

Hi. Thanks for joining us. So, I think we can proceed directly to questions and since there is no point in me reading something that you already have. So, Jeff let's just go directly to questions.

## **Question-and-Answer Session**

### **Operator**

Thank you. (Operator Instructions). Our first question comes from Adam Jonas of Morgan Stanley. Your line is open.

### **Adam Jonas – Morgan Stanley**

Hi, thanks everybody, Elon, first question. The long-term supply contracts with Panasonic, you said it gives you increased visibility on variable costs for sales. But you also have increased confidence on the cost, i.e., based on what you seen so far, is it better than you thought. And the second part to that question is, if over time you have a competing supplier that offers a lower cost solution, do you have any opt out from Panasonic, and if so, what are the sum of costs, what types of costs for that opt out? Thanks.

### **Elon Musk**

Sure, we do have firm pricing from Panasonic. And so, we have very good predictability as to what will the price be over the next four years. We're not obligated to purchase – all of those sales. So, it is profitable for us if Panasonic becomes uncompetitive to exit the bill with relatively small. There is some penalty that is quite small. Now that being said, I feel pretty confident that Panasonic is going to be in the lead position from a sales base, actually I think for quite some time. And when we (inaudible) to what others are doing. So, I think we've got the best sales partner in the world and so, I'm just going to remain with that for quite a while.

Now, we do expect over that period (inaudible) for you to make a lot more cars than we've currently talked about the Panasonic deal, which is an order of 80,000. So that basically huge room for a second source if that does make sense.

### **Adam Jonas – Morgan Stanley**

Thanks can I ask a question about leasing? Any progress on making or establishing any leasing partner as you get closer to the commercial launch of Model S?

### **Elon Musk**

Yeah we've had a number of conversations but have just decided to de-prioritize that initially because this really didn't seem to be a need to have leasing take place in probably the first, its only for the first six months, but I think maybe even in the first twelve months and it's better for us folks we could certainly get a leasing sales on, so it doesn't seem to be necessary achieve our volume targets in the six to 12 months. Yeah.

### **Operator**

Thank you. Our next question comes from Dan Galves with Deutsche Bank. Your line is open.

### **Dan Galves – Deutsche Bank**

Good afternoon and thanks for taking my questions. I just wanted to ask Elon. Can you just give us an update on kind of what's left to be done before launch of the model S.? How do you feel like your suppliers are performing? Is there anything you are worried about in terms of suppliers on time or tooling getting to you guys on time?

### **Elon Musk**

The basic tool rate is going very well. I mean, for us certainly is going very well, because we take that to a (inaudible) but they are all going very well. We have over 90% of the sector 20 equipment in place. I don't really know of any one thing that I would call out as being strictly risky, but there is a lot of little things and that could potentially go away, but we are not trying to make sure is that we have the agility to respond to any one of those things. So we have sort of a special force of team that's in the Engineering and Manufacturing side that can go and tackle any specific problem once it arises but we don't know what it is yet, if anything comes [ph].

So yeah things look great, I don't really have anything to complain about right now. We do want to make sure this car is close to perfect as possible and we could shift cars sooner than July if we have lower standards in that regard but we want to really create a good impression with customers from the moment there is (inaudible) car, so...

### **Dan Galves – Deutsche Bank**

Okay.

### **Elon Musk**

We don't rush to market, okay.

### **Dan Galves – Deutsche Bank**

Okay.

**Elon Musk**

Yeah.

**Dan Galves – Deutsche Bank**

That sounds good. And then, my next question is related to the mix of vehicles. When do you expect to kind of let the reservation holders to start specifying or specking the cars? And I guess more longer term; do you feel like you have the flexibility to kind of meet whatever mix of vehicles comes at you in terms of options, battery sizes and that type of thing?

**Elon Musk**

Yeah. In fact, we're just deciding that right now, that is which is pick out what is the best way to price this, we have got the various options and I suspect it strikes a good happy medium between customer value perception and consumer gross margin to Tesla. And I think we really, really to lifeboat [ph] into that, but in the remaining sort of deck, obviously we have to (inaudible) if our assumptions are wrong and after we (inaudible). But we do expect to have that out before the end of this year, so give or take December at least.

**Dan Galves – Deutsche Bank**

Okay. And you feel like you've got the flexibility to kind of meet whatever mix of vehicles people end up ordering?

**Elon Musk**

Yeah, I think so. Look, now for the first several months of production, we're going to constrain that the option mix to a pretty high, you have to order stuff that's got a pretty high option mix initially. And we said this several months ago, for the first five months or so, we want to be offering the 160-mile range vehicle, it will just be the 300-mile and 230mile range. And there will be a couple other options that are kind of mandatory in the initial period. But that makes it easier for us to constrain the number of variables in the start of production and so, we don't have too many variations of vehicles coming out of the factory. And I think that is sort of the best way to take it down of early demand. It is kind of like, when you order a new CPU or something like that, it would initially be expensive and then it could go down later as production increased. So we're kind of insisting that people buy the heavily optioned car initially and (inaudible).

## **Dan Galves – Deutsche Bank**

Okay. It makes sense. One more if I could? Based on the CapEx guidance, it looks like the CapEx is going up a little bit slightly next quarter, will that represent the peak of the CapEx spend for the next several quarters and any indication you can give us on kind of trajectory of why you are not really burning cash, because you are drawing the loan. But in terms of operating cash flow and CapEx, the trajectory of the negatives over the next several quarters, will it be moderating?

## **Elon Musk**

Deepak, would you like to take that?

## **Deepak Ahuja**

Sure Dan. On a full-year basis, as you can see, we have taken down the CapEx guidance slightly. Although, in the big scheme of things the timing difference really doesn't change things and doesn't matter much. It's difficult for us to predict exactly what the quarterly CapEx is given some of the timing issues and how we pay suppliers. So, I think as we pull together our 2012 guidance and share that with you during the Q4 earnings call. We can give you a better sense at that point of how CapEx will be fair through the year?

## **Operator**

Thank you. Our next question comes from Andrea James of Dougherty & Company. Your line is open.

## **Andrea James – Dougherty & Company**

So, in the quarter of order, is there something about CapEx may come in at the low end of guidance and then you go onto say in spite of controlled expenditures on certain projects and you want to keep that confidential. And I guess any type of contacts will be helpful. What are you trying to convey by sharing this sort of mysterious detail and then, what are investors supposed to take away from it?

## **Elon Musk**

Well, I guess, as I mentioned from the last earnings call, which I think it makes sense strategically to keep a few cards close to our best and not reveal this with everything. And that's part of what I'm trying to hint out there. Out I think those the things that we are doing, they are very important for long-term and when we do unveil them, I think people will,

most people will agree that there is tangible things to do, but we were not spending the kind of net that we were spending and not to make sure but when the planning is right what we can do quite to market with the key brands but I think you are expecting so to be so of truth. But previously we are keeping very work and extremely open about things and I just want to make the point that strategically will go forward with the few things that it didn't make sense for people who were here from the competitor's degree.

**Andrea James – Dougherty & Company**

Okay and then one more and then I will hope back in the queue. Can you see this one for two program right winding down and not (inaudible) have something new in Mercedes related. How do we think about that the size relative to this one for two program?

**Elon Musk**

In reference to Daimler, I can't make any specific comments about this deal, we're really waiting until they are ready to talk about it some more. I love to talk about it, but I need to be respectful of one of key our strategic partners.

**Andrea James – Dougherty & Company**

But when do you think you'll be able to speak more about it?

**Elon Musk**

Hopefully around the end of this year, that's really going to be part of the mutual consent of Daimler and us I mean, so when they are ready to talk about it then that's when we talk about it.

**Operator**

Thank you. The next question comes from Himanshu Patel of JPMorgan. Your line is open.

**Himanshu Patel – JPMorgan**

Hi, good afternoon guys. A couple of questions, Elon on the last call you had made a vague reference to some additional strategic opportunities. Was that the Daimler, LOI was that what you referenced to?

**Elon Musk**

No, I was pointing to something different.

**Himanshu Patel – JPMorgan**

Okay. Number two.

**Elon Musk**

Can you just nothing...

**Himanshu Patel – JPMorgan**

Could you guys talk a little bit to just Roadster volume, the quarterly savings really kind of picked up and it looks like you sold three times as many, I guess the growth rate is 45 units more than in Q2, which seemed like it was three times the size, is that what you saw in Q1 to Q2? What kind of happened in the third quarter and is there any way for us to think about kind of the quarterly savings of Roadster volumes. And is there any seasonal trends here that we should be thinking about either?

**Elon Musk**

Yeah, I mean of course, there is always some things to cover, limited production risk vehicle and that's what it is from seasonality, give a lot of (inaudible) convertibles footprint and (inaudible) little better and sooner than (inaudible).

But I am got retune options here, both the sales one with the other. That's the biggest value of Roadster has to test those really kind of in advanced scout to help us understand how to make and vehicle how operates in most of the different countries in different climates, regulatory machines. And it's kind of (inaudible). So, and it's really focused its purpose very well, but we're really not moving away from that to the next major beta things with the Model S and I think that's what really matters in the long-term.

**Himanshu Patel – JPMorgan**

Okay. And then I guess if you guys could speak a little bit to the kind of pace of reservation book building on the Model S. It looks like you're doing about 300, 350 reservation for month here. Is that- is there something to the pace of that that we should be thinking about prospectively, does it ever become non-linear at one stage? I mean it sounds like, you are starting to be a lot more aggressive on the marketing, but I'm just wonder if you guys had a view on how we should think about that?

**Elon Musk**

The rate of Model S reservations does appear to be accelerating. And I should point out we're not paying for any advertising and they actually advertise the Model S and we get a lot (inaudible) once we have on stores

and our sales to integrate in North America really has shifted its focus at this point at least from the Roadster to a Model S.

But it is noteworthy that with advertising that you are seeing this quarter. I think probably a lot of you don't realize that this is just wearing out and our sales team but I think something that people were interested in buying the Model S should appreciate if that if the model S reservations continue to accelerate that it is very important for them to put down a deposits soon or they will be getting a car in 2014.

I think sometimes people have got the impression that the Model S is kind of how other cars are where there is a ton of them on the lot and you can just go to the lot and buy one, but that's not the case, they are also down (inaudible).

### **Himanshu Patel – JPMorgan**

Okay. And then, I guess one last question. I think in the press release you guys make a reference to OpEx rising slightly as you kind of prep for the factory launch. Deepak I'm wondering, if you can talk a little bit about it the \$74 million non-GAAP OpEx some of this quarter. How does that sort of move over the next two, three quarters, and just I'm trying to understand is that a linear short of mile drives or does it sort of have a big spike in Q1 or Q2?

### **Deepak Ahuja**

Sure, before that let me just add reservations in Q3 for Model S were 1,150. So they were closer between 350 and 400 a month and as compared to a 1,000 in Q2. So there is a very good increase in Q3 that we saw and then in terms of OpEx as you know all of our manufacturing related expense in addition to R&D, is being booked as OpEx, until the in the launch mode for the Model S.

At that point, our manufacturing expenses would move out of R&D into cost of goods sold. As a result as we continue to hire more people and we'll hire more the production workforce in the next few quarters and start training them and getting ready, clearly our manufacturing related expenses will continue to increase and that's going to drive our OpEx primarily.

At the same time we'll see some decline and in Model S development expenses as some of the testing and supplier of ED&T work gets done. So that's a bit of in and out happening. But it's really once we are in production mode of Model S and manufacturing expenses are in cost of goods sold then we'll seen an appreciable drop in OpEx.

## **Himanshu Patel – JPMorgan**

Thank you.

## **Operator**

Thank you. Our next question in queue comes from Carter Driscoll of Capstone Investments. Your line is open.

## **Carter Driscoll – Capstone Investments**

Thank you, good afternoon. First question if I may about may be you could add some additional color about the Model X, what you are hoping to unveil in December. Do you think you will be able to have an ultra-model produced by then? Could you maybe comparing to contrast Model X with the Model S in little bit more detail. If I understand correctly you are going to be using the same power train and chassis and maybe just drill down a little bit without reviewing anything you don't want to compare why the Model S would be in one segment versus the Model X being targeted at another type of customer segment?

## **Elon Musk**

I don't want to give away too much, because it wouldn't be much and vary, but whereas the Model S, our goal is to address the premium sedan and to some degree premium SUV market, because the Model X will also try to bridge the market for growth. We're trying to address primarily the SUV market bridging to the many of that market.

And so what we're trying to achieve with the Model X is to have more functionality than a mini-van. So we're eager to getting out of (inaudible) cargo along with people and yeah, I think that's really the best we're missing. Right now for a lot of people, I know that they're forced to buy a mini-van and that they kind of hate it. But they need the functionality. I thought we want to give more than that functionality and I think somebody looks really cool.

## **Carter Driscoll – Capstone Investments**

So that's a little bit more functionality, do you anticipate that you'll be able to price segment. I imagine the mini-van segment is that more price sensitive than the premium sedan group?

## **Elon Musk**

Well, for SUV, I mean I know a lot of people who afford to pay a lot more for mini-van, because just nothing with the (inaudible) they're buying, and



there isn't really premium mini-van. And that's only premium SUV from a (inaudible) and whatnot. But I mean in fact, I have (inaudible) like less premium sedan (inaudible) more I think going to look that way correct.

### **Carter Driscoll – Capstone Investments**

And so criticism, thank you for that elaboration. Could you also maybe just talk you've made, I guess public statements. You expect to reach net profitability in 2013. Could you talk about what you're expecting? Obviously, in the first six months you're trying to limit the option range to reduce the level of potential production defects and tightly control had initially, could you talk about in 2013 where you think the mix of options and range whether you're talking the 160 the 230 or the 300 where do you think that mix will be to get you to that 25% targeted gross margin line and what the variables might be that would increase it above or below?

### **Elon Musk**

Well, I can do just my best guess is and I think most people are going to probably want the 230 mileage car. And I think a lot of people have been wanted the 300-plus mile car. Especially everything applied to the 310 to 320 miles range. And there is some other advantages to that car and in that we're going to be operating on much on the batteries lines. It does include things (inaudible) the long-distance intercity fast charging.

Okay, I think we will see probably (inaudible) 230 than next largest in the 300 and then the 160. And then there's a number of other options that are pretty cool. I mean we are the biggest both openings of any car, I believe that any channel has to do anything. If I spend the Model X kind we get through having a convertible or about convertible. I think, people want to pick that option and the ad suspension, which is able to (inaudible) the right height according to below the car and it will improve efficiency on the highway 300 down. You can raise both the car going through heavy flow. So I hope a lot of people get good option, because and a lot of people really realize you can how cool option that is. So it kind of pays on how we can convert the value of having it. And then...

### **Carter Driscoll – Capstone Investments**

Okay, that's very helpful. Maybe you could just switch gears quickly and I will hop back in queue is, could you give me a view of where the charging infrastructure is nationally, regionally and where you expect it to be over the next 12 to say 24 months, and where do you think that does support the higher production levels that you're hoping to achieve in 2013 and then obviously a lot of competitive vehicles that will also need that infrastructure?

## **Elon Musk**

Yeah, that's a good question. We're going to have very exciting announcements about interested in charging, and interested in supercharging if you will. So we develop what we call the Tesla supercharger, which is the 9 kilowatt charger. And I think we are hoping to have first one in 2012 and between Central Carolina and LA probably in January or February timeframe and when the (inaudible) schedule start. And we're planning on like doing things at several cars around that the unveiling the first one because I mean when you see what this looks like in a highway restaurant parking lot, it's like the coolest thing, it's like, it looks like and that's even harder fact line is in the middle of the slide. Otherwise, you know that drop you think it's located. But it's just looks smoothing. And we will allow people to be able to charge 150 miles in 30 minutes and so that we think even cars (inaudible) go back or come back and continue your journey. I am probably getting head myself on that.

## **Carter Driscoll – Capstone Investments**

That's very helpful. And do you obviously guys stand top of legislative developments that affect electric vehicles. Could you talk about some of the noise that perhaps there might be a surcharge in terms of Congress worried about losing the gas tax as EVs perpetrate and how that impact sales?

## **Deepak Ahuja**

I think that's a high class problem because I mean if there are many EVs, it pretty much easily won. So yes, (inaudible) we're selling so many cars that it actually matters of the good, I mean, I think we're probably more than a decade away from that. We always think the Roadsters is the vast majority of charging because at light from this garage, which I guess one would intuitively expect. So and great capacity of light, I mean huge enough capacity so that things to fit well with the existing infrastructure.

## **Carter Driscoll – Capstone Investments**

Appreciate it for taking my questions. I'll jump back in the queue now.

## **Operator**

Thank you. The next question comes from Steve Milunovich from Bank of America Merrill Lynch. Your line is open.

## **Steve Milunovich – Bank of America Merrill Lynch**

Thank you very much. Could you comment a bit about how you take the customer feedback and any changes that you are looking to may close the review on October 1, obviously you've generally had very good reviews but there's been some concerns about seat comfort and you know few other things, do you have the ability or interest in taking that in and potentially making any changes for the production model?

**Elon Musk**

Oh, yeah certainly, we have said that there was really a data that actually if we were getting a test ride in, because there is a thousand little details that we want to improve from the data and that like all the cars to be as close to perfect as possible. And certainly I think I mean a few things extremely comfortable I mean just everything is going to be as close to perfect as possible. We are actually passing that on data and so we try that people's expectation appropriately. But I think almost all the concerns that a lot of the people expressed about the data are (inaudible) that we are (inaudible).

**Steve Milunovich – Bank of America Merrill Lynch**

Okay, and then as I recall last quarter, you had discussed a potentially a large contract that Tata was with Toyota and you suggested it could be an order of magnitude larger than what you have done before, would you like to provide an update on that thinking?

**Elon Musk**

We remain quite optimistic about the future relationship with Toyota along with the key strategic partner. And things are going very well. And I always prefer to take my queue from a strategic partner before, told me that something too much. So, I think we're expecting on that front.

**Steve Milunovich – Bank of America Merrill Lynch**

Okay, thank you. It was worth a shot. And then finally as you pointed out, you haven't had to advertise yet. When you begin to shift a car you will obviously have enough demand for some period of time. So you won't necessarily need to advertise then. But, when do you plan on advertising and when you do start to shift I would think it might be worth from branding standpoint beginning to get out there in any case?

**Elon Musk**

Yeah, and definitely at some point we'll be advertising. And but I think it will be a few years before we do advertising. If our production limit is done then there is not much point in spending money in advertising and if we want to

get to a point where we're not production limited and then that obviously makes sense. So I guess, we'd probably stop some advertising in 2013 and yeah, that's just a guess but it may not need to in 2015 but our integrity will be any sooner than 2015.

### **Operator**

Thank you. Our next question is from Aditya Oberoi with Goldman Sachs. Your line is open.

### **Aditya Oberoi – Goldman Sachs**

Great, thanks a lot. Can you provide some color around cost you are incurring in Europe related to the (inaudible) ratio.

### **Elon Musk**

You mean with respect to the Top Gear, and finally crashing out?

### **Aditya Oberoi – Goldman Sachs**

Yes.

### **Elon Musk**

Well, I'll be a little bit careful because we do have an ongoing legal action there and (inaudible) right or wrong essentially. Tesla was really wrong by that show and it left a negative lasting impression in UK. And it took a week about just for Top Gear to strong it and so we got to change that data point that inconvenience. That is making some progress in that direction I don't want to say anything that would negatively affect our legal case there. So, I have to probably (inaudible) that's what's going on.

### **Aditya Oberoi – Goldman Sachs**

Or maybe I can ask you in other way that, you guys mentioned that you guys are incurring additional costs to correct consumer misperception. So, are these costs related to advertising or are they more of just legal costs?

### **Elon Musk**

It's not advertising, but certainly legal cost, we do (inaudible) marketing events, we have salespeople on salary and of course then there is a little bit of brand damage but I mean you can correct that (inaudible) damage at a time but it's still controls there...

### **Aditya Oberoi – Goldman Sachs**

Got it. And can you talk a little bit about what are those 10% of things that are left at the Fremont facility as you guys mentioned that you are almost 90% there?

### **Elon Musk**

Yeah, it's less for these passing week. I mean, those enclosures, it's fixed enclosures, which is sort of doors, bonnets and trunk. The assembly equivalent to that is arriving but has not completely arrived. That's like one example. And but I think we expect to have that in the next month or two. And the next big thing after that would be the stamping dyes for the body panels. And with those rates did it by a (inaudible) partner in that front and yeah, I mean, we should have all of the equipment in place by the end of this year and I know it's going to be working great high to our net [ph] and with that invariable manufacturing lines and really, yeah.

### **Aditya Oberoi – Goldman Sachs**

Got it.

### **Deepak Ahuja**

And to add to Elon's information here; a lot of this equipment is at our suppliers and is being tested, including the body enclosures line and when the trials are completed and if they are fully acceptable to us, they had got shipped to us. So lot of progress happening at our suppliers at the same time.

### **Elon Musk**

Yeah, that's a good point. I should have mentioned (inaudible) our supplier for those assemblies. They go for that Apex so if you all are debugging it Apex, so the Nm 1625 they should address. So in principle, at least at the manufacturing module level that has been debarred. And then we have to just pre-mark is debugging the module to module interaction if you have customers from one hotline to the next. And so that should minimize overall manufacturing line risk.

### **Deepak Ahuja**

And while we are doing this, we are continuing to do the data bills in our Fremont factory, so even though we may not have the full automation in some cases, our suppliers can provide us those parts based on the automation in their facility and that's allowing us to then continue doing the build-out and just refining and learning our own manufacturing processes and interacting with our suppliers as well.

## **Elon Musk**

It's (inaudible) but I thought, with (inaudible) in the first stump a bunch of panels in Japan or Thailand wherever the case maybe, and then they send us those parts and the staffing guys.

## **Aditya Oberoi – Goldman Sachs**

That's very helpful. And one last one if I may ask. The contract you guys signed with Panasonic, is it just for Model S or all the vehicles that will be on the Model S architecture?

## **Elon Musk**

We try on [ph] using a common battery cell, so that would apply to all vehicles that use (inaudible) to more than just the Model S. (inaudible) all vehicles but to more than just the Model S.

## **Operator**

Thank you. Our next question comes from Ben Kallo of Robert W. Bair. And your line is open.

## **Ben Kallo – Robert W. Baird**

All right, thanks for taking my question. I want to focus on the retails strategy. Looks like you are going to end the year a couple with about 25 stores I think is the number. Can you kind of talk about how reservations have changed for the mall as you have seen reservations actually come from the stores or from surrounding areas whether it's on the internet. And then also can you talk about what metrics each of those locations are going to be judge on as you go forward. Is there actual targets for reservations at each store?

## **Elon Musk**

Yeah. We see much store [ph] innovation coming from the stores, the peculiar [ph] ones that have higher traffic. And we are still at the early stages (inaudible) what should have built the other indications are very promising. But we are just seeing an incredible number of people come through our stores in the high traffic more [ph] and shopping (inaudible).

And I think that if I call now, they would come on to see (inaudible) in future whether it's the Model S, Model X or any future sort of third generation vehicle. And so we think our store strategy and surely to be very powerful and fundamentally different and have been historically been in the order

business and we have got most people don't have a positive experience buying a car.

And we found that they sort of look at us like the rental apartment, and we want to get through (inaudible) you're magnetically drawn into the Tesla store. And it's just a really (inaudible) place to be and we're not really sales people, but product specialists, but we could start to sort of explain anything you want to know about the Model S or electric vehicles which I know. And I think because we saw a closing as well, but actually isn't quite a good business in terms of closing, and an expected revenue source and...

**Ben Kallo – Robert W. Baird**

And so along those lines, what's the strategy and then the rollout of actually having Model S vehicles at each location, because I guess seeing is believing in some ways?

**Elon Musk**

Sure, absolutely. And certainly it has a big impact if we've got a Model S beta there or not. For the next few months, we have a dichotomy which is, we need beta vehicles for testing and we need beta vehicles so that customers can see them. So, and we have to make a tough trade between those two competing priorities. But that's not going to be an issue a few months from now. And so we'll start deploying the cost to all of the stores in the first quarter.

**Ben Kallo – Robert W. Baird**

Okay. And then my last question is on the testing front, any update on where you are as far as safety testing goes?

**Elon Musk**

Yeah, the safety testing is looking really good, and at certain extremely high bar which is to be by five star pressured in every category. And from what I'm told if we achieve that we'll be the only car that is five star pressured in every category in fact 2012 category. And so that's looking really good, now we have a fundamental advantage with the Model S, which is that that cars we do not have a large engine block in the front, that we've got a front. And that is we've got a front trunk. That gives us a much longer crumple zone than it's possible in other premiums events.

And I'm not sure that right now what you said that if you think just like if you jump out of the capacitor window. You probably want to jump into an Olympic seismic pool than teddy pool. And having a long crumple zone it

means that you can jump it as good, you can spread out the deceleration of the car of a much longer distance, whereas otherwise gasoline can't do that because we'll give it to engine like to (inaudible) and that's fundamentally that's superior architecture and as well as I think we've got a shot for making necessary to standalone.

## **Operator**

Thank you. Our next question is a follow-up from Andrea James of Dougherty & Company. Your line is open.

## **Andrea James – Dougherty & Company**

Hi, thanks Elon for allowing one more. I thought it was interesting, you saw in the U.K. that a TV show can affect the business in a negative, and also in a quantifiable way. I think so the logical follow up to me would be, did you see a quantifiable effect from the Model S event and subsequent positive media. And then accelerate, how does it track with what your expectations were after the event? Thanks.

## **Elon Musk**

Sure, we just got a positive impact from the Model S better and it was roughly 3,000 people can be visit our factory three months, many have come from countries all around the world. And although it was actually not media, it was really to let our customers know that their faith was not less priced, that was the most important thing.

So in order to come to the event, you have to be a modernization reservation holder. And yeah, so we wanted to show, we see what the car is, it is in data form with a test drive and this is our factory and it's real and the equipment is there. So when they go home and I talked to their friends and colleagues, they can speak with confidence that they've been in the car and they have seen the factory. And they are really the best people to sell a product in our existing customers. They are not only having incentives, they balance the main goal. And I think that's been effective and you will see the effective, I mean media was also very positive and helpful as well.

## **Andrea James – Dougherty & Company**

Could you see reservation increase or did you see some of the \$5000 convert over to the authority?

## **Elon Musk**



We did. So there is a 1,000 cars in the Signature Series and there is only a few hundred left actually. So next were not 700 and something at the Signature Series have been reserved. And in fact the only way to get a car next year is, if you buy one of the couple of hundred remaining Signature Series cars. So you have a number of people convert to that. Yeah, we just know it was not some of that.

## **Operator**

Thank you. Our next question comes from Ben Rose of Battle Road Research. Your line is open.

## **Ben Rose – Battle Road Research**

Good afternoon. Based upon these feedback's from the Beta's with regard to the use of materials in the Model S, are you thinking any differently about possibly using carbon fiber or other advanced materials in the Model X and other forthcoming vehicles?

## **Elon Musk**

Yeah, we'll be offering carbon fiber as well as couple of trim options which is kind of a cool backward and then we're seeing a banana leaf especially it's fallen banana leaf. So if somebody is looking for the model high ground, I think that we could find that are real high ground than fallen Banana Leaf as that a choice and we'll continue to drive at interesting options overtime. And so there will be I think something that unique to the Model X certainly. We really want to drive innovation on the almost every funds with cars and but whatever we can think of that has the potential to amazing underline to our customers. We want to do that.

## **Ben Rose – Battle Road Research**

Okay and then just one final question with regard to your plans for future vehicles sort of broadly defined. Is it possible that you would look at some other kinds of road categories and maybe sort of non-traditional automotive categories where you could partly your electric expertise?

## **Elon Musk**

Well I think took the place in the Model X and then that's really sort of the best to drive our focus in the Model X and to Model X that it going to be a pretty great operating vehicle and because you also have that air suspension and that I (inaudible) and it's going to have a particularly teller (inaudible) and we think forward the best flow of assets of any car variant and so that

should cover us grew around the operating point and long-term its possible we could go into a wide range of variance, but that can shortly (inaudible).

### **Operator**

Thank you. Our next question comes from Jesse Vigil [ph] of Jefferies. Your line is open.

### **Unidentified Analyst**

Hi, this is Ellen Criddle [ph] for Jesse. Thanks for taking our question. Just a follow-up on (inaudible) earlier question, what exactly is less in terms of the Federal and State caution of thing and other requirements needed to get a new car on the road and to qualify for the different centers out there such as HOV lanes and have a couple Model Ss already been sacrificed or will they be soon?

### **Elon Musk**

Actually we (inaudible) sacrifice quite a few Model S is the constant thing and (inaudible) dozen and there is another dozen to come and as we do as much as we can with simulation corporate invited simulation the value of iteration cycles. But we're very close to the end of that I think the sort of final cost cuts of (inaudible) that we've made the correct changes. So that's why we're looking really good. And then because the Model S electric that has HOV [ph] preference pure electric such as California, growth drive in the carpool lane [ph] and without a problem that as you can right now with (inaudible)

### **Unidentified Analyst**

Great, and...

### **Elon Musk**

I think pure electric, we don't have through EPA issues to deal with because we don't have any direct emissions there.

### **Unidentified Analyst**

Great. And now that we are talking about a car that could potentially be adopted in much great numbers, maybe perhaps more in EVs, are you engaging with any local utilities or anything like that and discussions about potential customer issues with charging, whether it would be smart charging, apps built in. I guess it's kind of an idiot-proofing [ph] question. So there is some in case of any potential issues of causing transformers or tripling (inaudible) mills?

## **Elon Musk**

Well, it was a – so we have got a bad debt of experience with that with the Roadster, now with (inaudible) and Eagle [ph] I don't look at the bad stuff you mentioned, but in terms of working on the bikes with charging and knowing what's going to be an issue with some we do a 1000s, out there and what were, and that's where the roads has been really valuable, and so we – where we did make the (inaudible) roads, so we made them at a small scale in order to avoid making in a meta large scale with the Model S and subsequent vehicles.

So I think, we've got pretty good handle on things and there's been a lot of intelligence in the charge algorithms of the Model S even though serve them and the roads to. And yeah, the vehicles are automatically back to input charging, they are current in voltage, there is a not a great problems with whatever circuit is feeding it, but it's got a really intelligent feedback with.

## **Elon Musk**

Or maybe I can ask you we want to keep the call to an hour, so let's if there are any more questions, let's go to the last caller, please.

## **Operator**

Okay. Our final question will come from Brian Russell of Russell Group. Your line is open.

## **Brian Russell – Russell Group**

Thank you, good evening. A real quick on the stores as you ramp up to a higher volume and get pass to your initial reservations. What are the plans for trade-ins is that, how's that going to be hand?

## **Elon Musk**

We definitely want to enable trade-ins and we are talking to a couple of large new cargos in the country (inaudible) handle back, I don't see and those (inaudible) for customers and so we will have that ability to deal with trade-ins to put the Model S, for the Roadster, we kind of sidestep that issue. And it wasn't really that important for the Roadster and for Model S it certainly is.

## **Elon Musk**

All right, thanks everyone. And yes, we look forward to see you next quarter.

**Deepak Ahuja**

Thank you. Thank you everybody.