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TRAVELERS COMPANIES, INC.  
Form 13F-HR  
August 12, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 13F

FORM 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: June 30, 2011  
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Check Here if Amendment / /; Amendment Number: -----

This Amendment (Check only one.): / / is a restatement.  
/ / adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: The Travelers Companies, Inc.  
-----  
Address: 485 Lexington Avenue  
-----  
New York, NY 10017-2630  
-----

Form 13F File Number: 28-62  
-----

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Wendy Skjerven  
-----  
Title: Deputy Corporate Secretary  
-----  
Phone: (651) 310-6748  
-----

Signature, Place, and Date of Signing:

/s/ Wendy Skjerven, St. Paul, Minnesota, August 12, 2011  
-----  
[Signature] [City, State] [Date]

Report Type (Check only one.):

/X/ 13F HOLDINGS REPORT. (Check here if all holdings of this reporting manager are reported in this report.)

/ / 13F NOTICE. (Check here if no holdings reported are in this report, and all holdings are reported by other reporting manager(s).)

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/ / 13F COMBINATION REPORT. (Check here if a portion of the holdings for this reporting manager are reported in this report and a portion are reported by other reporting manager(s).)

List of Other Managers Reporting for this Manager:

I AM SIGNING THIS REPORT AS REQUIRED BY THE SECURITIES EXCHANGE ACT OF 1934.

### FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers: 1  
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Form 13F Information Table Entry Total: 37  
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Form 13F Information Table Value Total: 238,719  
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(thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional investment managers with respect to which this report is filed, other than the manager filing this report.

No.	Form 13F File Number	Name
01	28-29	ST. PAUL FIRE AND MARINE INSURANCE COMPANY
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### FORM 13F INFORMATION TABLE

NAME OF ISSUER	TITLE OF CLASS	CUSIP	VALUE (X\$1000)	SHARES PRN/AMT	SH/ PRN	PUT/ CALL	INVE DSCR
AT&T INC	COMM	00206R102	424	13,500	SH		SHAR
APPROACH RESOURCES INC	COMM	03834A103	252	11,096	SH		SHAR
BAYTEX ENERGY CORP	COMM	07317Q105	1,513	28,800	SH		SHAR
BUCKEYE PARTNERS LP	COMM	118230101	1,259	19,500	SH		SHAR
CALIX INC	COMM	13100M509	8	364	SH		SHAR
CANADIAN NATIONAL RAILWAY	COMM	136375102	1,735	22,500	SH		SHAR
CANADIAN PACIFIC RAILWAY	COMM	13645T100	1,666	27,700	SH		SHAR
CENOVUS ENERGY INC	COMM	15135U109	1,563	43,000	SH		SHAR
EL PASO PIPELINE PARTNERS LP	COMM	283702108	10,189	293,200	SH		SHAR
ENBRIDGE INC	COMM	29250N105	1,682	53,700	SH		SHAR
ENBRIDGE ENERGY PARTNERS LP	COMM	29250R106	16,821	559,400	SH		SHAR
ENTERPRISE PRODUCTS PARTNERS LP	COMM	293792107	33,614	777,916	SH		SHAR
GEOMET INC	COMM	37250U201	26	22,113	SH		SHAR
INTERMUNE INC	COMM	45884X103	543	15,149	SH		SHAR
JAZZ PHARMACEUTICALS INC	COMM	472147107	43	1,301	SH		SHAR
KINDER MORGAN MANAGEMENT LLC	COMM	49455U100	23,622	360,142	SH		SHAR
MAGELLAN MIDSTREAM PARTNERS LP	COMM	559080106	26,018	435,600	SH		SHAR
MARKWEST ENERGY PARTNERS LP	COMM	570759100	5,548	115,000	SH		SHAR

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MAXLINEAR INC - CLASS A	COMM	57776J100	61	6,989	SH	SHAR
MOTRICITY INC	COMM	620107102	35	4,481	SH	SHAR
NATL WESTMINSTER BK PLC						
SER C 7.76%	PREF	638539882	9,448	400,000	SH	SHAR
NUSTAR ENERGY LP	COMM	67058H102	8,157	126,100	SH	SHAR
ONEOK PARTNERS LP	COMM	68268N103	18,809	220,500	SH	SHAR
PENN WEST PETROLEUM LTD	COMM	707887105	936	42,000	SH	SHAR
PLAINS ALL AMER PIPELINE LP	COMM	726503105	22,765	355,700	SH	SHAR
PROGRESS ENERGY INC	COMM	743263105	2,280	47,500	SH	SHAR
PROVIDENT ENERGY LTD	COMM	74386V100	1,064	123,500	SH	SHAR
ROYAL BK OF SCOTLAND PLC PFD						
6.25% SER P	PREF	780097762	1,319	80,000	SH	SHAR
SOUTHERN COMPANY	COMM	842587107	4,523	112,000	SH	SHAR
SPECTRA ENERGY PARTNERS LP	COMM	84756N109	2,068	65,000	SH	SHAR
SUNCOR ENERGY INC	COMM	867224107	1,570	41,600	SH	SHAR
SUNOCO LOGISTICS PARTNERS LP	COMM	86764L108	7,237	84,000	SH	SHAR
TECK RESOURCES LTD CLASS B	COMM	878742204	970	19,800	SH	SHAR
TRANSCANADA CORP	COMM	89353D107	1,633	38,600	SH	SHAR
VERIZON COMMUNICATIONS INC	COMM	92343V104	1,042	28,000	SH	SHAR
XCEL ENERGY INC	COMM	98389B100	4,666	192,000	SH	SHAR
ALTERRA CAPITAL HOLDINGS LTD	COMM	G0229R108	23,612	1,058,833	SH	SHAR

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other benefits.

We combine these elements in order to formulate compensation packages that provide competitive pay, reward achievement of financial, operational and strategic objectives and align the interests of our named executive officers and other senior personnel with those of our stockholders.

#### Base Salary

Our Compensation Committee is responsible for setting our CEO's and other executives' base salaries. The base salaries of all executive officers are reviewed annually and adjusted when necessary to reflect individual roles, performance and the competitive market. The completion of key projects or technical milestones is also a factor in salary determinations. Because we typically do not provide cash bonuses to our executive officers, we also view salary as a key motivation and reward for our executives' overall performance. As of the date of this filing, the Compensation Committee has not increased the base salaries of our named executive officers in 2014.

We provide base salary to our named executive officers and other employees to compensate them for services rendered on a day-to-day basis during the fiscal year. The following table sets forth information regarding the base salary for fiscal years 2013 and 2014 for our named executive officers:

Named Executive Officer	Fiscal 2013	Fiscal 2014
	Base Salary (\$)	Base Salary (\$)
Elon Musk(1)	33,280	35,360
Deepak Ahuja	338,000	338,000
Jeffrey B. Straubel	249,600	249,600
Jerome Guillen	263,893	263,893
Greg Reichow	225,000	225,000
George Blankenship(2)	333,361	
Gilbert Passin	270,400	200,000

- (1) Mr. Musk's salary is based on minimum wage requirements under California law and he is subject to income taxes based on such base salary. The annual minimum wage requirement for Mr. Musk is \$33,280, and will increase to \$37,440 effective July 1, 2014. Mr. Musk,

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however, currently only accepts \$1 per year for his services. Under California law, Mr. Musk is entitled to the portion of the base salary that he does not receive each year.

(2) Mr. Blankenship retired from the Company in November 2013.

### *Equity-based incentives Overview*

Our equity award program is the primary vehicle for offering long-term incentives to our named executive officers. Our equity-based incentives have historically been granted in the form of options to purchase shares of our common stock, including the grant of options at the commencement of employment for the majority of our current named executive officers. We believe that equity grants align the interests of our named executive officers with our stockholders, provide our named executive officers with incentives linked to long-term performance and create an ownership culture. In addition, the vesting feature of our equity grants contributes to executive retention because this feature provides an incentive to our named executive officers to remain in our employ during the vesting period. To date, we have not had an established set of criteria for granting equity awards; instead the Compensation Committee exercises its judgment and discretion, in consultation with our CEO, and considers, among other things, the role and responsibility of the named executive officer, competitive factors, the amount of stock-based equity compensation already held by the named executive officer, and the cash-based compensation received by the named executive officer to determine the level of equity awards that it approves.

**Table of Contents**

We do not have, nor do we plan to establish, any program, plan, or practice to time stock option grants in coordination with releasing material non-public information. The Compensation Committee meets monthly to approve stock option grants, which grants become effective as of the second Monday of the month, in accordance with our equity incentive award grant policy.

*Equity award grants*

In January 2014, to create incentives for continued long term success beyond the Model S program and to closely align executive pay with our stockholders' interests in the achievement of significant milestones by the Company, the Compensation Committee granted stock options to certain employees of the Company. Each option grant has a vesting schedule based entirely on the attainment of the following performance objectives:

1/4th of the shares subject to the options are scheduled to vest upon completion of the first Model X Production Vehicle;

1/4th of the shares subject to the options are scheduled to vest upon achieving aggregate vehicle production of 100,000 vehicles in a trailing 12-month period;

1/4th of the shares subject to the options are scheduled to vest upon completion of the first Gen III Production Vehicle; and

1/4th of the shares subject to the options are scheduled to vest upon achievement of annualized gross margin of greater than 30.0% in any three years.

The following table sets forth these performance-based stock option grants we made to certain of our named executive officers:

Name	Date of Grant	Number of Shares Underlying Option	Exercise Price (\$)	Vesting Start Date	Vesting Schedule (1)
Deepak Ahuja	1/13/2014	45,000	139.34		Vesting upon the achievement of milestones as described above
Jeffrey B. Straubel	1/13/2014	220,000	139.34		Vesting upon the achievement of milestones as described above
Jerome Guillen	1/13/2014	55,000	139.34		Vesting upon the achievement of milestones as described above
Greg Reichow	1/13/2014	65,000	139.34		Vesting upon the achievement of milestones as described above

(1) In each case, vesting remains subject to continued service through each vesting date.

We made no equity award grants to any of our named executive officers in 2013 other than to Messrs. Musk and Straubel, who were granted equity awards for their contributions to various patents of the Company. These awards were granted as part of our company-wide patent incentive program available to employees generally. The following table sets forth these equity awards:

Name	Award Type	Date of Grant	Number of Shares Underlying Award	Exercise Price (\$)	Vesting Start Date	Vesting Schedule
Elon Musk	Restricted Stock Unit	12/9/2013	75		12/5/2013	Fully vesting on one-year anniversary of vesting start(1)
	Stock Option	6/10/2013	350	100.05		Fully vested on grant date

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Jeffrey B. Straubel	Stock Option	4/8/2013	350	41.83		Fully vested on grant date
	Restricted	12/9/2013	75		12/5/2013	Fully vesting on one-year anniversary of vesting start(1)
	Stock Unit					

-42-

**Table of Contents**

Name	Award Type	Date of Grant	Number of Shares Underlying Award	Exercise Price (\$)	Vesting Start Date	Vesting Schedule
	Restricted Stock Unit	11/11/2013	150		12/5/2013	Fully vesting on one-year anniversary of vesting start(1)
	Restricted Stock Unit	10/14/2013	75		12/5/2013	Fully vesting on one-year anniversary of vesting start(1)
	Stock Option	7/8/2013	1,050	121.61		Fully vested on grant date
	Stock Option	6/10/2013	700	100.05		Fully vested on grant date
	Stock Option	5/13/2013	700	87.80		Fully vested on grant date
	Stock Option	4/8/2013	350	41.83		Fully vested on grant date
	Stock Option	3/11/2013	700	39.10		Fully vested on grant date
	Stock Option	2/11/2013	350	38.42		Fully vested on grant date

(1) In each case, vesting remains subject to continued service through each vesting date.

*Severance and Change of Control Benefits*

No named executive officer has a currently effective severance or change of control arrangement with the Company. See *Executive Compensation Potential Payments Upon Termination or Change of Control*.

*Bonus*

Except for cash awards of \$10,500 paid to Mr. Straubel in 2013 pursuant to our company-wide patent incentive program, we did not provide any cash-based bonus awards to our named executive officers in 2013.

*Non-Equity Incentive Plan Compensation*

Except for total sales commissions of \$92,280 paid to Mr. Blankenship based on the number of Tesla Roadster and Model S vehicles delivered in 2013, we did not provide any non-equity incentive plan compensation to any of our named executive officers in 2013.

*Perks*

We generally do not provide any additional perquisites to our named executive officers except in certain limited circumstances. For example, we provided Mr. Blankenship with the use of a Tesla Roadster through August 2012.

*Benefits*

We provide the following benefits to our named executive officers on the same basis provided to all of our employees:

health, dental and vision insurance;

life insurance and accidental death and dismemberment insurance;

## **Table of Contents**

a 401(k) plan for which no company match is provided;

an employee stock purchase plan;

short-and long-term disability;

medical and dependent care flexible spending account; and

a health savings account.

## ***Tax Considerations***

We have not provided any executive officer or director with a gross-up or other reimbursement for tax amounts the executive might pay pursuant to Section 280G or Section 409A of the Internal Revenue Code ( Code ). Section 280G and related Code sections provide that executive officers, directors who hold significant stockholder interests and certain other service providers could be subject to significant additional taxes if they receive payments or benefits in connection with a change in control of us that exceeds certain limits, and that we or our successor could lose a deduction on the amounts subject to the additional tax. Section 409A also imposes additional significant taxes on the individual in the event that an executive officer, director or service provider receives deferred compensation that does not meet the requirements of Section 409A.

Because of the limitations of Code Section 162(m), we generally receive a federal income tax deduction for compensation paid to our CEO and to certain other highly compensated officers only if the compensation is less than \$1,000,000 per person during any fiscal year or is performance-based under Code Section 162(m). In addition to salary and bonus compensation, the realization of value by such officers with respect to equity-based awards is treated as compensation and accordingly, in any year, such realization of value may cause an officer's total compensation to exceed \$1,000,000. However, under a special Code Section 162(m) exception, any compensation paid pursuant to a compensation plan in existence before the effective date of our initial public offering will not be subject to the \$1,000,000 limitation until the earliest of: (i) the expiration of the compensation plan, (ii) a material modification of the compensation plan (as determined under Code Section 162(m)), (iii) the issuance of all the employer stock and other compensation allocated under the compensation plan, or (iv) the first meeting of stockholders at which directors are elected after the close of the third calendar year following the year in which the initial public offering occurs, which in the case of Tesla will be the 2014 Meeting. Additionally, after such event, compensation from awards that meet certain requirements set forth in Code Section 162(m) will not be subject to the \$1,000,000 cap on deductibility. While the Compensation Committee cannot predict how the deductibility limit may impact our compensation program in future years, the Compensation Committee intends to maintain an approach to executive compensation that strongly links pay to performance. In addition, while the Compensation Committee has not adopted a formal policy regarding tax deductibility of compensation paid to our named executive officers, the Compensation Committee intends to consider tax deductibility under Code Section 162(m) as a factor in compensation decisions.

## **Compensation Committee Report**

The Compensation Committee oversees Tesla's compensation policies, plans and benefit programs. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

*Respectfully submitted by the members of the Compensation Committee of the Board of Directors*

Ira Ehrenpreis (Chair)

Brad W. Buss

Antonio J. Gracias





**Table of Contents****Summary Compensation Table**

The following table presents information concerning the total compensation of our named executive officers. No disclosure is provided for 2011 or 2012 for those persons who were not named executive officers in 2011 or 2012.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Elon Musk	2013	33,280		10,620(3)	26,089(3)			69,989
Chief Executive Officer,	2012	33,280	6,000(3)		78,110,730(4)			78,150,010
Product Architect and Chairman	2011	33,280						33,280
Deepak Ahuja	2013	338,000						338,000
Chief Financial Officer	2012	338,000			563,457			901,457
	2011	325,000			544,464			869,464
Jeffrey B. Straubel	2013	249,600	10,500(3)	45,804(3)	161,699(3)			467,604
Chief Technology Officer	2012	249,600	4,500(3)		956,300			1,210,400
	2011	240,000	11,000(3)		918,531			1,169,531
Jerome Guillen	2013	263,893						263,893
Vice President, Worldwide Sales and Service								
Greg Reichow	2013	225,000						225,000
Vice President, Production								
George Blankenship	2013	333,361				92,280(5)		425,641
Former Vice President, Worldwide Retail	2012	344,500			751,276	110,340(5)	27,166(6)	1,233,282
	2011	325,000			453,720	136,600(5)	10,285(6)	925,605
Gilbert Passin	2013	270,400						270,400
Vice President, OEM and Re-Manufacturing	2012	270,400			563,457			833,857
	2011	260,000			360,152			620,152

- (1) Reflects restricted stock unit awards, the fair value of which is measured on the grant date based on the closing fair market value of our common stock.
- (2) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 26, 2014.
- (3) Consists solely of patent award bonuses pursuant to our company-wide patent incentive program.

**Table of Contents**

- (4) This grant is intended to compensate Mr. Musk over its ten-year term and will become vested as to all shares subject to it only if our market capitalization increases to \$43.2 billion and all ten performance milestones are achieved during such ten year period. 1/10<sup>th</sup> of the total number of shares subject to the option will become vested and exercisable each time: (i) our market capitalization increases by \$4.0 billion above the initially measured market capitalization of \$3.2 billion; and (ii) one of ten specified performance milestones relating to the development of our Model X and Gen III vehicles and our total production of vehicles is attained, subject to Mr. Musk's continued service to us at each such vesting event. If any shares have not vested by the end of the ten-year term of the option, they will be forfeited and Mr. Musk will not realize the value of such shares. As of the date of this filing, four market capitalization milestones have been achieved and three operational milestones were considered probable of achievement. However, because no operational milestones for this grant have been achieved, no shares subject to this grant have vested. See *Executive Compensation Compensation Discussion and Analysis CEO Compensation* above.
- (5) Amount consists of sales commissions. See Grants of Plan-Based Awards in 2013 table below.
- (6) Reflects the taxable benefit associated with the provision and use of a vehicle to Mr. Blankenship effective October 1, 2011 through August 31, 2012.

**Grants of Plan-Based Awards in 2013**

The following table presents information concerning each grant of an award made to a named executive officer in fiscal 2013 under any plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stocks or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Option Awards \$(2)(3)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Elon Musk	12/9/2013(4)				75		10,620	
	6/10/2013(4)					350	18,397	
	4/8/2013(4)					350	7,692	
Jeffrey B. Straubel	12/9/2013(4)				75		10,620	
	11/11/2013(4)				150		21,705	
	10/14/2013(4)				75		13,479	
	7/8/2013(4)					1,050	66,042	
	6/10/2013(4)					700	36,795	
	5/13/2013(4)					700	32,290	
	4/8/2013(4)					350	7,692	
3/11/2013(4)					700	12,661		
2/11/2013(4)					350	6,220		
George Blankenship		(5)	(5)	(5)				

- (1) Reflects restricted stock unit awards.
- (2) The vesting schedule applicable to each award is set forth below in the section entitled *Outstanding Equity Awards at 2013 Fiscal Year-End*.
- (3) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. The fair value of restricted stock unit awards is measured on the grant date based on the closing fair market value of our common stock. The assumptions used in the valuation of option awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 26, 2014. These amounts do not necessarily correspond to the actual value that may be recognized by the named executive officers.
- (4) Granted as part of our company-wide patent incentive program.

**Table of Contents**

- (5) In October 2010 and June 2012, Mr. Blankenship entered into sales commission plans which provided that he would receive \$200 for each Tesla Roadster and \$15 for each Model S delivered, respectively. Mr. Blankenship was eligible to earn commissions under these plans through April 2013. During the year ended December 31, 2013, Mr. Blankenship earned a total of \$92,280 under these plans, which is reflected in the Non-Equity Incentive Plan Compensation column of the *Summary Compensation Table* above. We did not provide any non-equity incentive plan compensation to any of our other named executive officers in 2012.

**Outstanding Equity Awards at 2013 Fiscal Year-End**

The following table presents information concerning unexercised options for each named executive officer outstanding as of the end of fiscal 2013.

Name	Grant Date	Option Awards				Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
Elon Musk	12/9/2013(2)						75	11,282
	6/10/2013(3)	350			100.05	6/10/2023		
	4/8/2013(3)	350			41.83	4/8/2023		
	8/13/2012(4)			5,274,901	31.17	8/13/2022		
	12/4/2009(5)	3,355,986			6.63	12/3/2016		
	12/4/2009(6)	3,355,986			6.63	12/3/2016		
Deepak Ahuja	2/13/2012(7)	13,750	16,250		31.49	2/13/2022		
	1/10/2011(7)	21,875	8,125		28.45	1/10/2021		
	6/12/2010(6)	53,625			14.17	6/11/2017		
	12/4/2009(8)	51,421			6.63	12/3/2016		
	4/13/2009(7)	29,166			2.70	4/12/2016		
	9/3/2008(9)	8,853			2.70	9/2/2015		
Jeffrey B. Straubel	12/9/2013(2)						75	11,282
	11/11/2013(2)						150	22,565
	10/14/2013(2)						75	11,282
	7/8/2013(3)	1,050			121.61	7/8/2023		
	6/10/2013(3)	700			100.05	6/10/2023		
	5/13/2013(3)	700			87.80	5/13/2023		
	4/8/2013(3)	350			41.83	4/8/2023		
	3/11/2013(3)	700			39.10	3/11/2023		
	2/11/2013(3)	350			38.42	2/11/2023		
	6/11/2012(3)	700			29.12	6/11/2022		
	2/13/2012(7)	22,916	27,084		31.49	2/13/2022		
	1/9/2012(3)	350			27.25	1/9/2022		
	12/12/2011(3)	350			30.41	12/12/2021		
	3/14/2011(3)	350			23.25	3/14/2021		
	1/10/2011(7)	36,458	13,542		28.45	1/10/2021		
	9/13/2010(6)	20,000			20.72	9/13/2020		
	6/12/2010(10)	2,143	307		14.17	6/11/2017		
	6/12/2010(6)	116,650			14.17	6/11/2017		
12/4/2009(8)	117,083			6.63	12/3/2016			
4/13/2009(7)	107,916			2.70	4/12/2016			
6/4/2008(11)	33,333			2.70	6/3/2015			
11/9/2007(12)	9,334			2.10	11/8/2014			



**Table of Contents**

Name	Grant Date	Option Awards			Option Exercise Price (\$)	Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Number of Securities Underlying Unexercised Unearned Options (#)			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
Jerome Guillen	7/9/2012(7)	7,083	12,917		31.49	7/9/2022		
	2/13/2012(7)	6,875	8,125		31.49	2/13/2022		
	6/13/2011(7)	9,375	5,625		28.43	6/13/2021		
	12/13/2010(13)	8,541	11,459		30.55	12/13/2020		
Greg Reichow	4/11/2011(14)	2,084	15,625		25.27	4/11/2021		
	4/11/2011(15)	13,125		25,000	25.27	4/11/2021		
George Blankenship								
Gilbert Passin	2/13/2012(7)	13,750	16,250		31.49	2/13/2022		
	6/13/2011(7)	5,250	3,750		28.43	6/13/2021		
	1/10/2011(7)	5,291	2,709		28.45	1/10/2021		
	6/12/2010(6)	13,300			14.17	6/11/2017		
	3/3/2010(16)	26,127	1,389		9.96	3/2/2017		

- (1) The market value of unvested restricted stock units is calculated by multiplying the number of unvested restricted stock units held by the applicable named executive officer by the closing price of our common stock on December 31, 2013, which was \$150.43.
- (2) Restricted stock unit awards granted as part of our company-wide patent incentive program. All of the restricted stock units shall vest on December 5, 2014.
- (3) Stock option awards granted as part of our company-wide patent incentive program. The total number of shares subject to the option was vested and exercisable on the applicable grant date of the option.
- (4) This grant is intended to compensate Mr. Musk over its ten-year term and will become vested as to all shares subject to it only if our market capitalization increases to \$43.2 billion and all ten performance milestones are achieved during such ten year period. 1/10<sup>th</sup> of the total number of shares subject to the option will become vested and exercisable each time: (i) our market capitalization increases by \$4.0 billion above the initially measured market capitalization of \$3.2 billion; and (ii) one of ten specified performance milestones relating to the development of our Model X and Gen III vehicles and our total production of vehicles is attained, subject to Mr. Musk's continued service to us at each such vesting event. If any shares have not vested by the end of the ten-year term of the option, they will be forfeited and Mr. Musk will not realize the value of such shares. As of the date of this filing, four market capitalization milestones have been achieved and three operational milestones were considered probable of achievement. However, because no operational milestones for this grant have been achieved, no shares subject to this grant have vested. See *Executive Compensation Compensation Discussion and Analysis CEO Compensation* above.
- (5) 1/4th of the total number of shares subject to the option became vested and exercisable on the grant date and the remaining shares subject to the option vested at a rate of 1/48th of the total number of shares subject to the option each month thereafter.
- (6) 1/4th of the total number of shares subject to the option became vested and exercisable upon the completion of the Model S engineering prototype as determined by our Board of Directors, 1/4th of the total number of shares subject to the option became vested and exercisable upon the completion of the Model S validation prototype as determined by our Board of Directors, 1/4th of the total number of shares subject to the option became vested and exercisable upon the first production of the Model S vehicle as determined by our Board of Directors and 1/4th of the total number of shares subject to the option will vest upon completion of production of the 10,000th Model S vehicle as determined by our Board of Directors, in each case subject to the optionee's continued service to us on each such vesting date and the completion of the objective on or prior to December 4, 2013.

**Table of Contents**

- (7) 1/48 of the total number of the shares subject to the option shall vest monthly starting on the applicable grant date of the option, subject to the optionee's continued service to us on each such vesting date.
- (8) 1/48th of the total number of shares subject to the option shall vest monthly starting August 16, 2009, subject to the optionee's continued service to us on each such vesting date.
- (9) 1/4th of the total number of shares subject to the option became vested and exercisable on July 31, 2009 and the remaining shares subject to the option vested at a rate of 1/48th of the total number of shares subject to the option each month thereafter.
- (10) 1/48th of the total number of shares subject to the option shall vest monthly starting June 3, 2010, subject to Mr. Straubel's continued service to us on each such vesting date.
- (11) 1/48th of the total number of share subject to the option vested monthly starting May 7, 2008.
- (12) 1/4th of the total number of shares subject to the option became vested and exercisable on May 31, 2007 and the remaining shares subject to the option vested at a rate of 1/48th of the total number of shares subject to the option each month thereafter.
- (13) 1/4th of the total number of shares subject to the option became vested and exercisable on November 10, 2011 and the remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to Mr. Guillen's continued service to us on each such vesting date.
- (14) 1/4th of the total number of shares subject to the option became vested and exercisable on March 23, 2012 and the remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to Mr. Reichow's continued service to us on each such vesting date.
- (15) Half of the total number of shares subject to the option became vested and exercisable upon the manufacturing of the 20,000th complete, working and fully functional powertrain system by the Company in its facilities as determined by our Board of Directors, and half of the total number of shares subject to the option will vest upon the manufacturing of the 100,00th complete, working and fully functional powertrain system by the Company in its facilities as determined by our Board of Directors, in each case subject to Mr. Reichow's continued service to us on each such vesting date.
- (16) 1/4th of the total number of shares subject to the option became vested and exercisable on January 25, 2011 and the remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to Mr. Passin's continued service to us on each such vesting date.

**2013 Option Exercises**

The following table presents information concerning each exercise of stock options during fiscal 2013 for each of the named executive officers.

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise\$(1)
Elon Musk		
Deepak Ahuja	35,600	1,050,050(2)
Jeffrey B. Straubel	10,416	558,610(3)
Jerome Guillen	30,000	1,783,356
Greg Reichow	30,166	2,237,221
George Blankenship	197,828	17,083,128(4)
Gilbert Passin	33,750	3,474,462(5)

- (1) Reflects the difference between the market price of Tesla common stock at the time of exercise on the exercise date and the exercise price of the option.
- (2) Option exercises and simultaneous sales of the underlying shares were transacted pursuant to a Rule 10b5-1 trading plan.
- (3) Option exercise was not accompanied by a corresponding sale of the underlying shares. Accordingly, this amount was not actually received upon exercise.

**Table of Contents**

- (4) Option exercise with respect to 5,880 shares was not accompanied by a corresponding sale of the underlying shares. Accordingly, no amount with respect to the sale of such shares was actually received upon exercise.
- (5) Option exercises and simultaneous sales of the underlying shares with respect to 900 shares were transacted pursuant to a Rule 10b5-1 trading plan.

**Potential Payments Upon Termination or Change of Control**

We do not have an employment agreement for any specific term with any of our named executive officers. Moreover, we do not have any existing contract, agreement, plan or arrangement that would result in payments to a named executive officer at, following, or in connection with any termination, including resignation, severance, retirement or a constructive termination of a named executive officer, or a change in control of the Company or a change in the named executive officer's responsibilities.

**Compensation of Directors****Compensation for Fiscal 2013**

The following table provides information concerning the compensation paid by us to each of our non-employee directors for fiscal 2013 board service. Elon Musk, who is our Chief Executive Officer, does not receive additional compensation for his services as a director.

Name	Fees Earned or			Total (\$)
	Paid in Cash (\$)	Option Awards (\$)(1)	All Other Compensation(2)	
Brad W. Buss	45,000			45,000
Ira Ehrenpreis	37,500			37,500
Antonio J. Gracias	37,500		23,457	60,957
Stephen T. Jurvetson	27,500			27,500
Harald Kroeger (3)				
Kimbal Musk	20,000		6,661	26,661

- (1) As of December 31, 2013, the aggregate number of shares underlying option awards outstanding for each of our non-employee directors was:

Name	Aggregate Number of Shares Underlying Options Outstanding
Brad W. Buss	108,999
Ira Ehrenpreis	45,225
Antonio J. Gracias	134,332
Stephen T. Jurvetson	33,057
Harald Kroeger	33,333
Kimbal Musk	83,332

- (2) Consists of reimbursements for out-of-pocket travel expenses incurred in connection with attendance at board or committee meetings.
- (3) Harald Kroeger has waived any cash compensation for his services as a director. In addition, Mr. Kroeger has transferred his option awards to Daimler North America Corporation, an affiliate of his employer. Mr. Kroeger will not be standing for re-election at the 2014 Annual Meeting.



## **Table of Contents**

### ***Standard Director Compensation Arrangements***

In the second quarter of 2012, the Compensation Committee approved, and the Board of Directors adopted, an amended and restated outside director compensation policy that is applicable to all of Tesla's non-employee directors. As part of this process, the Compensation Committee retained Compensia as its outside consultant to analyze the suitability and competitiveness of Tesla's outside director compensation structure, and to present a proposal to align such structure more closely with that of comparable public companies and adequately compensate Board members for service on Board Committees. Prior to amendment, the policy provided for only cash retainers for service on Board Committees, and for option grant awards for Board service, vesting over one year, to be made on an annual basis. The revised policy provides for, among other things, an option grant award in addition to a cash retainer for service on each Board Committee and as the Chair of a Board Committee. Moreover, under the revised policy, option awards for service on the Board, Board Committees and as Chairs of Board Committees are triennial and vest over three years. More specifically, the amended policy provides that each such non-employee director will receive the following compensation for board and Board committee services, as applicable:

an annual cash retainer for general board service of \$20,000;

no cash awards for attendance of general board meetings;

an annual cash retainer for serving as the chairman of the Audit Committee of \$15,000, for serving as the chairman of the Compensation Committee of \$10,000 and for serving as the chairman of the Nominating and Corporate Governance Committee of \$7,500;

an annual cash retainer for serving on the Audit Committee of \$7,500 per member, for serving on the Compensation Committee of \$5,000 per member, and for serving on the Nominating and Corporate Governance Committee of \$5,000 per member;

upon first joining the board, an automatic initial grant of a stock option to purchase 33,333 shares of our common stock vesting 1/4th on the one year anniversary of the vesting commencement date and 1/48th per month thereafter for the next three years, subject to continued service through each vesting date;

shortly following the 2015 annual meeting, or the first annual meeting after joining the board (if joining after June 12, 2012), and shortly following every third annual meeting thereafter, an automatic grant of a stock option to purchase 50,000 shares of our common stock;

for serving as the lead independent director, on the latter of June 12, 2012 or shortly following appointment as the lead independent director, and every three years thereafter, an automatic grant of a stock option to purchase 24,000 shares of our common stock;

for serving as a member of the Audit Committee, the Compensation Committee or the Nominating and Corporate Governance Committee, on the latter of June 12, 2012 or shortly following appointment as a member of such Committee, and every three years thereafter, an automatic grant of a stock option to purchase 12,000 shares, 9,000 shares, or 6,000 shares, respectively, of our common stock; and

for serving as the chair of the Audit Committee, the Compensation Committee or the Nominating and Corporate Governance Committee, on the latter of June 12, 2012 or shortly following appointment as the chair of such Committee, and every three years thereafter, an automatic grant of a stock option to purchase 12,000 shares, 6,000 shares, or 3,000 shares, respectively, of our common stock.

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Each automatic triennial stock option grant and each stock option grant for service as lead independent director, member of a Committee or chair of a Committee, in each case as described above, will vest  $\frac{1}{36}$ th per month for three years starting on the one month anniversary of the vesting commencement date, subject to continued service in the capacity for which such grant was made (except that if a director who was granted such an option ceases to be a director on the day before an annual meeting that is held earlier than the anniversary date of the vesting commencement date for that calendar year, vesting will accelerate with respect to the shares that would have vested if such director continued service through such anniversary date). The directors who received these triennial stock option grants in 2012 will not receive such grants again prior to 2015, assuming their continued service to Tesla until such time.

-51-

**Table of Contents**

If, following a change of control, a director is terminated, all options granted to the director pursuant to the compensation policy shall fully vest and become immediately exercisable.

Non-employee directors also have their travel, lodging and related expenses associated with attending Board or Committee meetings reimbursed by Tesla.

**Equity Compensation Plan Information**

The following table summarizes the number of outstanding options, warrants and rights granted to employees and directors, as well as the number of securities remaining available for future issuance, under Tesla's equity compensation plans as of December 31, 2013.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)(1)	(b) Weighted-average exercise price of outstanding options, warrants and rights (\$)(2)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#)
Equity compensation plans approved by security holders (3)	23,318,526	\$ 26.70	4,226,392
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>23,318,526</b>		<b>4,226,392</b>

(1) Consists of stock options to purchase 22,640,942 shares of our common stock and restricted stock units representing the right to acquire 677,584 shares of our common stock outstanding under the 2010 Plan and the Tesla Motors, Inc. 2003 Equity Incentive Plan (the 2003 Plan).

(2) The weighted average exercise price is calculated based solely on the outstanding stock options. It does not take into account the shares issuable upon vesting of outstanding restricted stock units, which have no exercise price.

(3) Includes the following plans: the 2010 Plan, the 2003 Plan and the Tesla Motors, Inc. 2010 Employee Stock Purchase Plan (the ESPP). Our 2010 Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year, beginning with the 2011 fiscal year, equal to the least of (i) 5,333,333 shares of our common stock, (ii) four percent (4%) of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year, or (iii) such lesser amount as our Board of Directors may determine. Our ESPP provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year, beginning with the 2011 fiscal year, equal to the least of (i) 1,000,000 shares of our common stock, (ii) one percent (1%) of the outstanding shares of our common stock on the first day of the fiscal year, or (iii) such lesser amount as our Board of Directors or a designated committee acting as administrator of the plan may determine.

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**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**Review of Related Party Transactions**

In accordance with the charter for the Audit Committee of the Board of Directors, our Audit Committee reviews and approves in advance any proposed related person transactions.

For purposes of these procedures, related person and transaction have the meanings contained in Item 404 of Regulation S-K.

The individuals and entities that are considered related persons include:

Directors, nominees for director and executive officers of Tesla;

Any person known to be the beneficial owner of five percent or more of Tesla's common stock (a 5% Stockholder); and

Any immediate family member, as defined in Item 404(a) of Regulation S-K, of a director, nominee for director, executive officer or 5% Stockholder.

In accordance with our Related Person Transactions Policy and Procedures, the Audit Committee must review and approve all transactions in which (i) Tesla or one of its subsidiaries is a participant, (ii) the amount involved exceeds \$120,000 and (iii) a related person has a direct or indirect material interest, other than transactions available to all employees of the Company generally.

In assessing a related party transaction brought before it for approval the Audit Committee considers, among other factors it deems appropriate, whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. The Audit Committee may then approve or disapprove the transaction in its discretion.

Any related person transaction will be disclosed in the applicable SEC filing as required by the rules of the SEC.

**Related Party Transactions**

*Daimler Agreements*

Harald Kroeger, a member of our Board of Directors, is a Vice President of Daimler. Mr. Kroeger will not be standing for re-election at the 2014 Annual Meeting. In May 2009, in connection with the Series E convertible preferred stock financing transaction in which Blackstar Investco LLC, an affiliate of Daimler (Blackstar) purchased shares of our Series E convertible preferred stock, the Company and Daimler North America Corporation, another affiliate of Daimler (DNAC) entered into an Exclusivity and Intellectual Property Agreement (the EIP Agreement). Under the EIP Agreement, we and DNAC agreed to begin the process of negotiating, in good faith, to enter into further agreements regarding, among other areas, strategic cooperation, the joint development of technology, and the supply of electric vehicle components to each other. In May 2010, the Company and Daimler entered into an agreement for the development and production of a battery pack and charger for a pilot fleet of Daimler's Mercedes-Benz A-Class electric vehicles introduced in Europe in 2011. In October 2010, we completed the development of the A-Class battery pack and charger and began shipping production components for a demonstration fleet in February 2011. During the fourth quarter of 2012, we entered into a final agreement for the development of a full electric powertrain for the Mercedes-Benz B-Class electric vehicle, which includes certain development milestones and related payments. We entered into an agreement for production parts for this B-Class program in July 2013. During 2013, we recognized approximately \$0.5 million in revenue related to the sale of A-Class battery packs and chargers, and \$15.7 million in development services revenue related to the B-Class EV program, to Daimler.

## **Table of Contents**

### *SolarCity Agreements*

We have entered into a number of agreements with SolarCity. Mr. Elon Musk is a significant stockholder of SolarCity and has been its Chairman since July 2006. Mr. Jurvetson, a member of our Board of Directors, is a managing director of Draper Fisher Jurvetson which is a significant stockholder of SolarCity. Mr. Gracias, a member of our Board of Directors, is a minor shareholder of SolarCity and a member of the board of directors of SolarCity. Mr. Straubel, our Chief Technical Officer, is a member of the board of directors of SolarCity.

In January 2011, we entered into a professional services agreement with SolarCity under which Tesla subcontracted with SolarCity for SolarCity to pay Tesla to provide a variety of design, engineering and consulting services as part of a grant under the California Solar Initiative of the California Public Utilities Commission. As of December 31, 2012, all work under this agreement has been completed. Pursuant to this agreement, payment of a portion of the billable amount was deferred until 2013. Accordingly, we recognized approximately \$47,000 in revenue under this agreement in 2013.

In the past, we have engaged SolarCity from time to time to install our Superchargers and related equipment, including solar panels provided by SolarCity for use as part of the Superchargers. SolarCity has invoiced Tesla approximately \$748,000 for such installation services and equipment provided by SolarCity during 2013.

In September 2012, we entered into a professional services agreement with SolarCity (the *Services Agreement*) whereby we agreed to refer to SolarCity our customers who have indicated their intent to consult with SolarCity for the installation of in-home electric vehicle supply equipment for use with Tesla vehicles. Under this agreement, SolarCity agreed to pay us referral fees in respect of each customer who purchases from SolarCity solar photovoltaic equipment or energy efficiency upgrade services. During the 2013 fiscal year, approximately \$27,000 in aggregate became payable to us by SolarCity for such referral fees. The *Services Agreement* did not provide for any payment obligations by Tesla. The *Services Agreement* expired in September 2013.

In April 2013, we entered into a supply agreement with SolarCity under which we will supply SolarCity with various sizes of stationary batteries for integration with solar panels by SolarCity to create stationary power sources for sale or lease to residential and commercial customers. We received approximately \$1.6 million from SolarCity during fiscal year 2013 for stationary batteries we supplied to SolarCity pursuant to this supply agreement.

### *SpaceX Agreements*

Elon Musk, our Chief Executive Officer, Product Architect and Chairman, is also the Chief Executive Officer and a significant stockholder of SpaceX. Steve Jurvetson and Kimbal Musk, two members of our Board of Directors, are also members of the board of directors of SpaceX and Antonio Gracias, another member of our Board of Directors, holds a minority interest in SpaceX and is also a member of the board of directors of SpaceX. SpaceX has from time to time in the past paid for facilities and services expenses on our behalf, for which we subsequently reimbursed SpaceX. SpaceX has also provided us, at no cost, with use of certain enterprise software developed by it.

We also receive rental payments from SpaceX for leasing to SpaceX certain car parking spaces located in the south parking lot of our Los Angeles, CA Design Studio. During the 2013 fiscal year, we received approximately \$19,000 in such rental payments.

In February 2014, Tesla and SpaceX entered into an agreement relating to Tesla's use of an aircraft leased and operated by SpaceX (the *Airplane Agreement*). Pursuant to the *Airplane Agreement*, Tesla will pay SpaceX for its use of the aircraft at rates to be determined by the parties from time to time, subject to rules of the Federal Aviation Administration governing such arrangements. The *Airplane Agreement* was retroactive to cover Tesla's use of the SpaceX aircraft beginning in September 2013. Tesla paid SpaceX approximately \$229,000 under the *Airplane Use Agreement* for Tesla's use of the plane in 2013.

## **Table of Contents**

### *Investors Rights Agreement*

We have entered into an investors rights agreement, which we have amended from time to time, with certain holders of our common stock, including the Elon Musk Revocable Trust dated July 22, 2003, Blackstar, Valor, Toyota and Panasonic. This agreement provides for certain rights relating to the registration of their shares of common stock.

### *Indemnification Agreements*

We have entered into indemnification agreements with each of our directors and officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

### *Other Transactions*

In the ordinary course of business, we enter into offer letters and employment agreements with our executive officers.

Mr. Buss, a member of our Board of Directors, is the executive vice president of finance and administration and chief financial officer of Cypress. Cypress provides semiconductors to a third party manufacturer engaged by Tesla to build certain components for use in its Model S automobile. Payments by us to the third party manufacturer allocable to the semiconductors supplied by Cypress were approximately \$605,000 in 2013 and are expected to be approximately \$766,000 in 2014.

In addition to use of commercial airlines, Elon Musk previously made his private airplane available to expedite Tesla business travel. In his role as CEO of two companies with headquarters located in different cities and with international operations, Mr. Musk must travel extensively and often at times when there are no commercial flights scheduled. We believe it would be physically impossible for him to conduct his duties effectively if commercial airport wait time and flight schedules added several hundred hours to that total. Where possible, trips also include other Tesla personnel, both executives and non-executives, to maximize efficiency.

For approximately the first five years of our existence, Mr. Musk fully paid for these expenses himself at a cumulative cost in excess of \$1 million without reimbursement. Following the Blackstar investment, in which Daimler required that he commit considerable additional time to Tesla for an extended period, our independent board members approved paying a portion of the operating expenses of the plane starting in mid-2009. The amount paid by Tesla is well under half the full cost per hour of the aircraft. Operating expenses which Tesla paid amounted to approximately \$634,000 in 2013. Tesla expects that future expenses for Mr. Musk s business travel will decrease with the execution of the Airplane Agreement with SpaceX, pursuant to which Tesla has the right to use an airplane leased by SpaceX for its business travel needs.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under Section 16 of the Exchange Act, Tesla s directors, executive officers and any persons holding more than 10% of the Tesla s common stock are required to report initial ownership of the Tesla common stock and any subsequent changes in ownership to the SEC. Specific due dates have been established by the SEC, and Tesla is required to disclose in this proxy statement any failure to file required ownership reports by these dates. Based solely upon the copies of Section 16(a) reports that Tesla received from such persons for their 2013 fiscal year transactions, and the written representations received from certain of such persons that no reports were required to be filed for them for the 2012 fiscal year, Tesla has identified the following: one report covering 1,084,129 aggregate shares of common stock purchased by Elon Musk in a public offering that closed May 22, 2013 and a private placement on May 30, 2013 was filed on May 31, 2013, one report by each of Messrs. Elon Musk and Straubel covering the receipt of a stock option award by each individual was filed late, and one report covering an in-kind distribution by an investment fund of which Stephen T. Juvetson is a Managing Director was filed late.

**Table of Contents****OWNERSHIP OF SECURITIES**

The following table sets forth certain information regarding the beneficial ownership of Tesla's common stock, as of December 31, 2013, for the following:

each person (or group of affiliated persons) who is known by us to beneficially own 5% of the outstanding shares of our common stock;

each of our non-employee directors;

each of our executive officers named in the Summary Compensation Table of this proxy statement; and

all directors and current executive officers of Tesla as a group.

In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options or other convertible securities held by that person or entity that are currently exercisable or exercisable within 60 days of December 31, 2013. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Applicable percentage ownership is based on 123,090,990 shares of Tesla's common stock outstanding at December 31, 2013.

Unless otherwise indicated, all persons named below can be reached at Tesla Motors, Inc., 3500 Deer Creek Road, California 94304.

Beneficial Owner Name	Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<b>5% Stockholders</b>		
Elon Musk (1)	35,001,294	27.0%
FMR LLC (2)	11,625,539	9.4%
<b>Named Executive Officers &amp; Directors</b>		
Elon Musk (1)	35,001,294	27.0%
Deepak Ahuja (3)	184,164	*
Jeffrey B. Straubel (4)	567,251	*
Jerome Guillen (5)	38,482	*
Greg Reichow (6)	17,291	*
George Blankenship (7)	5,880	*
Gilbert Passin (8)	72,782	*
Brad W. Buss (9)	81,205	*
Ira Ehrenpreis (10)	37,995	*
Antonio J. Gracias (11)	469,088	*
Stephen T. Jurvetson (12)	66,146	*
Harald Kroeger (6)(13)	9,722	*
Kimbal Musk (14)	236,642	*
All current executive officers and directors as a group (11 persons) (7)(8)(15)	36,709,280	28.4%

\* Represents beneficial ownership of less than 1%.

(1) Includes 28,288,622 shares held of record by the Elon Musk Revocable Trust dated July 22, 2003; and 6,712,672 shares issuable to Mr. Musk upon exercise of options exercisable within 60 days after December 31, 2013. Includes 10,024,899 shares pledged as collateral

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- to secure certain personal indebtedness.
- (2) Fidelity Management and Research Company ( Fidelity ), a wholly-owned subsidiary of FMR LLC, is the beneficial owner of 11,178,480 shares. FMR LLC is owned by members of the family of Edward C. Johnson, III, Chairman of FMR LLC. Neither FMR LLC nor Edward C. Johnson, III has the sole power to vote or direct the voting of the shares owned directly by Fidelity, which power resides with Fidelity's Boards of Trustees. In addition, Fidelity SelectCo, LLC ( SelectCo ), 1225 17th Street, Suite 1100, Denver, Colorado 80202, a wholly-owned subsidiary of FMR LLC, is the beneficial owner of

-56-



**Table of Contents**

- 180,415 shares; Pyramis Global Advisors, LLC ( PGALLC ) and Pyramis Global Advisors Trust Company ( PGATC ), each of 900 Salem Street, Smithfield, RI 02917 and an indirect wholly-owned subsidiary of FRM LLC, beneficially own 166,279 shares and 94,224 shares, respectively; and Strategic Advisers, Inc., a wholly-owned subsidiary of FRM, beneficially owns 6,141 shares. Each of Edward C. Johnson III and FRM LLC, though its control of SelectCo, PGALLC and PGATC, has the sole power to vote or direct the voting of the shares owned by SelectCo, PGALLC and PGATC, as applicable. The address for these entities and individuals, unless otherwise noted, is 245 Summer Street, Boston, MA 02210. The foregoing information is based solely on Schedule 13G filed on February 14, 2014, which the Company does not know or have reason to believe is not complete or accurate and on which the Company is relying pursuant to applicable SEC regulations.
- (3) Includes 181,189 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013.
  - (4) Includes 475,701 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013. Includes 36,420 shares pledged as collateral to secure certain personal indebtedness.
  - (5) Includes 36,040 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013.
  - (6) Consists of shares issuable upon exercise of options exercisable within 60 days after December 31, 2013.
  - (7) Mr. Blankenship retired from the Company in November 2013.
  - (8) Includes 67,188 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013. Mr. Passin, who is our Vice President, OEM & Re-Manufacturing, ceased to be an executive officer of the Company in August 2013.
  - (9) Includes 69,441 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013.
  - (10) Includes (i) 12,334 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013 held in the name of Mr. Ehrenpreis, acting as nominee of TP Management VIII, LLC ( TPM VIII ); and (ii) 19,777 shares held of record by TPM VIII. Ira Ehrenpreis, James Glasheen, Sheila Mutter, Roger J. Quy and Marc Van den Berg are managing members of TPM VIII, and as such, they may be deemed to have voting and investment power with respect to the shares beneficially owned by TPM VIII. The address for TPM VIII is 550 University Avenue, Palo Alto, CA 94301.
  - (11) Includes (i) 46,167 shares held of record by Valor Equity Management II ( VEP II ) on behalf of AJG Growth Fund LLC ( Growth Fund ); (ii) 466 shares held of record by VEP on behalf of Mr. Gracias; (iii) 242,021 shares owned by AJG Growth Fund LLC; and (iii) 89,441 shares issuable to Valor Equity Partners, L.P. ( VEP I ) upon exercise of options exercisable within 60 days after December 31, 2013. VEP I and VEP II are advised directly and/or indirectly by Valor Management Corp., which may be deemed to have shared voting and investment power with respect to the shares held of record by VEP I and VEP II. Mr. Gracias is a shareholder and director of Valor Management Corp., and may be deemed to have shared voting and investment power with respect to the shares held of record by VEP I and VEP II. He is also fund manager for AJG Growth Fund LLC. The address for all the entities above is 200 South Michigan Avenue, Suite 1020, Chicago, IL 60604.
  - (12) Includes 43,497 shares held by the Juvetson Trust and 5,500 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013. Also includes (i) 16,776 shares held of record by Draper Fisher Juvetson Fund VIII, L.P. ( Fund VIII ) and (ii) 373 shares held of record by Draper Fisher Juvetson Partners VIII, LLC ( Partners VIII ). Timothy C. Draper, John H.N. Fisher and Steven T. Juvetson are managing directors of Fund VIII, and are also managing members of Partners VIII. Fund VIII and Partners VIII directly hold shares and as such, these individuals may be deemed to have shared voting and investment power with respect to such shares. The address for all the entities above is 2882 Sand Hill Road, Suite 150, Menlo Park, CA 94025.
  - (13) Mr. Kroeger will not be standing for re-election at the 2014 Annual Meeting.
  - (14) Includes 61,109 shares issuable upon exercise of options exercisable within 60 days after December 31, 2013. Includes 175,533 shares pledged as collateral to secure certain personal indebtedness.
  - (15) Includes 7,670,440 shares issuable upon exercise of options held by our current executive officers and directors exercisable within 60 days after December 31, 2013.

**Table of Contents**

**AUDIT COMMITTEE REPORT**

The Audit Committee assists the Board of Directors in fulfilling its responsibilities for oversight of the integrity of Tesla's consolidated financial statements, our internal accounting and financial controls, our compliance with legal and regulatory requirements, the organization and performance of our internal audit function and the qualifications, independence and performance of our independent registered public accounting firm.

The management of Tesla is responsible for establishing and maintaining internal controls and for preparing Tesla's consolidated financial statements. The independent registered public accounting firm is responsible for auditing the financial statements. It is the responsibility of the Audit Committee to oversee these activities.

The Audit Committee has:

Reviewed and discussed the audited financial statements with Tesla management and with PricewaterhouseCoopers LLP, Tesla's independent registered public accounting firm;

Discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the Auditing Standard No. 16, Communications with Audit Committees issued by the Public Company Accounting Oversight Board; and

Received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence and has discussed with PricewaterhouseCoopers LLP their independence.

Based upon these discussions and review, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Tesla's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 for filing with the United States Securities and Exchange Commission.

*Respectfully submitted by the members of the Audit Committee of the Board of Directors*

Brad W. Buss (Chairman)

Antonio J. Gracias

Stephen T. Jurvetson

**Table of Contents**

**OTHER MATTERS**

Tesla knows of no other matters to be submitted at the 2014 Annual Meeting. If any other matters properly come before the 2014 Annual Meeting, it is the intention of the persons named in the proxy card to vote the shares they represent as the Board of Directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the proxy, whether through telephonic or Internet voting or, alternatively, by using a paper copy of the proxy card that has been requested.

It is important that your shares be represented at the 2014 Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone or by using the Internet as instructed on the proxy card or, if so requested, by executing and returning, at your earliest convenience, the requested proxy card in the envelope that will have been provided.

**THE BOARD OF DIRECTORS**

Palo Alto, California

April 24, 2014

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**Table of Contents**

**APPENDIX A**

**TESLA MOTORS, INC.**

**2010 EQUITY INCENTIVE PLAN**

(as amended and restated effective June 12, 2012)

(as further amended and restated effective April 10, 2014)

1. Purposes of the Plan. The purposes of this Plan are:

to attract and retain the best available personnel to ensure the Company's success and accomplish the Company's goals,

to incentivize Employees, Directors and Consultants with long-term equity-based compensation to align their interests with the Company's stockholders, and

to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

(a) Administrator means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) Applicable Laws means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) Award means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.

(d) Award Agreement means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) Board means the Board of Directors of the Company.

(f) Change in Control means the occurrence of any of the following events:

(i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group (Person), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection (i), the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

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(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the

A-1

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**Table of Contents**

most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2(f), persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

(g) Code means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(h) Committee means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(i) Common Stock means the common stock of the Company.

(j) Company means Tesla Motors, Inc., a Delaware corporation, or any successor thereto.

(k) Consultant means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(l) Director means a member of the Board.

(m) Disability means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(n) Employee means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute employment by the Company.

(o) Exchange Act means the Securities Exchange Act of 1934, as amended.

(p) Exchange Program means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

**Table of Contents**

(q) Fair Market Value means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(iii) For purposes of any Awards granted on the Registration Date, the Fair Market Value will be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company's Common Stock; or

(iv) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(r) Fiscal Year means the fiscal year of the Company.

(s) Incentive Stock Option means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(t) Inside Director means a Director who is an Employee.

(u) Nonstatutory Stock Option means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(v) Officer means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) Option means a stock option granted pursuant to the Plan.

(x) Outside Director means a Director who is not an Employee. For the avoidance of doubt, an Outside Director may or may not be an outside director within the meaning of Section 162(m) of the Code.

(y) Parent means a parent corporation, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(z) Participant means the holder of an outstanding Award.

(aa) Performance Goals means one or more objective measurable performance goals established by the Administrator based upon one or more of the following criteria: (i) any measure of financial condition or operating results that can be determined by reference to the Company's balance sheets, income statements or cash flows prepared in accordance with generally accepted accounting principles or one or more other specified bases; (ii) Company or stock valuation; (iii) market share; (iv) orders, sales or leases; (v) intellectual property (e.g., patents); (vi) product innovation or development; (vii) product launch or ship schedules; (viii) specified projects or business transactions; (ix) customer satisfaction metrics; (x) quality metrics; (xi) manufacturing or

**Table of Contents**

production metrics; or (xii) retail or service locations. Any criteria used may be measured, as applicable, (a) in absolute terms, (b) in relative terms (including but not limited to, the passage of time and/or against other companies or financial metrics), (c) on a per share and/or share per capita basis, (d) against the performance of the Company as a whole or against particular entities, segments, operating units or products of the Company and /or (e) on a pre-tax or after tax basis. Awards that are not intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code may take into account any other factors deemed appropriate by the Administrator.

(bb) Performance Share means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10, subject to Section 4(a)(ii).

(cc) Performance Unit means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10, subject to Section 4(a)(ii).

(dd) Period of Restriction means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator, subject to Section 4(a)(ii).

(ee) Plan means this 2010 Equity Incentive Plan.

(ff) Registration Date means the effective date of the first registration statement that is filed by the Company and declared effective pursuant to Section 12(g) of the Exchange Act, with respect to any class of the Company's securities.

(gg) Restricted Stock means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.

(hh) Restricted Stock Unit means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(ii) Rule 16b-3 means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(jj) Section 16(b) means Section 16(b) of the Exchange Act.

(kk) Service Provider means an Employee, Director or Consultant.

(ll) Share means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(mm) Stock Appreciation Right means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a Stock Appreciation Right.

(nn) Subsidiary means a subsidiary corporation, whether now or hereafter existing, as defined in Section 424(f) of the Code.



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**Table of Contents**

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 10,666,666 Shares, plus (i) any Shares that, as of the Registration Date, have been reserved but not issued pursuant to any awards granted under the Company's 2003 Equity Incentive Plan (the Existing Plan) and are not subject to any awards granted thereunder, and (ii) any Shares subject to stock options or similar awards granted under the Existing Plan that expire or otherwise terminate without having been exercised in full and Shares issued pursuant to awards granted under the Existing Plan that are forfeited to or repurchased by the Company, with the maximum number of Shares to be added to the Plan pursuant to clauses (i) and (ii) equal to 12,923,841 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Automatic Share Reserve Increase. The number of Shares available for issuance under the Plan will be increased on the first day of each Fiscal Year beginning with the 2011 Fiscal Year, in an amount equal to the least of (i) 5,333,333 Shares, (ii) four percent (4%) of the outstanding Shares on the last day of the immediately preceding Fiscal Year or (iii) such number of Shares determined by the Board.

(c) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares), which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued (i.e., the net Shares issued) pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 14, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Sections 3(b) and 3(c).

(d) Individual Share Limits.

(i) Limits on Options and Stock Appreciation Rights. No Participant shall receive Options or Stock Appreciation Rights during any Fiscal Year covering, in the aggregate, in excess of 2,000,000 Shares, subject to adjustment pursuant to Section 14.

(ii) Limits on Other Awards. No Participant shall receive Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units during any Fiscal Year covering, in the aggregate, in excess of 2,000,000 Shares, subject to adjustment pursuant to Section 14.

(e) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

## **Table of Contents**

(ii) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as performance-based compensation within the meaning of Section 162(m) of the Code, the Plan will be administered by a Committee of two (2) or more outside directors within the meaning of Section 162(m) of the Code, and such Awards shall be granted and administered pursuant to the requirements of Section 162(m) of the Code. The Committee may, in its discretion, subject such Awards to the achievement of Performance Goals.

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Service Providers to whom Awards may be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine, subject to Section 4(a)(ii);

(vi) to determine the terms and conditions of any, and to institute any Exchange Program;

(vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify or amend each Award (subject to Section 19 of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(b) of the Plan regarding Incentive Stock Options);

(x) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 15 of the Plan;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award; and

## **Table of Contents**

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) **Effect of Administrator's Decision.** The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

5. **Eligibility.** Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

## 6. **Stock Options.**

(a) **Limitations.** Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(b) **Term of Option.** The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

## (c) **Option Exercise Price and Consideration.**

(i) **Exercise Price.** The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

### (1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

**Table of Contents**

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised, subject to Section 4(a)(ii).

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under a broker-assisted (or other) cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise; (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or (8) any combination of the foregoing methods of payment.

(d) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator, including any Performance Goals subject to Section 4(a)(ii), and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (i) a notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

## Table of Contents

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable for twelve (12) months following Participant's death. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

## 7. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 7 or the Award Agreement, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to

## Table of Contents

such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

### 8. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units under the Plan, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion, subject to Section 4(a)(ii).

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout, subject to Section 4(a)(ii).

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may only settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

### 9. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Stock Appreciation Rights granted to any Service Provider.

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise (including any Performance Goals), and such other terms and conditions as the Administrator, in its sole discretion, will determine, subject to Section 4(a)(ii).

## **Table of Contents**

(e) **Expiration of Stock Appreciation Rights.** A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(b) relating to the maximum term and Section 6(d) relating to exercise also will apply to Stock Appreciation Rights.

(f) **Payment of Stock Appreciation Right Amount.** Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

### 10. **Performance Units and Performance Shares.**

(a) **Grant of Performance Units/Shares.** Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

(b) **Value of Performance Units/Shares.** Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) **Performance Objectives and Other Terms.** The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers, subject to Section 4(a)(ii). The time period during which the performance objectives or other vesting provisions must be met will be called the Performance Period. Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine, subject to Section 4(a)(ii). The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, or individual goals, applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion, subject to Section 4(a)(ii).

(d) **Earning of Performance Units/Shares.** After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share, subject to Section 4(a)(ii).

(e) **Form and Timing of Payment of Performance Units/Shares.** Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) **Cancellation of Performance Units/Shares.** On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

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**Table of Contents**

11. Formula Awards to Outside Directors.

(a) General. Outside Directors will be entitled to receive all types of Awards (except Incentive Stock Options) under this Plan, including discretionary Awards not covered under this Section 11. All grants of Awards to Outside Directors pursuant to this Section will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

(b) Type of Option. If Options are granted pursuant to this Section they will be Nonstatutory Stock Options and, except as otherwise provided herein, will be subject to the other terms and conditions of the Plan.

(c) Initial Award. Each person who first becomes an Outside Director following the Registration Date will be automatically granted an Option to purchase 33,333 Shares (the Initial Award ) on or about the date on which such person first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy; provided, however, that an Inside Director who ceases to be an Inside Director, but who remains a Director, will not receive an Initial Award.

(d) Triennial Award. Every three (3) years, each Outside Director will be automatically granted an Option to purchase 50,000 Shares (a Triennial Award ). The initial Triennial Award for each Outside Director will be granted on the earlier of: (1) the seventh<sup>th</sup> business day after the date of the 2015 annual meeting of the stockholders of the Company or (2) for Outside Directors appointed or elected after June 12, 2012, the seventh (7<sup>th</sup>) business day after the date of the meeting of the stockholders of the Company immediately following the date such Outside Director is initially appointed or elected to the Board. Subsequent Triennial Awards will be granted on the seventh (7<sup>th</sup>) business day following the third annual meeting of stockholders following the grant date of such Outside Director's previous Triennial Award.

(e) Lead Independent Director Award. Every three (3) years, the lead independent director of the Board will be automatically granted an Option (a Lead Independent Director Award ) to purchase 24,000 Shares. The initial Lead Independent Director Award will be granted on the later of either: (1) June 12, 2012 or (2) the seventh (7<sup>th</sup>) business day following such Director's appointment as the lead independent director. Subsequent Lead Independent Director Awards will be granted on the three-year anniversary date of such Director's previous Lead Independent Director Award.

(f) Committee Service Awards.

(i) Every three (3) years, each Outside Director who serves as a committee member will be automatically granted an Option (a Committee Member Award ) to purchase the number of Shares indicated directly below. The initial Committee Member Award for each Outside Director who serves as a committee member will be granted on the later of either: (1) June 12, 2012 or (2) the seventh (7<sup>th</sup>) business day following such Outside Director's appointment as a committee member. Subsequent Committee Member Awards for each Outside Director who serves as a committee member will be granted on the three-year anniversary date of such Outside Director's previous Committee Member Award.

(A) Audit Committee Member: 12,000 Shares

(B) Compensation Committee Member: 9,000 Shares

(C) Nominating and Corporate Governance Committee Member: 6,000 Shares

(ii) In addition to any Committee Member Awards, every three (3) years, each Outside Director who serves as a committee chair will be automatically granted an option (a Committee Chair Award ) to purchase the number of Shares indicated directly below. The initial Committee Chair Award for each Outside Director who serves as a committee chair will be granted on the later of either: (1) the June 12, 2012 or (2) the seventh (7<sup>th</sup>) business day following such Outside Director's appointment as a committee chair. Subsequent Committee Chair Awards for each Outside Director who serves as a committee chair will be granted on the third anniversary date of such Outside Director's previous Committee Chair Award.



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**Table of Contents**

(A) Audit Committee Chair: 12,000 Shares

(B) Compensation Committee Chair: 6,000 Shares

(C) Nominating and Corporate Governance Committee Chair: 3,000 Shares

(g) Terms. The terms of each Award granted pursuant to this Section will be as follows:

(i) The term of the Option will be seven (7) years or such earlier expiration specified in the applicable Award Agreement.

(ii) The exercise price for Shares subject to Awards will be one hundred percent (100%) of the Fair Market Value on the grant date. If the grant date indicated in this Section 11 falls on a non-business day, the grant shall be effective as of the next business day following such date.

(iii) Subject to Section 14, the Initial Award will vest and become exercisable as to twenty-five (25%) of the Shares subject to the Initial Award vesting on the one year anniversary of the vesting commencement date, and 1/48 of the Shares subject to the Initial Award vesting on the same day of the month as of the vesting commencement date (or the last day of the month if no such date exists for the month) thereafter; provided that the Participant continues to serve as a Director through such dates.

(iv) Subject to Section 14, the Options granted under a Triennial Award, a Lead Independent Director Award, a Committee Member Award, or a Committee Chair Award will vest and become exercisable over a three (3) year period with 1/36<sup>th</sup> of the Shares subject to such award vesting on each monthly anniversary of the vesting commencement date (which shall be the date of grant of each such award), so that all Shares subject to such award shall be fully vested as of the third (3<sup>rd</sup>) anniversary of the vesting commencement date; provided, however, that the Participant continue to serve in the capacity for which such awards were granted (*i.e.*, Director, lead outside director, committee member or committee chair). Notwithstanding the immediately preceding sentence, in the event an Outside Director ceases to be a Director as of the day immediately preceding the date of an annual meeting of the stockholders of the Company, and the date of such meeting of stockholders is prior to the anniversary date of the vesting commencement date for the same calendar year, all Shares that would have vested as of such anniversary date shall become vested and exercisable as of the day immediately preceding such annual meeting of stockholders.

(v) Awards may be freely transferable to the Outside Directors' venture capital funds or employers (or an affiliate, within the meaning of Section 424(e) or (f) of the Code, of an Outside Director's employer).

(e) Adjustments. The Administrator in its discretion may change and otherwise revise the terms of Awards granted under this Section 11, including, without limitation, the number of Shares and exercise prices thereof, for Awards granted on or after the date the Administrator determines to make any such change or revision.

12. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1<sup>st</sup>) day of such leave any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

13. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws

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**Table of Contents**

of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

14. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments.

(i) In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award, the numerical Share limits in Section 3 of the Plan, and the number of Shares issuable pursuant to Awards to be granted under Section 11 of the Plan.

(ii) Upon (or, as may be necessary to effect the adjustment, immediately prior to) any event or transaction described in the preceding paragraph or a sale of all or substantially all of the business or assets of the Company as an entirety, the Company may equitably and proportionately adjust the Performance Goals applicable to any then-outstanding performance-based Awards to the extent necessary to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan with respect to such Awards.

(iii) It is intended that, if possible, any adjustments contemplated by the preceding two paragraphs be made in a manner that satisfies applicable legal, tax (including, without limitation and as applicable in the circumstances, Sections 424, 409A and 162(m) of the Code) and accounting (so as to not trigger any charge to earnings with respect to such adjustment) requirements.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately

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**Table of Contents**

prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 14(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Performance Units and Performance Shares, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

15. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, or (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

(c) Compliance With Code Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A.

## **Table of Contents**

16. **No Effect on Employment or Service.** Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

17. **Date of Grant.** The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

18. **Term of Plan.** Subject to Section 22 of the Plan, the Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 19 of the Plan.

19. **Amendment and Termination of the Plan.**

(a) **Amendment and Termination.** The Board may at any time amend, alter, suspend or terminate the Plan.

(b) **Stockholder Approval.** The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) **Effect of Amendment or Termination.** No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

20. **Conditions Upon Issuance of Shares.**

(a) **Legal Compliance.** Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) **Investment Representations.** As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. **Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

22. **Stockholder Approval.** The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

**Table of Contents**

**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on June 3, 2014.**

**Vote by Internet**

Go to [www.envisionreports.com/TSLA](http://www.envisionreports.com/TSLA)  
Or scan the QR code with your smartphone  
Follow the steps outlined on the secure website

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**X**

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

**A** Proposals The Board recommends a vote FOR all nominees, FOR Proposal 2, FOR Proposal 3, FOR Proposal 4, and AGAINST Proposal 5.  
I. Election of two Class I Director Nominees:



	For	Withhold		For	Withhold
01 - Elon Musk	..	..	02 - Stephen T. Juvetson	..	..

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	For	Against	Abstain		For	Against	Abstain
2. A non-binding advisory vote on the approval of executive compensation.	..	..	..	3. To approve an amendment and restatement of the Tesla Motors, Inc. 2010 Equity Incentive Plan.	..	..	..
4. To ratify the appointment of PricewaterhouseCoopers LLP as Tesla's independent registered public accounting firm for the fiscal year ending December 31, 2014.	..	..	..	5. A stockholder proposal regarding supermajority stockholder voting provisions.	..	..	..

**B Non-Voting Items**

**Change of Address** Please print your new address below.

**Comments** Please print your comments below.

**Meeting Attendance**  
Mark the box to the right if you plan to attend the Annual Meeting. ..

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

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Date (mm/dd/yyyy) Please print date below.

/ /

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

**Table of Contents**

**2014 Annual Meeting Admission Ticket**

**2014 Annual Meeting of**

**Tesla Motors, Inc. Stockholders**

**Tuesday, June 3, 2014 at 11:00 a.m. PDT**

**Computer History Museum**

**1401 N. Shoreline Blvd, Mountain View, CA 94043**

**Upon arrival, please present this admission ticket**

**and photo identification at the registration desk.**

From San Jose via US-101 North

**20 Minutes - 15 Miles**

Take US-101 North toward San Francisco.  
Take Shoreline Blvd exit.  
Turn right onto Shoreline Blvd.  
Cross through intersection.  
Museum is on your right.

From San Francisco via US-101 South

**40 Minutes - 35 Miles**

Take US-101 South toward San Jose.  
Take Shoreline Blvd exit.  
Turn left onto Shoreline Blvd.  
Cross through intersection.  
Museum is on your right.

From East Bay via I-880 South

**25 Minutes - 20 Miles**

Take I-880 South toward San Jose.  
Merge onto CA-237 West toward Mountain View.  
Merge onto US-101 North toward San Francisco.  
Take Shoreline Blvd exit.  
Turn right onto Shoreline Blvd.  
Cross through intersection.  
Museum is on your right.

From Saratoga via CA-85 North

**15 Minutes - 12 Miles**

Take CA-85 North towards San Francisco.  
Take Shoreline Blvd exit.  
Turn right onto Shoreline Blvd.  
Cross through intersection.  
Museum is on your right.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

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Proxy Tesla Motors, Inc.



**Notice of 2014 Annual Meeting of Stockholders**

**Computer History Museum - 1401 N. Shoreline Blvd, Mountain View, CA 94043**

**This Proxy is Solicited on Behalf of the Board of Directors for Annual Meeting June 3, 2014**

Elon Musk and Deepak Ahuja, or either of them, each with the power of substitution, are hereby authorized to represent as proxies and vote with respect to the proposals set forth on the reverse side and in the discretion of such proxies on all other matters that may be properly presented for action all shares of stock of Tesla Motors, Inc. the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held at 11:00 a.m. Pacific Time on Tuesday, June 3, 2014, or any postponement, adjournment or continuation thereof, and instructs said proxies to vote as specified on the reverse side.

**Shares represented by this proxy will be voted as directed by the stockholder. If no such directions are indicated, the Proxies will have authority to vote FOR all nominees, FOR Proposal 2, FOR Proposal 3, FOR Proposal 4 and AGAINST Proposal 5.**

**In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the annual meeting.**

(Items to be voted appear on reverse side.)