



NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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Treasurer Lockyer Announces Financial Incentive to Encourage Zero-Emission Vehicle Manufacturing in California *Tesla Motors Will Use New Policy to Build Electric Car in Bay Area*

SAN CARLOS – State Treasurer Bill Lockyer today announced Tesla Motors, Inc. has decided to manufacture its second-generation electric car in California following the California Alternative Energy and Advanced Transportation Financing Authority’s (CAEATFA) adoption of a policy that creates a financial incentive to build zero-emission vehicles (ZEVs) in the state.

“These vehicles can play a big part in helping California successfully implement its groundbreaking laws to fight climate change,” said Lockyer, who chairs CAEATFA. “By offering this financial incentive, our goal is to ensure zero-emission vehicles realize their full potential in our state. In the bargain, we believe the policy will bolster our emerging green economy, create good-paying jobs and reduce our dependence on foreign oil. I’m very pleased the policy helped convince Tesla to build its high-performance electric cars in California.”

“Today’s announcement is great news for California, our economy and our environment,” said Governor Arnold Schwarzenegger. “We want these cutting-edge companies not to just start in California and do their research and development here—we want them to build in California. Tesla’s announcement today is just one of many we will celebrate as we implement AB 32 and reach our greenhouse gas emissions reduction goals. I have always said that we must protect our economy and our environment at the same time, and today it is clear that we are once again demonstrating to the world how to do that.”

Existing law exempts CAEATFA from paying the sales tax on equipment used to manufacture advanced transportation products. Under the new policy – developed in coordination with the Governor’s Office – CAEATFA will pass through that tax break to qualifying ZEV manufacturers under “sales-lease-back” agreements.

Tesla will ask CAEATFA to approve such an arrangement to finance the purchase of equipment to build its second-generation electric car, called the Model S. The five-passenger sedan – which will be able to travel 225 miles between charges and cost about \$60,000 – will be manufactured at a still-to-be-determined site in the Bay Area.

(MORE)

Here's how the sales-lease-back arrangements work:

- A ZEV or ZEV component manufacturer applies to CAEATFA to have a project approved pursuant to the policy. If approved, CAEATFA buys the equipment, and finances the purchase by taking out a loan or selling bonds. CAEATFA does not pay the sales tax on the transaction. The manufacturer makes lease payments to CAEATFA for use of the equipment, and CAEATFA uses these payments to repay the bonds or loan.
- Under the lease arrangement with CAEATFA, the manufacturer has the option to purchase the equipment outright. If it purchases the equipment, the manufacturer obtains the benefit of the sales tax exemption, saving seven percent to nine percent on the purchase price.

The tax incentive policy approved by CAEATFA covers several ZEV technologies, and any qualifying ZEV manufacturer can apply. The eligible technologies include fuel cell electric vehicles, battery electric vehicles, plug-in hybrid electric vehicles, hydrogen internal combustion engines, advanced technology partial ZEVs and neighborhood electric vehicles.

CAEATFA finances transportation technologies that conserve energy, reduce air pollution, and promote economic development and jobs. Additionally, CAEATFA provides financing for facilities that use new and alternative energy sources and technologies.

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