

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

*Report from Tesla, Inc. on Status of Project
Pursuant to Resolution Numbers 17-SM003 and 18-SM004*

July 17, 2018

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SUMMARY

On March 20, 2018, the CAEATFA Board approved resolutions 17-SM003 and 18-SM004 approving two sales and use tax exclusion awards for Tesla, Inc.'s ("Tesla") expansion of its manufacturing facility to accommodate production of its Model 3 vehicle. Both resolutions require that Tesla update the CAEATFA Board in writing and in person every four months for three years with regards to the following:

1. Progress in meeting its production goals.
2. Progress in improving the health and safety at its facilities.
3. Providing an updated Legal Status Questionnaire.

Attached is Tesla's first written report pursuant to these resolutions providing updates on the progress in meeting its production goals and progress in improving the health and safety at its facilities.

CAEATFA Information Update from Tesla, Inc.

1. Model 3 Production Update
 - a. Tesla is working toward achieving our goal of producing 5,000 Model 3 vehicles per week. We will provide an update on production when we release our Q2 deliveries in early July.
 - b. Once we hit the 5,000 per week milestone, we intend to incorporate our learnings to continue to increase output on our existing manufacturing lines beyond 5,000 units per week, and then in a capital efficient manner to add incremental capacity to ultimately get to a 10,000 unit weekly rate. The company's recent restructuring, where approximately 9% of employees across the company were let go as part of a reduction in force, did not impact production associates. It will not affect our ability to reach Model 3 production targets.
 - c. With respect to the production stoppages you asked about, these were pre-planned temporary stoppages designed to increase our production output. This is a normal part of a production ramp and has been successful in leading to increased output.
2. NLRB, Health and Safety, Environment
 - a. The first phase of the NLRB trial was held June 11-14 in Oakland, and the Administrative Law Judge decided it will resume in September. We will not have any additional information to present until the trial concludes.
 - b. We disclosed at Tesla's June 5th shareholder meeting that our injury rate thus far in 2018 is below the most recent industry average data.
 - c. It was publicly reported in April that Cal/OSHA has an open inspection of Tesla in response to an allegation concerning the accuracy of the company's recordkeeping for reportable work-related injuries and illnesses. We believe the allegation lacks merit. In fact, last year, a Cal/OSHA investigation into the company's injury reporting and record-keeping was closed without any violations found and it did not request any further action. Tesla always provides full cooperation with Cal/OSHA.
 - d. Years ago, the Bay Area Air Quality Management District alleged certain air quality violations at the Tesla factory in Fremont, CA. The majority of the alleged violations were resolved by Tesla four years ago when we proactively brought the issue to the attention of the District. They were the result of Tesla inheriting an older building that was not up to our standards. Since we acquired the factory, we have invested more than \$3 billion to modernize it. Among other things, we replaced the old equipment from NUMMI that was causing the issue and conducted regular testing to make sure the problem had been addressed and never happens again. As the District has stated, these efforts have been successful. To finally close this matter, on March 1, 2018 Tesla entered into a settlement agreement with the Bay Area Air Quality Management District in which it agreed to pay \$139,500 and to perform a voluntary supplemental environmental project consisting of a 9kW rooftop solar installation at the Boys & Girls Club of Silicon Valley in San Jose. The system will allow the Boys and Girls Club to generate its own clean power instead of having to purchase as much electricity from the

grid. Over 30 years, the typical net reduction in greenhouse gas emissions for this type of system is the equivalent of leaving more than 166,000 pounds of coal unburned.