

Morgan Stanley & Co. Incorporated **Adam Jonas, CFA**
Adam.Jonas@morganstanley.com
+1 212 761 1726

Joshua Paradise, CFA
Joshua.Paradise@morganstanley.com
+1 212 761 4014

Ravi Shanker
Ravi.Shanker@morganstanley.com
+1 212 761 6350

Yejay Ying
Yejay.Ying@morganstanley.com
+1 212 761 7096

April 4, 2011

Stock Rating
Overweight

Industry View
In-Line

Tesla Motors Inc.

The Natural Oil Hedge

A strong case can be made for the value of Tesla rising on higher oil prices: At a \$3.60 gas price per gallon, the average US light vehicle consumes over \$1,700 in fuel cost per year, nearly \$0.5 trillion *per year* across the 245m unit fleet – roughly 3.5% of US GDP and nearly 10x the US Department of Education budget. For most auto stocks under our coverage, there are few things as disruptive as the threat of higher gas prices. But for Tesla, such a scenario only increases the economic and social rationale for grid-enabled vehicles. Making a number of broad assumptions, and holding net consumer demand destruction stable, **we can link Tesla value to several oil and gas price sensitivities:**

- **A \$10 rise in oil price globally could be worth 5% to Tesla shares** based on our est. Tesla 2.6% share of the global xEV market in 2025. This assumes consumers shift 15% of the incremental cost burden to xEVs.
- **A \$1 rise in US gas price could be worth 13% to Tesla shares** based on our est. Tesla 6.0% share of the US xEV market in 2025.
- **Improves operating cost/benefit.** The typical US driver buys 480 gallons of gas per year. The burden of a \$1 increase in gas price has an NPV cost of \$3,500, equal to 25 to 30% of the cost of a 100-mile-range EV battery (\$12,500).
- **Reduces payback period.** A \$1 rise in gas price reduces the payback period of an EV battery from 9.5 to 6.9 years at \$500 per KWh and 25mpg for internal combustion engine.

Our Tesla forecasts and \$70 price target assume fuel prices rise, battery costs fall and Model S launch does not breach minimum liquidity levels. Premium offerings like the Model S and its derivatives are important stepping stones to the company's full volume potential of 500k units by 2025. We see a path to a company with \$9.5bn of sales, >\$1.2bn of operating profit and >\$1.0bn of FCF by 2020, based on Tesla capturing 3.6% of the global xEV market by that time.

Key Ratios and Statistics

Reuters: TSLA.O Bloomberg: TSLA US
Autos & Auto-Related / United States of America

Price target	\$70.00
Shr price, close (Mar 31, 2011)	\$27.75
Mkt cap, curr (mm)	\$2,641
52-Week Range	\$36.42-14.98

Recent Reports

Title	Date
Tesla Motors Inc.: America's Fourth Automaker Adam Jonas, CFA / Joshua Paradise, CFA / Ravi Shanker / Yejay Ying	Mar 31, 2011

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

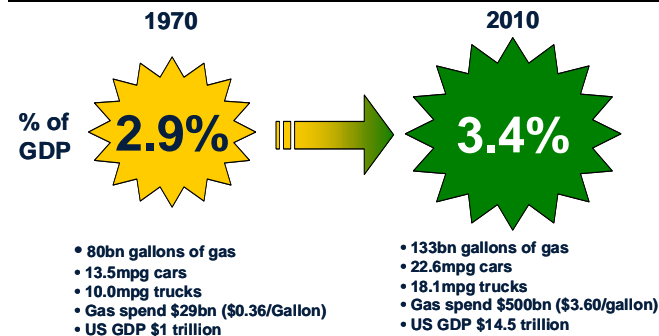
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

April 4, 2011
Tesla Motors Inc.

The political push for EVs: Governments worldwide have a strategic interest in reducing transportation dependence on foreign oil. The statistics speak for themselves. At \$3.60 per gallon, Americans spend roughly \$0.5 trillion on gasoline for personal transport each year. This amount accounts for approximately 3.4% of US GDP. Personal transport accounts for the largest portion of the \$1tn in total US oil demand (half of which is imported). By comparison, the 2010 US Department of Education annual budget was approximately \$50bn. Such an enormous dependence of the US economy on foreign oil alone creates a great incentive for the Federal government to have a hand in creating conditions for grid-enabled-vehicles to thrive. The incentive to create green manufacturing jobs is augmented by sluggish growth and high unemployment.

Exhibit 1

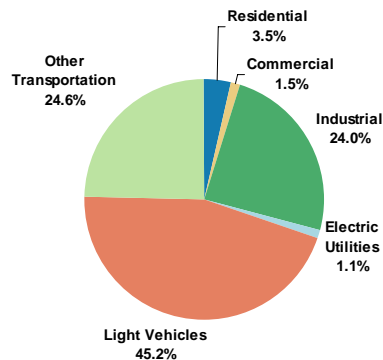
US economy, environment and national security threatened by dependence on oil (gas spend/GDP)



Source: US Transportation Energy Book, Morgan Stanley Research.

Exhibit 2

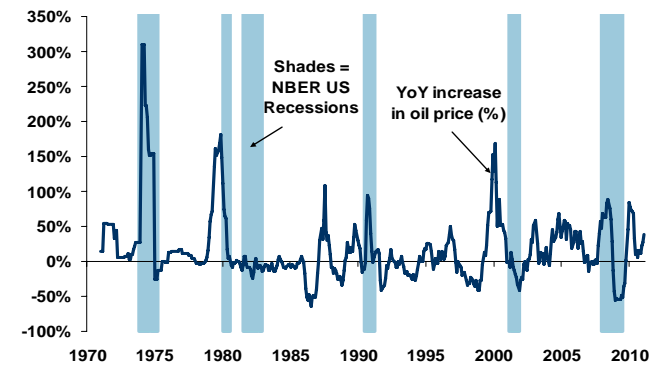
Light vehicles for personal use accounts for nearly 1/2 of US oil consumption



Source: US Transportation Databook, Morgan Stanley Research.

Exhibit 3

Every recession since 1970 has been preceded by an oil price spike



Source: Department of Commerce, Bureau of Economic Analysis. Uses inflation adjusted GDP.

The key impediment for EVs: Battery costs are too high and today's cars are too good. While the initial uptake of xEVs will be driven by early adopters, long-term demand will depend on whether xEVs can become financially viable.

Viability can be defined as (1) upfront cost premium: if the cost of entry is too high, operating cost savings will not even matter. It is encouraging to see many initial EV launches in the \$25-50k range before radical technology breakthroughs. (2) ability to reach breakeven vs. running cost savings.

Prevailing gasoline prices and fuel economy of internal combustion engine will significantly influence the payback period for xEVs. All else equal, a \$1 increase in gas price per gallon would reduce the payback period of purchasing an xEV by roughly 2.5 years. Each 5mpg increase in ICE fuel economy extends the payback by >2 years.

Exhibit 4

Payback (years) at various battery cost vs. gas price at 25.0 mpg of ICE

		Battery Cost (\$/KWh)					
		600	500	400	300	200	100
Gas Price (\$/gal)	1.50	41.7	34.7	27.8	20.8	13.9	6.9
	2.00	25.0	20.8	16.7	12.5	8.3	4.2
	2.50	17.9	14.9	11.9	8.9	6.0	3.0
	3.00	13.9	11.6	9.3	6.9	4.6	2.3
	3.50	11.4	9.5	7.6	5.7	3.8	1.9
	4.00	9.6	8.0	6.4	4.8	3.2	1.6
	4.50	8.3	6.9	5.6	4.2	2.8	1.4
	5.00	7.4	6.1	4.9	3.7	2.5	1.2
	5.50	6.6	5.5	4.4	3.3	2.2	1.1
	6.00	6.0	5.0	4.0	3.0	2.0	1.0
	6.50	5.4	4.5	3.6	2.7	1.8	0.9
	7.00	5.0	4.2	3.3	2.5	1.7	0.8
	7.50	4.6	3.9	3.1	2.3	1.5	0.8
	8.00	4.3	3.6	2.9	2.2	1.4	0.7

Source: Company data, Morgan Stanley Research. Assumes electricity cost of \$0.12/KWh, 4 miles/KWh and average annual driving distance of 12,000 miles/year.

April 4, 2011
Tesla Motors Inc.

A \$10 rise in oil price globally could be worth 5% to Tesla's share price. Each \$10 of oil price per barrel is a projected \$92bn annual operating cost increase to light vehicle owners. Assuming 15% of this burden shifts to xEVs with Tesla taking a 2.6% global xEV share adds \$89m to incremental EBITDA by 2025 and \$1.3 per Tesla share.

Exhibit 5

Global oil analysis – sensitivity to Tesla value

Barrels of oil consumed by light vehicles globally per day (mm)	20.9
2025 projected oil consumption by light vehicles per day (mm)	25.1
Barrels of oil consumed by light vehicles globally per year (bn)	9.2
Oil price per barrel (\$)	110
Global oil expenditure for light vehicles (\$bn)	1,009
Burden of \$10 move in oil price on light vehicle consumers (bn)	92
% of incremental oil burden moving to xEV demand	15%
Value of incremental cost moving to xEV demand	14
Tesla global xEV market share by 2025 (%)	2.6%
Value of incremental Tesla sales in 2025 (\$mm)	358
Incremental margin on Tesla sales (%)	25%
Incremental EBITDA for Tesla (\$m)	89
2025 EBITDA multiple (x)	8.5
Additional terminal value (\$m)	760
WACC (%)	12%
PV of additional terminal value (\$mm)	139
Tesla shares outstanding (m)	107
Increased value per Tesla share (\$)	1.3
Tesla share price (\$)	27
% of current Tesla Share price (%)	5%

Source: Company data, Morgan Stanley Research

A \$1 rise in US gas price could be worth 13% to Tesla's share price. Each \$1 of gas price per gallon is a projected \$103bn annual operating cost increase to light vehicle consumers in the United States based on our projection of gasoline consumption for personal transport by 2025. Assuming 15% of this burden shifts to xEVs with Tesla taking a 6% share of the US xEV market adds \$233m of incremental EBITDA by 2025 and \$3.4 per Tesla share.

Exhibit 6

US gasoline analysis – sensitivity to Tesla value

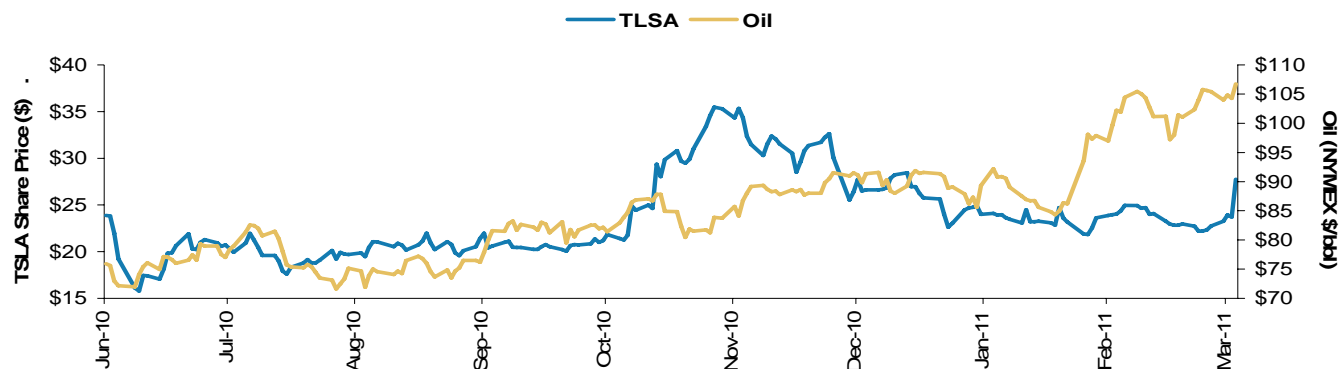
Annual gasoline usage for personal transport (bn gallons)	138
2025 projected gasoline usage for personal transport (bn gallons)	103
Gasoline price (\$)	3.50
Annual US gasoline expenditure for light vehicles (\$bn)	362
Gas price increment (\$)	1.00
Burden of \$1 move in gas price on light vehicle consumers (bn)	103
% of burden moving to xEV demand	15%
Value of burden moving to xEV demand (\$bn)	15.5
Tesla share of US xEV market by 2025 (%)	6.0%
Value of incremental Tesla sales in 2025 (\$mm)	931
Incremental margin on Tesla sales (%)	25%
Incremental EBITDA for Tesla (\$m)	233
2025 EBITDA multiple (x)	8.5
Additional terminal value (\$m)	1,978
WACC (%)	12%
PV of additional terminal value (\$mm)	361
Tesla shares outstanding (m)	107
Increased value per Tesla share (\$)	3.4
Tesla share price (\$)	27
% of current Tesla Share price (%)	13%

Source: Company data, Morgan Stanley Research

Valuation methodology and risk discussion. We argue Tesla cannot be valued on near-term multiple metrics like traditional auto companies given that we expect Tesla to multiply revenues by over 20x from 2010 to 2015, by more than 80x by 2020 and over 150x by 2025. We have thus chosen a 15-year time horizon for our DCF which captures the full utilization of Tesla's manufacturing capacity in Fremont, the full maturation of the Model S, Model X (and top-hat derivatives) and also the ramp up of its mass market electric vehicle (the Gen 3). We have applied a 12% WACC with a range of 10% to 14%. The terminal value accounts for around 60% to 70% of the total DCF value across the range of methodologies we have applied to arrive at our \$70 PT. The risks of lagging EV adoption, launch delays and balance sheet difficulties make Tesla a highly speculative investment.

Exhibit 7

Tesla share price vs. NYMEX Crude



Source: Company data, Morgan Stanley Research

April 4, 2011
Tesla Motors Inc.



Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. Incorporated, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. Incorporated, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V. and their affiliates as necessary. For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Adam Jonas.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictolicies.

Important US Regulatory Disclosures on Subject Companies

As of February 28, 2011, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Meritor Inc., Tesla Motors Inc..

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of BorgWarner Inc., Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Tenneco Inc., Tesla Motors Inc., TRW Automotive Holdings Corp..

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from BorgWarner Inc., Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Meritor Inc., Tenneco Inc., Tesla Motors Inc., TRW Automotive Holdings Corp..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from BorgWarner Inc., Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Johnson Controls, Inc., Tenneco Inc., Tesla Motors Inc..

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from BorgWarner Inc., Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Lear Corporation, Meritor Inc., Tenneco Inc..

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: BorgWarner Inc., Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Johnson Controls, Inc., Meritor Inc., Tenneco Inc., Tesla Motors Inc., TRW Automotive Holdings Corp..

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: BorgWarner Inc., Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Johnson Controls, Inc., Lear Corporation, Meritor Inc., Tenneco Inc..

An employee, director or consultant of Morgan Stanley (not a research analyst or a member of a research analyst's household) is a director of Ford Motor Company.

Morgan Stanley & Co. Incorporated makes a market in the securities of AutoNation Inc., BorgWarner Inc., Cooper Tire & Rubber Company, Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Group 1 Automotive, Inc., Johnson Controls, Inc., Lear Corporation, Magna International Inc., Meritor Inc., Penske Automotive Group, Inc., Tenneco Inc., Tesla Motors Inc., TRW Automotive Holdings Corp..

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of March 31, 2011)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

April 4, 2011
Tesla Motors Inc.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1195	42%	469	47%	39%
Equal-weight/Hold	1153	40%	406	40%	35%
Not-Rated/Hold	114	4%	22	2%	19%
Underweight/Sell	389	14%	108	11%	28%
Total	2,851		1005		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

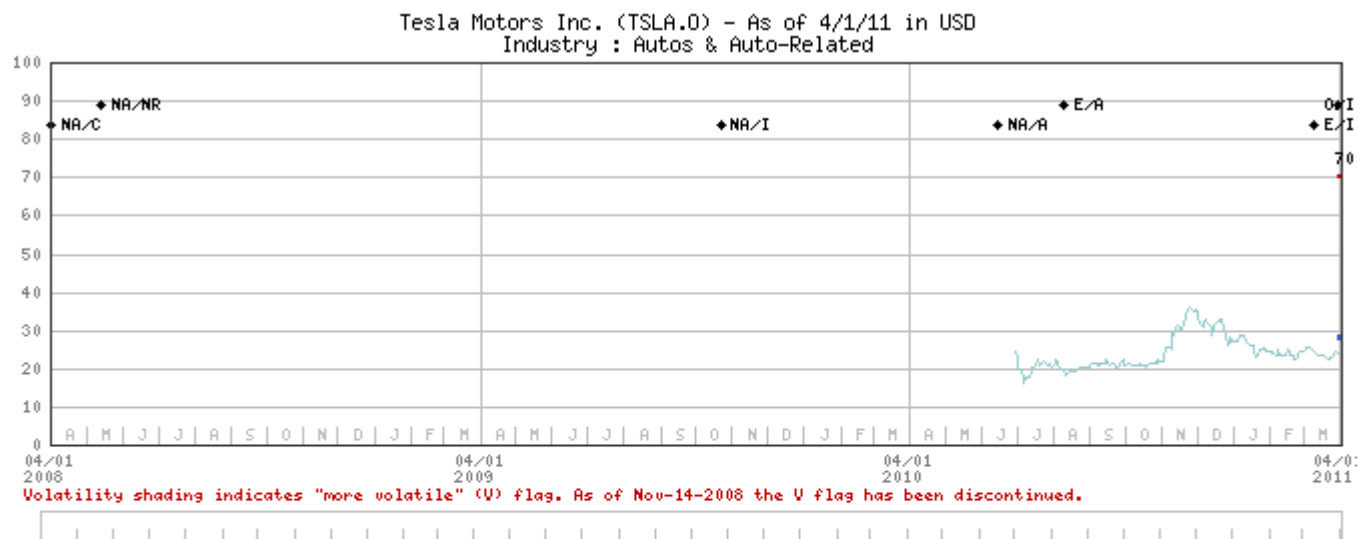
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 4/1/08 : NA/C; 5/13/08 : NA/NR; 10/22/09 : NA/I; 6/14/10 : NA/A; 8/9/10 : E/A;
3/10/11 : E/I; 3/31/11 : O/I
Price Target History: 8/9/10 : NA; 3/31/11 : 70

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (U) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

April 4, 2011
Tesla Motors Inc.

Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Citi Investment Research & Analysis (CIRA) research reports may be available about the companies or topics that are the subject of Morgan Stanley Research. Ask your Financial Advisor or use Research Center to view any available CIRA research reports in addition to Morgan Stanley research reports.

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC, Morgan Stanley and Citigroup Global Markets Inc. or any of their affiliates, are available on the Morgan Stanley Smith Barney disclosure website at www.morganstanleysmithbarney.com/researchdisclosures.

For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to www.morganstanley.com/researchdisclosures and https://www.citigroupgeo.com/geopublic/Disclosures/index_a.html.

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of BorgWarner Inc., Ford Motor Company, General Motors Company, Goodyear Tire & Rubber Company, Johnson Controls, Inc., Lear Corporation, Magna International Inc., Meritor Inc, Tenneco Inc., TRW Automotive Holdings Corp..

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at www.morganstanley.com.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Morgan Stanley may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Morgan Stanley is not incorporated under PRC law and the research in relation to this research is conducted outside the PRC. Morgan Stanley Research will be distributed only upon request of a specific recipient. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A.; in Japan by Morgan Stanley MUFG Securities Co., Ltd.; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore, which accepts responsibility for its contents; in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Smith Barney Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. Incorporated, which accepts responsibility for its contents.

Morgan Stanley & Co. International plc, authorized and regulated by the Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Morgan Stanley Private Wealth Management Limited, authorized and regulated by the Financial Services Authority, also disseminates Morgan Stanley Research in the UK. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc or Morgan Stanley Private Wealth Management representative about the investments concerned. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

April 4, 2011
Tesla Motors Inc.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

The Americas

1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe

20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan

4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008
Japan
Tel: +81 (0) 3 5424 5000

Asia/Pacific

1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

Industry Coverage: Autos & Auto-Related

Company (Ticker)	Rating (as of)	Price* (03/31/2011)
Adam Jonas, CFA		
Ford Motor Company (F.N)	O (10/04/2010)	\$14.91
General Motors Company (GM.N)	O (12/28/2010)	\$31.03
Tesla Motors Inc. (TSLA.O)	O (03/31/2011)	\$27.75
Ravi Shanker		
AutoNation Inc. (AN.N)	U (03/10/2011)	\$35.37
BorgWarner Inc. (BWA.N)	O (10/22/2009)	\$79.69
Cooper Tire & Rubber Company (CTB.N)	O (03/16/2010)	\$25.75
Goodyear Tire & Rubber Company (GT.N)	O (03/10/2011)	\$14.98
Group 1 Automotive, Inc (GPI.N)	U (10/22/2009)	\$42.8
Johnson Controls, Inc. (JCI.N)	O (06/14/2010)	\$41.57
Lear Corporation (LEA.N)	U (09/23/2010)	\$48.87
Magna International Inc. (MGA.N)	U (03/10/2011)	\$47.91
Meritor Inc (MTOR.N)	O (09/23/2010)	\$16.97
Penske Automotive Group, Inc (PAG.N)	U (10/22/2009)	\$20.02
TRW Automotive Holdings Corp. (TRW.N)	O (09/10/2010)	\$55.08
Tenneco Inc. (TEN.N)	U (09/23/2010)	\$42.45

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.