0.0	\$0.0	\$0.0	
Series A Convert. Pfd (7.2M shs)				3.5		3.5	3.5	0.0	0.0		0.0	0.0	0.0	0.0	
Series B Convert. Pfd (17.5M shs)				12.9		12.9	12.9	0.0	0.0		0.0	0.0	0.0	0.0	
Series C Convert. Pfd (35.2M shs)				39.8		39.8	39.8	0.0	0.0		0.0	0.0	0.0	0.0	
Series D Convert. Pfd (18.4M shs)				44.9		44.9	44.9	0.0	0.0		0.0	0.0	0.0	0.0	
Series E Convert. Pfd (102.8M shs)				135.7		135.7	135.7	0.0	0.0		0.0	0.0	0.0	0.0	
Series F Convert. Pfd (27.8M shs)				82.4		82.4	82.4	0.0	0.0		0.0	0.0	0.0	0.0	
Total Liabilities & Convert Pfd				\$383.9		\$424.6	\$457.7	\$141.7	\$139.7		\$133.3	\$135.7	\$288.1	\$439.6	
Shareholders' Equity				(\$253.5)		(\$279.3)	(\$309.8)	\$219.9	\$295.8		\$321.1	\$338.2	\$231.5	\$118.9	
Total Liabilities and Equity				\$130.4		\$145.3	\$148.0	\$361.6	\$435.5		\$454.3	\$473.9	\$519.6	\$558.5	
Key Financial Ratios															
Days Receivable Outstanding				17.1		26.0	20.8	23.5	25.0		25.0	25.0	25.0	25.0	
Inventory Turns				2.9x		2.4x	3.0x	2.2x	3.5x		3.5x	3.5x	3.5x	3.5x	
Days Payable				74.1		79.8	82.3	78.8	75.0		75.0	75.0	75.0	75.0	
Book Value				(\$12.03)		(\$12.75)	(\$13.51)	\$2.38	\$3.08		\$3.22	\$3.37	\$2.29	\$1.17	
Cash per Share				\$3.31		\$2.81	\$2.06	\$1.05	\$0.90		\$0.90	\$0.95	\$1.19	\$1.18	

Source: Company reports and CapStone Investments estimates

IMPORTANT DISCLOSURES

Price charts generated by Jovus, Inc



To receive price charts on the companies mentioned in this report, please contact CapStone Investments at the numbers below.

CapStone Rating Distribution (as of December 31, 2010):

Strong Buy: 5% of stocks have this rating (0% were investment banking clients within the last 12 months)
Buy: 56% of stocks have this rating (2% were investment banking clients within the last 12 months)
Hold: 31% of stocks have this rating (0% were investment banking clients within the last 12 months)
Sell: 8% of stocks have this rating (0% were investment banking clients within the last 12 months)
No Rating: 0% of stocks have this rating (0% were investment banking clients within the last 12 months)

Explanation of Ratings

Buy: Describes stocks we believe could increase by more than 15% over the next twelve months.

Hold: Describes stocks we believe could change plus or minus 15% over the next twelve months.

Sell: Describes stocks we believe could decline by more than 15% over the next twelve months.

No Rating: Describes stocks we cover on which adequate information to make a recommendation is not available.

CapStone Equity Research Disclosures as of February 15, 2011

Company	Disclosure
Tesla Motors, Inc. (TSLA)	None

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

CapStone Investments Equity Research Disclosure Legend

1. CapStone Investments makes a market in the securities of the subject company.
2. The analyst serves as an officer, director, or advisory board member of the subject company.
3. The analyst or a member of the analyst's household has a financial interest in the securities of the subject company (this interest may include, without limitation, whether it consists of any a) Long position, b) Short position, c) Rights, d) Warrants or e) Futures, g) Put options or h) Call options).
4. CapStone Investments or an affiliate of CapStone Investments has managed or co-managed a public offering of securities for the subject company in the last 12 months.
5. CapStone Investments or an affiliate of CapStone Investments has received compensation for investment banking services from the subject company in the last 12 months.
6. CapStone Investments expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.
7. CapStone Investments or its affiliates beneficially own 1% or more of the common stock of the subject company as calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934.

CapStone Investments Trading Desk: 1-858-875-4550

8. The subject company is, or during the past 12 months was, a client of CapStone Investments, which provided non-investment banking, securities-related services to, and received compensation from, the subject company for such services. The analyst or employees of CapStone Investments with the ability to influence the substance of this report knows the foregoing facts.
9. An affiliate of CapStone Investments received compensation from the subject company for products or services other than investment banking services during the past 12 months. The analyst or employees of CapStone Investments with the ability to influence the substance of this report know or have reason to know the foregoing facts.

The analyst(s) principally responsible for preparation of this report received compensation that is based upon many factors, including the firm's overall investment banking revenue.

Analyst Certification

I, Carter Driscoll, CFA, was principally responsible for the preparation of this research report certify that the views expressed in this research report accurately reflect his/her (their) personal views about the subject security(ies) or issuer(s) and that his/her (their) compensation was not, is not, or will not be directly or indirectly related to the specific recommendations or views contained in this research report.

OTHER DISCLOSURES

CapStone Investments research, advisory and other services are provided to institutional investors with the explicit understanding that payment is required under customary industry commission rates. Continued usage of our research by you constitutes your assent to these terms.

CapStone Investments prepared the information and opinions in this report. CapStone Investments has no obligation to inform you when opinions or information in this report change.

FINRA Regulation has adopted rules that will prohibit research analysts from trading in securities of covered companies during specified time periods before and after the publication of research.

This report is for information purposes only. Under no circumstances is it to be used or considered as a solicitation to buy or sell any securities. While the information contained herein has been obtained from sources we believe to be reliable, CapStone Investments, a FINRA Member Firm and a Member of SIPC, does not represent that it is accurate or complete, and accordingly, should not be relied upon as such. Notwithstanding this, CapStone Investments verifies that the information provided regarding its registration status and other material facts, including disclosures made on behalf of its relevant persons and entities are in fact accurate. Risk factors and actual results may differ significantly from the information contained herein. This report or any portion hereof may not be reprinted, sold, or redistributed without the written consent of CapStone Investments.

This report is prepared for Institutional Consideration Only. Estimates of future performance are based on assumptions that may not be realized. Past performance is not necessarily a guide to future performance.

CapStone Investments will effect agency transactions in the securities mentioned, on behalf of its clients submitting orders to buy or sell.

CapStone Investments makes its research reports available in real-time to institutional investors through Bloomberg, Thomson Reuters, TheMarkets.com, FactSet, Capital IQ and Zack's Investment Research.

Copyright © Capstone Investments 2011

Institutional Sales: Thomas A. Dillon III, CFA Head of Equities 12760 High Bluff Drive, Suite 120 San Diego, CA 92130 941-685-3789	Trading: Craig Warner Director of Trading CapStone Investments 12760 High Bluff Drive Suite 120 San Diego, CA 92130 858-875-4550	Corporate: Steve Capozza President CapStone Investments 12760 High Bluff Drive Suite 120 San Diego, CA 92130 800-327-5566
---	--	---