

Thanks, Jeff. If you've been listening in on the calls on prior quarters, you've usually been pretty circumspect in our turn about the quarter results, but in this case I think that that just won't be accurate. This was the best quarter in Tesla's history. It was just phenomenal across the board and we saw a tremendous demand for Roadster, for Model S, well over 5,000 products, almost all of next year's production of Model S.

And we've also signed the \$100 million deal with Toyota. We're actually in discussions with them for a deal that is in order of 90 or larger than that. The retail strategy is going gangbusters, two new stores that have a new approach. The stores have had 200,000 visitors in its opening. Yes, it's been tremendous across the board and with looks great momentum going into the third quarter.

So we're super-excited. We try to express as much as this as possible ahead of time, so to give people the maximum amount of time to ask questions. So with that, let's go to questions.

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

### **Operator**

Our first question is from Himanshu Patel of JPMorgan.

### **Himanshu Patel - JPMorgan**

A couple of questions, I noticed the margins on the development services business side had gone down to 52%, and looks like that about maybe 20 points or so below, where it was in the recent quarter. And then margins on the automotive revenue were actually a few points higher than where they were. Can you just give a little bit of color behind, how we should think about those two forecast going forward?

### **Deepak Ahuja**

The margin on our development services contract will fluctuate from quarter-to-quarter, because there is difference in the revenue recognition, which is associated with the milestones that we deliver on that program versus the cost that we incur. This is very consistent with what we have been seeing in the last several quarters about our development services margin.

I think the automotive margin is a much better measure of our operational capabilities. As you correctly pointed out, sequentially our automotive margin has improved from 20% in Q1 to 22%, as we have continued to improve the ASPs and the roadster and our ongoing cost reductions that we've achieved.

## **Elon Musk**

And certainly, it bodes very well for Model S, a target of at least 25% margins in the Model S.

## **Himanshu Patel - JPMorgan**

And then Elon, I guess a bigger question on Toyota. You alluded to some additional business beyond the \$100 million contract with Toyota. I'm curious, do you have a view at this stage on how Toyota is internally viewing, just the broader EV portfolio. Or do they have parallel development efforts internally with their own engineers right now for electric vehicles that are, I guess, in some way sort of competing with what you guys are doing? Do you sense that they're kind of gravitating more towards using someone like a Tesla more exclusively?

## **Elon Musk**

It's difficult to answer the question with a high degree of accuracy. But certainly if one looks at the objective actions they've taken, the recent \$100 million deal and the fact that we're in discussions for deal that is in order of 90 or higher than that, you cannot foretell exactly what will happen there. But certainly if I was to judge from tone and behavior, it's extremely positive.

So I would expect a company like Toyota, which is obviously gigantic, one of the large companies in the world, to have multiple irons in the fire. But I think it can also be said that there is no doubt that we are one of the significant irons in that fire.

## **Himanshu Patel - JPMorgan**

And then lastly on the revenue guidance, you guys gave a mid-point of \$185 million, and it sort of implies about \$78 million for the second half, which on a quarterly basis is about \$40 million or so per quarter. That's a bit of a slowdown from the kind of I guess 50 and 60 rate you did in the first two quarters. So can you shed some color on what drives that sequential decline in revenue?

## **Elon Musk**

We believe it being conservative.

## **Operator**

You next question is from Andrea James of Dougherty & Company.

## **Andrea James - Dougherty & Company**

Do you want to elaborate on that last question a little bit, it sounded like you did? Maybe not?

## **Elon Musk**

I'd like to elaborate on it and think also that I shouldn't. Places we're in the are conservative, and I'm optimistic that we will exceed them.

## **Andrea James - Dougherty & Company**

I have three questions, first, regarding the retail store concept. Are you seeing a correlation between foot traffic and reservations, and I guess to the extent that you can measure it. How much of the acceleration in reservation has to do the store openings and how much of that has to do with the simple fact we're getting closer to 2012?

## **Elon Musk**

It's pretty hard separate those two things. But I consider both having a significant effect. And we are seeing proportionately higher reservations from the source with greater foot traffic. But I'd like to say it's difficult to separate those two things. I think we'll have a better sense for that in the coming months, but I can't say we have an understanding of what (inaudible 0.42) still going the right direction.

## **Deepak Ahuja**

What we have seen is a pretty interesting dynamic. We opened our Santana Row first and we saw increased foot traffic there. Obviously, we are better known in California and that we could see that's coming through on higher reservations for the Model S and orders for the Roadster.

But what was interesting is that our Menlo Park store, which is not very far, also saw an uptick in sort of sales. So there's a pretty dynamic effect. And in Denver, where we opened our second store, a lot of people really did know what Tesla is. And opening that store has created a huge sense of awareness. And initially we didn't see the momentum of reservations increasing, but lately in the last few weeks, we've certainly seen a significant increase in reservations momentum. So it's a combination of awareness.

## **Elon Musk**

Deepak, actually made a good point there. If you look at our Roadster sales, we've got about most half of those Roadster sales occurring outside of the U.S. And U.S. sales I think were maybe 34%, but maybe 30% of California,

something like that. But for the California Roadster sales, I think we maybe somewhere around 15% of the total sales in California.

But if you look at our Model S reservations, it's actually close to the 40% to 45% of our Model S reservations on California, which means that there is a great deal of untapped demand for Model S, outside of California. But I think it's at least proportionate to our Roadster sales.

So we certainly are highly optimistic about Model S demand growth in the future. If you take it outside of the U.S., have the emphasized Model S, because the Model S will first be delivered in the U.S. And we want to focus on getting the Roadster sales internationally. But it's not there, too big of a gap there in Roadster and Model S.

But as we turn up over to Model S internationally I really think we will see a very strong demands. Just touching a bit more on Roadster as well, because I think there is some misinterpretation of situation with Roadster with some people thinking that we've sort of stopped production or something. The comment actually made a couple of months ago was that we'd soon have vote out of Roadsters, meaning there'll be no more order slot left.

Our delivery takes place sometime after we do a sale, because we have a long waiting list. And so actually delivering, both in the U.S. until January and we sold out all custom orders for the Roadsters; a small number of spec car is available, but otherwise we're sold out.

So they can't actually buy a custom-ordered Roadster in the U.S. anymore, and there are only a few spec models available (inaudible) quickly. Now we do have some entry result for Asia and Europe and will continue deliveries in Asia and Europe until we reach the third quarter of next year, because Model S will only start delivering Model S towards the end of next year. So that's why we're clarifying that.

### **Andrea James - Dougherty & Company**

You shared a table in the shareholder newsletters, Model S development has I guess a timeline. There is a lot of information packed into this table. But I was wondering if you could kind of help me to understand, how we should look at it, what are you trying to convey with the information? And just explain some concepts like, what is it mean that the beta process and the prototype/production phase in Q3, Q4 '11. Just kind of trying to understand, how we should look at the table?

### **Elon Musk**

So essentially what we're seeing is that, we're done with the alpha phase of the vehicle in all respect. And we're now well into the beta phase. I should mention that we're planning on having a major customer event on at October 1 at our Fremont factory that will allow customers to test beta vehicles and also have a tour of our factory. We're sending out invitations pretty soon, but that's going to be a huge customer event and a few will have an opportunity to drive a car that is very, very close to our production lines, just 99% production design.

And so that will mark the first beta vehicle that can be driven. And our definition of beta is basically which is production designed, but there is still a series of small issues to be worked out. Some things you've mentioned like beta software or something like that.

And then our release candidate is something where we think the car is ready to go to customers, but we're just checking out the data, we're just validating that. That's our final production process. Also we're very confident about the progress to Model S, in terms of what the beta vehicle is going to be like. So we're very confident about the progress in the factory. And this is why we're going to have this open-house effectively on October 1 for all of our customers from all around the world, and it's going to be an awesome event. So maybe a lot to fun if anybody wants to come.

### **Andrea James - Dougherty & Company**

Regarding the recently signed RAV4 contract, I guess what does Tesla need to do meet Toyota specifications, and should we model out some investments there, and do you invest in permanent structures in the factory?

### **Elon Musk**

What was the first part of your question again?

### **Andrea James - Dougherty & Company**

Regarding the RAV4 contract, what sort of investments do you need to make to meet their specifications? I mean does it become a permanent part of the factory or what happens there?

### **Deepak Ahuja**

There is a lot of synergy in the solid frame that we will provide to Toyota and to Model S. So this is a great way for us to really make the most efficient use of our capital resources, by developing the common factory and common processes. Of course, there are a certain tools that we were a unique for the shape and the size of the battery pack, as an example, that we would have

in the RAV4. But it's not as if we are establishing a separate factory. It's going to be common processes overall.

## **Elon Musk**

Yes, relatively small expenses that haven't already been recognized eventfully. And it also gives us a great transition for the Roadster production workforce to work on the RAV4 vehicles as an inter-measure before the full Model S production.

## **Operator**

Our next question is from Patrick Archambault of Goldman Sachs.

## **Patrick Archambault - Goldman Sachs**

Actually just wanted to build on that last question. It does seem from the press release that the testing in the offer really kind of came fairly close to a lot of the simulation work you did based on the fact that you are on track for all your major time tables here. Can you maybe just dive in a little and tell us where there are some areas that were different where you had to adopt a little bit some challenges that are still being ironed out in the beta phase? Just wanted to get a little bit more color on how that transition is going.

## **Elon Musk**

In the other phase of any project, you discover quite a lot. That's why you have a lot of phase. It's nothing that's really hindered us from moving to the beta phase as planned. So there were a lot of problems and we solved a lot of problems. One of the toughest challenges is achieving a five-star crash rating across the board by 2012 standards.

Now, to be clear, there is no car currently in existence that has five star in every category by 2012 standards. These standards have risen quite a bit. But the best, that's our target. And we got very close in the offer, and I think we're going to get there in either early beta phase or in interim by the sort of mid-to-late beta phase.

And the challenge there is you want a car that's extraordinarily safe, and our goal is to make the safest car in the world, not to say it's electric car, safest car. And I think we'll get there. Then the challenge is to get there without adding a ton of weight. And the only way you can do that is by having a very sophisticated aluminum body and chassis, which we've got, and using the most advanced techniques from the automotive business, also applying a few ideas from the rocket business. Demand is extremely important.

And I think we've really got something that's spectacular. We'll go into detail on that on October 1 when we have the customer events, actually planning on doing quite a detailed presentation on crash safety just to educate people exactly what goes into crash safety, how do you simulate it, how do you solve the problem, what makes something good or bad.

I want to actually really have people come over to that, really understanding and knowing what makes a car safe rather than just sort of typical marketing nonsense.

**Patrick Archambault - Goldman Sachs**

And I take it like the biggest piece there is the side impact requirement, right?

**Elon Musk**

There is multi-types of side impacts. There is multi-types of front impact. And then there is also rear impact and roof crush.

**Patrick Archambault - Goldman Sachs**

And are those all new? I thought there was the side impact that was new, but I might be simplifying things.

**Elon Musk**

In terms of what's new by 2012 standards? The roof crush requirement has increased dramatically and the side impact. So those are the two biggest changes.

**Patrick Archambault - Goldman Sachs**

On that note, one of the things that's very differentiated is your choice of an aluminum body. I see you had some discussion of the Schuler press that you guys have installed there. Clearly, I think you guys would be the only aluminum-based body in the U.S., if I'm correct. How is that process going? What are some of the challenges with that?

**Elon Musk**

You're correct. We'd be the only aluminum car in the country, in the United States. Of course, there are many who have aluminum structures in the United States, (inaudible) rockets, if you're familiar with the rocket side of things.

We've really brought in expertise from all around the world on shaping aluminum. I think we're going to feel reasonably comfortable in saying that this is going to be the most advanced body and chassis in the world and can stack up against anything. And it is more challenging to shape and bond aluminum than steel, but we've really gone through most of this issue in the alpha phase and then with the beta, because we're getting through very tight tolerances. It's very important to roll the car to right the size measurements to have good gaps and tight door clearances (inaudible). We're building to very exacting standards. The challenge to have for the (inaudible) uses car as a yardstick. And that's how it needs to be.

I don't see any issues in (inaudible).

### **Patrick Archambault - Goldman Sachs**

And one last quick one, if I may, maybe more for Deepak. The increased CapEx guidance, is that more of a timing issue? Is that pulling forward money you were expecting to spend anyways, or is that just an increase in the overall amount of investment required to execute?

### **Deepak Ahuja**

It's a mixture of several items. Timing is an aspect of it, but is also making some additional strategic investments on the Model S to improve cost and quality in some of our shops. It also includes some investment for Model X since we're beginning to kick that off, and some additional strategic work that we're doing.

### **Elon Musk**

The plan is to have an unveiling of the Model X prototype by the end of this year or so, probably in the mid-December timeframe, so to get a real, good sense for that, and it's going to be a super-exciting vehicle.

I should mention that thus far, we've been very open about the projects that we've been working on such as the Model S, Model X, Tesla, especially Roadster, and the top 10 deals. We're getting the transition to selling where not every project is talked about. So there are going to be some projects that for proprietary reasons we want keep sound about. And so the timing is right to unveil them. There are a couple of those going on that I think are going to be very exciting when people learn about them, but we don't want to talk about it publicly.

### **Operator**

Our next question is from Dan Galves of Deutsche Bank.



**Dan Galves - Deutsche Bank**

I wanted to ask a little bit about the Model X. Thanks for the detail on start of production of that vehicle and volumes. In terms of the overall product development process for that vehicle versus the Model S, considering that you're leveraging the Model S platform, is the product development process much quicker on the X than the S as been?

**Elon Musk**

Yes, definitely. It's much a lower CapEx and a much quicker process, because we're really keeping the fundamental timeframe and the chassis, the electronic components, touch screen, instrument panel. And these things are all common between the cars. It's kind of usually the upper body that changes. But I really want to leave a little bit for the big unveil in December. So there are some pretty exciting things about the Model X that I think are going to be super-cool. But I don't want to say too much at this point.

**Dan Galves - Deutsche Bank**

Is that half the time to develop them for, I don't know what you guys call it, maybe designed for Easter to start a production, or is it even faster than that?

**Elon Musk**

First approximation is probably about half, yes. It may be a third of the CapEx and half the time.

**Dan Galves - Deutsche Bank**

And then talking about R&D and CapEx, just wondering if you expect to have a decline in R&D spending as you get up to the Model S launch, or will that stay relatively flat versus 2011 level considering that you seem to be in the midst of other development processes as well. So the kind of a cadence of R&D and CapEx, should that decline in 2012 versus 2011?

**Deepak Ahuja**

The bigger thing is by quarter as well. And I think certainly at this point, we have a fairly significant one-time expenses related to the Model S as we're completing the engineering design and testing work with our suppliers and we're building the prototypes of the beta as we speak.

And in addition, we have almost 150 people in our manufacturing facility, which are continuing to show up in R&D expenses, and they will move up into cost of goods sold once we go into the production phase of Model S. So

there will be some substantial reductions there on Model S related to R&D and our manufacturing facility.

The things that would come up as we go into 2012 is Model X and some of the other projects that we're working on. But overall, yes, there will be some reductions.

### **Dan Galves - Deutsche Bank**

I wanted to ask about the cadence of Model S production a bit. I know you've announced that early production will be kind about the highest-end stand models. Do you have any sense for how long that might last? It could definitely impact average transaction prices overtime, just of the 5,000 vehicles you expect to produce in 2012, will those all be the highest-end models?

### **Elon Musk**

Well, we plan to start with as we have announced the 300 mile range Model S, and there will be the Signature series initially, which will be for the auction. So certainly they'll have higher ASPs, but I guess it has couple of different pieces in your questions. Perhaps you can ask Dan, what was your first part again, on that?

### **Dan Galves - Deutsche Bank**

I guess maybe how long you expect that to last. Just trying to get a sense of whether it will be the first couple of quarters of production that will be the 300 mile vehicle or is that more or like you know the first 500 to a 1,000?

### **Elon Musk**

Well we've indicated that before yearend we would have the 230 mile in 2012.

### **Deepak Ahuja**

Yes, the Signature series, which is the first 1,000, will be the 300 mile range only, because it's kind of like the fully-loaded vehicle. And then thereafter, if you want the option of the 300 or the 230 mile, and at the very end of next year, sort of early December, it's when we'll be able to start making some of the 160 miles (technical difficulty).

It's difficult to predict advance how many are going to be 300 versus 230, but it could be half and half, could be 130, but it's difficult to predict. We don't have an indication of that yet, because we've not assessed that you'll pick one or the other.

## **Dan Galves - Deutsche Bank**

Maybe just one more just looking at you're probably getting a pretty good sense of how your suppliers are performing, as the beta phase comes to a start. Are you having any issues with suppliers? Are you more worried about your suppliers or your own capability in terms of making sure to be on time with the Model S?

## **Elon Musk**

So far it looks like everything is on track, so we're not aware of any supplier or internal issue that would prevent deliveries into the next year. And we've put so many thing on top that making sure that we have a strong supply growth engineering team that's up there that are applying the facts on the ground with suppliers that just sort of take in their work grid. And then we're making sure that internally our manufacturing ability is ready, before it needs to be ready. So far, it's looking good. I don't know of anything that's going to cause an issue.

## **Operator**

Your next question is from Carter Driscoll of Capstone Investment.

## **Carter Driscoll - Capstone Investment**

My question really stands around, obviously the Model S. You've had good growth in the reservations, (inaudible) nicely. And obviously given your stated intentions for the second half production levels in 2012, you're fully booked for that production level. Help me understand, what the limiting factors are? Let's say you had a continued ramp between now and your on-target production in the second half 2012. And let's say you reached, say 15,000 reservations. Why wouldn't you produce those 15,000 in the second half of the year? Maybe you could help me and discuss maybe some of those limiting factors, early production and trying to figure out (inaudible).

## **Elon Musk**

You know the nature of our manufacturing line is it's like spinning up a wheel. You can't just sort of go from nothing to 2,000 vehicles a month instantly, because we did that, there a lot of issues you encounter. You really have to kind of start the line with 10 vehicles a week and then go to 20, and then 30, and 40 and eventually get up to the rate that where the production line can manufacture the vehicle with very high quality at the rate that you need it.

And if you just sort of went full blast, you wouldn't be able to keep the quality of where it is to be. Now we have set things up such that and in this way, where a part of the increase CapEx come from such that we can do 20,000 units on a single shift. And previously, we took 20,000 units on a double shift to allow for a better buddy to capture outside potential, generally more money and we'll be able to do that in a single shift. So yes, I mean in sort of the 2013 timeframe if it's managed there, we can certainly do more than 20,000 vehicles. And we will work hard to try that demand to the best possible level.

### **Carter Driscoll - Capstone Investments**

And my next question really is around, obviously some of the initiatives that you want to keep under wraps for now. Obviously you have to have the secondary raise, and I would imagine most of that's for the Model X there out for, and the Model S. Do you envision that you might need for some of these initiatives, additional capital or do you feel comfortable here on the bookings?

### **Elon Musk**

At this point, we don't spend any need for secondary between now and Model S production. Let's see how things develop. I mean if we see a significant opportunity and things were the dilution to pursue that opportunity, then we'd go to market. But we don't currently see the needs to do that.

### **Deepak Ahuja**

That's too early to tell. Until we fully evaluate the projects and looked at the full skill implementation and make sure these projects made financial sense. And we want obviously commit and go to that extent of raising external funding.

### **Operator**

Our next question is from Erik Olbeter of Pacific Crest.

### **Eric Leeper - Pacific Crest**

This is Eric Leeper in for Erik Olbeter today. My question is on SG&A. Obviously, good cost control over the last several quarters, but I wonder if you could tell us in on your expectation for that going forward and how it relates to opening new stores and bringing on new staff as you ramp up production here?

## **Deepak Ahuja**

Sure, yes, you are absolutely right, Eric. That as we do add more stores in significant numbers next year and then 2013, we will still see corresponding increase in SG&A. Well, it's good to see that despite adding two stores this quarter our SG&A was relatively flat. On the whole though, I am pretty sure, given our overall approach and not spending any money on advertising as an example, we would see that our SG&A as a percentage of revenue would be at industry or better than industry benchmark or at industry benchmarks.

## **Eric Leeper - Pacific Crest**

And I was wondering if you could just talk about the competitive environment, specifically the Fisker been delivered very recently. I was wondering if you could talk about sort of how you view the market now that you have a luxury non-gasoline vehicle in the market?

## **Elon Musk**

We've not seen any impact on our sales at all of Fisker. So frankly, I'm a little concerned about if something were to go wrong with Fisker, even on their demand or production side, that people would refer that there's some issue with Tesla. I just don't think that's a good correlation.

## **Operator**

Our next question is from Ravi Shanker of Morgan Stanley.

## **Ravi Shanker - Morgan Stanley**

I am pretty interested in this customer event that you're having for the Model S on October 1st. I think this is the first time you've spoken of that. Can you give us some more detail here, are these customers going to be existing Roadster customers, anyone who's placed an order for the Model S. And they actually are going to get to drive the car?

## **Elon Musk**

Yes, you have to place a reservation for the Model S. And one of the things that we can do to reward customer loyalty, and have them feel really confident about the vehicle they put on deposit for. And what we believe that the best sales people for product or existing customers, and so we really want to have you come to this event.

We won't have enough time for them to drive a car themselves, but we're going to drive them in the car on the test track for three months before (inaudible). So you get a real feeling for the acceleration and handling, the

fit and finish. I think that people are really going to be impressed by that and that's why we're doing it.

And as well as a detailed factory tour and to all the progress we've made towards production there. And of course, analysts are welcome to come at any point and see progress has been made. Analysts also love kind of this event.

**Ravi Shanker - Morgan Stanley**

Yes, I wouldn't mind scoring one of those. I don't drive myself. And related to that, when do you think the automotive media gets still right or driving the car then?

**Elon Musk**

We'll have some of the automotive media do that on October 1. It's not a full production. So we'll be only evaluating beta product as a beta product. But we expect to have some very significant automotive press activity at the event.

**Ravi Shanker - Morgan Stanley**

And since you said (inaudible) do you mean that these prototypes will be much, much farther along than the current alphas and even the betas that we're seeing currently undergoing testing?

**Elon Musk**

Yes. But to just clarify, what we are testing right now at the alpha is that were fully built, as we actually said, by Q2. And these will be the fourth of the beta builds. The alphas you're testing sort of fundamental functionality as opposed to tolerances of the interior leather and metal trim and that kind of thing.

**Ravi Shanker - Morgan Stanley**

And just a final point on this. It seems like there has been a step-up in the profile of Model S less lately, as seen on the front page of a couple of automotive websites and magazines, just the videos that you guys have been putting out. Also, I believe a couple of people have cited Model S prototypes at some malls around the country and now you're having this event. It seems like a pretty significant step-up when you're probably nine months at least out from the launch of the vehicle. Is this planned all along, or is this potentially telegraphing that you have room to bring the launch schedule up a little bit?

## **Elon Musk**

We're keeping our prediction of deliveries middle of next year. We're confident of being able to meet that goal. Specifically within the U.S., since we basically sold out of custom auto growth and only have a few in the showroom to sell, it makes sense for us to shift our focus domestically to the Model S. And that's what we've been doing, and that's going to increase with each passing month.

But this is for the U.S. Internationally, we'll start shifting that focus more in the middle of next year.

## **Operator**

Our next question is from John Licata of Blue Phoenix.

## **John Licata - Blue Phoenix**

This question is for Elon. Elon, thank you for being a visionary at this time in the nation's history. I think the country could certainly use more people like you, trying to challenge limits. So thanks for that.

A couple of quick questions. What do you think is one of the important lessons you took from selling the Roadster that makes you confident that you can actually meet or possibly exceed 20,000 sales for the S next year?

## **Elon Musk**

The lessons from the Roadster are more in terms of understanding what it takes to produce a compelling electric car. The Roadster is a bit like the Apple II, and it makes a huge difference to lower the price. Basically, car sales increase exponentially as you lower the price. So having a vehicle that has a starting price half that of the Roadster is a huge increase in the (inaudible) feel like your sports bike car and then you consider the increased functionality of the vehicle being (inaudible) six or seven people, more (covered) based than any other Sudan and just a great right handling. You might even think it's the safest car in the world.

These are all things that really amplify demand. So I think 20,000 units here is a very achievable number for the Model S.

## **Deepak Ahuja**

The Roadster has also enabled us to fine-tune our retail strategy, understand how we can sell electric cars. Also, it's not only 30 countries globally, small numbers overall, but sure it's really taught us how to sell cars

globally, and it's set the stage for us to sell 20,000 Model Ss for our projection globally.

### **John Licata - Blue Phoenix**

I guess what we're seeing in the industry is there is still a huge need for education. It's great that the retail stores, hopefully that does help in that regard. And you're being I guess one of the frontrunners in implementing that sort of strategy, which is great. But still there is a lot of consumers that aren't willing to embrace this. There is still so much of a disconnect between the OEMs like yourself and the utility companies. I guess my question is how do we bridge that gap, how does education get down to the consumer level to have the confidence to completely forget about any sort of anxiety related to miles per charge?

### **Elon Musk**

I think we're making good strides with the range concerned, Model S, having an option to have up to 300 miles range of vehicle, sort of roughly 40 to 45 minutes charge time, from 10 to 9, getting charged, and then enabling the batteries worked out in every minute. That's not bad for going to essentially a second-generation of vehicle.

I've said for many years now that in order to make something, in order to achieve the mass markets, to have something compelling at the mass market level for product, you really need to optimize design and achieve economies of scale. And I think generally you need to do about three significant iterations on a new technology at least. And that's why our strategy has been to start up with the Roadster at low volumes, roughly higher price, and go to Model S mid-volumes, mid-price. And our third-generation of vehicle would be high volumes at a low price.

### **John Licata - Blue Phoenix**

You briefly touched on competition, and I think Fisker as well as probably anyone else that has problems in the industry, gives a growing industry a bad name. We don't have a national standard for charging. And I was wondering if you could just give us your thoughts on what we need to see from the government to have a national standard put in place. So maybe that actually welcomes consumers not worrying about a new technology coming so quickly.

### **Elon Musk**

There is an SA charging standard, which is not bad. I mean they could do some refinement. And there are certain SA charging standards that are



coming out. But I think it's actually going to be okay. I think what the issue is really going to be one of production limitations rather than demand limitations. And I hope this is true, the tangibles will always be, at least for the next several years, production limited. Right now, if you put down a deposit for a Model S, you've got to wait 18 months. And yet, people are so putting down deposits, minimum \$5,000.

At least from the Tesla standpoint, until we start seeing deposits, that wait time will go from 18 months to three months or six months, then really our focus needs to be on ramping up production as best as possible.

## **Operator**

Our next question is from (William Pack).

## **Unidentified Analyst**

I think my question has been answered to the most part, Mr. Musk. I was curious about previous factory output for the NUMMI auto factory. I think that's 500,000 cars a year. Looking at 20,000 of Model X and up to 15,000 a year, I was just curious about any plans or vision for maxing out your capacity in the future maybe in conjunction with this recent contract as sort of set point for your automation?

## **Elon Musk**

We certainly hope at some point in the future to use full capacity of the NUMMI factory at 0.5 million vehicles here. And we're going to work towards that as best as we reasonably can, but without getting too far ahead of ourselves. We really don't want to bite more than we can chew at any given point in time. And so we're trying to sort of make the sensible things. But we want to come out with a new product every year. And so there will be Model S mostly next year, Model X the year thereafter, another vehicle a year after that and another vehicle a year after that.

And we'll try to get to that full capacity as soon as we reasonably can, but making intelligent use of the capital we have on hand. So we'd like to be able to use the free cash flow from existing sales of Model S, Model X to sort of then go up to the next level without having to go through a significant dilutive amount. But that's our strategy and what I think makes sense for us to do. So we're going to try to execute.

## **Jeff Evanson**

Thank you. I've got some quick closing remarks. So thank you everyone for joining us today. We look forward to seeing many of you even as soon as

next week. Next Monday, we'll be at Pacific Crest Emerging Technology Summit. Or on Wednesday, we'll be at JPMorgan's Automotive Conference in Detroit. So thank you for your time and interest in Tesla. Have a great day.