Tesla, Inc.
Form S-4
February 20, 2019
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As filed with the Securities and Exchange Commission on February 20, 2019

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

Under

The Securities Act of 1933

Tesla, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**3711**	**91-2197729**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

3500 Deer Creek Road

Palo Alto, California 94304

(650) 681-5000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Elon Musk

Chief Executive Officer

Tesla, Inc.

3500 Deer Creek Road

Palo Alto, California 94304

(650) 681-5000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Mark B. Baudler

Michael S. Ringler

Wilson Sonsini Goodrich & Rosati, P.C.

650 Page Mill Road

Palo Alto, California 94304

(650) 493-9300

Jonathan A. Chang

M. Yun Huh

Rakhi I. Patel

Tesla, Inc.

3500 Deer Creek Road

Palo Alto, California 94304

(650) 681-5000

Larry W. Nishnick

Patrick J. O Malley

DLA Piper LLP

4365 Executive Drive, Suite 1100

San Diego, California 92121

(858) 677-1400

Approximate date of commencement of proposed sale of the securities to the public: February 20, 2019, the date on which the preliminary prospectus and tender offer materials are filed and sent to securityholders. The offer cannot, however, be completed prior to the time this Registration Statement becomes effective. Accordingly, any actual sale or purchase of securities pursuant to the offer will occur only after this Registration Statement is effective, subject to the conditions to the transactions described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be**	**Proposed maximum**	**Proposed maximum**	**Amount of registration fee**

	registered	offering price per share	aggregate offering price	
Common stock, par value $0.001 per share	961,611 shares[(1)]	N/A	$235,674,520.50[(2)]	$28,563.76[(3)]

(1) Represents the maximum number of shares of Tesla, Inc. (Tesla) common stock estimated to be issuable upon consummation of the exchange offer and the subsequent merger described herein, calculated by totaling (A) 887,965, which is the product obtained by multiplying 0.0193 which represents the maximum fraction of a share of Tesla common stock issuable for each share of Maxwell Technologies, Inc. (Maxwell) common stock to be exchanged in the offer and the subsequent merger by 46,008,549, which is the number of shares of common stock of Maxwell outstanding as of February 11, 2019 and (B) 73,646, which is the maximum number of Tesla shares issuable in respect of Maxwell equity awards outstanding as of February 11, 2019.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act on the basis of the market value of the shares of Maxwell common stock to be cancelled in the offer and the subsequent merger described herein, computed in accordance with Rule 457(f)(1) and Rule 457(f)(3). The proposed maximum aggregate offering price of the securities being registered was calculated based on the product of (i) $4.70, the average of the high and low sales prices per share of Maxwell common stock on February 12, 2019, as reported by the Nasdaq Global Market, and (ii) 50,143,515 (which represents the estimated maximum number of shares of Maxwell common stock that may be exchanged in the offer and the subsequent merger described herein for the offer consideration, including (x) shares underlying Maxwell equity awards outstanding as of February 11, 2019, and (y) shares underlying Maxwell equity awards that are expected to be granted between February 11, 2019 and the closing of the offer and the subsequent merger described herein in accordance with the merger agreement described herein. In accordance with Rule 416, this Registration Statement also covers an indeterminate number of additional shares of Maxwell securities as may be issuable as a result of stock splits, stock dividends or similar transactions.

(3) The amount of the filing fee, calculated in accordance with Rule 457(c) and Rule 457(f) under the Securities Act, equals 0.0001212 multiplied by the proposed maximum offering price.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this document is not complete and may change. The registrant may not complete the offer and issue these securities until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and the registrant is not soliciting an offer to buy these securities, in any state or jurisdiction in which such offer is not permitted.

PRELIMINARY AND SUBJECT TO CHANGE, DATED FEBRUARY 20, 2019

Offer by

CAMBRIA ACQUISITION CORP.

a direct wholly-owned subsidiary of

TESLA, INC.

to Exchange Each Outstanding Share of Common Stock of

MAXWELL TECHNOLOGIES, INC.

for

$4.75 in Fair Market Value of Shares of Common Stock of Tesla

(subject to the minimum as described in this

prospectus/offer to exchange and the related letter of transmittal)

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 11:59 P.M., EASTERN TIME, AT THE END OF MARCH 19, 2019, UNLESS EXTENDED OR TERMINATED.

Tesla, Inc. (Tesla), a Delaware corporation, through its direct wholly-owned subsidiary Cambria Acquisition Corp., a Delaware corporation (the Offeror), is offering, upon the terms and subject to the conditions set forth in this document and in the accompanying letter of transmittal, to exchange each outstanding share of common stock of Maxwell Technologies, Inc., a Delaware corporation (Maxwell), par value $0.10 per share (Maxwell common stock and such shares of Maxwell common stock, Maxwell shares), that has been validly tendered and not validly withdrawn in the offer for a fraction of a share of Tesla s common stock, par value $0.001 per share (Tesla common stock and such shares of Tesla common stock, Tesla shares) equal to the quotient obtained by dividing $4.75 by the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer, subject to the minimum, plus cash in lieu of any fractional shares of Tesla common stock, without interest and less any applicable withholding taxes. In the event that the Tesla common stock price is equal to or less than $245.90, the minimum will apply and each share of Maxwell

common stock validly tendered and not validly withdrawn in the offer will be exchanged for 0.0193 of a share of Tesla common stock.

We refer to this as the offer consideration.

The Offeror s obligation to accept for exchange Maxwell shares validly tendered (and not validly withdrawn) pursuant to the offer is subject to the satisfaction or waiver by the Offeror of certain conditions, including the condition that, prior to the expiration of the offer, there have been validly tendered and not validly withdrawn a number of Maxwell shares that, upon the consummation of the offer, together with Maxwell shares then owned by Tesla and the Offeror (if any), would represent at least a majority of the aggregate voting power of the Maxwell shares outstanding immediately after the consummation of the offer (which we refer to as the minimum tender condition), as more fully described under the section entitled The Offer Conditions of the Offer.

The offer is being made pursuant to an Agreement and Plan of Merger (which we refer to as the merger agreement), dated as of February 3, 2019, among Tesla, the Offeror and Maxwell. A copy of the merger agreement is attached to this document as Annex A.

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The purpose of the offer is for Tesla to acquire control of, and ultimately the entire equity interest in, Maxwell. The offer is the first step in Tesla s plan to acquire all of the outstanding Maxwell shares. If the offer is completed and as a second step in such plan, Tesla intends to promptly consummate a merger of the Offeror with and into Maxwell, with Maxwell surviving the merger (the merger), subject to the terms and conditions of the merger agreement. The purpose of the merger is for Tesla to acquire all Maxwell shares that it did not acquire in the offer. In the merger, each outstanding Maxwell share that was not acquired by Tesla or the Offeror will be converted into the right to receive the offer consideration. Upon the consummation of the merger, the Maxwell business will be held in a wholly-owned subsidiary of Tesla, and the former Maxwell stockholders will no longer have any direct ownership interest in the surviving corporation. If the offer is completed, the merger will be consummated pursuant to Section 251(h) of the General Corporation Law of the State of Delaware (the DGCL), and accordingly no stockholder vote will be required to complete the merger. The board of directors of Maxwell unanimously: (i) determined that the terms of the merger agreement and the transactions contemplated by the merger agreement, including the offer, the merger and the issuance of Tesla shares in connection therewith, are fair to, and in the best interests of, Maxwell and its stockholders; (ii) determined that it is in the best interests of Maxwell and its stockholders and declared it advisable to enter into the merger agreement; and (iii) approved the execution and delivery by Maxwell of the merger agreement, the performance by Maxwell of its covenants and agreements contained in the merger agreement and the consummation of the offer, the merger and the other transactions contemplated by the merger agreement upon the terms and subject to the conditions contained in the merger agreement. The board of directors of Maxwell has also resolved to recommend that the stockholders of Maxwell accept the offer and tender their shares of Maxwell common stock to the Offeror pursuant to the offer.

The Tesla board of directors also determined that the merger agreement and the transactions contemplated by the merger agreement, including the offer and the merger and the issuance of Tesla shares in the offer and merger, are advisable and fair to, and in the best interests of, Tesla and its stockholders, and approved the execution and delivery by Tesla of the merger agreement.

Tesla common stock is listed on the Nasdaq Global Select Market under the symbol TSLA and Maxwell common stock is listed on the Nasdaq Global Market under the symbol MXWL .

The offer and the merger, taken together, are intended to qualify as a reorganization for U.S. federal income tax purposes. Holders of Maxwell shares should read the section entitled Material U.S. Federal Income Tax Consequences for a more detailed discussion of certain U.S. federal income tax consequences of the offer and the merger to holders of Maxwell shares.

For a discussion of certain factors that Maxwell stockholders should consider in connection with the offer, please read the section of this document entitled Risk Factors beginning on page 23.

You are encouraged to read this entire document and the related letter of transmittal carefully, including the annexes and information referred to or incorporated by reference in this document.

Neither Tesla nor the Offeror has authorized any person to provide any information or to make any representation in connection with the offer other than the information contained or incorporated by reference in this document, and if any person provides any information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Tesla or the Offeror.

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

The date of this preliminary prospectus/offer to exchange is February 20, 2019.

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This document incorporates by reference important business and financial information about Tesla, Maxwell and their respective subsidiaries from documents filed with the SEC that have not been included in or delivered with this document. This information is available without charge at the SEC s website at www.sec.gov, as well as from other sources. See the section entitled Where to Obtain More Information.

You can obtain the documents incorporated by reference in this document by requesting them in writing or by telephone at the following address and telephone number:

Tesla, Inc.

3500 Deer Creek Road

Palo Alto, California 94304

Attention: Investor Relations

(650) 681-5000

In addition, if you have questions about the offer or the merger, or if you need to obtain copies of this document and the letter of transmittal or other documents incorporated by reference in this document, you may contact the information agent for this transaction. You will not be charged for any of the documents you request.

The Information Agent for the offer is:

1290 Avenue of the Americas, 9th Floor

New York, NY 10104

Stockholders Call Toll Free: (888) 643-8150

If you would like to request documents, please do so by March 13, 2019, in order to receive them before the expiration of the offer.

Information included in this document relating to Maxwell, including but not limited to the descriptions of Maxwell and its business and the information in the sections entitled The Offer Maxwell s Reasons for the Offer and the Merger; Recommendation of the Maxwell Board of Directors, The Offer Opinion of Maxwell s Financial Advisor and The Offer Interests of Certain Persons in the Offer and the Merger, also appears in the Solicitation/Recommendation Statement on Schedule 14D-9 dated the date of this document and filed by Maxwell with the SEC (the Schedule 14D-9). The Schedule 14D-9 is being mailed to holders of Maxwell shares as of the date of this document.

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QUESTIONS AND ANSWERS ABOUT THE OFFER AND THE MERGER

Below are some of the questions that you as a holder of Maxwell shares may have regarding the offer and the merger and answers to those questions. You are urged to carefully read the remainder of this document and the related letter of transmittal and the other documents to which we have referred because the information contained in this section and in the Summary is not complete. Additional important information is contained in the remainder of this document and the related letter of transmittal. See the section entitled Where to Obtain More Information. As used in this document, unless otherwise indicated or the context requires, Tesla or we refers to Tesla, and its consolidated subsidiaries; the Offeror refers to Cambria Acquisition Corp., a direct wholly-owned subsidiary of Tesla; and Maxwell refers to Maxwell and its consolidated subsidiaries.

Who is offering to buy my Maxwell shares?

Tesla, through the Offeror, its direct wholly-owned subsidiary, is making this offer to exchange Tesla common stock for Maxwell shares. Tesla s mission is to accelerate the world s transition to sustainable energy. Tesla designs, develops, manufactures, leases and sells high-performance fully electric vehicles, solar energy generation systems and energy storage products. Tesla also offers maintenance, installation, operation and other services related to its products. Tesla s production vehicle fleet includes its Model S premium sedan and its Model X sport utility vehicle, which are its highest-performance vehicles, and its Model 3, a lower priced sedan designed for the mass market. Tesla continues to enhance its vehicle offerings with enhanced Autopilot options, Internet connectivity and free over-the-air software updates to provide additional safety, convenience and performance features. In addition, Tesla also has several future electric vehicles in its product pipeline, including Model Y, Tesla Semi, a pickup truck and a new version of the Tesla Roadster. Tesla leases and sells retrofit solar energy systems and sells renewable energy and energy storage products to its customers, and is ramping its Solar Roof product that combines solar energy generation with attractive, integrated styling. Tesla s energy storage products, which it manufactures at Gigafactory 1, consist of Powerwall, mostly for residential applications, and Powerpack, for commercial, industrial and utility-scale applications.

On February 3, 2019, Tesla, the Offeror and Maxwell entered into an Agreement and Plan of Merger (the merger agreement).

What are the classes and amounts of Maxwell securities that Tesla is offering to acquire?

Tesla is seeking to acquire all issued and outstanding shares of Maxwell common stock, par value $0.10 per share.

What will I receive for my Maxwell shares?

Tesla, through the Offeror, is offering to exchange each outstanding share of Maxwell common stock that has been validly tendered and not validly withdrawn in the offer for a fraction of a share of Tesla common stock, par value $0.001 per share, equal to the quotient obtained by dividing $4.75 by the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer (the Tesla trading price), subject to the minimum, plus cash in lieu of any fractional shares of Tesla common stock, without interest and less any applicable withholding taxes (referred to herein as the offer consideration). In the event that the Tesla common stock price is equal to or less than $245.90, the minimum will apply and each share of Maxwell common stock validly tendered and not validly withdrawn in the offer will be exchanged for 0.0193 of a share of Tesla common stock and may result in less than $4.75 in value. Accordingly, the actual number of shares and the value of Tesla common stock delivered to Maxwell will depend on

the Tesla stock price, and the value of the shares of Tesla common stock delivered for each such share of Maxwell common stock may be less than $4.75. If you do not tender your shares into the offer but the merger is completed (pursuant to Section 251(h) of the DGCL without a

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stockholder vote), you will also receive the offer consideration in exchange for your shares of Maxwell common stock.

What will happen to my Maxwell stock options?

Any option to purchase shares of Maxwell common stock granted under Maxwell s 2005 Omnibus Equity Incentive Plan (the 2005 Plan) or Maxwell s 2013 Omnibus Equity Incentive Plan (the 2013 Plan) that remains outstanding as of the effective time of the merger (the effective time) will be treated in accordance with the merger agreement.

Pursuant to the merger agreement, at the effective time, each Maxwell option that is outstanding, unexercised and unexpired as of immediately prior to the effective time (other than former service provider options (defined below)) shall be assumed by Tesla and converted into and become an option to acquire shares of Tesla common stock (each, an adjusted option), on the same terms and conditions as were applicable under the Maxwell option as of immediately prior to the effective time, except that: (x) the number of shares of Tesla common stock subject to the adjusted option as of the effective time will be determined by multiplying the number of shares of Maxwell common stock subject to the corresponding Maxwell option immediately prior to the effective time, by the offer consideration, with any fractional shares in the resulting product rounded down to the nearest whole share, and (y) the per share exercise price for each share of Tesla common stock that may be acquired upon exercise of the adjusted option as of the effective time will be determined by dividing the per share exercise price of the Maxwell option as in effect immediately prior to the effective time, by the offer consideration, with any fractional cent in the resulting quotient rounded up to the nearest whole cent. Each adjusted option otherwise shall be subject to the same terms and conditions applicable to the corresponding Maxwell option under the applicable Maxwell Equity Plan (defined below in the immediately following question and answer) and the agreements evidencing the Maxwell options thereunder, including vesting terms.

Each Maxwell option that (i) is outstanding, unexercised and unexpired as of immediately prior to the effective time, (ii) either is vested as of immediately prior to the effective time or by its terms accelerates vesting as a result of the merger and (iii) is held by a former service provider of Maxwell or any Maxwell subsidiary as of immediately prior to the effective time (each, a former service provider option) shall not be treated in the same manner. At the effective time, without any action on the part of Tesla, Maxwell or the holder of the former service provider option, each former service provider option shall be cancelled and converted into the right to receive a number of shares of Tesla common stock determined as: (i) (A) the number of shares of Maxwell common stock subject to the former service provider option immediately prior to the effective time, multiplied by (B) the offer consideration, *minus* (ii) (A) the aggregate exercise or purchase price for all shares of Maxwell common stock subject to such former service provider option divided by (B) the Tesla trading price, with any resulting fractional share rounded down to the nearest whole share.

See the section entitled Merger Agreement Treatment of Maxwell Equity Awards.

What will happen to my Maxwell restricted stock units?

Any restricted stock unit award granted under the 2005 Plan and 2013 Plan (together, the Maxwell Equity Plans), whether vesting thereof is based on service, performance, stock performance or other conditions (each such restricted stock unit award and any Inducement RSUs, as defined further below, a Maxwell RSU award) that remains outstanding as of the effective time of the merger will be treated in accordance with the merger agreement.

At the effective time, each Maxwell RSU award (other than any former service provider RSUs (defined below)) that is outstanding immediately prior to the effective time, without any action on the part of Tesla, Maxwell or the holder thereof, shall be assumed by Tesla and converted automatically into and become a restricted stock unit covering

shares of Tesla common stock (each, an adjusted RSU), on the same terms and conditions as were

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applicable under the Maxwell RSU award as of immediately prior to the effective time, except that the number of shares of Tesla common stock subject to the adjusted RSU as of the effective time will be determined by multiplying the number of shares of Maxwell common stock subject to the corresponding Maxwell RSU award immediately prior to the effective time, by the offer consideration, with any fractional shares in the resulting product rounded down to the nearest whole share. Each adjusted RSU otherwise shall be subject to the same terms and conditions applicable to the corresponding Maxwell RSU award under the applicable Maxwell Equity Plan and any agreements evidencing the Maxwell RSU awards thereunder, including vesting terms.

Each Maxwell RSU award that (i) is outstanding, unexercised, and unexpired as of immediately prior to the effective time, (ii) either is vested as of immediately prior to the effective time or by its terms accelerates vesting as a result of the merger and (ii) is held by a former service provider of Maxwell or any Maxwell subsidiary as of immediately prior to the effective time (each, a former service provider RSU, and together with a former service provider option, a former service provider award) shall not be treated in the same manner. At the effective time, without any action on the part of Tesla, Maxwell or the holder of the former service provider RSU, each former service provider RSU shall be cancelled and converted into the right to receive a number of shares of Tesla common stock determined as: (i) (A) the number of shares of Maxwell common stock subject to the former service provider RSU immediately prior to the effective time, multiplied by (B) the offer consideration, with any resulting fractional share rounded down to the nearest whole share.

See the section entitled Merger Agreement Treatment of Maxwell Equity Awards.

What will happen to the Maxwell Employee Stock Purchase Plan?

Maxwell shall take all actions with respect to the Maxwell 2004 Employee Stock Purchase Plan (the ESPP) that are necessary to provide that: (i) with respect to any offering periods in effect as of February 3, 2019 (the Current ESPP Offering Period), no employee who is not a participant in the ESPP as of the date hereof may become a participant in the ESPP and no participant may increase his or her contributions or payroll deductions under the ESPP after the date hereof; (ii) subject to the consummation of the merger, the ESPP shall terminate effective immediately prior to the effective time; (iii) if the Current ESPP Offering Period terminates prior to the effective time, then the ESPP shall be suspended and no new offering period shall be commenced under the ESPP prior to the termination of the merger agreement; and (iv) if any Current ESPP Offering Period is still in effect at the effective time, then the last day of such Current ESPP Offering Period shall be accelerated to a date before the effective date as specified by the Maxwell board of directors or its designated committee.

See the section entitled Merger Agreement Treatment of Maxwell Equity Awards.

Will I have to pay any fee or commission to exchange my shares of Maxwell common stock?

If you are the record owner of your shares of Maxwell common stock and you tender these shares in the offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your shares of Maxwell common stock through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your Maxwell shares on your behalf, your broker or such other nominee may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

Why is Tesla making this offer?

The purpose of the offer is for Tesla to acquire control of, and ultimately the entire equity interest in, Maxwell. The offer is the first step in Tesla s plan to acquire all of the outstanding Maxwell shares, and the merger is the second step in such plan.

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In the offer, if a sufficient number of Maxwell shares are tendered into the offer prior to the expiration time of the offer such that Tesla and the Offeror will own at least a majority of the aggregate voting power of the Maxwell shares outstanding immediately after the consummation of the offer, subject to the satisfaction or waiver of the other conditions to the offer, Tesla and the Offeror will accept for exchange, and exchange, the shares tendered in the offer. Then, thereafter and as the second step in Tesla s plan to acquire all of the outstanding Maxwell shares, Tesla intends to promptly consummate a merger of the Offeror with and into Maxwell, with Maxwell surviving the merger (the merger), subject to the terms and conditions of the merger agreement. The purpose of the merger is for Tesla to acquire all remaining Maxwell shares that it did not acquire in the offer. Upon consummation of the merger, the Maxwell business will be held in a wholly-owned subsidiary of Tesla, and the former stockholders of Maxwell will no longer have any direct ownership interest in the surviving corporation. If the offer is completed, the merger will be consummated pursuant to Section 251(h) of the DGCL, and accordingly no stockholder vote will be required to consummate the merger.

What does the Maxwell board of directors recommend?

The board of directors of Maxwell unanimously: (i) determined that the terms of the merger agreement and the transactions contemplated by the merger agreement, including the offer, the merger and the issuance of Tesla shares in connection therewith, are fair to, and in the best interests of, Maxwell and its stockholders; (ii) determined that it is in the best interests of Maxwell and its stockholders and declared it advisable to enter into the merger agreement; and (iii) approved the execution and delivery by Maxwell of the merger agreement, the performance by Maxwell of its covenants and agreements contained in the merger agreement and the consummation of the offer, the merger and the other transactions contemplated by the merger agreement upon the terms and subject to the conditions contained in the merger agreement. The board of directors of Maxwell has also resolved to recommend that the stockholders of Maxwell accept the offer and tender their shares of Maxwell common stock to the Offeror pursuant to the offer.

See the section entitled The Offer Maxwell s Reasons for the Offer and the Merger; Recommendation of the Maxwell Board of Directors for more information. A description of the reasons for this recommendation is also set forth in Maxwell s Solicitation/Recommendation Statement on Schedule 14D-9 (the Schedule 14D-9), which has been filed with the U.S. Securities and Exchange Commission (the SEC) and is being mailed to you and other stockholders of Maxwell together with this document.

What are the most significant conditions of the offer?

The offer is conditioned upon, among other things, the following:

Minimum Tender Condition Maxwell stockholders having validly tendered and not validly withdrawn in accordance with the terms of the offer and prior to the expiration of the offer a number of shares of Maxwell common stock that, upon the consummation of the offer, together with any shares of Maxwell common stock then owned by Tesla and the Offeror, would represent at least a majority of the aggregate voting power of the Maxwell shares outstanding immediately after the consummation of the offer (the minimum tender condition);

Regulatory Approvals Any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) and the approval of the competition authority of the Federal Republic of Germany (the Bundeskartellamt) having been granted or the relevant waiting period having

expired;

Effectiveness of Form S-4 The registration statement on Form S-4, of which this document is a part, having become effective under the Securities Act of 1933, as amended (the Securities Act), and not being the subject of any stop order or proceeding seeking a stop order;

No Legal Prohibition No governmental entity of competent jurisdiction having (i) enacted, issued or promulgated any law that is in effect as of immediately prior to the expiration of the offer or (ii) issued

or granted any order or injunctions (whether temporary, preliminary or permanent) that is in effect as of immediately prior to the expiration of the offer, which, in each case, has the effect of restraining or enjoining or otherwise prohibiting the consummation of the offer or the merger;

Listing of Tesla Shares The Tesla shares to be issued in the offer and the merger having been approved for listing on the Nasdaq Global Select Market, subject to official notice of issuance;

No Maxwell Material Adverse Effect There not having occurred any change, effect, development, circumstance, condition, fact, state of facts, event or occurrence since the date of the merger agreement that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the financial condition, business, assets or operations of Maxwell and its subsidiaries, taken as a whole (with such term as defined in the merger agreement and described in the section entitled Merger Agreement Material Adverse Effect), and that is continuing as of immediately prior to the expiration of the offer;

Accuracy of Maxwell s Representations and Warranties The representations and warranties of Maxwell contained in the merger agreement being true and correct as of the expiration date of the offer, subject to specified materiality standards; and

Maxwell s Compliance with Covenants Maxwell having performed or complied in all material respects with the covenants and agreements required to be performed or complied with by it under the merger agreement prior to the expiration of the offer.

The offer is subject to certain other conditions set forth below in the section entitled The Offer Conditions of the Offer. The conditions to the offer are for the sole benefit of Tesla and the Offeror and may be asserted by Tesla or the Offeror regardless of the circumstances giving rise to any such condition or may be waived by Tesla or the Offeror, by express and specific action to that effect, in whole or in part at any time and from time to time, in each case, prior to the expiration of the offer. However, certain specified conditions (including all the conditions noted above other than the conditions related to a material adverse effect of Maxwell, accuracy of Maxwell s representations and Maxwell s compliance with covenants) may not be waived by Tesla or the Offeror without the consent of Maxwell (which may be granted or withheld in its sole discretion). There is no financing condition to the offer.

How long will it take to complete the proposed transaction?

The transaction is expected to be completed in the second quarter of Tesla s fiscal year 2019, ending June 30, 2019, subject to the satisfaction or waiver of the conditions described in the sections entitled The Offer Conditions of the Offer and Merger Agreement Conditions of the Merger.

How long do I have to decide whether to tender my Maxwell shares in the offer?

The offer is scheduled to expire at 11:59 p.m., Eastern time, at the end of March 19, 2019, unless extended or terminated in accordance with the merger agreement. Any extension, delay, termination, waiver or amendment of the offer will be followed as promptly as practicable by public announcement thereof to be made no later than 9:00 a.m., Eastern time, on the next business day after the previously scheduled expiration date. During any such extension, all Maxwell shares previously tendered and not validly withdrawn will remain subject to the offer, subject to the rights of

a tendering stockholder to withdraw such stockholder s shares. Expiration date means 11:59 p.m., Eastern time, at the end of March 19, 2019, unless and until the Offeror has extended the period during which the offer is open, subject to the terms and conditions of the merger agreement, in which event the term expiration date means the latest time and date at which the offer, as so extended by the Offeror, will expire.

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Under the merger agreement, unless Maxwell consents otherwise (which may be granted or withheld in its sole discretion) or the merger agreement is terminated:

- the Offeror must extend the offer for any period required by any law, or any rule, regulation, interpretation or position of the SEC or its staff or the Nasdaq Stock Market LLC (Nasdaq) applicable to the offer, or to the extent necessary to resolve any comments of the SEC or its staff applicable to the offer or the offer documents or the registration statement on Form S-4 of which this document is a part;

- in the event that any of the conditions to the offer (other than the minimum tender condition, and other than any such conditions that by their nature are to be satisfied at the expiration of the offer) have not been satisfied or waived in accordance with the merger agreement as of any then-scheduled expiration of the offer, the Offeror must extend the offer for successive extension periods of up to 10 business days each (or for such longer period as may be agreed by Tesla and Maxwell) in order to permit the satisfaction or valid waiver of the conditions to the offer (other than the minimum tender condition); however, if any then-scheduled expiration of the offer occurs on or before July 3, 2019, then the Offeror may not extend the offer beyond 11:59 p.m., Eastern time, on July 3, 2019; and

- if as of any then-scheduled expiration of the offer each condition to the offer (other than the minimum tender condition, and other than any such conditions that by their nature are to be satisfied at the expiration of the offer (if such conditions would be satisfied or validly waived were the expiration of the offer to occur at such time)) has been satisfied or waived in accordance with the merger agreement and the minimum tender condition has not been satisfied, the Offeror may, and at the request in writing of Maxwell must, extend the offer for up to four successive extension periods of up to 10 business days each (with the length of each such period being determined in good faith by Tesla) (or for such longer period as may be agreed by Tesla and Maxwell); however, in no event will the Offeror be required to extend the expiration of the offer for more than 40 business days in the aggregate for these reasons, or July 3, 2019, whichever is earlier.

The Offeror is not required to extend the offer beyond July 3, 2019, which we refer to as the outside date.

Upon the terms and subject to the satisfaction or waiver of the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any extension or amendment), promptly after the expiration of the offer, the Offeror will accept for payment, and will pay for, all Maxwell shares validly tendered and not validly withdrawn prior to the expiration of the offer.

Any decision to extend the offer will be made public by an announcement regarding such extension as described under the section entitled The Offer Extension, Termination and Amendment of Offer.

How do I tender my Maxwell shares?

To validly tender your Maxwell shares represented by physical certificates into the offer, stockholders must deliver the certificates representing such shares, together with a properly completed and duly executed letter of transmittal, along with any required signature guarantees and any other required documents for Maxwell shares, to Computershare Trust Company, N.A., the depositary and exchange agent (the exchange agent) for the offer and the merger, not later than the expiration date. The letter of transmittal is enclosed with this document.

To validly tender Maxwell shares in electronic book-entry form, Maxwell stockholders must deliver an agent s message in connection with a book-entry transfer and any other required documents for tendered Maxwell shares to the exchange agent, not later than the expiration date.

If your shares of Maxwell common stock are held in street name (*i.e.*, through a broker, dealer, commercial bank, trust company or other nominee), these shares of Maxwell common stock may be tendered by your nominee by book-entry transfer through The Depository Trust Company. To validly tender such shares held in street name, Maxwell stockholders should instruct such nominee to do so prior to the expiration of the offer.

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We are not providing for guaranteed delivery procedures and therefore you must allow sufficient time for the necessary tender procedures to be completed during normal business hours of The Depository Trust Company prior to the expiration date. Tenders received by the exchange agent after the expiration date will be disregarded and of no effect. In all cases, you will receive your consideration for your tendered Maxwell shares only after timely receipt by the exchange agent of certificates for such Maxwell shares (or of a confirmation of a book-entry transfer of such shares) and a properly completed and duly executed letter of transmittal, together with any other required documents.

For a complete discussion of the procedures for tendering your Maxwell shares, see the section entitled The Offer Procedure for Tendering.

Until what time can I withdraw tendered Maxwell shares?

You may withdraw your previously tendered Maxwell shares at any time until the offer has expired and, if the Offeror has not accepted your Maxwell shares for payment by March 19, 2019, you may withdraw them at any time on or after that date until the Offeror accepts shares for payment. If you validly withdraw your previously tendered Maxwell shares, you will receive shares of the same class of Maxwell common stock that you tendered. Once the Offeror accepts your tendered Maxwell shares for payment upon or after expiration of the offer, however, you will no longer be able to withdraw them. For a complete discussion of the procedures for withdrawing your Maxwell shares, see the section entitled The Offer Withdrawal Rights.

How do I withdraw previously tendered Maxwell shares?

To withdraw previously tendered Maxwell shares, you must deliver a written notice of withdrawal with the required information to the exchange agent at any time at which you have the right to withdraw shares. If you tendered Maxwell shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct such broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your Maxwell shares and such broker, dealer, commercial bank, trust company or other nominee must effectively withdraw such Maxwell shares at any time at which you have the right to withdraw shares. If you validly withdraw your previously tendered Maxwell shares, you will receive shares of the same class of Maxwell common stock that you tendered. For a discussion of the procedures for withdrawing your Maxwell shares, including the applicable deadlines for effecting withdrawals, see the section entitled The Offer Withdrawal Rights.

When and how will I receive the offer consideration in exchange for my tendered Maxwell shares?

The Offeror will exchange all validly tendered and not validly withdrawn Maxwell shares promptly after the expiration date of the offer, subject to the terms thereof and the satisfaction or waiver of the conditions to the offer, as set forth in the section entitled The Offer Conditions of the Offer. The Offeror will deliver the consideration for your validly tendered and not validly withdrawn shares through the exchange agent, which will act as your agent for the purpose of receiving the offer consideration from the Offeror and transmitting such consideration to you. In all cases, you will receive your consideration for your tendered Maxwell shares only after timely receipt by the exchange agent of certificates for such Maxwell shares (or of a confirmation of a book-entry transfer of such shares) (as described in the section entitled The Offer Procedure for Tendering) and a properly completed and duly executed letter of transmittal, together with any other required documents.

Why does the cover page to this document state that this offer is preliminary and subject to change, and that the registration statement filed with the SEC is not yet effective? Does this mean that the offer has not commenced?

No. Completion of this document and effectiveness of the registration statement are not necessary to commence this offer. The offer was commenced on the date of the initial filing of the registration statement on Form S-4 of which this document is a part. Tesla and the Offeror cannot, however, accept for exchange any Maxwell shares

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tendered in the offer or exchange any shares until the registration statement is declared effective by the SEC and the other conditions to the offer have been satisfied or waived (subject to the terms and conditions of the merger agreement).

What happens if I do not tender my Maxwell shares?

If, after consummation of the offer, Tesla and the Offeror own a majority of the aggregate voting power of the outstanding Maxwell shares, Tesla intends to promptly complete the merger after the consummation of the offer, subject to the terms and conditions of the merger agreement.

Upon consummation of the merger, each Maxwell share that has not been tendered and accepted for exchange in the offer will be converted in the merger into the right to receive the offer consideration. See the section entitled Merger Agreement Exchange of Maxwell Certificates or Book-Entry Shares for the Offer Consideration.

Does Tesla have the financial resources to complete the offer and the merger?

Yes. The offer consideration will consist of Tesla shares. Tesla will pay cash for any fractional shares from cash on-hand and currently available to Tesla. The offer and the merger are not conditioned upon any financing arrangements or contingencies.

If the offer is completed, will Maxwell continue as a public company?

No. Tesla is required, on the terms and subject to the satisfaction or waiver of the conditions set forth in the merger agreement, to consummate the merger promptly following the acceptance of Maxwell shares in the offer. If the merger takes place, Maxwell will no longer be publicly traded. Even if for some reason the merger does not take place, if Tesla and the Offeror purchase all Maxwell shares validly tendered and not validly withdrawn, there may be so few remaining stockholders and publicly held shares that Maxwell shares will no longer be eligible to be traded through the Nasdaq Global Market or other securities exchanges, there may not be an active public trading market for Maxwell shares and Maxwell may no longer be required to make filings with the SEC or otherwise comply with the SEC rules relating to publicly held companies.

Will the offer be followed by a merger if all Maxwell shares are not tendered in the offer?

Yes, unless the conditions to the merger are not satisfied or waived in accordance with the merger agreement. If the Offeror accepts for payment all Maxwell shares validly tendered and not validly withdrawn pursuant to the offer, and the other conditions to the merger are satisfied or waived in accordance with the merger agreement, the merger will take place promptly thereafter. If the merger takes place, Tesla will own 100% of the equity of Maxwell, and all of the remaining Maxwell stockholders, will have the right to receive the offer consideration.

Since the merger will be governed by Section 251(h) of the DGCL, no stockholder vote will be required to consummate the merger in the event that the offer is consummated. Tesla is required, on the terms and subject to the satisfaction or waiver of the conditions set forth in the merger agreement, to consummate the merger as promptly as practicable following the consummation of the offer. As such, Tesla does not expect there to be a significant period of time between the consummation of the offer and the consummation of the merger.

Have any stockholders of Maxwell already agreed to tender their shares in the Offer?

Yes, concurrently with the execution of the merger agreement, on February 3, 2019, (i) Maxwell board members Richard Bergman, Steven Bilodeau, Jörg Buchheim, Franz Fink, Burkhard Göschel, Ilya Golubovich, John Mutch and I2BF Energy Limited and (ii) Maxwell officers Franz Fink, David Lyle and Emily Lough ((i)-(ii) collectively the supporting stockholders) entered into a tender and support agreements with Tesla and

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the Offeror (the support agreement). Subject to the terms and conditions of the support agreement, the supporting stockholders agreed, among other things, to:

- cause all of such supporting stockholder s Maxwell shares to be validly and irrevocably tendered into the offer as promptly as practicable, but in no event later than five (5) business days after the commencement (within the meaning of Rule 14d-2 under the Exchange Act) of the offer, or, where permissible, waived by the Offeror, assuming that all Maxwell shares to be tendered by the supporting stockholders are in fact validly tendered and not validly withdrawn in the offer; and

- certain restrictions on encumbering or transferring such Maxwell shares.

The support agreement terminates upon certain events, including the termination of the merger agreement in accordance with its terms.

The shares of Maxwell common stock subject to the support agreement represent approximately 7.65% of the shares of Maxwell common stock outstanding as of February 3, 2019.

For more information regarding the support agreement, see the section entitled Other Transaction Agreements Support Agreement, and the support agreement, which is filed as Exhibit 99.6 to this document.

Do the officers and directors of Maxwell have interests in the offer and the merger that are different from stockholders generally?

You should be aware that some of the officers and directors of Maxwell may be deemed to have interests in the offer and the merger that are different from, or in addition to, your interests as a Maxwell stockholder. These interests may include, among others, Maxwell option agreements and Maxwell RSU award agreements that certain officers and directors have entered into with Maxwell under the applicable Maxwell Equity Plan that provide for vesting acceleration in connection with the completion of the merger, agreements that certain officers have entered into with Maxwell that provide for the vesting acceleration of Maxwell options and Maxwell RSU awards in the event the executive officer experiences a qualifying termination of employment within a specified period in connection with a change in control of Maxwell, payments of severance benefits to certain officers under Maxwell s Severance and Change in Control Plan or pursuant to employment agreements that certain officers have entered into with Maxwell, and certain indemnification obligations. See the sections entitled The Offer Interests of Certain Persons in the Offer and the Merger and Merger Agreement Employee Matters below for more information.

As of February 11, 2019, the directors and executive officers of Maxwell and their affiliates beneficially owned approximately 3,897,048 Maxwell shares, representing approximately 8.41% of the aggregate voting power of the Maxwell shares outstanding as of February 11, 2019.

Concurrently with the execution of the merger agreement, on February 3, 2019, (i) Maxwell board members Richard Bergman, Steven Bilodeau, Jörg Buchheim, Franz Fink, Burkhard Göschel, Ilya Golubovich, John Mutch and I2BF Energy Limited and (ii) Maxwell officers Franz Fink, David Lyle and Emily Lough, entered into a tender and support agreement with Tesla and the Offeror, solely in their capacities as stockholders of Maxwell. For more information regarding the support agreement, see the section entitled Other Transaction Agreements Support Agreement, and such support agreement, which is filed as Exhibit 99.6 to this document.

See also the section entitled Item 3 Past Contacts, Transactions, Negotiations and Agreements in the Schedule 14D-9, which has been filed with the SEC and is being mailed to you and other stockholders of Maxwell together with this document.

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What are the U.S. federal income tax consequences of receiving Tesla stock in exchange for my Maxwell shares in the offer or the merger?

Each of Tesla and Maxwell intends the offer and the merger, taken together, to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). However, completion of the offer and the merger is not conditioned upon receipt of an opinion from counsel that the offer and the merger qualify as a reorganization, and the offer and merger will occur even if they do not so qualify.

Assuming the offer and the merger, taken together, qualify as a reorganization, in general, the material U.S. federal income tax consequences to U.S. Holders (as defined herein) of Maxwell shares are expected to be as follows:

- Each Maxwell stockholder should not generally recognize gain or loss upon the exchange of Maxwell shares for Tesla shares pursuant to the offer and merger, except to the extent of cash received in lieu of a fractional share of Tesla common stock as described below;

- The holding period of the shares of Tesla common stock received by Maxwell stockholders in the offer and merger will include the holding period of the Maxwell shares surrendered in exchange therefor; and

- Each Maxwell stockholder should recognize gain or loss to the extent any cash received in lieu of a fractional share of Tesla common stock exceeds or is less than the basis of such fractional share.

Tax matters are very complicated, and the tax consequences of the offer and merger to a particular Maxwell stockholder will depend on such stockholder s circumstances. Accordingly, you should consult your tax advisor for a full understanding of the tax consequences of the offer and merger to you, including the applicability and effect of U.S. federal, state, local and non-U.S. income and other tax laws. For more information, please see the section entitled Material U.S. Federal Income Tax Consequences beginning on page 95.

Whom should I call if I have questions about the offer?

You may call Georgeson LLC, the information agent, toll free at (888) 643-8150.

Where can I find more information about Tesla and Maxwell?

You can find more information about Tesla and Maxwell from various sources described in the section entitled Where to Obtain More Information.

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SUMMARY

This section summarizes material information presented in greater detail elsewhere in this document. However, this summary does not contain all of the information that may be important to Maxwell stockholders. You are urged to carefully read the remainder of this document and the related letter of transmittal, the annexes to this document and the other information referred to or incorporated by reference in this document because the information in this section and in the section entitled Questions and Answers About the Offer and the Merger section is not complete. See the section entitled Where to Obtain More Information.

The Offer (Page 29)

Tesla, through the Offeror, which is a direct wholly-owned subsidiary of Tesla, is offering, upon the terms and subject to the conditions set forth in this document and in the accompanying letter of transmittal, to exchange each outstanding share of Maxwell common stock that has been validly tendered and not validly withdrawn in the offer for a fraction of a share of Tesla common stock equal to the quotient obtained by dividing $4.75 by the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer (the Tesla trading price), subject to the minimum. In the event that the Tesla trading price is equal to or less than $245.90, the minimum will apply and each share of Maxwell common stock validly tendered and not validly withdrawn in the offer will be exchanged for 0.0193 of a share of Tesla common stock.

Maxwell stockholders will not receive any fractional shares of Tesla common stock in the offer or the merger, and each Maxwell stockholder who otherwise would be entitled to receive a fraction of a share of Tesla common stock pursuant to the offer or the merger will be paid an amount in cash (without interest) equal to such fractional part of a share of Tesla common stock multiplied by the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer. See the section entitled Merger Agreement Fractional Shares.

Purpose of the Offer and the Merger (Page 50)

The purpose of the offer is for Tesla to acquire control of, and ultimately the entire equity interest in, Maxwell. The offer is the first step in Tesla s plan to acquire all of the outstanding Maxwell shares, and the merger is the second step in such plan. If the offer is completed, tendered Maxwell shares will be exchanged for the offer consideration, and if the merger is completed, any remaining Maxwell shares that were not tendered in the offer will be converted into the right to receive the offer consideration. The purpose of the merger is for Tesla to acquire all Maxwell shares that it did not acquire in the offer.

Upon the consummation of the merger, the Maxwell business will be held in a wholly-owned subsidiary of Tesla, and the former Maxwell stockholders will no longer have any direct ownership interest in such entity.

Tesla expects to consummate the merger promptly after the consummation of the offer in accordance with Section 251(h) of the DGCL, and no stockholder vote to adopt the merger agreement or any other action by the Maxwell stockholders will be required in connection with the merger. See the section entitled The Offer Purpose of the Offer and the Merger.

Support Agreement (Page 90)

Concurrently with the execution of the merger agreement, on February 3, 2019, (i) Maxwell board members Richard Bergman, Steven Bilodeau, Jörg Buchheim, Franz Fink, Burkhard Göschel, Ilya Golubovich, John

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Mutch and I2BF Energy Limited and (ii) Maxwell officers Franz Fink, David Lyle and Emily Lough ((i)-(ii) collectively, the supporting stockholders) entered into a tender and support agreement with Tesla and the Offeror (the support agreement). Subject to the terms and conditions of the support agreement, the supporting stockholders agreed, among other things, to:

- cause all of such supporting stockholder s Maxwell shares to be validly and irrevocably tendered into the offer as promptly as practicable, but in no event later than five (5) business days after the commencement (within the meaning of Rule 14d-2 under the Exchange Act) of the offer, or, where permissible, waived by the Offeror, assuming that all Maxwell shares to be tendered by the supporting stockholders are in fact validly tendered and not validly withdrawn in the offer; and

- certain restrictions on encumbering or transferring such Maxwell shares.

The support agreement terminates upon certain events, including the termination of the merger agreement in accordance with its terms.

The shares of Maxwell common stock subject to the support agreement represent approximately 7.65% of the shares of Maxwell common stock outstanding as of February 11, 2019.

For more information regarding the support agreement, see the section entitled Other Transaction Agreements Support Agreement, and the support agreement, which is filed as Exhibit 99.6 to this document.

The Companies (Page 28)

Tesla, Inc.

Tesla, Inc.

3500 Deer Creek Road

Palo Alto, California 94304

Tesla s mission is to accelerate the world s transition to sustainable energy. Tesla designs, develops, manufactures, leases and sells high-performance fully electric vehicles, solar energy generation systems and energy storage products. Tesla also offers maintenance, installation, operation and other services related to its products. Tesla s production vehicle fleet includes its Model S premium sedan and its Model X sport utility vehicle, which are its highest-performance vehicles, and its Model 3, a lower priced sedan designed for the mass market. Tesla continues to enhance its vehicle offerings with enhanced Autopilot options, Internet connectivity and free over-the-air software updates to provide additional safety, convenience and performance features. In addition, Tesla has several future electric vehicles in its product pipeline, including Model Y, Tesla Semi, a pickup truck and a new version of the Tesla Roadster. Tesla leases and sells retrofit solar energy systems and sells renewable energy and energy storage products to its customers, and is ramping its Solar Roof product that combines solar energy generation with attractive, integrated styling. Tesla s energy storage products, which it manufactures at Gigafactory 1, consist of Powerwall, mostly for residential applications, and Powerpack, for commercial, industrial and utility-scale applications.

The Offeror

Cambria Acquisition Corp.

c/o Tesla, Inc.

3500 Deer Creek Road

Palo Alto, California 94304

The Offeror, a Delaware corporation, is a direct wholly-owned subsidiary of Tesla. The Offeror is newly formed, and was organized for the purpose of making the offer and consummating the merger. The Offeror has engaged

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in no business activities to date and it has no material assets or liabilities of any kind, other than those that are incidental to its formation and that are those incurred in connection with the offer and the merger. The Offeror s address is c/o Tesla, 3500 Deer Creek Road, California 94304.

Maxwell Technologies, Inc.

Maxwell Technologies, Inc.

3888 Calle Fortunada

San Diego, California 92123

Maxwell Technologies, Inc., a Delaware corporation, is a global leader in developing, manufacturing and marketing energy storage and power delivery products for transportation, industrial and other applications. Maxwell s products are designed and manufactured to perform reliably with minimal maintenance for the life of the applications into which they are integrated, which Maxwell believes gives its products a key competitive advantage. Maxwell has one commercialized product line: energy storage, which consists primarily of ultracapacitors, with applications in multiple industries, including transportation and grid energy storage. In addition to Maxwell s existing energy storage product line, Maxwell is focused on developing its dry battery electrode technology, which leverages its core dry electrode process technology that it has used to manufacture its ultracapacitors for many years, and which Maxwell believes could be a ground breaking technology for lithium-ion batteries, particularly in the electric vehicle market.

Tesla s Reasons for the Offer and the Merger (Page 36)

The purpose of the offer is for Tesla to acquire control of, and ultimately the entire equity interest in, Maxwell. The Offeror is making the offer and Tesla plans to complete the merger because it believes that the acquisition of Maxwell by Tesla will provide significant long-term growth prospects and increased stockholder value for the combined company, including as a result of the substantial anticipated synergies resulting from the acquisition.

Opinion of Maxwell s Financial Advisor (Page 37)

Maxwell retained Barclays Capital Inc. (Barclays), to act as its financial advisor in connection with the transactions contemplated by the merger agreement. Barclays delivered its oral opinion to the Maxwell board of directors that, as of the date of the written fairness opinion and based upon and subject to the factors and assumptions set forth therein, the offer consideration per share to be paid to the holders (other than Tesla and its affiliates) of Maxwell shares, taken in the aggregate, pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Barclays, dated February 3, 2019, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this document and is incorporated into this document by reference. You should read the opinion carefully in its entirety.

The Barclays opinion was provided to the Maxwell board of directors and addresses only, as of the date of the opinion, based upon and subject to the factors and assumptions set forth therein, the fairness from a financial point of view of the offer consideration per share to be paid to the Maxwell stockholders (other than Tesla and its affiliates), taken in the aggregate, pursuant to the merger agreement. The Barclays opinion does not constitute a recommendation as to whether or not any holder of Maxwell shares should tender such Maxwell shares in connection with the offer or any other matter.

Barclays provided advisory services and its opinion for the information and assistance of the Maxwell board of directors in connection with its consideration of the transactions contemplated by the merger agreement. Pursuant

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to an engagement letter between Maxwell and Barclays, Maxwell has paid Barclays an opinion fee of $500,000 and has agreed to pay Barclays an additional transaction fee, currently estimated at approximately $4.37 million, which will be payable by Maxwell upon consummation of the transactions contemplated by the merger agreement.

Expiration of the Offer (Page 45)

The offer is scheduled to expire at 11:59 p.m., Eastern time, at the end of March 19, 2019, unless extended or terminated in accordance with the merger agreement. Expiration date means 11:59 p.m., Eastern time, at the end of March 19, 2019 unless and until the Offeror has extended the period during which the offer is open, subject to the terms and conditions of the merger agreement, in which event the term expiration date means the latest time and date at which the offer, as so extended by the Offeror, will expire.

Extension, Termination and Amendment of Offer (Page 45)

Subject to the provisions of the merger agreement and the applicable rules and regulations of the SEC, and unless Maxwell consents otherwise (which may be granted or withheld in its sole discretion) or the merger agreement is otherwise terminated:

- the Offeror must extend the offer for any period required by any law, or any rule, regulation, interpretation or position of the SEC or its staff or Nasdaq applicable to the offer, or to the extent necessary to resolve any comments of the SEC or its staff applicable to the offer or the offer documents or the registration statement on Form S-4 of which this document is a part;

- in the event that any of the conditions to the offer (other than the minimum tender condition, and other than any such conditions that by their nature are to be satisfied at the expiration of the offer) have not been satisfied or waived in accordance with the merger agreement as of any then-scheduled expiration of the offer, the Offeror must extend the offer for successive extension periods of up to 10 business days each (or for such longer period as may be agreed by Tesla and Maxwell) in order to permit the satisfaction or valid waiver of the conditions to the offer (other than the minimum tender condition); however, if any then-scheduled expiration of the offer occurs on or before July 3, 2019, then the Offeror may not extend the offer beyond 11:59 p.m., Eastern time, on July 3, 2019 (subject to the six-business day maximum extension in certain circumstances described under Termination of the Merger Agreement); and

- if as of any then-scheduled expiration of the offer each condition to the offer (other than the minimum tender condition, and other than any such conditions that by their nature are to be satisfied at the expiration of the offer (if such conditions would be satisfied or validly waived were the expiration of the offer to occur at such time)) has been satisfied or waived in accordance with the merger agreement and the minimum tender condition has not been satisfied, the Offeror may, and at the request in writing of Maxwell must, extend the offer for up to four successive extension periods of up to 10 business days each (with the length of each such period being determined in good faith by Tesla) (or for such longer period as may be agreed by Tesla and Maxwell); however, in no event will the Offeror be required to extend the expiration of the offer for more than 40 business days in the aggregate for these reasons or July 3, 2019, whichever is earlier.

The Offeror may not terminate or withdraw the offer prior to the then-scheduled expiration of the offer unless the merger agreement is validly terminated in accordance with its terms, in which case the Offeror will terminate the offer

promptly (but in no event more than one business day) after such termination. Among other circumstances, the merger agreement may be terminated by either Tesla or Maxwell if the offer shall have terminated or expired in accordance with its terms (subject to the rights and obligations of Tesla or the Offeror to extend the offer

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pursuant to the merger agreement) without the Offeror having accepted for payment any Maxwell shares pursuant to the offer, or if the acceptance for exchange of Maxwell shares tendered in the offer has not occurred on or before July 3, 2019, which we refer to as the outside date. See the section entitled Merger Agreement Termination of the Merger Agreement.

The Offeror will effect any extension, termination, amendment or delay by giving oral or written notice to the exchange agent and by making a public announcement as promptly as practicable thereafter as described under the section entitled The Offer Extension, Termination and Amendment of Offer. In the case of an extension, any such announcement will be issued no later than 9:00 a.m., Eastern time, on the next business day following the previously scheduled expiration date. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Securities Exchange Act of 1934, as amended (the Exchange Act), which require that any material change in the information published, sent or given to stockholders in connection with the offer be promptly disseminated to stockholders in a manner reasonably designed to inform them of such change) and without limiting the manner in which the Offeror may choose to make any public announcement, the Offeror assumes no obligation to publish, advertise or otherwise communicate any such public announcement of this type other than by issuing (or having Tesla issue) a press release. During any extension, Maxwell shares previously tendered and not validly withdrawn will remain subject to the offer, subject to the right of each Maxwell stockholder to withdraw previously tendered Maxwell shares.

No subsequent offering period will be available following the expiration of the offer without the prior written consent of Maxwell, other than in accordance with the extension provisions set forth in the merger agreement.

Conditions of the Offer (Page 53)

The offer is subject to certain conditions, including, among others:

- satisfaction of the minimum tender condition (which requires that, prior to the expiration of the offer, there have been validly tendered and not validly withdrawn a number of Maxwell shares that, upon the consummation of the offer, would represent at least a majority of the aggregate voting power of the Maxwell shares outstanding immediately after the consummation of the offer);
- expiration or termination of the waiting period applicable to the transactions contemplated by the merger agreement under the HSR Act and the approval of the competition authority of the Federal Republic of Germany (the Bundeskartellamt) or the expiration of the waiting period under German competition law;
- lack of legal prohibitions;
- the effectiveness of the registration statement on Form S-4 of which this document is a part;
- the listing of the Tesla shares to be issued in the offer and the merger on the Nasdaq Global Select Market, subject to official notice of issuance;

the accuracy of Maxwell s representations and warranties made in the merger agreement, subject to specified materiality standards;

Maxwell being in compliance in all material respects with its covenants under the merger agreement;

no material adverse effect (as described in the section entitled Merger Agreement Material Adverse Effect) having occurred with respect to Maxwell since the date of the merger agreement that is continuing as of immediately prior to the expiration of the offer;

the delivery of a certificate to Tesla and the Offeror, signed by Maxwell s chief executive officer or chief financial officer, certifying the satisfaction of the conditions set forth in the three bullet points immediately above; and

the merger agreement not having been terminated in accordance with its terms.

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The offer is subject to certain other conditions set forth in the section below entitled The Offer Conditions of the Offer. Subject to applicable SEC rules and regulations, the Offeror also reserves the right prior to the expiration of the offer, in its sole discretion, at any time or from time to time to waive any condition identified as subject to waiver in the section entitled The Offer Conditions of the Offer by giving oral or written notice of such waiver to the exchange agent. However, certain specified conditions (including the first five conditions in the immediately preceding list) may only be waived by Tesla or the Offeror with the prior written consent of Maxwell (which may be granted or withheld in its sole discretion).

Withdrawal Rights (Page 47)

Tendered Maxwell shares may be withdrawn at any time prior to the expiration of the offer. Additionally, if the Offeror has not agreed to accept the shares for exchange on or prior to March 19, 2019, Maxwell stockholders may thereafter withdraw their shares from the offer at any time after such date until the Offeror accepts the shares for exchange. Any Maxwell stockholder that validly withdraws previously tendered Maxwell shares will receive shares of the same class of Maxwell common stock that were tendered. Once the Offeror accepts shares for exchange pursuant to the offer, all tenders not previously withdrawn become irrevocable.

Procedure for Tendering (Page 48)

To validly tender Maxwell shares pursuant to the offer, Maxwell stockholders must:

- if such shares are in certificated form or direct registration form, deliver a properly completed and duly executed letter of transmittal, along with any required signature guarantees and any other required documents, and certificates for tendered Maxwell shares to the exchange agent at its address set forth elsewhere in this document, all of which must be received by the exchange agent prior to the expiration of the offer; or

- if such shares are in electronic book-entry form, deliver an agent s message in connection with a book-entry transfer, and any other required documents, to the exchange agent, at its address set forth elsewhere in this document, and follow the other procedures for book-entry tender set forth herein (and a confirmation of receipt of that tender received), all of which must be received by the exchange agent prior to the expiration of the offer.

Maxwell stockholders who hold shares of Maxwell common stock in street name through a bank, broker or other nominee holder, and desire to tender their shares of Maxwell common stock pursuant to the offer, should instruct the nominee holder to do so prior to the expiration of the offer.

Exchange of Shares; Delivery of Tesla Shares (Page 46)

Upon the terms and subject to the satisfaction or waiver of the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any extension or amendment), promptly after the expiration of the offer, the Offeror will accept for exchange, and will exchange, all Maxwell shares validly tendered and not validly withdrawn prior to the expiration of the offer.

Regulatory Approvals (Page 55)

The completion of the offer is subject to the expiration or termination of the applicable waiting periods under the HSR Act and the approval of the competition authority of the Bundeskartellamt or the expiration of the waiting period under German competition law. This requirement is discussed under the section entitled The Offer Regulatory Approvals.

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Interests of Certain Persons in the Offer and the Merger (Page 56)

You should be aware that some of the officers and directors of Maxwell may be deemed to have interests in the offer and the merger that are different from, or in addition to, your interests as a Maxwell stockholder. These interests may include, among others, Maxwell option agreements and Maxwell RSU award agreements that certain officers and directors have entered into with Maxwell under the applicable Maxwell Equity Plan that provide for vesting acceleration in connection with the completion of the merger, agreements that certain officers have entered into with Maxwell that provide for the vesting acceleration of Maxwell options and Maxwell RSU awards in the event the executive officer experiences a qualifying termination of employment within a specified period in connection with a change in control of Maxwell, payments of severance benefits to certain officers under Maxwell s Severance and Change in Control Plan or pursuant to employment agreements that certain officers have entered into with Maxwell, and certain indemnification obligations. See the sections entitled The Offer Interests of Certain Persons in the Offer and the Merger and Merger Agreement Employee Matters below for more information. As of February 11, 2019, the directors and executive officers of Maxwell and their affiliates beneficially owned approximately 3,897,048 Maxwell shares, representing approximately 8.41% of the aggregate voting power of the Maxwell shares outstanding as of February 11, 2019.

Concurrently with the execution of the merger agreement, on February 3, 2019, (i) Maxwell board members Richard Bergman, Steven Bilodeau, Jörg Buchheim, Franz Fink, Burkhard Göschel, Ilya Golubovich, John Mutch and I2BF Energy, Limited and (ii) Maxwell officers Franz Fink, David Lyle and Emily Lough, entered into a tender and support agreement with Tesla and the Offeror, solely in their capacities as stockholders of Maxwell. For more information regarding the support agreement, see the section entitled Other Transaction Agreements Support Agreement, and such support agreement, which is filed as Exhibit 99.6 to this document.

See also the section entitled Item 3 Past Contacts, Transactions, Negotiations and Agreements in the Schedule 14D-9, which has been filed with the SEC and is being mailed to you and other stockholders of Maxwell together with this document.

Comparative Market Price (Page 92)

Tesla common stock is listed on the Nasdaq Global Select Market under the symbol TSLA and Maxwell common stock is listed on the Nasdaq Global Market under the symbol MXWL .

The parties announced the execution of the merger agreement prior to the commencement of trading on February 4, 2019. On February 1, 2019, the trading day before the public announcement of the execution of the merger agreement, the trading price per share of Maxwell common stock on the Nasdaq Global Market was $3.07, and the trading price per share of Tesla common stock on the Nasdaq Global Select Market was $312.21. On February 19, 2019, the most recent practicable trading date prior to the filing of this document, the trading price per share of Maxwell common stock on the Nasdaq Global Market was $4.70, and the trading price per share of Tesla common stock on the Nasdaq Global Select Market was $305.64.

Maxwell stockholders should obtain current market quotations for Maxwell shares and Tesla shares before deciding whether to tender their Maxwell shares in the offer. See the section entitled Comparative Market Price.

Ownership of Tesla Shares After the Offer and the Merger (Page 52)

Tesla estimates that former Maxwell stockholders would own, in the aggregate, approximately 0.4% of the outstanding Tesla shares immediately following the completion of the offer and the merger.

For a detailed discussion of the assumptions on which this estimate is based, see the section entitled The Offer Ownership of Tesla Shares After the Offer and the Merger.

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Comparison of Stockholders Rights (Page 102)

The rights of Tesla stockholders are different in some respects from the rights of Maxwell stockholders. Therefore, Maxwell stockholders will have different rights as stockholders once they become Tesla stockholders. The differences are described in more detail under the section entitled Comparison of Stockholders Rights.

Material U.S. Federal Income Tax Consequences (Page 95)

Each of Tesla and Maxwell intends the offer and the merger, taken together, to qualify as a reorganization within the meaning of Section 368(a) of the Code, in which case a Maxwell stockholder should not generally recognize gain or loss upon the exchange of Maxwell shares for Tesla shares pursuant to the offer and merger, except to the extent of cash received in lieu of a fractional share of Tesla common stock. Each Maxwell stockholder should read the discussion under the section entitled Material U.S. Federal Income Tax Consequences for a more complete discussion of the U.S. federal income tax consequences of the offer and the merger. Tax matters can be complicated, and the tax consequences of the offer and the merger to a particular Maxwell stockholder will depend on such stockholder s particular facts and circumstances. Maxwell stockholders should consult their own tax advisors to determine the specific consequences to them of exchanging their shares of Maxwell common stock for the offer consideration pursuant to the offer or the merger.

Accounting Treatment (Page 69)

In accordance with United States generally accepted accounting principles (as GAAP), Tesla will account for the acquisition of shares through the offer and the merger under the acquisition method of accounting for business combinations.

Questions about the Offer and the Merger

Questions or requests for assistance or additional copies of this document may be directed to the information agent at the telephone number and addresses set forth below. Maxwell stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the offer.

The Information Agent for the Offer is:

1290 Avenue of the Americas, 9th Floor

New York, NY 10104

Stockholders Call Toll Free: (888) 643-8150

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF TESLA

The following table sets forth summary consolidated financial data for Tesla as of and for each of the five years ended December 31, 2018, 2017, 2016, 2015 and 2014. All references to fiscal years, unless otherwise noted, refer to the 12-month fiscal year.

The summary consolidated financial data as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016, were derived from Tesla s audited consolidated financial statements included in its Annual Report on Form 10-K for the period ended December 31, 2018, previously filed with the SEC on February 19, 2019 and incorporated by reference into this document. The summary consolidated financial data as of December 31, 2016, 2015 and 2014, and for the years ended December 31, 2015 and 2014, were derived from Tesla s audited consolidated financial statements not included or incorporated by reference into this document.

Such financial data should be read together with, and is qualified in its entirety by reference to, Tesla s historical consolidated financial statements and the accompanying notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations, which are set forth in Tesla s Annual Report on Form 10-K for the period ended December 31, 2018, previously filed with the SEC on February 19, 2019 and incorporated by reference into this document.

	Year Ended December 31,				
	2018[2]	2017	2016[1]	2015	2014
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Total revenues	$ 21,461,268	$ 11,758,751	$ 7,000,132	$ 4,046,025	$ 3,198,356
Gross profit	$ 4,042,021	$ 2,222,487	$ 1,599,257	$ 923,503	$ 881,671
Loss from operations	$ (388,073)	$ (1,632,086)	$ (667,340)	$ (716,629)	$ (186,689)
Net loss attributable to common stockholders	$ (976,091)	$ (1,961,400)	$ (674,914)	$ (888,663)	$ (294,040)
Net loss per share of common stock attributable to common stockholders, basic and diluted	$ (5.72)	$ (11.83)	$ (4.68)	$ (6.93)	$ (2.36)
Weighted average shares used in computing net loss per share of common stock, basic and diluted	170,525	165,758	144,212	128,202	124,539

	As of December 31,				
	2018[2]	2017	2016[1]	2015	2014
	(in thousands)				
Consolidated Balance Sheet Data:					
Working (deficit) capital	$ (1,685,828)	$ (1,104,150)	$ 432,791	$ (29,029)	$ 1,072,907
Total assets	29,739,614	28,655,372	22,664,076	8,067,939	5,830,667
Total long-term obligations	13,433,874	15,348,310	10,923,162	4,125,915	2,753,595

(1) We acquired SolarCity Corporation (SolarCity) on November 21, 2016. SolarCity s financial positions have been included in our financial positions from the acquisition date. See Note 3, *Business Combinations,* of the notes to the consolidated financial statements for additional information regarding this transaction.

(2) Includes the impact of the adoption of the new revenue recognition accounting standard in 2018. Prior periods have not been revised. See Note 2, *Summary of Significant Accounting Policies*, of the notes to the consolidated financial statements for further details.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF MAXWELL

The following table sets forth summary consolidated financial data for Maxwell as of and for each of the years ended December 31, 2018 and 2017. All references to fiscal years, unless otherwise noted, refer to the 12-month fiscal year.

The summary consolidated financial data as of December 31, 2018 and 2017 were derived from Maxwell s audited consolidated financial statements included in its Annual Report on Form 10-K for the period ended December 31, 2018, previously filed with the SEC on February 14, 2019 and incorporated by reference into this document.

Such financial data should be read together with, and is qualified in its entirety by reference to, Maxwell s historical consolidated financial statements and the accompanying notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations which are set forth in the Annual Report on Form 10-K for the period ended December 31, 2018, previously filed with the SEC on February 14, 2019 and incorporated by reference into this document.

	Years Ended December 31,	
	2018	2017
	(in thousands, except per share data)	
Consolidated Statement of Operations Data:		
Revenue	$ 90,459	$ 87,709
Loss from operations from continuing operations	$ (40,717)	$ (51,698)
Net loss from continuing operations	$ (44,442)	$ (53,862)
Net loss per share from continuing operations:		
Basic	$ (1.08)	$ (1.52)
Diluted	$ (1.08)	$ (1.52)

	As of December 31,	
	2018	2017
	(in thousands, except shares)	
Consolidated Balance Sheet Data:		
Total assets	$ 163,731	$ 205,379
Cash and cash equivalents	$ 58,028	$ 46,192
Short-term borrowings and current portion of long-term debt	$ 438	
Long-term debt, excluding current portion	$ 37,969	$ 35,042
Stockholders equity	$ 90,591	$ 106,101
Shares outstanding	45,996,186	37,199,519

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COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The following table reflects historical information about basic and diluted earnings per share, cash dividends per share and book value per share for Tesla and Maxwell for the fiscal year ended December 31, 2018 on a historical basis, and on an unaudited pro forma combined basis after giving effect to the offer and the merger.

This information is only a summary and should be read in conjunction with the historical consolidated financial statements and accompanying notes of Tesla and Maxwell contained in their respective Annual Reports on Form 10-K for the year ended December 31, 2018 and other information that each company has filed with the SEC which is incorporated by reference into this prospectus. See the section entitled Where to Obtain More Information.

The unaudited pro forma combined financial data presented below is based upon available information and certain assumptions that Tesla and Maxwell management believe are reasonable. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies, debt refinancing or restructuring, among other factors, nor the impact of possible business model changes. As a result, the unaudited pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results. Tesla and Maxwell may have performed differently had they always been combined. You should not rely on this information as indicating the historical results that would have been achieved had Tesla and Maxwell always been combined or the future results that the combined company will experience after the merger. Upon completion of the merger, the operating results of Maxwell will be reflected in the consolidated financial statements of Tesla on a prospective basis.

This pro forma information is subject to risks and uncertainties, including those discussed in Risk Factors.

	Tesla Historical	Maxwell Historical	Pro Forma Combined	Pro Forma Equivalent Maxwell Share[1]
Net loss per share attributable to common stockholders for the fiscal year ended December 31, 2018, basic and diluted:	$ 5.72	$ 1.08	$ 6.08	$ 0.09
Cash dividends declared per share for the fiscal year ended December 31, 2018:				
Book value per share as of December 31, 2018:	$ 28.52	$ 1.97	$ 30.19	$ 0.45

(1) The Maxwell pro forma equivalent per share amounts were calculated by multiplying the pro forma combined amounts by the assumed exchange ratio of 0.015.

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RISK FACTORS

Maxwell stockholders should carefully read this document and the other documents referred to or incorporated by reference into this document, including in particular the following risk factors, in deciding whether to tender Maxwell shares pursuant to the offer.

Risk Factors Relating to the Offer and the Merger

The offer remains subject to conditions that Tesla cannot control.

The offer is subject to conditions, including the minimum tender condition, receipt of required regulatory approvals, lack of legal prohibitions, no material adverse effect (as described in the section entitled Merger Agreement Material Adverse Effect) having occurred with respect to Maxwell since the date of the merger agreement that is continuing as of immediately prior to the expiration of the offer, the accuracy of Maxwell s representations and warranties made in the merger agreement (subject to specified materiality standards), Maxwell being in compliance in all material respects with its covenants under the merger agreement, the listing of the Tesla shares to be issued in the offer and the merger being authorized for listing on the Nasdaq Global Select Market, subject to official notice of issuance, the registration statement on Form S-4 of which this document is a part becoming effective, and the merger agreement not having been terminated in accordance with its terms. There are no assurances that all of the conditions to the offer will be satisfied or that the conditions will be satisfied in the time frame expected. If the conditions to the offer are not met, then Tesla may, subject to the terms and conditions of the merger agreement, allow the offer to expire, or amend or extend the offer. See the section entitled The Offer Conditions of the Offer for a discussion of the conditions to the offer.

The value of the Tesla common stock issuable in the offer and the merger is subject to change based on fluctuations in the value of Tesla common stock, and Maxwell s stockholders may, in certain circumstances, receive stock consideration with a value that, is less than $4.75 per share of Maxwell common stock.

The market value of Tesla common stock will fluctuate during the offer period as well as thereafter. The consideration issuable in the offer and the merger is calculated by reference to the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer (as adjusted as appropriate to reflect any stock splits, stock dividends, combinations, reorganizations, reclassifications or similar events) and subject to a minimum as described below. If the Tesla common stock price is greater than $245.90, the exchange ratio will be equal to the quotient obtained by dividing (1) $4.75 by (2) the Tesla trading price as calculated above. However, if the Tesla common stock price is equal to or less than $245.90, the minimum will apply and the exchange ratio will be fixed at 0.0193 and may result in less than $4.75 in value. Accordingly, the actual number of shares and the value of Tesla common stock delivered to participating Maxwell stockholders will depend on the Tesla stock price, and the value of the shares of Tesla common stock delivered for each such share of Maxwell common stock may be less than $4.75.

It is impossible to accurately predict the market price of Tesla common stock at the completion of the merger or during the 5-trading day period over which the Tesla common stock price is calculated and, therefore, impossible to accurately predict the number or value of the shares of Tesla common stock that Maxwell stockholders will receive in the merger. The market price for Tesla common stock may fluctuate both prior to completion of the merger and thereafter for a variety of reasons, including, among others, general market and economic conditions, the demand for Tesla s or Maxwell s products and services, changes in laws and regulations, other changes in Tesla s and Maxwell s respective businesses, operations, prospects and financial results of operations, market assessments of the likelihood

that the merger will be completed, and the expected timing of the merger. Many of these factors are beyond Tesla s and Maxwell s control.

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If the transactions are completed, Maxwell stockholders will receive Tesla shares as part of the offer consideration and will accordingly become Tesla stockholders. Tesla common stock may be affected by different factors than Maxwell common stock, and Tesla stockholders will have different rights than Maxwell stockholders.

Upon consummation of the transactions, Maxwell stockholders will receive Tesla shares and will accordingly become Tesla stockholders. Tesla s business differs from that of Maxwell, and Tesla s results of operations and stock price may be adversely affected by factors different from those that would affect Maxwell s results of operations and stock price.

In addition, holders of shares of Tesla common stock will have rights as Tesla stockholders that differ from the rights they had as Maxwell stockholders before the transactions. For a comparison of the rights of Tesla stockholders to the rights of Maxwell stockholders, see the section entitled Comparison of Stockholders Rights.

Maxwell stockholders who participate in the offer will be forfeiting all rights with respect to their Maxwell shares other than the right to receive the offer consideration, including the right to participate directly in any earnings or future growth of Maxwell.

If the offer and the merger are completed, Maxwell stockholders will cease to have any equity interest in Maxwell and will not participate in its earnings or any future growth, except indirectly through ownership of Tesla shares received in the offer and the merger.

Consummation of the offer may adversely affect the liquidity of the Maxwell shares not tendered in the offer.

If the offer is completed, you should expect the number of Maxwell stockholders and the number of publicly-traded Maxwell shares to be significantly reduced. As a result, the closing of the offer can be expected to adversely affect, in a material way, the liquidity of the remaining Maxwell shares held by the public pending the consummation of the merger. While Tesla currently expects the merger to occur on the day after the offer is completed, Tesla cannot assure you that all conditions to the merger will be satisfied at that time or at all.

Maxwell directors and officers potentially have interests in the transaction that differ from, or are in addition to the interests of the Maxwell stockholders generally.

You should be aware that some of the officers and directors of Maxwell may be deemed to have interests in the offer and the merger that are different from, or in addition to, your interests as a Maxwell stockholder. These interests may include, among others, agreements that certain officers have entered into with Maxwell that provide for the acceleration of stock options and restricted stock units in the event the officer experiences a qualifying termination of employment within 12 months following a change of control of Maxwell, payments of severance benefits under Maxwell s broad-based severance plan to executive officers and certain indemnification obligations. See the sections entitled The Offer Interests of Certain Persons in the Offer and the Merger and Merger Agreement Employee Matters below for more information.

As of February 11, 2019, the directors and executive officers of Maxwell and their affiliates beneficially owned approximately 3,897,048 Maxwell shares, representing approximately 8.41% of the aggregate voting power of the Maxwell shares outstanding as of February 11, 2019.

Concurrently with the execution of the merger agreement, on February 3, 2019, (i) Maxwell board members Richard Bergman, Steven Bilodeau, Jörg Buchheim, Franz Fink, Burkhard Göschel, Ilya Golubovich, John Mutch and I2BF Energy Limited and (ii) Maxwell officers Franz Fink, David Lyle and Emily Lough, entered into a tender and support agreement with Tesla and the Offeror, solely in their capacities as stockholders of Maxwell. For more information

regarding the support agreement, see the section entitled Other Transaction Agreements Support Agreement, and such support agreement, which is filed as Exhibit 99.6 to this document.

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Maxwell stockholders will have a reduced ownership and voting interest in Tesla as compared to their ownership and voting interest in Maxwell.

After consummation of the offer and merger, Maxwell stockholders will own approximately 0.4% of the outstanding Tesla shares, based upon the number of outstanding Maxwell shares as of February 11, 2019, disregarding stock options, restricted stock units and other rights to acquire shares that may be issued by Tesla or Maxwell pursuant to any employee stock plan. Consequently, former Maxwell stockholders will have less influence on the management and policies of the combined company than they currently exercise over Maxwell.

Sales of substantial amounts of Tesla shares in the open market by former Maxwell stockholders could depress its stock price.

Other than shares held by persons who will be affiliates of Tesla after the offer and the merger, Tesla shares that are issued to Maxwell stockholders, including those shares issued upon the exercise of outstanding stock options or restricted stock units, will be freely tradable without restrictions or further registration under the Securities Act. If the offer and the merger are completed and if former Maxwell stockholders and Maxwell employees sell substantial amounts of Tesla common stock in the public market following consummation of the offer and the merger, the market price of Tesla common stock may decrease.

Litigation relating to the offer or the merger could require Tesla to incur significant costs and suffer management distraction, as well as could delay or enjoin the merger.

Tesla and Maxwell could be subject to demands or litigation related to the offer or the merger, whether or not the merger is consummated. Such actions may create uncertainty relating to the offer or the merger, or delay or enjoin the merger, and responding to such demands and defending such actions may be costly and distracting to management of both companies.

If the offer and the merger do not qualify as a tax-free reorganization, the receipt of Tesla common stock pursuant to the offer or merger could be fully taxable to all Maxwell stockholders.

Each of Tesla and Maxwell intends the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. However, completion of the offer and merger are not conditioned upon receipt of an opinion from counsel dated as of the closing date that the offer and merger, taken together, qualify as a reorganization. The tax opinions received by Tesla and Maxwell as of the effective date of the registration statement are based on representation letters delivered as of such date by Tesla, the Offeror and Maxwell pertaining to factual matters and on certain factual assumptions. If any of these assumptions or representations proves incorrect, for example, if there is a change in applicable law, the offer and the merger could be fully taxable to all Maxwell stockholders. See the section entitled Material U.S. Federal Income Tax Consequences beginning on page 95. Maxwell stockholders should consult their tax advisors to determine the specific tax consequences to them of the transactions contemplated by the merger agreement, including any federal, state, local, foreign or other tax consequences, and any tax return filing or other reporting requirements.

Risk Factors Relating to Tesla and the Combined Company

Tesla may fail to realize all of the anticipated benefits of the offer and the merger or those benefits may take longer to realize than expected.

Tesla believes there are benefits that may be realized through leveraging the products and technology of Maxwell. However, the efforts to realize these benefits and synergies will be a complex process and may disrupt both companies existing operations if not implemented in a timely and efficient manner. The full benefits of the transaction may not be realized as expected or may not be achieved within the anticipated time frame, or at all. Failure to achieve the anticipated benefits of the transactions could adversely affect Tesla s results of operations or cash flows, cause dilution to the earnings per share of Tesla, decrease or delay any accretive effect of the transactions and negatively impact the price of Tesla common stock.

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In addition, Tesla and Maxwell will be required to devote attention and resources prior to closing to prepare for the post-closing integration and operation of the combined company, and Tesla will be required post-closing to devote attention and resources to successfully align the business practices and operations of Tesla and Maxwell. This process may disrupt the businesses and, if ineffective, would limit the anticipated benefits of the transactions.

Tesla and Maxwell will incur direct and indirect costs as a result of the offer and the merger.

Tesla and Maxwell will incur expenses in connection with and as a result of completing the offer and the merger and, following the completion of the merger, Tesla expects to incur additional expenses in connection with combining the businesses and operations of Tesla and Maxwell. Factors beyond Tesla s control could affect the total amount or timing of these expenses, many of which, by their nature, are difficult to estimate accurately. Moreover, diversion of management focus and resources from the day-to-day operation of the business to matters relating to the transactions could adversely affect each company s business, regardless of whether the offer and the merger are completed.

Risks Related to Tesla s Business

You should read and consider the risk factors specific to Tesla s business that will also affect the combined company after the offer and the merger. These risks are described in Tesla s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which is incorporated by reference into this document, and in other documents that are incorporated by reference into this document. See the section entitled Where to Obtain More Information for the location of information incorporated by reference in this document.

Risks Related to Maxwell s Business

You should read and consider the risk factors specific to Maxwell s business that will also affect the combined company after the offer and the merger. These risks are described in Maxwell s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, which is incorporated by reference into this document, and in other documents that are incorporated by reference into this document. See the section entitled Where to Obtain More Information for the location of information incorporated by reference in this document.

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FORWARD-LOOKING STATEMENTS

Information both included and incorporated by reference in this document may contain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, profitability, expected cost reductions, capital adequacy, expectations regarding demand and acceptance for our technologies, growth opportunities and trends in the market in which we operate, prospects and plans and objectives of management. The words anticipates, believes, could, estimates, exp intends, may, plans, projects, will, would and similar expressions are intended to identify forward-looking sta although not all forward-looking statements contain these identifying words. These forward-looking statements are based on current expectations, estimates and forecasts, as well as the beliefs and assumptions of Tesla s management, and are subject to risks and uncertainties that are difficult to predict, including:

Tesla s ability to consummate the proposed transaction on a timely basis or at all;

the satisfaction of the conditions precedent to consummation of the proposed transaction, including having a sufficient number of Maxwell shares being validly tendered into the offer to meet the minimum tender condition;

the parties ability to secure regulatory approvals on the terms expected, in a timely manner or at all;

Tesla s ability to successfully integrate Maxwell operations;

Tesla s ability to implement Tesla s plans, forecasts and other expectations with respect to Maxwell business after the completion of the transaction and to realize expected synergies;

Tesla s ability to realize the anticipated benefits of the transaction, including the possibility that the expected benefits from the transaction will not be realized or will not be realized within the expected time period;

disruption from the transaction making it more difficult to maintain business and operational relationships;

the negative effects of the announcement or the consummation of the transaction on the market price of Tesla common stock or on Tesla s operating results;

the amount of the costs, fees, expenses and charges related to the offer and the merger;

unknown liabilities, including potential Superfund liability;

the risk of litigation or regulatory actions related to the transaction;

the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; and

other risks detailed in Tesla s filings with the SEC (see the section entitled Where to Obtain More Information).

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in the section entitled Risk Factors and in our other filings with the SEC. We do not assume any obligation to update any forward-looking statements.

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THE COMPANIES

Tesla, Inc.

Tesla s mission is to accelerate the world s transition to sustainable energy. Tesla designs, develops, manufactures, leases and sells high-performance fully electric vehicles, solar energy generation systems and energy storage products. Tesla also offers maintenance, installation, operation and other services related to its products. Tesla s production vehicle fleet includes its Model S premium sedan and its Model X sport utility vehicle, which are its highest-performance vehicles, and its Model 3, a lower priced sedan designed for the mass market. Tesla continues to enhance its vehicle offerings with enhanced Autopilot options, Internet connectivity and free over-the-air software updates to provide additional safety, convenience and performance features. In addition, Tesla has several future electric vehicles in its product pipeline, including Model Y, Tesla Semi, a pickup truck and a new version of the Tesla Roadster. Tesla leases and sells retrofit solar energy systems and sells renewable energy and energy storage products to its customers, and is ramping its Solar Roof product that combines solar energy generation with attractive, integrated styling. Tesla s energy storage products, which it manufactures at Gigafactory 1, consist of Powerwall, mostly for residential applications, and Powerpack, for commercial, industrial and utility-scale applications. Tesla common stock is traded on the Nasdaq Global Select Market under the ticker symbol TSLA .

The address of Tesla s principal executive offices is 3500 Deer Creek Road, Palo Alto, California 94304. Tesla s telephone number is (650) 681-5000. Tesla also maintains an Internet site at www.tesla.com. Tesla s website and the information contained therein or connected thereto shall not be deemed to be incorporated herein, and you should not rely on any such information in making an investment decision.

The Offeror

The Offeror, a Delaware corporation, is a direct wholly-owned subsidiary of Tesla. The Offeror is newly formed, and was organized for the purpose of making the offer and consummating the merger. The Offeror has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incidental to its formation and those incurred in connection with the offer and the merger. The Offeror s address is c/o Tesla, Inc., 3500 Deer Creek Road, Palo Alto, California 94304.

Maxwell Technologies, Inc.

Maxwell Technologies, Inc., a Delaware corporation, is a global leader in developing, manufacturing and marketing energy storage and power delivery products for transportation, industrial and other applications. Maxwell s products are designed and manufactured to perform reliably with minimal maintenance for the life of the applications into which they are integrated, which Maxwell believes gives its products a key competitive advantage. Maxwell has one commercialized product line: energy storage, which consists primarily of ultracapacitors, with applications in multiple industries, including transportation and grid energy storage. In addition to Maxwell s existing energy storage product line, Maxwell is focused on developing its dry battery electrode technology, which leverages its core dry electrode process technology that it has used to manufacture its ultracapacitors for many years, and which Maxwell believes could be a ground breaking technology for lithium-ion batteries, particularly in the electric vehicle market.

Maxwell common stock is listed on the Nasdaq Global Market under the ticker symbol MXWL .

The address of Maxwell s principal executive offices is 3888 Calle Fortunada, San Diego, California 92123. Maxwell s telephone number is (858) 503-3300. Maxwell also maintains an Internet site at www.maxwell.com. Maxwell s website and the information contained therein or connected thereto shall not be deemed to be incorporated herein, and

you should not rely on any such information in making an investment decision.

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THE OFFER

General

Tesla, through the Offeror, which is a direct wholly-owned subsidiary of Tesla is offering, upon the terms and subject to the conditions set forth in this document and in the accompanying letter of transmittal, to exchange each outstanding share of Maxwell common stock that has been validly tendered and not validly withdrawn in the offer for a fraction of a share of Tesla common stock equal to the quotient obtained by dividing $4.75 by the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer (the Tesla trading price), subject to the minimum. In the event that the Tesla trading price is equal to or less than $245.90, the minimum will apply and the exchange ratio will be fixed at 0.0193. Such shares of Tesla common stock plus cash in lieu of any fractional shares of Tesla common stock is referred to herein as the offer consideration, and the offer consideration will be paid without interest and less any applicable withholding taxes.

Maxwell stockholders will not receive any fractional shares of Tesla common stock in the offer or the merger, and each Maxwell stockholder who otherwise would be entitled to receive a fraction of a share of Tesla common stock pursuant to the offer or the merger will be paid an amount in cash (without interest) equal to such fractional part of a share of Tesla common stock multiplied by the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer. See the section entitled Merger Agreement Fractional Shares.

The purpose of the offer is for Tesla to acquire control of, and ultimately the entire equity interest in, Maxwell. The offer is the first step in Tesla s plan to acquire all of the outstanding Maxwell shares, and the merger is the second step in such plan. If the offer is completed, validly tendered (and not validly withdrawn) Maxwell shares will be exchanged for the offer consideration, and if the merger is completed, any remaining Maxwell shares that were not tendered into the offer will be converted into the right to receive the offer consideration. If the offer is completed, Tesla intends to promptly consummate the merger as the second step in such plan, subject to the terms and conditions of the merger agreement. The purpose of the merger is for Tesla to acquire all Maxwell shares that it did not acquire in the offer. Upon consummation of the merger, the Maxwell business will be held in a wholly-owned subsidiary of Tesla, and the former Maxwell stockholders will no longer have any direct ownership interest in the surviving corporation.

Background of the Offer and the Merger

The Schedule 14D-9 includes additional information on the background, deliberations and other activities involving Maxwell (see the section entitled Background of the Offer and the Merger in the Schedule 14 D-9, which has been filed with the SEC and is being mailed to you and other stockholders of Maxwell together with this document). You are encouraged to read that section in its entirety.

Over the past several years, Tesla and Maxwell have had periodic commercial related discussions in connection with potential opportunities between the two companies. In mid-2018, Tesla and Maxwell began a series of discussions in connection with a potential strategic commercial relationship. As part of their discussions regarding a potential strategic commercial relationship, Dr. Franz Fink, the President and Chief Executive Officer, and other representatives of Maxwell, on the one hand, and representatives of Tesla, on the other hand, have had discussions from time to time to better understand each other s respective businesses, platforms and products, and to explore various ways in which they could collaborate in order to advance their shared business objectives.

On December 12, 2018, Brian Scelfo of Tesla contacted Dr. Fink to convey Tesla s interest in a potential acquisition of Maxwell rather than pursuing a strategic commercial relationship. Prior to December 12, 2018,

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none of the discussions between representatives of Maxwell and Tesla involved the possibility of an acquisition of Maxwell. Mr. Scelfo explained to Dr. Fink Tesla s strategic rationale for a potential acquisition of Maxwell. Dr. Fink informed Mr. Scelfo that while Maxwell was not actively looking to sell the company, he would inform the Maxwell board of directors of Tesla s current interest in a potential acquisition of Maxwell.

On December 13, 2018, Dr. Fink received a call from Mr. Scelfo, who called Dr. Fink as a follow up to his December 12 call, to express Tesla s interest in conducting due diligence for a potential transaction. Following the call, Mr. Scelfo sent a mutual nondisclosure agreement to Dr. Fink so the parties could begin discussions and for preliminary diligence in connection with a potential transaction. On December 14, 2018, Tesla and Maxwell entered into the mutual nondisclosure agreement related to a possible negotiated transaction between Tesla and Maxwell.

On December 14, 2018, Tesla delivered a non-binding letter of intent to Dr. Fink proposing to acquire 100% of the outstanding shares of capital stock of Maxwell for a per share purchase price of $2.35, which represented a premium of 15.2% from the closing price of Maxwell s stock on December 14, 2018. The purchase price would be paid in shares of Tesla stock based on an exchange ratio to be fixed at the time of signing definitive transaction documents. In addition, Mr. Scelfo requested that Maxwell enter into an exclusivity agreement as it related to a proposed acquisition and delivered a draft to Dr. Fink. Dr. Fink then promptly informed the Maxwell board of directors of the letter of intent and interest from Tesla.

On December 16, 2018, Dr. Fink called Mr. Scelfo to inform him that the Maxwell board of directors would be holding a telephonic meeting on December 18, 2018, primarily for the purpose of approving a transaction unrelated to the Tesla non-binding letter of intent, and the Maxwell board of directors would also likely consider the Tesla offer at this meeting, but that based on Maxwell s standalone plan and the moderate proposed premium to the Maxwell trading price represented by Tesla s initial offer, the offer presented by Tesla would likely not be accepted by the Maxwell board of directors. Dr. Fink and Mr. Scelfo agreed that an in-person meeting between representatives of Tesla and Maxwell would be helpful for Tesla to further understand Maxwell s products, technology and operations and the benefits of a potential acquisition transaction and allowing it to offer a higher valuation.

Between December 17 and December 19, 2018, Dr. Fink had numerous calls and email correspondence with Mr. Scelfo in order to prepare for an in-person meeting on December 20, 2018. Dr. Fink also informed Mr. Scelfo that the Maxwell board of directors declined Tesla s offer, and that Tesla would need to increase its offer price to interest the Maxwell Board in a sale transaction.

On December 20, 2018, senior business development and engineering personnel and other members of Tesla management met with the CEO, CFO, senior operations personnel and other members of Maxwell management at Maxwell s headquarters. Maxwell provided Tesla with further information regarding Maxwell s products, technology and operations for the purpose of assisting Tesla with further analyzing the benefits of a potential acquisition transaction. Representatives of Tesla also provided information regarding Tesla s programs and particular interest in Maxwell s business, product lines and operations.

Following the meeting on December 20, 2018, Mr. Scelfo, on behalf of Tesla, delivered a revised non-binding letter of intent to Dr. Fink to acquire 100% of the outstanding shares of capital stock of Maxwell for a per share purchase price of $3.10, which represented a premium of 56% from the closing price of Maxwell s stock on December 20, 2018. Other terms of the offer remained the same as the initial letter of intent. Mr. Scelfo also indicated that a decision regarding a potential acquisition of Maxwell by Tesla would have to be reached quickly in order to not delay other important investment decisions at Tesla. Dr. Fink promptly provided the revised letter of intent to the Maxwell board of directors along with an update of his discussions with Mr. Scelfo.

After the December 22, 2018 Maxwell board of directors meeting, Dr. Fink informed Mr. Scelfo that Tesla s revised offer was not accepted by the Maxwell board of directors and that the Maxwell board of directors would

need a higher price in order to support a sale transaction with Tesla. Dr. Fink informed Mr. Scelfo, however, that he and his team were willing to work with Tesla through the holidays to help Tesla better understand the value that Tesla could realize through an acquisition of the company and further explain why the Maxwell board of directors was seeking a higher valuation.

Between December 23 and December 28, 2018, Dr. Fink had numerous email correspondences with Mr. Scelfo in order to conduct further diligence and discuss the benefits of a potential transaction. During this period, Mr. Scelfo also conveyed that Tesla was no longer interested in a potential strategic commercial arrangement with Maxwell and it would move in a different direction should Maxwell and Tesla be unable to reach an agreement regarding a potential acquisition of the entire capital stock of Maxwell.

After the December 28, 2018 Maxwell board of directors meeting, Dr. Fink contacted Mr. Scelfo via e-mail to discuss why the Maxwell board of directors felt a higher valuation was justified. Dr. Fink also provided Mr. Scelfo with a high-level summary of management s net present value analysis, as reviewed by the Maxwell board of directors at the meeting earlier in the day. Dr. Fink also provided Mr. Scelfo with buy-in analysis of Maxwell s larger institutional investors as previously previewed by the Maxwell board of directors. In addition, Dr. Fink reiterated that it was the view of the Maxwell board of directors that a higher value would likely be needed to gain the support of Maxwell s largest institutional investors. At such time, Dr. Fink indicated to Mr. Scelfo that it was the Maxwell board of directors view that it would likely require at least $5.75 $6.00 per share to gain the support of Maxwell s largest institutional investors.

Between January 3 and January 7, 2019, Dr. Fink had additional email and telephone correspondence with Mr. Scelfo.

On January 7, 2019, Mr. Scelfo, on behalf of Tesla, delivered a revised non-binding letter of intent to Dr. Fink to acquire 100% of the outstanding shares of capital stock of Maxwell for a per share purchase price of $4.35, which represented a premium of 75% from the closing price of Maxwell s stock on January 7, 2019. The other terms of the offer remained the same as Tesla s initial letter of intent. Dr. Fink shared the revised non-binding letter of intent with Maxwell s Strategic Transaction Committee on the morning of January 8, 2019.

In connection with the revised offer, Dr. Fink and Mr. Scelfo agreed to arrange an additional in-person meeting pursuant to which Tesla could meet additional members of the Maxwell team and learn more about Maxwell s operations, technology and products.

Dr. Fink and Mr. Scelfo continued to communicate via email in between January 7, 2019 and January 10, 2019, and Dr. Fink indicated that Tesla s latest offer was unlikely to be accepted by the Maxwell board of directors.

On January 11, 2019, senior business development and engineering personnel and other members of Tesla management met with the CEO, CFO, senior operations personnel and other members of Maxwell management and personnel at Maxwell s headquarters in San Diego. During the meetings, Tesla indicated that members of its management team would be having a technical and business review on the following Monday and an update on negotiations with Maxwell would be provided to Tesla s Chief Executive Officer and Audit Committee. Tesla made it clear that their latest offer was at the high end of the range in which approval from its Audit Committee had been given. Moreover, Mr. Scelfo indicated that, while Tesla may consider any counter-proposal from Maxwell, any higher proposal from Maxwell may cause Tesla to discontinue discussions and explore any and all alternative solutions available to Tesla, including alternatives that were simultaneously being considered or in development at Tesla.

On January 18, 2019, Mr. Scelfo, on behalf of Tesla, delivered a revised non-binding letter of intent to Dr. Fink. The offer continued to be an acquisition of 100% of the outstanding shares of capital stock of Maxwell. In the non-binding

letter of intent, Tesla indicated a new per share purchase price of $4.75. While this was still lower than Maxwell s initial request of $5.75 $6.00 per share that was discussed with Mr. Scelfo in December, it

represented a premium of 66% from the closing price of Maxwell s stock on January 17, 2019. Tesla indicated it would be amenable to discussing a fixed value construct, subject to a potential mutually agreed to price collar should Tesla share price move outside a certain percentage between signing and closing.

On January 20, 2019, Maxwell received a priority due diligence list from Tesla.

On January 23, 2019, Maxwell provided certain employees of Tesla with access to a virtual data room that contained materials regarding Maxwell s business that were responsive to Tesla s priority due diligence request list. Throughout the negotiation period, Maxwell continued to provide materials and Tesla continued to conduct due diligence on Maxwell.

From January 19 through January 22, 2019, Tesla and Maxwell continued to exchange revised drafts of the non-binding letter of intent and exclusivity agreement.

On January 23, 2019, Maxwell and Tesla entered into the non-binding letter of intent and an exclusivity and non-solicitation agreement with Tesla providing for exclusive negotiations through February 21, 2019. Later on January 23, 2019, Wilson Sonsini Goodrich and Rosati, Tesla s outside legal advisors (WSGR), sent a draft of a proposed definitive merger agreement to representatives of DLA Piper LLP (US), Maxwell s outside legal advisor (DLA).

Between January 23, 2019 and February 1, 2019, representatives of Maxwell held a number of lengthy management meetings in person and by conference call with various representatives of Tesla, during which in-depth financial, technological, legal and other due diligence was conducted, including meetings at Tesla s offices on January 24 and 25, 2019, between members of Maxwell s management and other employees of Tesla.

On January 24, 2019, representatives of DLA provided a revised draft of the definitive merger agreement to representatives of WSGR. Significant areas of negotiation included the scope and terms of the interim operating covenants, the timing of the closing and the outside date for the transaction, the structure of the transaction, the calculation of the Tesla trading price and collar terms, the terms upon which Maxwell could consider an alternative acquisition proposal and the process for dealing with any such proposal, and triggers for the possible payment of a termination fee and/or possible expense reimbursement.

On January 26, 2019, WSGR sent an initial draft of a form tender and support agreement in line with Tesla s request to have certain Maxwell executive officers and all directors and their affiliated funds sign such an agreement. On January 27, 2019, representatives of DLA provided a revised draft of the form of tender and support agreement to representatives of WSGR, which was finalized over the course of the next several days.

On January 26, 2019, Tesla delivered a more extensive due diligence request list to Maxwell that supplemented the initial high priority due diligence request list. Maxwell continued to provide materials to Tesla in response to the due diligence request lists.

Between January 25 and February 2, 2019, representatives of DLA and representatives of WSGR exchanged drafts of the merger agreement and ancillary transaction documents and held telephonic discussions to progress negotiations between the parties on transaction terms.

On January 31, 2019, members of Maxwell management, along with representatives of DLA, held a conference call with members of Tesla management regarding reverse legal and financial due diligence by Maxwell of Tesla and Tesla Common Stock.

After the close of market trading on February 1, 2019, representatives of Tesla visited Maxwell s facility in Peoria, Arizona, to view the commercial production facility. Members of Maxwell s senior management and engineering personnel were also present.

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On February 3, 2019, the Tesla board of directors held a special meeting and approved the terms of the merger agreement and the transactions contemplated thereby.

Following the meeting, on February 3, 2019, Maxwell and Tesla signed the definitive merger agreement and, before the open of markets on February 4, 2019, Maxwell issued a press release announcing the transaction.

Maxwell s Reasons for the Offer and the Merger; Recommendation of the Maxwell Board of Directors

In evaluating the merger agreement and the transactions contemplated by the merger agreement, including the offer and the merger, the Maxwell board of directors consulted with Maxwell s management, as well as Barclays, its external financial advisor, and DLA, its external legal counsel. In the course of reaching its determination that the offer and the merger are fair to, and in the best interests of Maxwell stockholders, and its recommendation that Maxwell stockholders accept the offer and tender their shares of Maxwell common stock in the offer, the Maxwell board of directors considered numerous factors, including the following material factors and benefits of the offer and merger, each of which the Maxwell board of directors believed supported its unanimous determination and recommendation:

Offer Price. The Maxwell board of directors considered the fact that the per share offer price of $4.75 per share of Maxwell common stock represents a significant premium over the market prices at which the Maxwell common stock had been trading, including representing a (i) 55% premium over the closing price of $3.07 per share of Maxwell common stock on the day before the date of the merger agreement and (ii) 74% premium over the volume weighted average trading price of $2.73 per share of Maxwell common stock during the one-month period prior to the date of the merger agreement.

Certainty of Value. The Maxwell board of directors considered the fact that the per share offer price of $4.75 per share of Maxwell common stock represented a fixed per share value, that would only decrease if Tesla s stock price suffered a significant decrease.

Implied Valuation. The Maxwell board of directors considered the fact that the valuation of Maxwell implied by the offer price was at a premium to the comparable company and precedent transaction multiples identified by Maxwell and its advisors.

Combined Resources, Complementary Products, Execution Risks in Remaining Independent, Partnership with Tesla and Future Success. The Maxwell board of directors carefully considered the current and historical financial condition, results of operations, business, competitive position and prospects of Maxwell. Additionally, the Maxwell board of directors also considered a number of other factors, including:

Combined Resources. The Maxwell board of directors belief that the transaction would provide Maxwell with the substantial resources necessary to develop and commercialize its technology.

Execution Risks in Remaining Independent. The Maxwell board of directors considered a number of the business challenges that Maxwell was facing, including the operational and business risks of operating as an independent company, liquidity, cash position and forecasted capital requirements, the current competitive environment in Maxwell s industry as well as general uncertainty surrounding forecasted economic conditions, both in the near-term and long-term.

Future Success. Given the consideration payable to Maxwell stockholders is Tesla common stock, Maxwell stockholders will continue to be able to meaningfully participate in the future growth of Tesla and, indirectly, Maxwell.

Opinion of Maxwell s Financial Advisor. The Maxwell board of directors considered Barclays oral opinion and analysis as of February 3, 2019, subsequently confirmed in writing, to the Maxwell board of directors to the effect that, subject to the factors and assumptions set forth therein, the from a

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financial point of view, the offer consideration to be offered to the holders (other than Tesla and its affiliates) of shares of Maxwell common stock pursuant to the merger agreement was fair to such holders. The Maxwell board of directors was aware that Barclays became entitled to certain fees upon the announcement of the merger agreement and delivery of their written opinion and will become entitled to additional fees upon consummation of the merger. See Opinion of Maxwell s Financial Advisor.

Certainty of Liquidity; Potential Participation in Growth. The Maxwell board of directors considered the form of the consideration payable to Maxwell stockholders. The stock consideration will offer the ability to participate in the future growth of Tesla and, indirectly, Maxwell and to benefit from any potential appreciation that may be reflected in the value of Tesla common stock (which future earnings growth rate may represent a different growth rate than Maxwell s business on a standalone basis), as well as the ability to attain liquidity should any of the Maxwell stockholders choose not to retain their shares of Tesla common stock.

Likelihood of Completion. The Maxwell board of directors considered its belief that the offer and the merger will likely be consummated, based on, among other factors:

the absence of any financing condition to consummation of the offer or the merger;

the reputation and financial condition of Tesla; and

Maxwell s ability to request the Delaware Court of Chancery to specifically enforce the merger agreement, including the consummation of the offer and the merger, subject to the terms and conditions therein.

Certain Management Projections. The Maxwell board of directors considered certain financial projections for Maxwell prepared by Maxwell management, which reflected certain assumptions of Maxwell s senior management. The financial projections are set forth in Item 4 The Solicitation or Recommendation in the Schedule 14D-9.

Competing Offers. The Maxwell board of directors considered the fact that Maxwell, together with management and its financial advisor, contacted several potential acquirors regarding a sale of Maxwell and did not receive a more compelling offer. In fact, neither Maxwell not its advisors received any formal offers or indications of interest from any third party that it would be interested in acquiring the company.

Other Terms of the Merger Agreement. The Maxwell board of directors considered other terms of the merger agreement, which are more fully described in the section entitled Merger Agreement. Certain provisions of the merger agreement that the Maxwell board of directors considered important included:

Ability to Respond to Certain Unsolicited Acquisition Proposals. The merger agreement permits the Maxwell board of directors, in furtherance of the exercise of its fiduciary duties under Delaware law, to consider and engage in negotiations or discussions with third parties regarding alternative transactions under certain circumstances (see the section entitled Merger Agreement No Solicitation of Other Offers by Maxwell);

Fiduciary Termination Right. The Maxwell board of directors may terminate the merger agreement to accept a superior proposal if certain conditions are met, including providing Tesla an opportunity to match such proposal and the payment of the termination fee to Tesla (see the section entitled Merger Agreement Termination of the Merger Agreement Termination by Maxwell);

Termination Fee. Although Maxwell must pay a termination fee as a condition to terminating the merger agreement to accept a superior proposal in the circumstances described above, the termination fee of 3.5% of the equity value of the transaction is comparable to other selected transactions;

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Conditions to Consummation of the Offer and the Merger; Likelihood of Closing. The fact that the Offeror s obligations to purchase (and Tesla s obligation to cause the Offeror to purchase) shares of Maxwell common stock in the offer and to close the merger are subject to limited and customary conditions, and the resulting belief of the Maxwell board of directors that the offer and the merger are reasonably likely to be consummated; and

Extension of Offer Period. The fact that in the event that the conditions of the offer, with the exception of certain conditions, have not been satisfied or waived at the scheduled expiration of the offer, the Offeror must extend the offer for up to four (4) successive extension periods of up to ten (10) business days each until such conditions have been satisfied or waived, subject to the outside date provided in the merger agreement and the other terms and conditions of the merger agreement.

Tax Consequences of the Receipt of Tesla Common Stock. The Maxwell board of directors considered the fact that each of Maxwell and Tesla intends that the receipt of shares of Tesla common stock in exchange for the shares of Maxwell common stock pursuant to the offer and the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, to the Maxwell stockholders for U.S. federal income tax purposes.

In reaching its determinations and recommendations described above, the Maxwell board of directors also considered the following potentially negative factors:

Announcement. The Maxwell board of directors considered the fact that the announcement of the offer could result in a disruption of Maxwell s business and relationships with certain customers, suppliers, vendors and employees.

Interim Operating Covenants. The Maxwell board of directors considered that the merger agreement imposes certain restrictions on the conduct of Maxwell s business prior to the consummation of the merger (see the section entitled Merger Agreement Conduct of Business Before Completion of the Merger Restrictions on Maxwell s Operations).

Risks the Offer and the Merger May Not Be Completed. The Maxwell board of directors considered the risk that the conditions to the offer may not be satisfied and that, therefore, the offer and the merger may not be consummated. The Maxwell board of directors also considered the impact on Maxwell if the offer and the merger were not consummated, including the likely negative impact on Maxwell s near-term stock price, potential loss of net operating loss based on the change of ownership of stock after announcement, diversion of management and employee attention, potential employee attrition and the potential negative effect on business relationships.

Interests of Directors and Executive Officers. The Maxwell board of directors considered the potential conflict of interest created by the fact that Maxwell s executive officers and directors have financial interests in the transactions contemplated by the merger agreement, including the offer and the merger. See the section entitled The Offer Interests of Certain Persons in the Offer and the Merger.

No Appraisal Rights. The Maxwell board of directors considered the absence of statutory appraisal rights under Delaware law in connection with the merger for Maxwell stockholders.

The foregoing discussion of the factors considered by the Maxwell board of directors is intended to be a summary and is not intended to be exhaustive, but rather includes the material factors considered by the Maxwell board of directors. After considering these factors, the Maxwell board of directors concluded that the positive factors relating to the merger agreement and the transactions contemplated by the merger agreement, including the offer and the merger, substantially outweighed the potential negative factors. The Maxwell board of directors collectively reached the unanimous conclusion to approve the merger agreement and the related transactions, including the offer and the merger, in light of the various factors described above and other factors that the

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members of the Maxwell board of directors believed were appropriate. In view of the wide variety of factors considered by the Maxwell board of directors in connection with its evaluation of the merger agreement and the transactions contemplated by the merger agreement, including the offer and the merger, and the complexity of these matters, the Maxwell board of directors did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision, and it did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination. Rather, the Maxwell board of directors made its recommendation based on the totality of information it received and the investigation it conducted. In considering the factors discussed above, individual directors may have given different weights to different factors.

Tesla s Reasons for the Offer and the Merger

In reaching its decision to approve the merger agreement, the offer, the merger and the other transactions contemplated by the merger agreement, Tesla s board of directors consulted with Tesla s management, as well as Tesla s legal advisors, and considered a number of factors, including the following factors which it viewed as supporting its decision to approve the merger agreement, the offer, the merger and the other transactions contemplated by the merger agreement (not in any relative order of importance):

- the view that the merger will generate cost savings and improvements;
- the strength of Maxwell s management team, engineering and manufacturing teams, and the cultural similarities between the two companies;
- the view that the terms and conditions of the merger agreement and the transactions contemplated therein, including the representations, warranties, covenants, closing conditions and termination provisions, are comprehensive and favorable to completing the proposed transactions;
- the anticipated short time period from announcement to completion achievable through the exchange offer structure and the expectation that the conditions to the consummation of the offer and the merger will be satisfied on a timely basis;
- the amount and form of consideration to be paid in the transaction, including the fact that there is a floor on the exchange ratio favorable to Tesla, and the other financial terms of the transactions;
- current financial market conditions and the current and historical market prices and volatility of, and trading information with respect to, shares of Tesla common stock and Maxwell common stock;
- the Tesla s board of directors and Tesla s management s familiarity with the business operations, strategy, earnings and prospects of each of Tesla and Maxwell and the scope and results of the due diligence investigation of Maxwell conducted by Tesla;

the entry into the support agreements by certain of Maxwell s directors, officers and largest stockholders, whose shares in the aggregate represent approximately 7.65% of the voting power of all outstanding Maxwell shares as of February 11, 2019; and

Maxwell s management s recommendation in favor of the offer and the merger.

Tesla s board of directors also considered a variety of uncertainties and risks and other potentially negative factors concerning the transactions, including the following (not in any relative order of importance):

the risk that the potential benefits of the acquisition may not be fully or even partially achieved, or may not be achieved within the expected timeframe;

costs associated with the transactions;

the risk that the transactions may not be consummated despite the parties efforts or that the closing of the transactions may be unduly delayed;

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the risks associated with the occurrence of events which may materially and adversely affect the operations or financial condition of Maxwell and its subsidiaries, which may not entitle Tesla to terminate the merger agreement;

the challenges and difficulties relating to combining the operations of Tesla and Maxwell;

the risk of diverting Tesla s management focus and resources from other strategic opportunities and from operational matters while working to implement the acquisition of Maxwell, and other potential disruption associated with combining the two companies;

the effects of general competitive, economic, political and market conditions and fluctuations on Tesla, Maxwell or the combined company; and

various other risks associated with the acquisition and the businesses of Tesla, Maxwell and the combined company, some of which are described under the section entitled Risk Factors.

Tesla s board of directors concluded that the potential negative factors associated with the acquisition were outweighed by the potential benefits of completing the offer and the merger. Accordingly, Tesla s board of directors approved the merger agreement, the offer, the merger and the other transactions contemplated by the merger agreement.

The foregoing discussion of the information and factors considered by the Tesla board of directors is not intended to be exhaustive, but includes the material positive and negative factors considered. The Tesla board of directors did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination. The Tesla board of directors based its determination on the totality of the information presented.

The financial projections prepared by Maxwell s management referred to herein are set forth in Item 4 The Solicitation or Recommendation in the Schedule 14D-9.

Opinion of Maxwell s Financial Advisor

Maxwell engaged Barclays Capital Inc. (Barclays) to act as its financial advisor with respect to pursuing strategic alternatives for Maxwell, including a possible sale of Maxwell, pursuant to an engagement letter dated January 24, 2017. On February 3, 2019, Barclays rendered its oral opinion (which was subsequently confirmed in writing) to Maxwell s board of directors that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the consideration to be offered to the holders of Maxwell common stock (other than holders of cancelled shares and converted awards following the merger) pursuant to the merger agreement is fair, from a financial point of view, to such stockholders.

The full text of Barclays written opinion, dated as of February 3, 2019, is attached as Annex B. Barclays written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and qualifications and limitations upon the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The following is a summary of Barclays opinion and the methodology that Barclays used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

Barclays opinion, the issuance of which was approved by Barclays Valuation and Fairness Opinion Committee, is addressed to the board of directors of Maxwell, addresses only the fairness, from a financial point of view, of the consideration to be offered to the holders of Maxwell common stock (other than holders of converted awards and cancelled shares following the merger) pursuant to the merger agreement and does not constitute a recommendation to any stockholder of Maxwell as to whether or not such stockholder should tender the shares of Maxwell common stock pursuant to the offer or how such stockholder should vote or act with respect to the proposed transaction or any other matter. The terms of the proposed transaction were determined through arm s-

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length negotiations between Maxwell and Tesla and were unanimously approved by Maxwell s board of directors. Barclays did not recommend any specific form of consideration to Maxwell or that any specific form of consideration constituted the only appropriate consideration for the proposed transaction. Barclays was not requested to address, and its opinion does not in any manner address, Maxwell s underlying business decision to proceed with or effect the proposed transaction, the likelihood of the consummation of the proposed transaction, or the relative merits of the proposed transaction as compared to any other transaction in which Maxwell may engage. In addition, Barclays expressed no opinion on, and its opinion does not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the proposed transaction, or any class of such persons, relative to the consideration to be offered to the stockholders of Maxwell in the proposed transaction. No limitations were imposed by Maxwell s board of directors upon Barclays with respect to the investigations made or procedures followed by it in rendering its opinion.

In arriving at its opinion, Barclays, among other things:

- reviewed and analyzed a draft of the merger agreement, dated as of February 3, 2019, and the specific terms of the proposed transaction;
- reviewed and analyzed publicly available information concerning Maxwell that Barclays believed to be relevant to its analysis, including Maxwell s Annual Reports on Form 10-K for the fiscal years ended December 31, 2016 and December 31, 2017 and Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2018, June 30, 2018 and September 30, 2018;
- reviewed and analyzed financial and operating information with respect to the business, operations and prospects of Maxwell furnished to Barclays by Maxwell, including financial projections prepared by Maxwell s management;
- reviewed and analyzed a trading history of Maxwell common stock from January 31, 2016 to January 31, 2019;
- reviewed and analyzed a comparison of the historical financial results and present financial condition of Maxwell and certain multiples of financial metrics based on financial metrics of Maxwell with those of other companies that Barclays deemed relevant;
- reviewed and analyzed a comparison of the financial terms of the proposed transaction with the financial terms of certain other transactions that Barclays deemed relevant;
- the results of Barclays efforts to solicit indications of interest from third parties with respect to a sale of Maxwell;

had discussions with the management of Maxwell concerning its business, operations, assets, liabilities, financial condition and prospects; and

has undertaken such other studies, analyses and investigations as Barclays deemed appropriate.

In arriving at its opinion, Barclays assumed and relied upon the accuracy and completeness of the financial and other information used by Barclays without any independent verification of such information (and had not assumed responsibility or liability for any independent verification of such information). Barclays also relied upon the assurances of management of Maxwell that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of Maxwell, upon advice of Maxwell, Barclays assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Maxwell as to Maxwell s future financial performance and that Maxwell will perform substantially in accordance with such projections. In arriving at its opinion, Barclays assumed no responsibility for and expressed no view as to any such projections or estimates or the assumptions on which they were based. In arriving at its opinion, Barclays did not conduct a physical inspection of the properties and facilities of Maxwell and did not make or obtain any evaluations or appraisals of the assets or liabilities of Maxwell. Barclays opinion was necessarily based upon market, economic

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and other conditions as they existed on, and could be evaluated as of, February 3, 2019. Barclays assumed no responsibility for updating or revising its opinion based on events or circumstances that may have occurred after February 3, 2019. Barclays expressed no opinion as to the: (i) prices at which shares of Maxwell common stock would trade following the announcement or consummation of the proposed transaction or (ii) prices at which Tesla common stock would trade following the announcement or consummation of the proposed transaction, including whether the price of Tesla common stock will trade at a level at or below the floor price or any adjustment to the offer consideration resulting therefrom. Barclays opinion should not be viewed as providing any assurance that the market value of the shares of Tesla common stock to be held by the stockholders of Maxwell after the consummation of the proposed transaction will be in excess of the market value of Maxwell common stock owned by such stockholders at any time prior to the announcement or consummation of the proposed transaction.

Barclays assumed that the executed merger agreement would conform in all material respects to the last draft reviewed by Barclays. Additionally, Barclays assumed the accuracy of the representations and warranties contained in the merger agreement and all the agreements related thereto. Barclays also assumed, upon the advice of Maxwell, that all material governmental, regulatory and third party approvals, consents and releases for the proposed transaction would be obtained within the constraints contemplated by the merger agreement and that the proposed transaction will be consummated in accordance with the terms of the agreement without waiver, modification or amendment of any material term, condition or agreement thereof. Barclays did not express any opinion as to any tax or other consequences that might result from the proposed transaction, nor did Barclays opinion address any legal, tax, regulatory or accounting matters, as to which Barclays understood Maxwell had obtained such advice as it deemed necessary from qualified professionals.

In connection with rendering its opinion, Barclays performed certain financial, comparative and other analyses as summarized below. In arriving at its opinion, Barclays did not ascribe a specific range of values to the shares of Maxwell common stock but rather made its determination as to fairness, from a financial point of view, to the holders of Maxwell common stock (other than holders of cancelled shares and converted awards following the merger) of the consideration to be offered to such stockholders pursuant to the merger agreement on the basis of various financial and comparative analyses. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Barclays did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the particular transaction. Accordingly, Barclays believes that its analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion.

Summary of Material Financial Analyses

The following is a summary of the material financial analyses used by Barclays in preparing its opinion to Maxwell s board of directors. The summary of Barclays analyses and reviews provided below is not a complete description of the analyses and reviews underlying Barclays opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of analysis and review and the application of those methods to particular circumstances, and, therefore, is not readily susceptible to summary description.

For the purposes of its analyses and reviews, Barclays made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Maxwell or any other parties to the proposed transaction. No company, business or

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transaction considered in Barclays analyses and reviews is identical to Maxwell, Tesla, the Offeror or the proposed transaction, and an evaluation of the results of those analyses and reviews is not entirely mathematical. Rather, the analyses and reviews involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses or transactions considered in Barclays analyses and reviews. None of Maxwell, Tesla, the Offeror, Barclays or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses and reviews and the ranges of valuations resulting from any particular analysis or review are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of companies, businesses or securities do not purport to be appraisals or reflect the prices at which the companies, businesses or securities may actually be sold. Accordingly, the estimates used in, and the results derived from, Barclays analyses and reviews are inherently subject to substantial uncertainty.

The summary of the financial analyses and reviews summarized below include information presented in tabular format. In order to fully understand the financial analyses and reviews used by Barclays, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses and reviews. Considering the data in the tables below without considering the full description of the analyses and reviews, including the methodologies and assumptions underlying the analyses and reviews, could create a misleading or incomplete view of Barclays analyses and reviews.

Selected Comparable Company Analysis

In order to assess how the public market values shares of similar publicly traded companies and to provide a range of relative implied equity values per share of Maxwell by reference to those companies, which could then be used to calculate implied equity value per share ranges, Barclays reviewed and compared specific financial and operating data relating to Maxwell with selected companies that Barclays, based on its experience in the energy storage and related industries, deemed comparable to Maxwell. The selected comparable companies were:

Arotech Corporation

Camel Group Co. Ltd.

EnerSys

FuelCell Energy Inc.

GS Yuasa Corporation

Highpower International, Inc.

Plug Power Inc.

Ultralife Corporation

Barclays calculated and compared various financial multiples and ratios of Maxwell and the selected comparable companies. As part of its selected comparable company analysis, Barclays calculated and analyzed each company s ratio of its enterprise value to its 2018, 2019 and 2020 estimated revenue. Revenue estimates were not available for Highpower International, Inc. or Ultralife Corporation. The enterprise value (EV) of each company was calculated as (i) the sum of (a) the market value of its fully diluted equity value, using the treasury stock method, based on closing stock prices on February 1, 2019, (b) the amount of its short- and long-term debt, (c) the value of any preferred stock (at liquidation value), (d) the value of any pension liabilities and (e) the book value of any minority interest, less (ii) the value of its cash, cash equivalents and short and long-term liquid investments. All of these calculations for the comparable companies were performed, and, in the case of Maxwell were based on the financial and operating information and financial projections provided to Barclays by Maxwell management, and in the case of the selected comparable companies were based on publicly available financial

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data and closing prices, as of February 1, 2019, the last trading date prior to the delivery of Barclays opinion. The results of this selected comparable company analysis are summarized below:

	Multiple Range of Comparable Companies with respect to Maxwell		
	Low	Median	High
EV / Revenue:			
2018E	0.55x	1.33x	3.31x
2019E	0.53x	1.16x	2.55x
2020E	0.52x	1.07x	1.98x

Barclays selected the comparable companies listed above because of similarities in one or more business or operating characteristics with Maxwell. However, because of the inherent differences between the business, operations and prospects of Maxwell and those of the selected comparable companies, Barclays believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected comparable company analysis. Accordingly, Barclays also made qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of Maxwell and the selected comparable companies that could affect its public trading values in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between Maxwell and the companies included in the selected company analysis. Based upon these judgments, Barclays selected a range of 1.25x to 1.75x to 2018 estimated EV / Revenue, 1.00x to 1.50x to 2019 estimated EV / Revenue, 1.00x to 1.50x to 2020 estimated EV / Revenue for Maxwell and applied such ranges to the management projections to calculate a range of implied equity values per share of Maxwell. The following summarizes the result of these calculations:

	Multiple Range		Indicative Equity Values Per Share of Maxwell Common Stock	
EV / 2018E Revenue	1.25x	1.75x	$ 2.51	$3.41
EV / 2019E Revenue	1.00x	1.50x	$ 2.26	$3.28
EV / 2020E Revenue	1.00x	1.50x	$ 2.95	$4.30

Barclays noted that on the basis of the selected comparable company analysis, the offer consideration of $4.75 per share, payable in Tesla common stock, based on the closing prices of Tesla and Maxwell common stock on February 1, 2019, was above the range of implied equity values per share calculated pursuant to the foregoing analysis.

Selected Precedent Transaction Analysis

Barclays reviewed and compared the purchase prices paid and implied financial multiples in selected other transactions that Barclays, based on its experience with merger and acquisition transactions in the energy storage and battery industry, deemed relevant. Barclays chose such transactions based on, among other things, the similarity of the applicable target companies in the transactions to Maxwell with respect to the size, mix, margins and other

characteristics of their businesses.

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The following table sets forth the transactions analyzed based on such characteristics and the results of such analysis:

Acquiror / Target	Announcement Date
Brookfield Business Partners / Johnson Controls International Plc (Power Solutions)	November 2018
Envision Energy USA Ltd. / Nissan Motor Co., Ltd (Electric Battery Operations)	August 2018
Maxwell / Nesscap Energy, Inc.	February 2017
KEMET Corp. / NEC TOKIN Corp.	February 2017
Total SA / Saft Groupe SA	May 2016
Ultralife Corp. / Accutronics Ltd.	January 2016
Enersys / Quallion LLC	October 2013
KEMET Corp. / Cornell Dubilier Foil LLC	June 2011
OM Group, Inc. / EaglePicher Technologies LLC	December 2009
TransDigm Group, Inc. / Acme Aerospace, Inc.	July 2009

Using publicly available information, Barclays calculated and analyzed multiples of the EV to Revenue for the last-twelve-months (LTM Revenue) implied by the prices paid in the selected precedent transactions. The results of the selected precedents analysis section are summarized below:

	Selected Precedent Transactions EV / LTM Revenue			
	Low	Median	Mean	High
EV / LTM Revenue	0.88x	1.51x	1.69x	3.00x

The reasons for and the circumstances surrounding each of the selected precedent transactions analyzed were diverse and there are inherent differences in the business, operations, financial conditions and prospects of Maxwell and the companies included in the selected precedent transaction analysis. Accordingly, Barclays believed that a purely quantitative selected precedent transaction analysis would not be particularly meaningful in the context of considering the proposed transaction. Barclays therefore made qualitative judgments concerning differences between the characteristics of the selected precedent transactions and the proposed transaction which would affect the acquisition values of the selected target companies and Maxwell.

Based upon these judgments, Barclays selected a range of 1.25x to 2.00x to EV / LTM Revenue and applied such range to the LTM Revenue (for the 12-months period ending on December 31, 2018), per Maxwell management s financial projections for Maxwell, to calculate a range of implied prices per share of Maxwell. Barclays selected precedent transactions analysis yielded a reference equity value range for Maxwell common stock of $2.51 to $3.87 per share.

Barclays noted that on the basis of the selected precedent transaction analysis, the offer consideration of $4.75 per share, payable in Tesla common stock, based on the closing prices of Tesla and Maxwell common stock on February 1, 2019, was above the range of implied equity values per share calculated pursuant to the foregoing analysis.

Discounted Cash Flow Analysis

In order to estimate the present value of Maxwell common stock, Barclays performed a discounted cash flow analysis of Maxwell. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

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To calculate the estimated EV of Maxwell using the discounted cash flow method, Barclays assessed (i) Maxwell s projected after-tax unlevered free cash flows for calendar years 2019 through 2025 based on management projections (see the section entitled Item 4 The Solicitation or Recommendation in the Schedule 14D-9) and (ii) the terminal value of Maxwell as of December 31, 2025, their present values using a range of selected discount rates and added such discounted amounts together. The after-tax unlevered free cash flows were calculated by taking the tax-effected EBIT (see the discussion in the section entitled Item 4 The Solicitation or Recommendation in the Schedule 14D-9), adding depreciation and subtracting capital expenditures and adjusting for changes in net working capital. The residual value of Maxwell at the end of the forecast period, or terminal value, was estimated by selecting a range of perpetuity growth rates of 3% to 5%, which was derived by Barclays utilizing its professional judgment and experience, taking into account Maxwell s financial forecasts and market expectations and applying such range to Maxwell s projections for the calendar year ending December 31, 2025. The range of discount rates of 14.0% to 18.0% was selected based on an analysis of the weighted average cost of capital of Maxwell and the selected comparable companies used in the Selected Comparable Companies Analysis described above. Barclays then calculated a range of implied prices per share of Maxwell by subtracting estimated net debt (including assumed make-whole payments under Maxwell s convertible debt) as of December 31, 2018 from Maxwell s estimated EV calculated using the discounted cash flow method and dividing such amount by the fully diluted number of shares of Maxwell, calculated using the treasury stock method, and using the number of Maxwell shares, options to purchase Maxwell shares and Maxwell restricted units outstanding as of January 31, 2019, per Maxwell management. The range of implied equity values per share of Maxwell common stock resulting from Barclays discounted cash flow analysis was $2.78 $5.74.

Barclays noted that on the basis of the discounted cash flow analysis, the offer consideration of $4.75 per share, payable in Tesla common stock, based on the closing prices of Tesla and Maxwell common stock on February 1, 2019, was within the range of implied equity values per share calculated pursuant to the foregoing analysis.

Other Factors

Barclays also reviewed and considered other factors, which were not considered part of its financial analyses in connection with rendering its advice, but were references for informational purposes, including, among other things, the Historical Share Price Analysis and Transaction Premium Analysis described below.

Historical Share Price Analysis

In order to provide background information and perspective with respect to, and to illustrate the trend in the historical trading prices of Maxwell common stock, Barclays considered historical data with regard to the trading prices of Maxwell common stock for the period from February 1, 2018 to February 1, 2019. Barclays noted that during the 52-week period preceding the date of Barclays fairness opinion, the closing price of Maxwell common stock ranged from $1.80 to $6.14.

Transaction Premium Analysis

In order to provide background information and perspective with respect to, and to assess the implied premium offered to the holders of Maxwell common stock in the proposed transaction relative to the premiums offered to stockholders in other transactions, Barclays reviewed the 1-day and 30-day premiums paid in 280 global public technology M&A transactions greater than $25 million in value from February 1, 2016 to February 1, 2019 using publicly available information. The results of this transaction premium analysis are summarized below:

	Public Technology M&A Premiums			
	1st Quartile	Median	Mean	3rd Quartile
1-Day Premium	12%	24%	35%	43%
30-Day Premium	15%	28%	37%	44%

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General

Barclays is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Maxwell s board of directors selected Barclays because of its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally, as well as substantial experience in transactions comparable to the proposed transaction.

Barclays is acting as financial advisor to Maxwell in connection with the proposed transaction. As compensation for its services in connection with the proposed transaction, Maxwell has paid Barclays an opinion fee of $500,000 and has agreed to pay Barclays an additional transaction fee, currently estimated at approximately $4.37 million, which will be payable by Maxwell upon consummation of the transactions contemplated by the merger agreement. In addition, Maxwell has agreed to reimburse Barclays for its reasonable out-of-pocket expenses incurred in connection with the proposed transaction and to indemnify Barclays for certain liabilities that may arise out of its engagement by Maxwell and the rendering of Barclays opinion. Barclays has performed various investment banking and financial services for Maxwell, Tesla and their affiliates in the past, and expect to perform such services in the future, and have received, and expect to receive, customary fees for such services. Specifically, in the past two years, Barclays has performed the following investment banking and financial services: (i) acted as bookrunner in connection with Tesla s offering of $1.0 billion convertible notes in March 2017; (ii) acted as an underwriter in connection with Tesla s $402.5 million follow-on offering in March 2017; (iii) acted as financial advisor in connection with Maxwell s Defense Advisory Settlement entered into in April 2017; (iv) acted as joint bookrunner in connection with Tesla s inaugural high yield offering of $1.80 billion senior notes due 2025 in August 2017; (v) acted as an underwriter in connection with the Maxwell s $46.0 million senior unsecured convertible notes offering in October 2017; (vi) acted as an underwriter in connection with the Maxwell s $23.0 million follow-on offering in August 2018; and (vii) acted as financial advisor in connection with the Maxwell s divestiture of its high voltage capacitors business in December 2018. In addition, (i) Barclays is currently engaged by the Maxwell to advise on certain corporate defensive advisory matters should they arise and we would receive customary fees in connection therewith; (ii) an affiliate of Barclays acts as a lender under Tesla s $1.2 billion revolving credit facility which expires in June 2020; (iii) in addition to the lending relationship with Tesla specified in the preceding clause, an affiliate of Barclays also acts as a lender in connection with two other facilities with different entities affiliated with Tesla, both of which expire in August 2019; and (iv) Barclays remains in contact with Tesla concerning the possible future provision of investment banking and financial services.

Barclays, its subsidiaries and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of its business, Barclays and affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of Maxwell and Tesla and their respective affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments.

Distribution of Offering Materials

This document, the related letter of transmittal and other relevant materials will be delivered to record holders of Maxwell shares and to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on Maxwell s stockholder list or, if applicable, who are listed as participants in a clearing agency s security position listing, so that they can in turn send these materials to beneficial owners of Maxwell

shares.

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Expiration of the Offer

The offer is scheduled to expire at 11:59 p.m., Eastern time, at the end of March 19, 2019, unless extended or terminated in accordance with the merger agreement. Expiration date means 11:59 p.m., Eastern time, at the end of March 19, 2019 unless and until the Offeror has extended the period during which the offer is open, subject to the terms and conditions of the merger agreement, in which event the term expiration date means the latest time and date at which the offer, as so extended by the Offeror, will expire.

Extension, Termination and Amendment of Offer

Subject to the provisions of the merger agreement and the applicable rules and regulations of the SEC, and unless Maxwell consents otherwise (which may be granted or withheld in its sole discretion) or the merger agreement is otherwise terminated:

- the Offeror must extend the offer for any period required by any law, or any rule, regulation, interpretation or position of the SEC or its staff or Nasdaq applicable to the offer, or to the extent necessary to resolve any comments of the SEC or its staff applicable to the offer or the offer documents or the registration statement on Form S-4 of which this document is a part;

- in the event that any of the conditions to the offer (other than the minimum tender condition, and other than any such conditions that by their nature are to be satisfied at the expiration of the offer) have not been satisfied or waived in accordance with the merger agreement as of any then-scheduled expiration of the offer, the Offeror must extend the offer for successive extension periods of up to 10 business days each (or for such longer period as may be agreed by Tesla and Maxwell) in order to permit the satisfaction or valid waiver of the conditions to the offer (other than the minimum tender condition); however, if any then-scheduled expiration of the offer occurs on or before July 3, 2019, then the Offeror may not extend the offer beyond 11:59 p.m., Eastern time, on July 3, 2019; and

- if as of any then-scheduled expiration of the offer each condition to the offer (other than the minimum tender condition, and other than any such conditions that by their nature are to be satisfied at the expiration of the offer (if such conditions would be satisfied or validly waived were the expiration of the offer to occur at such time)) has been satisfied or waived in accordance with the merger agreement and the minimum tender condition has not been satisfied, the Offeror may, and at the request in writing of Maxwell must, extend the offer for up to four successive extension periods of up to 10 business days each (with the length of each such period being determined in good faith by Tesla) (or for such longer period as may be agreed by Tesla and Maxwell); however, in no event will the Offeror be required to extend the expiration of the offer for more than 40 business days in the aggregate for these reasons or July 3, 2019, whichever is earlier.

No extension will impair, limit or otherwise restrict the right of the parties to terminate the merger agreement pursuant to its terms.

The Offeror may not terminate or withdraw the offer prior to the then-scheduled expiration of the offer unless the merger agreement is validly terminated in accordance with its terms, in which case the Offeror will terminate the offer promptly (but in no event more than one business day) after such termination. Among other circumstances, the merger agreement may be terminated by either Tesla or Maxwell if the offer shall have terminated or expired in accordance

with its terms (subject to the rights and obligations of Tesla or the Offeror to extend the offer pursuant to the merger agreement) without the Offeror having accepted for payment any Maxwell shares pursuant to the offer, or if the acceptance for exchange of Maxwell shares tendered in the offer has not occurred on or before July 3, 2019, which we refer to as the outside date. See the section entitled Merger Agreement Termination of the Merger Agreement.

The Offeror expressly reserves the right to waive any offer condition or modify the terms of the offer, except that the Offeror may not make certain changes to the offer or waive certain conditions to the offer without the prior

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written consent of Maxwell (which may be granted or withheld in its sole discretion). Changes to the offer that require the prior written consent of Maxwell include changes (i) that change the form of consideration to be paid in the offer, (ii) that decrease the consideration in the offer or the number of Maxwell shares sought in the offer, (iii) that extend the offer (other than in a manner required or permitted by the merger agreement), (iv) that impose conditions to the offer not included in the merger agreement, (v) that amend or modify any of the conditions to the offer or (vi) that amend or modify any other term of or condition to the offer in any manner that is adverse to the holders of Maxwell shares.

Conditions to the offer that the Offeror and Tesla may not amend, modify or waive without the prior written consent of Maxwell (which may be granted or withheld in its sole discretion) include (i) the minimum tender condition, (ii) the receipt of required regulatory approvals, (iii) lack of legal prohibitions, (iv) the effectiveness of the registration statement on Form S-4 of which this document is a part and (v) the approval for listing on the Nasdaq Global Select Market of the Tesla shares to be issued in the offer and the merger.

The Offeror will effect any extension, termination, amendment or delay of the offer by giving oral or written notice to the exchange agent and by making a public announcement as promptly as practicable thereafter. In the case of an extension, any such announcement will be issued no later than 9:00 a.m., Eastern time, on the next business day following the previously scheduled expiration date. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Exchange Act, which require that any material change in the information published, sent or given to stockholders in connection with the offer be promptly disseminated to stockholders in a manner reasonably designed to inform them of such change) and without limiting the manner in which the Offeror may choose to make any public announcement, the Offeror assumes no obligation to publish, advertise or otherwise communicate any such public announcement of this type other than by issuing a press release.

If the Offeror materially changes the terms of the offer or the information concerning the offer, or if the Offeror waives a material condition of the offer, in each case, subject to the terms and conditions of the merger agreement, the Offeror will extend the offer to the extent legally required under the Exchange Act.

For purposes of the offer, a business day means any day other than a Saturday, Sunday and any day which is a legal holiday under the laws of California or New York or is a day on which banking institutions located in such states are authorized or required by applicable law or other governmental action to close.

No subsequent offering period will be available following the expiration of the offer without the prior written consent of Maxwell, other than in accordance with the extension provisions set forth in the merger agreement.

Exchange of Shares; Delivery of Tesla Shares

Tesla has retained Computershare Trust Company, N.A. as the depositary and exchange agent for the offer and the merger (the exchange agent) to handle the exchange of Maxwell shares for the offer consideration in the offer and the merger.

Upon the terms and subject to the satisfaction or waiver of the conditions of the offer (including, if the offer is extended or amended in accordance with the merger agreement, the terms and conditions of any such extension or amendment), the Offeror will accept for exchange, and will exchange, Maxwell shares validly tendered and not validly withdrawn in the offer, promptly after the expiration of the offer. In all cases, a Maxwell stockholder will receive consideration for Maxwell shares tendered in the offer only after timely receipt by the exchange agent of certificates for those shares (or of a confirmation of a book-entry transfer of such shares into the exchange agent s account at The Depository Trust Company (DTC)) (as described in Procedure for Tendering) and a properly

completed and duly executed letter of transmittal (or an agent s message in connection with a book-entry transfer), together with any other required documents.

For purposes of the offer, the Offeror will be deemed to have accepted for exchange Maxwell shares validly tendered and not validly withdrawn if and when it notifies the exchange agent of its acceptance of those Maxwell

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shares pursuant to the offer. The exchange agent will deliver to the applicable Maxwell stockholders any Tesla shares issuable in exchange for Maxwell shares validly tendered and accepted pursuant to the offer promptly after receipt of such notice. The exchange agent will act as the agent for tendering Maxwell stockholders for the purpose of receiving Tesla shares from the Offeror and transmitting such Tesla shares to the tendering Maxwell stockholders.

If the Offeror does not accept any tendered Maxwell shares for exchange pursuant to the terms and conditions of the offer for any reason, or if certificates are submitted representing more shares than are tendered for, the Offeror will cause to be returned certificates for such unexchanged shares without expense to the tendering stockholder or, in the case of shares tendered by book-entry transfer into the exchange agent s account at DTC pursuant to the procedures set forth below in Procedure for Tendering, the Maxwell shares to be returned will be credited to an account maintained with DTC or otherwise credited to the tendering stockholder as soon as practicable following expiration or termination of the offer.

Withdrawal Rights

Maxwell stockholders can withdraw tendered Maxwell shares at any time until the expiration of the offer and, if the Offeror has not agreed to accept the shares for exchange on or prior to March 19, 2019, Maxwell stockholders can thereafter withdraw their shares from tender at any time after such date until the Offeror accepts shares for exchange. Any Maxwell stockholder that validly withdraws previously validly tendered Maxwell shares will receive shares of the same class of Maxwell common stock that were tendered.

For the withdrawal of Maxwell shares to be effective, the exchange agent must receive a written notice of withdrawal from the Maxwell stockholder at one of the addresses set forth elsewhere in this document prior to the expiration of the offer. The notice must include the Maxwell stockholder s name, address, social security number (or tax identification number in the case of entities), the certificate number(s), if any, the number of shares to be withdrawn and the name of the registered holder, if it is different from that of the person who tendered those shares, and any other information required pursuant to the offer or the procedures of DTC, if applicable.

A financial institution must guarantee all signatures on the notice of withdrawal, unless the shares to be withdrawn were tendered for the account of an eligible institution. Most banks, savings and loan associations and brokerage houses are able to provide signature guarantees. An eligible institution is a financial institution that is a participant in the Securities Transfer Agents Medallion Program.

If shares have been tendered pursuant to the procedures for book-entry transfer discussed under the section entitled Procedure for Tendering, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn shares and must otherwise comply with DTC s procedures. If certificates have been delivered or otherwise identified to the exchange agent, the name of the registered holder and the serial numbers of the particular certificates evidencing the shares withdrawn must also be furnished to the exchange agent, as stated above, prior to the physical release of such certificates.

The Offeror will decide all questions as to the form and validity (including time of receipt) of any notice of withdrawal in its sole discretion, and its decision will be final and binding. None of the Offeror, Tesla, Maxwell, the exchange agent, the information agent or any other person is under any duty to give notification of any defects or irregularities in any tender or notice of withdrawal or will incur any liability for failure to give any such notification. Any shares validly withdrawn will be deemed not to have been validly tendered for purposes of the offer. However, a Maxwell stockholder may re-tender withdrawn shares by following the applicable procedures discussed under the section Procedure for Tendering at any time prior to the expiration of the offer.

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Procedure for Tendering

To validly tender Maxwell shares held of record, Maxwell stockholders must:

- if such shares are in certificated form or direct registration form, deliver a properly completed and duly executed letter of transmittal, along with any required signature guarantees and any other required documents, and certificates, for tendered Maxwell shares to the exchange agent, at its address set forth elsewhere in this document, all of which must be received by the exchange agent prior to the expiration of the offer; or

- if such shares are in electronic book-entry form, deliver an agent s message in connection with a book-entry transfer, and any other required documents, to the exchange agent, at its address set forth elsewhere in this document, and follow the other procedures for book-entry tender set forth herein (and a confirmation of receipt of that tender received), all of which must be received by the exchange agent prior to the expiration of the offer.

If Maxwell shares of common stock are held in street name (*i.e.*, through a broker, dealer, commercial bank, trust company or other nominee), those shares of common stock may be tendered by the nominee holding such shares by book-entry transfer through DTC. To validly tender such shares held in street name, Maxwell stockholders should instruct such nominee to do so prior to the expiration of the offer.

The exchange agent has established an account with respect to the Maxwell shares at DTC in connection with the offer, and any financial institution that is a participant in DTC may make book-entry delivery of Maxwell shares by causing DTC to transfer such shares prior to the expiration date into the exchange agent s account in accordance with DTC s procedure for such transfer. However, although delivery of Maxwell shares may be effected through book-entry transfer at DTC, the letter of transmittal with any required signature guarantees, or an agent s message, along with any other required documents, must, in any case, be received by the exchange agent at its address set forth elsewhere in this document prior to the expiration date. The term agent s message means a message transmitted by DTC to, and received by, the exchange agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the DTC participant tendering the shares that are the subject of such book-entry confirmation, that such participant has received and agrees to be bound by the terms of the letter of transmittal and that the Offeror may enforce that agreement against such participant.

The Offeror is not providing for guaranteed delivery procedures and therefore Maxwell stockholders who hold their shares through a DTC participant must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC prior to the expiration date. Tenders received by the exchange agent after the expiration date will be disregarded and of no effect.

Signatures on all letters of transmittal must be guaranteed by an eligible institution, except in cases in which shares are tendered either by a registered holder of Maxwell shares who has not completed the box entitled Special Issuance Instructions or the box entitled Special Delivery Instructions on the letter of transmittal or for the account of an eligible institution.

If the Maxwell certificates for shares are registered in the name of a person other than the person who signs the letter of transmittal, or if payment is to be made or delivered to, or a share certificate not accepted for exchange or not tendered (including any certificate for unexchanged shares) is to be issued in the name of, a person other than the

registered holder(s), the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates, with the signature or signatures on the stock powers guaranteed by an eligible institution.

The method of delivery of Maxwell certificates and all other required documents, including delivery through DTC, is at the option and risk of the tendering Maxwell stockholder, and delivery will be deemed

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made only when actually received by the exchange agent. If delivery is by mail, the Offeror recommends registered mail with return receipt requested and properly insured. In all cases, Maxwell stockholders should allow sufficient time to ensure timely delivery.

To prevent U.S. federal backup withholding, each Maxwell stockholder that is a U.S. person (as defined in the Code), other than a stockholder exempt from backup withholding as described elsewhere in this document, must provide the exchange agent with its correct taxpayer identification number and certify that it is not subject to U.S. federal backup withholding by timely completing the IRS Form W-9 included in the letter of transmittal. Certain stockholders (including, among others, certain foreign persons) are not subject to these backup withholding requirements. In order for a Maxwell stockholder that is a foreign person to qualify as an exempt recipient for purposes of U.S. federal backup withholding, the stockholder must timely submit an IRS Form W-8BEN, IRS Form W-8BEN-E or other applicable IRS Form W-8, signed under penalty of perjury, attesting to such person s exempt status.

The acceptance for payment by the Offeror of Maxwell shares pursuant to any of the procedures described above will constitute a binding agreement between the Offeror and the tendering Maxwell stockholder upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended in accordance with the merger agreement, the terms and conditions of any such extension or amendment).

No Guaranteed Delivery

The Offeror is not providing for guaranteed delivery procedures, and therefore Maxwell stockholders must allow sufficient time for the necessary tender procedures to be completed prior to the expiration date. If Maxwell stockholders hold shares through a DTC participant, such stockholders must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC prior to the expiration date. Maxwell stockholders must tender their Maxwell shares in accordance with the procedures set forth in this document. In all cases, the Offeror will exchange Maxwell shares tendered and accepted for exchange pursuant to the offer only after timely receipt by the exchange agent of certificates for shares (or timely confirmation of a book-entry transfer of such shares into the exchange agent s account at DTC (as described in Procedure for Tendering), a properly completed and duly executed letter of transmittal (or an agent s message in connection with a book-entry transfer), together with any other required documents.

Grant of Proxy

By executing a letter of transmittal, subject to and effective upon acceptance for exchange of Maxwell shares tendered thereby, a Maxwell stockholder will irrevocably appoint the Offeror s designees as such Maxwell stockholder s attorneys-in-fact and proxies, each with full power of substitution, to exercise to the full extent such stockholder s rights with respect to its Maxwell shares tendered and accepted for exchange by the Offeror and with respect to any and all other shares and other securities issued or issuable in respect of those Maxwell shares. **That appointment is effective, and voting rights will be effected, when and only to the extent that the Offeror accepts tendered Maxwell shares for exchange pursuant to the offer and deposits with the exchange agent the offer consideration for such Maxwell shares. Furthermore, the letter of transmittal will not constitute a binding agreement between the signatory thereto and the Offeror until the Offeror accepts tendered Maxwell shares for exchange pursuant to the offer and deposits with the exchange agent the offer consideration for such Maxwell shares.**

All such proxies, when effective, will be considered coupled with an interest in the tendered Maxwell shares and therefore will not be revocable. Upon the effectiveness of such appointment, all prior powers of attorney and proxies that the Maxwell stockholder has given will be revoked, and such stockholder may not give any subsequent powers of attorney or proxies (and, if given, they will not be deemed effective). The Offeror s designees will, with respect to the

Maxwell shares for which the appointment is effective, be empowered, among other things, to exercise all of such stockholder s voting and other rights as they, in their sole discretion, deem proper at any annual, special or adjourned meeting of Maxwell s stockholders or otherwise.

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The Offeror reserves the right to require that, in order for Maxwell shares to be deemed validly tendered, immediately upon the Offeror s acceptance of such shares for exchange, the Offeror must be able to exercise full voting rights with respect to such shares. **However, prior to acceptance for exchange by the Offeror in accordance with terms of the offer, the appointment will not be effective, and the Offeror will have no voting rights as a result of the tender of Maxwell shares.**

Fees and Commissions

Tendering registered Maxwell stockholders who tender Maxwell shares directly to the exchange agent will not be obligated to pay any charges or expenses of the exchange agent or any brokerage commissions. Tendering Maxwell stockholders who hold Maxwell shares through a broker, dealer, commercial bank, trust company or other nominee should consult that institution as to whether or not such institution will charge the Maxwell stockholder any service fees in connection with tendering Maxwell shares pursuant to the offer.

Matters Concerning Validity and Eligibility

The Offeror will determine questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of Maxwell shares, in its sole discretion, and its determination will be final and binding to the fullest extent permitted by law. The Offeror reserves the absolute right to reject any and all tenders of Maxwell shares that it determines is not in the proper form or the acceptance of or exchange for which may be unlawful. The Offeror also reserves the absolute right to waive any defect or irregularity in the tender of any Maxwell shares. No tender of Maxwell shares will be deemed to have been validly made until all defects and irregularities in tenders of such shares have been cured or waived. None of the Offeror, Tesla, Maxwell or any of their affiliates or assigns, the exchange agent, the information agent or any other person will be under any duty to give notification of any defects or irregularities in the tender of any Maxwell shares or will incur any liability for failure to give any such notification. The Offeror s interpretation of the terms and conditions of the offer (including the letter of transmittal and instructions thereto) will be final and binding to the fullest extent permitted by law.

Maxwell stockholders who have any questions about the procedure for tendering Maxwell shares in the offer should contact the information agent at the address and telephone number set forth elsewhere in this document.

Announcement of Results of the Offer

The exchange ratio will be fixed at the close of business on the second trading day prior to the expiration date of the offer. Tesla will announce the number of shares of Tesla common stock to be exchanged for each Maxwell share by issuing a press release no later than 9:00 a.m., Eastern time, on the trading day prior to the final expiration date. If the offer is extended, Tesla will recalculate this information based on the later expected final expiration date and announce the new exchange ratio in a similar manner. Maxwell stockholders can call Georgeson LLC, the information agent, at (888) 643-8150 for answers to questions regarding the calculation of the exchange ratio.

Tesla will announce the final results of the offer, including whether all of the conditions to the offer have been satisfied or waived and whether the Offeror will accept the tendered Maxwell shares for exchange, as promptly as practicable following the expiration date. The announcement will be made by a press release in accordance with applicable securities laws and stock exchange requirements.

Purpose of the Offer and the Merger

The purpose of the offer is for Tesla to acquire control of, and ultimately the entire equity interest in, Maxwell. The offer, as the first step in the acquisition of Maxwell, is intended to facilitate the acquisition of Maxwell. Accordingly, if the offer is completed and as a second step in such plan, pursuant to the terms and subject to the

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conditions of the merger agreement, Tesla intends to promptly consummate a merger of the Offeror with and into Maxwell, with Maxwell surviving the merger, subject to the terms and conditions of the merger agreement. The purpose of the merger is for Tesla to acquire all Maxwell shares that it did not acquire in the offer. In the merger, each outstanding Maxwell share that was not acquired by Tesla or the Offeror in the offer will be converted into the right to receive the offer consideration. Upon consummation of the merger, the Maxwell business will be held in a wholly-owned subsidiary of Tesla, and the former stockholders of Maxwell will no longer have any direct ownership interest in the surviving corporation.

No Stockholder Approval

If the offer is consummated, Tesla is not required to and will not seek the approval of Maxwell s remaining public stockholders before effecting the merger. Section 251(h) of the DGCL provides that following consummation of a successful tender offer for a public corporation, and subject to certain statutory provisions, if the acquiring corporation owns at least the amount of shares of each class of stock of the target corporation that would otherwise be required to approve a merger involving the target corporation, and the other stockholders receive the same consideration for their stock in the merger as was payable in the tender offer, the acquiring corporation can effect a merger without the action of the other stockholders of the target corporation. Accordingly, if the offer is completed, it will mean that the minimum tender condition has been satisfied, and if the minimum tender condition has been satisfied, it will mean that the merger will be subject to Section 251(h) of the DGCL. Accordingly, if the offer is completed, Tesla intends to effect the closing of the merger without a vote of the Maxwell stockholders in accordance with Section 251(h) of the DGCL.

Non-Applicability of Rules Regarding Going Private Transactions

The SEC has adopted Rule 13e-3 under the Exchange Act, which is applicable to certain going private transactions, and which may under certain circumstances be applicable to the merger or another business combination following the acceptance of shares pursuant to the offer in which the Offeror seeks to acquire the remaining shares not held by it. The Offeror believes that Rule 13e-3 will not be applicable to the merger because it is anticipated that the merger will be effected within one year following the consummation of the offer and, in the merger, stockholders will receive the same consideration as that paid in the offer.

Plans for Maxwell

In connection with the offer, Tesla has reviewed and will continue to review various possible business strategies that it might consider in the event that the Offeror acquires control of Maxwell, whether pursuant to the offer, the merger or otherwise. Following a review of additional information regarding Maxwell, these changes could include, among other things, changes in Maxwell s business, operations, personnel, employee benefit plans, corporate structure, capitalization and management. See also the section entitled The Offer Tesla s Reasons for the Offer and the Merger.

Delisting and Termination of Registration

Following consummation of the transactions, shares of Maxwell common stock will no longer be eligible for inclusion on the Nasdaq Global Market and will be withdrawn from listing. Assuming that Maxwell qualifies for termination of registration under the Exchange Act after the transactions are consummated, Tesla also intends to seek to terminate the registration of shares of Maxwell common stock under the Exchange Act. See Effect of the Offer on the Market for Maxwell Shares; Nasdaq Listing; Registration Under the Exchange Act; Margin Regulations.

Board of Directors and Management; Organizational Documents

Upon consummation of the merger, the directors of the Offeror immediately prior to the consummation of the merger will be the directors of Maxwell, as the surviving corporation in the merger, and the officers of Maxwell

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immediately prior to the consummation of the merger will be the officers of Maxwell, as the surviving corporation in the merger. Upon consummation of the merger, the certificate of incorporation and bylaws of the Offeror as in effect immediately prior to the effective time of the merger will be the certificate of incorporation and bylaws of Maxwell, as the surviving corporation in the merger. Upon closing and after completion of Tesla s review of Maxwell and its corporate structure, management and personnel, Tesla will determine what changes, if any, are desirable.

Ownership of Tesla Shares after the Offer and the Merger

Tesla estimates that former Maxwell stockholders would own, in the aggregate, approximately 0.4% of the outstanding Tesla shares immediately following consummation of the offer and the merger, assuming that:

- Tesla acquires through the offer and the merger 100% of the outstanding Maxwell shares;
- in the offer and the merger, Tesla issues 699,329 Tesla shares as offer consideration (disregarding for this purpose stock options, restricted stock units and other rights to acquire shares that may be issued by Tesla or Maxwell pursuant to any employee stock plan) based on an assumed exchange ratio of 0.0152; and
- immediately following completion of the transactions, there are 173,420,816 Tesla shares outstanding (calculated by adding 172,721,487, the number of Tesla shares outstanding as of February 12, 2019 (excluding treasury shares), plus 699,329, the number of Tesla shares estimated to be issued as part of the offer consideration).

Each Tesla share has one vote.

Effect of the Offer on the Market for Maxwell Shares; Nasdaq Listing; Registration under the Exchange Act; Margin Regulations

Effect of the Offer on the Market for Maxwell Shares

The purchase of shares of Maxwell common stock by the Offeror pursuant to the offer will reduce the number of holders of shares of Maxwell common stock and the number of shares of Maxwell common stock that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining shares of Maxwell common stock held by the public. The extent of the public market for shares of Maxwell common stock after consummation of the offer and the availability of quotations for such shares will depend upon a number of factors, including the number of stockholders holding shares of Maxwell common stock, the aggregate market value of the shares of Maxwell common stock held by the public at such time, the interest of maintaining a market in the shares of Maxwell common stock, analyst coverage of Maxwell on the part of any securities firms and other factors. However, under the merger agreement, the closing of the merger must occur promptly, and in any case no later than the second business day, after the acceptance of tendered Maxwell shares in the offer and the satisfaction of the other condition to the merger, unless the parties agree otherwise in writing (see the section entitled Merger Agreement Conditions to the Merger). If the merger is completed, shares of Maxwell common stock will no longer qualify for inclusion on the Nasdaq Global Market and will be withdrawn from listing.

Nasdaq Listing

Shares of Maxwell common stock are currently listed on the Nasdaq Global Market. However, the rules of Nasdaq establish certain criteria that, if not met, could lead to the discontinuance of listing of shares of Maxwell common stock from Nasdaq. Among such criteria are the number of stockholders, the number of shares publicly held and the aggregate market value of the shares publicly held. If, as a result of the purchase of shares of Maxwell common stock pursuant to the offer or otherwise, shares of Maxwell common stock no longer meet the requirements of Nasdaq for continued listing and the shares of Maxwell common stock are delisted, the market for such shares would be adversely affected.

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Following the consummation of the offer, if the merger is for some reason not consummated, it is possible that shares of Maxwell common stock could be traded on other securities exchanges (with trades published by such exchanges), the OTC Bulletin Board or in a local or regional over-the-counter market. The extent of the public market for such shares would, however, depend upon the number of Maxwell stockholders and the aggregate market value of shares of Maxwell common stock remaining at such time, the interest in maintaining a market in such shares on the part of securities firms, the possible termination of registration of shares of Maxwell common stock under the Exchange Act and other factors. If the merger is completed, shares of Maxwell common stock will no longer qualify for inclusion on Nasdaq and will be withdrawn from listing.

Registration under the Exchange Act

Shares of Maxwell common stock are currently registered under the Exchange Act. Such registration may be terminated upon application by Maxwell to the SEC if shares of Maxwell common stock are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of registration of shares of Maxwell common stock under the Exchange Act would substantially reduce the information required to be furnished by Maxwell to its stockholders and to the SEC and would make certain provisions of the Exchange Act no longer applicable to Maxwell, such as the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, the requirement of furnishing a proxy statement pursuant to Section 14(a) of the Exchange Act in connection with meetings of stockholders and the related requirement of furnishing an annual report to stockholders, and the requirements of Rule 13e-3 under the Exchange Act with respect to going private transactions. Furthermore, the ability of affiliates of Maxwell and persons holding restricted securities of Maxwell to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act may be impaired. If registration of shares of Maxwell common stock under the Exchange Act were terminated, such shares would no longer be margin securities or be eligible for quotation on Nasdaq. After consummation of the offer, Tesla and the Offeror currently intend to cause Maxwell to terminate the registration of shares of Maxwell common stock under the Exchange Act as soon as the requirements for termination of registration are met.

Conditions of the Offer

Notwithstanding any other provisions of the offer and in addition to Tesla s and the Offeror s rights to extend, amend or terminate the offer in accordance with the terms and conditions of the merger agreement and applicable law, and in addition to the obligations of the Offeror to extend the offer pursuant to the terms and conditions of the merger agreement and applicable law, the Offeror and Tesla are not required to accept for exchange or, subject to any applicable rules and regulations of the SEC (including Rule 14e-1(c) under the Exchange Act), exchange the offer consideration for any Maxwell shares validly tendered in the offer and not validly withdrawn prior to the expiration of the offer, if at the expiration of the offer any of the following conditions have not been satisfied or waived in accordance with the merger agreement:

Minimum Tender Condition Maxwell stockholders having validly tendered and not validly withdrawn in accordance with the terms of the offer and prior to the expiration of the offer a number of shares of Maxwell common stock that upon the consummation of the offer, together with any shares of Maxwell common stock then owned by Tesla and the Offeror, would represent at least a majority of the aggregate voting power of the Maxwell shares outstanding immediately after the consummation of the offer (which we refer to as the minimum tender condition);

Regulatory Approvals Any applicable waiting period under the HSR Act having expired or been terminated and the approval of the competition authority of the Federal Republic of Germany (the Bundeskartellamt) or the expiration of the waiting period under German competition law;

Effectiveness of Form S-4 The registration statement on Form S-4, of which this document is a part, having become effective under the Securities Act, and not being the subject of any stop order or proceeding seeking a stop order;

No Legal Prohibition No governmental entity of competent jurisdiction having (i) enacted, issued or promulgated any law that is in effect as of immediately prior to the expiration of the offer or (ii) issued

or granted any order or injunctions (whether temporary, preliminary or permanent) that is in effect as of immediately prior to the expiration of the offer, which, in each case, has the effect of restraining or enjoining or otherwise prohibiting the consummation of the offer or the merger;

Listing of Tesla Shares The Tesla shares to be issued in the offer and the merger having been approved for listing on the Nasdaq Global Select Market, subject to official notice of issuance;

No Maxwell Material Adverse Effect There not having occurred any change, effect, development, circumstance, condition, fact, state of facts, event or occurrence since the date of the merger agreement that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the financial condition, business, assets or operations of Maxwell and its subsidiaries, taken as a whole (with such term as defined in the merger agreement and described under Merger Agreement Material Adverse Effect), and that is continuing as of immediately prior to the expiration of the offer;

Accuracy of Maxwell s Representations and Warranties The representations and warranties of Maxwell in the merger agreement (without giving effect to any qualification as to materiality or material adverse effect) being true and correct as of February 3, 2019 and as of the expiration of the offer as though made on and as of the expiration of the offer (except for representations and warranties that by their terms speak specifically as of another date, in which case as of such date), except where the failure of such representations and warranties to be true and correct (without giving effect to any qualification as to materiality or material adverse effect) have not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Maxwell (with such term as defined in the merger agreement and described in the section entitled Merger Agreement Material Adverse Effect), except that (1) certain of Maxwell s representations and warranties related to its qualification, organization and subsidiaries, its authority to enter into the merger agreement, the enforceability of the merger agreement, the opinion of Maxwell s financial advisor, anti-takeover laws and finders and brokers fees must be true and correct in all material respects, (2) Maxwell s representation and warranty that no material adverse effect on Maxwell (with such term as defined in the merger agreement and described in the section entitled Merger Agreement Material Adverse Effect) has occurred from December 31, 2018 through February 3, 2019 (the date of the merger agreement) must be true and correct in all respects and (3) Maxwell s representations and warranties related to its capitalization and voting agreements must be true and correct in all respects, except for any de minimis inaccuracies;

Maxwell s Compliance with Covenants Maxwell having performed or complied in all material respects with the covenants and agreements required to be performed or complied with by it under the merger agreement at or prior to the expiration of the offer;

Receipt of Maxwell Officer s Certificate Tesla and the Offeror having received from Maxwell a certificate, dated the date of the expiration of the offer and signed by its chief executive officer or chief financial officer, certifying to the effect that the conditions set forth in the three bullet points immediately above have been satisfied; or

No Termination of the Merger Agreement The merger agreement not having been terminated in accordance with its terms.

Except as expressly set forth in the merger agreement, the foregoing conditions to the offer are for the sole benefit of Tesla and the Offeror and may be asserted by Tesla or the Offeror regardless of the circumstances giving rise to any such conditions, and may be waived by Tesla or the Offeror in whole or in part at any time and from time to time in their sole and absolute discretion. However, certain specified conditions may only be waived by Tesla or the Offeror with the prior written consent of Maxwell (which may be granted or withheld in its sole discretion). These conditions are the minimum tender condition, the receipt of required regulatory approvals, lack of legal prohibitions, the Tesla shares to be issued in the offer and the merger having been approved for listing on the Nasdaq Global Select Market, subject to official notice of issuance, and the registration statement on Form S-4, of which this document is a part, having become effective. There is no financing condition to the offer.

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Regulatory Approvals

General

Tesla is not aware of any governmental license or regulatory permit that appears to be material to Maxwell s business that might be adversely affected by the acquisition of Maxwell shares pursuant to the offer or the merger or, except as described below, of any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Maxwell shares pursuant to the offer or the merger. Should any of these approvals or other actions be required, Tesla and the Offeror currently contemplate that these approvals or other actions will be sought. There can be no assurance that (a) any of these approvals or other actions, if needed, will be obtained (with or without substantial conditions), (b) if these approvals were not obtained or these other actions were not taken, adverse consequences would not result to Maxwell s business or (c) certain parts of Maxwell s or any of its subsidiaries businesses would not have to be disposed of or held separate. The Offeror s obligation under the offer to accept for exchange and pay for shares is subject to certain conditions. See the section entitled The Offer Conditions of the Offer.

Subject to the terms and conditions of the merger agreement, Tesla and Maxwell have agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the offer and the merger as soon as practicable after the date of the merger agreement. Notwithstanding the foregoing, none of Tesla, the Offeror or any of their respective subsidiaries is required to, and Maxwell may not and may not permit any of its subsidiaries to, without the prior written consent of Tesla, become subject to, consent to or offer or agree to, or otherwise take any action with respect to, any requirement, condition, limitation, understanding, agreement or order to (a) sell, license, assign, transfer, divest, hold separate or otherwise dispose of any assets, business or portion of business of Maxwell, Tesla or their respective subsidiaries, (b) conduct, restrict, operate, invest or otherwise change the assets, the business or portion of the business of Maxwell, Tesla or their respective subsidiaries or (c) impose any restriction, requirement or limitation on the operation of the business or portion of the business of Maxwell, Tesla or their respective subsidiaries. However, if requested by Tesla, Maxwell or its subsidiaries will become subject to, consent to or offer or agree to, or otherwise take any action with respect to, any such requirement, condition, limitation, understanding, agreement or order so long as such requirement, condition, limitation, understanding, agreement or order is only binding on Maxwell or its subsidiaries in the event the merger is completed.

HSR Act

Under the HSR Act and the rules that have been promulgated thereunder, the offer may not be completed until Tesla files a Notification and Report Form with the Federal Trade Commission (FTC) and the Antitrust Division of the U.S. Department of Justice (the DOJ) under the HSR Act, and the applicable waiting period has expired or been terminated, which is also a condition to the consummation of the Offer. The HSR Act also requires Maxwell to file a Notification and Report Form with the FTC and DOJ.

Pursuant to the requirements of the HSR Act, Tesla and Maxwell each filed a Notification and Report Form with respect to the offer and the merger with the Antitrust Division of the DOJ and the FTC on February 4, 2019. The 30-day waiting period under the HSR Act will expire at 11:59 p.m., Eastern time, on March 6, 2019, unless terminated early or extended by a request for additional information and documentary materials. On February 14, 2019, the FTC notified Tesla and Maxwell that early termination of the 30-day waiting period had been granted.

At any time before or after consummation of the transactions, notwithstanding the termination or expiration of the waiting period under the HSR Act, the FTC or the DOJ could take such action under the antitrust laws as it deems

necessary under the applicable statutes, including seeking to enjoin the completion of the offer or the merger, seeking divestiture of substantial assets of the parties, or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. At any time before or after the completion of the

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transactions, and notwithstanding the termination or expiration of the waiting period under the HSR Act, any state could take such action under the antitrust laws as it deems necessary. Such action could include seeking to enjoin the completion of the offer or the merger or seeking divestiture of substantial assets of the parties, or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

There can be no assurance that a challenge to the transactions on antitrust grounds will not be made, or if such a challenge is made, what the result will be. See the section entitled The Offer Conditions of the Offer for certain conditions to the offer, including conditions with respect to the HSR Act.

German ARC

The German Act Against Restraints of Competition of 1958 (the German ARC) imposes a pre-merger notification requirement on all transactions that qualify as concentrations and meet certain specified financial thresholds, which the merger meets. Accordingly, consummation of the merger is conditional upon the merger being cleared by the Bundeskartellamt. Clearance can be granted explicitly or is also considered granted if, after a transaction has been notified, the applicable waiting periods expire without any decision by the Bundeskartellamt. Tesla notified the Bundeskartellamt of the proposed transaction to on February 7, 2019, and the parties anticipate receiving clearance on or before March 8, 2019.

Interests of Certain Persons in the Offer and the Merger

Maxwell s directors and executive officers may have interests in the offer, the merger, and the other transactions contemplated by the merger agreement that are different from, or in addition to, the interests of the Maxwell stockholders generally. These interests may create potential conflicts of interest. The Maxwell board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated by the merger agreement, as more fully discussed in the section entitled The Offer Maxwell s Reasons for the Offer and Merger; Recommendation of the Maxwell Board of Directors.

Current Executive Officers and Directors

Maxwell s current directors and executive officers are:

Name	Position
Richard Bergman	Director
Steve Bilodeau	Chairman of the Board
Jörg Buchheim	Director
Dr. Franz J. Fink	President, Chief Executive Officer, and Director
Burkhard Goeschel	Director
Ilya Golubovich	Director
Emily Lough	Vice President, General Counsel and Secretary
David Lyle	Senior Vice President, Chief Financial Officer and Treasurer
John Mutch	Director
Everett Wiggins	Vice President, Operations

Arrangements with Tesla

As of the date of this document, none of Maxwell s executive officers has entered into any agreement with Tesla or any of its subsidiaries or affiliates regarding employment with Tesla or any of its subsidiaries or affiliates. Prior to and following the closing of the merger, however, certain of our executive officers may have discussions, and following the closing of the merger, may enter into agreements with, Tesla or its subsidiaries or affiliates regarding employment with Tesla or its subsidiaries or affiliates.

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Effect of the Offer and the Merger on Maxwell Common Stock and Equity Awards

Consideration for Maxwell Common Stock in the Merger

The following table sets forth the number of shares of Maxwell common stock beneficially owned as of February 11, 2019 by each of our executive officers and directors, excluding shares issuable upon exercise of stock options, Maxwell Time-based RSU Awards (as defined below) not vesting within 60 days of February 11, 2019, or Maxwell MSUs (as defined below) or Maxwell PSUs (as defined below) and the aggregate offer consideration payable for such shares. Each holder of shares of Maxwell common stock who otherwise would be entitled to receive a fraction of a share of Tesla common stock under the merger agreement will receive cash, without interest, in an amount equal to such fractional part of a share of Tesla common stock multiplied by the volume weighted average of the daily volume weighted average of the trading price of one (1) share of Tesla common stock as reported on the Nasdaq Global Select Market for the five (5) consecutive trading days ending on and including the second trading day immediately preceding the expiration of the offer (the Tesla trading price), subject to the minimum. In the event that the Tesla trading price is equal to or less than $245.90, the minimum will apply and each share of Maxwell common stock validly tendered and not validly withdrawn will be exchanged for 0.0193 of a share of Tesla common stock. The amounts in this table assume the merger occurs on February 11, 2019, and that the offer consideration is 0.0152 shares of Tesla common stock for each share of Maxwell common stock which is calculated by dividing $4.75 by $312.84 (which is the closing price of Tesla common stock on February 11, 2019). This information is based on the number of shares of Maxwell common stock held by Maxwell s directors and executive officers as of February 11, 2019 (and includes the deferred, fully vested restricted stock units pursuant to Maxwell s non-employee director deferred compensation program, which will be settled immediately prior to the merger as described below, restricted stock units vesting within 60 days of February 11, 2019 and the shares payable pursuant to Maxwell s 2018 annual incentive bonus plan described in footnote 1 to the table below). The amounts set forth in the table below are as calculated before any taxes that may be due on such amounts are paid.

Name	Number of Shares of Maxwell Common Stock Beneficially Owned[1]	Number of Shares of Tesla Common Stock for Shares	Total Value of Shares[2]
Richard Bergman	72,918	1,107	346,361
Steve Bilodeau	46,990	713	223,203
Jörg Buchheim	534,870	8,121	2,540,633
Dr. Franz J. Fink	1,226,256[3]	18,148	5,677,609
Burkhard Goeschel	204,150	3,099	969,713
Ilya Golubovich	1,491,891	22,652	7,086,482
Emily Lough	36,938[4]	560	175,456
David Lyle	264,754[5]	4,019	1,257,582
John Mutch	15,370	233	73,008
Everett Wiggins	36,201[6]	549	171,955

(1) Includes shares payable to executive officers related to amounts earned under Maxwell s 2018 annual incentive bonus plan, which Maxwell intends to settle with shares of Maxwell common stock in February 2019 after

certification by the Compensation Committee of the Maxwell board of directors. The number of shares of Maxwell common stock calculated for purposes of the payouts under the 2018 annual incentive bonus plan is based on a price per share equal to $4.69 (which is the closing price of Maxwell common stock on February 11, 2019).

(2) Includes cash for fractional shares of Tesla common stock, calculated based on the Tesla trading price.

(3) Includes 78,277 shares of Maxwell common stock subject to Maxwell Time-based RSU Awards and 30,970 shares of Maxwell common stock subject to Maxwell PSUs settling within 60 days of February 11, 2019.

(4) Includes 9,326 shares of Maxwell common stock subject to Maxwell Time-based RSU Awards settling within 60 days of February 11, 2019.

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(5) Includes 67,130 shares of Maxwell common stock subject to Maxwell Time-based RSU Awards settling within 60 days of February 11, 2019.
(6) Includes 18,531 shares of Maxwell common stock subject to Maxwell Time-based RSU Awards settling within 60 days of February 11, 2019.

Consideration for Maxwell Options in the Merger Generally

At the effective time of the merger, each option to purchase shares of Maxwell common stock that was granted under the 2005 Plan or the 2013 Plan (each such option or any Inducement Option (as defined below), a Maxwell option), that is outstanding, unexercised and unexpired as of immediately prior to the effective time (other than any Former Service Provider Options) shall be automatically assumed by Tesla and converted into and become an option to acquire Tesla common stock, on the same terms and conditions as were applicable to such Maxwell option as of immediately prior to the effective time (a Converted Option), except that: (x) the number of shares of Tesla common stock subject to the Converted Option will be determined by multiplying the number of shares of Maxwell common stock subject to the corresponding Maxwell option by the offer consideration and (y) the per share exercise price for each share of Tesla common stock that may be acquired upon exercise of the Maxwell option will be determined by dividing the per share exercise price of the Maxwell option by the offer consideration, with any fractional cent in the resulting quotient rounded up to the nearest whole cent. Each Converted Option otherwise shall be subject to the same terms and conditions applicable to the corresponding Maxwell option and the agreement evidencing the Maxwell option thereunder, including vesting terms.

Each Former Service Provider Option shall not be treated in the same manner. At the effective time, without any action on the part of Tesla, Maxwell or the holder of the Former Service Provider Option, each Former Service Provider Option shall be cancelled and converted into the right to receive a number of shares of Tesla common stock determined as: (i) (A) the number of shares of Maxwell common stock subject to the Former Service Provider Option immediately prior to the effective time, multiplied by (B) the offer consideration, minus (ii) (A) the aggregate exercise or purchase price for all shares of Maxwell common stock subject to such Former Service Provider Option divided by (B) the Tesla trading price, with any resulting fractional share rounded down to the nearest whole share.

In addition, the option to purchase shares of Maxwell common stock granted pursuant to the non-plan stock option agreement by and between Maxwell and David Lyle dated May 11, 2015 (the Inducement Option), will be treated in the same manner as a Maxwell option at the effective time, as described above.

Consideration for Maxwell Restricted Stock Units in the Merger Generally

At the effective time, each Maxwell RSU award that was granted under the 2005 Plan or 2013 Plan, whether vesting thereof is based on service, performance, stock performance or other conditions, or any Inducement RSU (as defined below) that is outstanding immediately prior to the effective time (other than any Former Service Provider RSUs), shall be assumed by Tesla and converted automatically into and become a restricted stock unit covering shares of Tesla common stock, on the same terms and conditions as were applicable under the Maxwell RSU award as of immediately prior to the effective time, except that the number of shares of Tesla common stock subject to such converted Maxwell RSU award will be determined by multiplying the number of shares of Maxwell common stock subject to the corresponding Maxwell RSU award immediately prior to the effective time, by the offer consideration, with any fractional shares in the resulting product rounded down to the nearest whole share (the Converted RSUs and, together with the Converted Options, the Converted Awards). Each Converted RSU otherwise shall be subject to the same terms and conditions applicable to the corresponding Maxwell RSU award under the applicable Maxwell Equity Plan and any agreement evidencing the Maxwell RSU award thereunder, including vesting terms.

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Each Former Service Provider RSU shall not be treated in the same manner. At the effective time, without any action on the part of Tesla, Maxwell or the holder of the Former Service Provider RSU, each Former Service Provider RSU shall be cancelled and converted into the right to receive a number of shares of Tesla common stock determined as: (i) (A) the number of shares of Maxwell common stock subject to the Former Service Provider RSU immediately prior to the effective time, multiplied by (B) the offer consideration, minus (ii) (A) the aggregate exercise or purchase price for all shares of Maxwell common stock subject to such Former Service Provider RSU divided by (B) the Tesla trading price, with any resulting fractional share rounded down to the nearest whole share.

In addition, the RSU awards granted pursuant to the non-plan restricted stock unit award by and between Maxwell and David Lyle dated May 11, 2015 (the Inducement RSUs) will be treated in the same manner as a Maxwell RSU award at the effective time, as described above.

Consideration for Maxwell Options and Maxwell RSU Awards Held by Directors and Executive Officers in the Merger

Treatment of Director Equity Awards

As of February 11, 2019, Maxwell s non-employee directors held Maxwell options to purchase an aggregate of 60,000 shares of Maxwell common stock, with per share exercise prices ranging from $5.37 to $5.33. As of the same date, Maxwell s non-employee directors held Maxwell RSU awards covering an aggregate of 234,241 shares. Of these awards, 115,531 were vested Maxwell RSU awards with deferred settlement (Deferred RSUs). The unvested Maxwell RSU awards held by non-employee directors vest based solely on continued service with Maxwell through the applicable vesting dates (Maxwell Time-based RSU Awards).

At the effective time, each Maxwell option and Maxwell Time-based RSU Award that is outstanding and held by a current or former non-employee director of Maxwell will vest and be cancelled and converted into the right to receive a number of shares of Tesla common stock determined as: (i) (A) the number of shares of Maxwell common stock subject to the Maxwell option immediately prior to the effective time, multiplied by (B) the offer consideration, *minus* (ii) (A) the aggregate exercise or purchase price for all shares of Maxwell common stock subject per share to such Maxwell option divided by (B) the Tesla trading price, with any resulting fractional share rounded down to the nearest whole share.

In early 2017, the Maxwell board of directors approved a non-employee director deferred compensation program pursuant to which participating non-employee directors may make irrevocable elections on an annual basis to take fully vested restricted stock units in lieu of their cash-based non-employee director fees (including, as applicable, any annual retainer fee, committee fee and any other compensation payable with respect to their service as a member of the Maxwell board of directors) and to defer the settlement upon the vesting of all or a portion of their equity awards granted in the applicable calendar year. In the event that a director makes such an election, Maxwell will grant fully vested restricted stock units in lieu of cash, with an initial value equal to the cash fees, which will be settled immediately after grant or at a future date elected by the respective non-employee director through the issuance of Maxwell common stock. This program was implemented with the intention of further aligning the interests of directors with those of Maxwell s stockholders by enabling non-employee directors a vehicle to increase their equity stake by receiving payment in the form of equity instead of cash. The participation in this program is optional for non-employee directors. In 2017, the first year of the program, non-employee directors were able to make elections regarding their compensation for the second through the fourth quarter. With the program fully implemented prior to the end of the calendar year, all non-employee directors were able to make elections for 2018 and 2019 compensation for the entirety of the calendar year.

The non-employee director compensation program provides that, in the event of our change in control, each outstanding award of Deferred RSUs held by a non-employee director will be settled in shares of Maxwell common stock as of immediately prior to the effective time. Accordingly, shares of Maxwell common stock

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issued pursuant to Deferred RSUs will be treated in the same manner as other shares of Maxwell common stock outstanding immediately prior to the effective time, as described further above. Under the non-employee director deferred compensation program, change in control will include the merger and generally has the meaning set forth below with respect to the other Maxwell RSU awards described below.

Please see *Table of Estimated Consideration for Equity Awards* below for additional information.

Treatment of Executive Officer Equity Awards

As of February 11, 2019, Maxwell s executive officers held Maxwell options to purchase an aggregate of 150,599 shares of Maxwell common stock, with per share exercise prices ranging from $6.03 to $15.71. As of the same date, Maxwell s executive officers held Maxwell RSU awards covering 990,969 shares of Maxwell common stock. Of these awards, an aggregate of 361,955 shares of Maxwell common stock are subject to Maxwell RSU awards that were granted with service-based vesting. Maxwell RSU awards that were granted with vesting contingent in part on achievement of performance goals based on relative total stockholder return (Maxwell MSUs) cover an aggregate of 558,044 shares of Maxwell common stock (based on target achievement of the applicable performance goals). Maxwell RSU awards that were granted with vesting contingent in part on achievement of performance goals relating other than to relative total stockholder return (Maxwell PSUs) cover an aggregate of 70,970 shares of Maxwell common stock (based on target achievement of the applicable performance goals).

Assuming continued employment through the effective time, all Maxwell options and Maxwell RSU awards that are outstanding as of immediately prior to the effective time held by Maxwell s executive officers will be assumed and converted into awards covering shares of Tesla common stock, as discussed above.

Pursuant to the terms of the equity award agreements governing each of the Maxwell options and Maxwell RSU awards held by each of the executive officers, if, within thirty (30) days prior to or two years following the date of a change in control of Maxwell, which will include the merger, the executive officer s employment is terminated by Maxwell without cause (as such term is defined in the applicable equity award agreement) or the executive officer resigns for good reason (as such term is defined in the applicable equity award agreement), then vesting with respect to 100% of the then unvested shares subject to the Maxwell option or Maxwell Time-based RSU Award will accelerate. With respect to Dr. Fink s Maxwell PSUs granted on February 18, 2016, this grant will vest based on actual achievement of applicable performance conditions in connection with the signing of the merger agreement on February 3, 2019, which certification is expected to occur prior to the merger. With respect to Mr. Lyle s Maxwell PSUs granted on February 18, 2016, this grant will be treated in the same manner as his outstanding Maxwell options and Maxwell RSU awards but is subject to earlier vesting based on actual achievement of applicable performance conditions as of December 31, 2018, which certification is expected to occur prior to the merger. With respect to the Maxwell MSUs, up to 100% of the Maxwell MSUs will vest based on target levels on the effective date of the change in control, provided that such acceleration will not result in the cumulative vesting of more than 100% of such Maxwell MSUs.

For purposes of the Maxwell Time-based RSU Awards, Maxwell PSUs and Maxwell MSUs, cause generally means a grantee s unauthorized use or disclosure of the Maxwell s confidential information or trade secrets; breach of any agreement between the grantee and Maxwell; grantee s material failure to comply with Maxwell s written policies or rules; grantee s conviction of, or your plea of guilty or no contest to, a felony; grantee s gross negligence or willful misconduct; grantee s continuing failure to perform assigned duties after receiving written notification from Maxwell; or grantee s failure to cooperate in good faith with a governmental or internal investigation.

For purposes of the Maxwell Time-based RSU Awards, Maxwell PSUs and Maxwell MSUs, change in control will include the merger and generally means any person acquiring beneficial ownership of more than 50% of Maxwell s total voting power; the sale or disposition of all or substantially all of Maxwell s assets; or any merger

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or consolidation of Maxwell where Maxwell s voting securities represent 50% or less of the total voting power of the surviving entity or its parent.

For purposes of the Maxwell Time-based RSU Awards, Maxwell PSUs, and Maxwell MSUs good reason generally means a change in grantee s position that materially reduces his or her level of authority or responsibility or the assignment of reduced authority and responsibilities; a reduction in grantee s base salary or target bonus by more than 10%; or a workplace relocation of more than 50 miles from grantee s then-present work location, all subject to a notice requirement by the executive officer to Maxwell and a cure period by Maxwell.

Please see *Table of Estimated Consideration for Equity Awards* below for additional information.

Table of Estimated Consideration for Equity Awards

Directors

The table below sets forth, for each of our non-employee directors, the aggregate number of shares of Maxwell common stock subject to Maxwell options and Maxwell Time-based RSU Awards that are held by our non-employee directors as of February 11, 2019.

Name	Vested Maxwell Options (#)[1]	Unvested Maxwell Options (#)[2]	Value of Maxwell Options ($)[3]	Maxwell Unvested RSU Awards (#)[4]	Value of Unvested Maxwell RSU Awards ($)[5]	Maxwell Vested and Deferred RSU Awards (#)	Value of Maxwell Vested and Deferred RSU Awards ($)[5]	Total ($)
Richard Bergman	5,000	5,000		19,785	93,979	44,923	213,384	307,363
Steve Bilodeau	5,000	5,000		19,785	93,979	30,421	144,500	238,479
Jörg Buchheim	5,000	5,000		19,785	93,979			93,979
Burkhard Goeschel	5,000	5,000		19,785	93,979			93,979
Ilya Golubovich	5,000	5,000						

Each year, we review general compensation survey data from sources such as Towers Watson to provide the Compensation Committee with information about our compensation levels relative to comparable sized companies. In addition, we look at pay practices and levels for a peer group of companies that typically have global operations, a diversified business and annual sales and market capitalizations comparable to UPS. The peer group considered by the Committee in determining 2013 compensation consisted of the following 18 companies:

The Boeing Company	The Home Depot, Inc.	PepsiCo, Inc.
Caterpillar Inc.	Johnson & Johnson	The Procter & Gamble Company
The Coca-Cola Company	The Kroger Co.	Sysco Corporation
Costco Wholesale Corporation	Lockheed Martin Corporation	Target Corp.
Dell Inc.	Lowe's Companies, Inc.	United Technologies Corporation
FedEx Corporation	McDonald's Corp.	Walgreen Co.

There were two changes made to the peer group for 2013. First, Coca-Cola Enterprises, Inc. was eliminated due to the sale of its North American operations to The Coca-Cola Company resulting in a primarily internationally-focused company with total revenue below our peers. Second, The Home Depot, Inc. was added after determining that its scope of operations, total revenues, market capitalization and other peer selection criteria made it appropriate to include in the UPS group. Both of these changes were recommended by the independent compensation consultant following its annual peer group review and were approved by the Compensation Committee.

Internal Equity

In addition to market data, the Compensation Committee considers the differentials between executive officer compensation and other UPS positions, and the additional responsibilities of the Chief Executive Officer compared to the other executive officers. Internal comparisons are made between executive officers and their direct reports in an effort to ensure that compensation paid to executive officers is reasonable compared to that of others with whom they work.

Annual Performance Reviews

Each year the Chief Executive Officer provides the Compensation Committee with a subjective assessment of the Named Executive Officers. The Compensation Committee undertakes a comprehensive review each year of the Chief Executive Officer's performance and the full board meets in executive session to review the Chief Executive Officer's performance. Factors considered include the Chief Executive Officer's strategic vision and leadership, execution of our business strategy and achievement of our business goals, his demonstrated ability to make long-term decisions that create competitive advantage and his overall effectiveness as a leader and role model.

Elements of UPS Compensation

The components of the compensation program for our Named Executive Officers are:

Base salary;

Annual incentive awards delivered in both cash and equity;

Long-term equity incentive awards; and

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Benefits and perquisites.

Base Salary

The Compensation Committee considers a number of factors in determining the annual base salaries of the Named Executive Officers. While company performance is the most important factor, scope of responsibility, leadership, market data and internal equity comparisons are all considered by the Compensation Committee when determining annual salary adjustments.

For 2013, base salaries of the NEOs were increased by an average of 3.6%. The base salary of the CEO was increased by 3.0%, which was equivalent to the merit budget for the broader management population in 2013. Base salary increases were to reward performance and, for certain Named Executive Officers, to bring their compensation more in line with market rates.

Annual Incentives

MIP Performance Incentive Award Overview

The MIP award is designed to align pay with annual company performance. Based on the formula approved by the Compensation Committee for 2013, maximum executive officer MIP awards are targeted at a pool of 0.5% of net income in total; the CEO's maximum is 20% of the pool and each other NEO's maximum is 7.25% of the pool. The same performance measure and maximum allocation were approved by the Compensation Committee for 2014.

The maximum incentive pool approach for the executive officers is intended to align pay with actual company performance in a manner that also provides compensation that is intended and structured to qualify as "performance-based compensation" exempt from the $1 million annual deduction limit of Section 162(m) of the Internal Revenue Code. The awards are granted under the 2012 Plan. Company net income performance will fund the pool to a maximum level, but the actual awards are determined based on the Compensation Committee's discretion. The Committee may approve awards that are less than the maximum but may not exceed the funded maximum amount for each NEO.

The primary factors considered by the Committee in exercising its negative discretion include:

Overall company performance, including the 2013 MIP Evaluation Metrics listed on the next page.

Business environment and economic trends.

Target opportunity for each executive.

MIP factor (percent of target) applied to the non-executive MIP participants to determine their MIP awards.

Although the Compensation Committee will consider the awards earned by non-executive employees under the broader MIP plan, it is just one input to their determination.

MIP awards for executive officers are considered performance-based compensation fully at risk based on company performance. The design also supports our emphasis on stock ownership and long-term performance because the award is provided two-thirds in restricted performance units, or RPUs, and one-third in cash. As set forth in the terms and conditions approved by the Compensation Committee, MIP RPUs vest 20% per year over a five year period.

We determine the number of RPUs granted by calculating the dollar value of the portion of the MIP award allocated to RPUs and dividing by the applicable closing price of our class B common stock on the NYSE. In light of the five year vesting schedule, we do not maintain additional holding period requirements for our employees after vesting. When dividends are paid on UPS common stock, an equivalent value is credited to the participant's bookkeeping account in additional RPUs.

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2013 MIP Performance Incentive Award Results

For 2013, the Company's adjusted net income was $4.336 billion which results in a maximum incentive pool for executive officers of $21.68 million. The maximum for the CEO is therefore $4.34 million, and is $1.57 million for the other Named Executive Officers. In exercising their discretion to reduce the maximum available for each executive officer under the MIP performance incentive award and to more closely align executive officer MIP performance incentive awards with company performance, the Committee considered a number of factors including, but not limited to, company performance relative to target objectives for the executive officers detailed in the accompanying table (the 2013 MIP Evaluation Metrics), the level at which the MIP award was earned by non-executive employees, the general macro-economic environment and the Company's overall performance.

The 2013 MIP Performance Incentive Evaluation Metrics and actual results considered by the Committee are shown in the following table.

2013 MIP Evaluation Metrics	Target	Actual
Consolidated Revenue Growth	5.0%	2.4%
Adjusted(1) Consolidated Earnings Per Share Growth	9.0%	1.0%
Consolidated Package Average Daily Volume Growth	2.7%	3.9%

(1) In determining attainment of performance goals, the Committee excludes the effect of unusual or infrequently occurring items, charges for restructurings (employee severance liabilities, asset impairment costs, and exit costs), discontinued operations, extraordinary items and the cumulative effect of changes in accounting treatment.

A specific weight was not assigned to any of the aspects of performance listed above. The Committee uses its judgment to determine final awards based on the Company's success in implementing the business plan and the challenges of the economic and competitive market in which UPS operated during the year.

Summarized in the table below are the NEOs' maximum funded MIP performance incentive award based on the net income formula, target MIP performance incentive award, and the actual MIP performance incentive award based on the Committee's discretion. The MIP award, if earned, is provided two-thirds in RPUs and one-third in cash.

2013 MIP Award	Maximum($)	Target($)	Actual($)
D. Scott Davis	4,335,934	1,742,638	1,306,978
David P. Abney	1,571,776	635,045	476,284
Kurt P. Kuehn	1,571,776	595,343	446,507
David A. Barnes	1,571,776	573,440	430,080
John J. McDevitt	1,571,776	576,685	432,514

MIP Ownership Incentive Award

To reward management employees for maintaining significant ownership of UPS equity securities, all MIP participants are eligible for an additional incentive award up to the equivalent of one month's salary. The MIP ownership incentive award is paid in the same proportion of cash and RPUs as the MIP performance incentive award.

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The amount of the award is equal to the value of the participant's equity ownership multiplied by an ownership incentive award percentage, which is 1.25% for the Chief Executive Officer and 1.50% for the other Named Executive Officers. The maximum award that can be earned is one month's salary.

Ownership levels for the 2013 awards were determined by totaling the number of UPS shares in the participant's family group accounts and the participant's unvested restricted units and deferred compensation shares, and then multiplying the sum by the closing price of a class B share on the NYSE on December 31, 2013 (the last trading day of the year). All of the Named Executive Officers earned the maximum MIP ownership incentive award of one month's salary.

Long-Term Incentives

Our long-term incentive programs provide participants with grants of equity-based incentives that are intended to reward performance over a multi-year period. For 2013, our equity programs included the Stock Option Program and the Long-Term Incentive Performance ("LTIP") award program. All awards under the programs for 2013 were granted under the 2012 Plan.

Program	Payment Form and Program Type	Target Amount	Performance Measures and/or Value Proposition	Program Objectives
Stock options	Stock options vest 20% per year over five years and have a ten-year term	45% of annualized base salary for the Chief Executive Officer and 30% for the other executive officers	Value recognized only if UPS stock price appreciates	Provides a significant link to company stock price performance Enhances stock ownership and shareowner alignment
Restricted performance units under LTIP	RPUs are settled in UPS stock if earned based on company performance If earned, award vests after the end of the third fiscal year	As a percent of base salary: 675% Chief Executive Officer 575% Chief Operating Officer 450% Chief Financial Officer 250% other executive officers	Revenue growth Operating return on invested capital Three-year EPS targets Value increases or decreases with stock price	Supports the Company's annual and long-term operating plan and business strategy Enhances stock ownership and shareowner alignment

Stock Option Program

The Compensation Committee believes that stock options provide a significant link to company performance and maximize shareowner value, as the option holder receives value only if our stock price increases. Stock options also have retention value, as the option holder will not receive value from the options unless he or she remains our employee during the vesting period of the award (except in the case of retirement, death or disability during the vesting period).

The non-qualified stock options vest 20% per year over five years and expire ten years from the date of grant. Unvested stock options vest automatically upon death, disability or retirement. In light of the five year duration of the vesting schedule, we do not maintain additional holding period requirements for our employees after

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vesting. Grants do not include dividend equivalents or any reload grant features.

Long-Term Incentive Performance Award Program Overview

The LTIP award program is designed to further strengthen the performance component of our executive compensation package and enhance retention of key talent. Approximately 500 members of our senior management team, including the Named Executive Officers, participate in this program.

The program has a three-year award cycle. A target award of RPUs is granted to executive officers and certain other eligible managers at the beginning of the three-year period. Ninety percent of the total target award is divided into three substantially equal performance tranches, one for each calendar year in the three-year award cycle. The remaining 10% is based upon achievement of a diluted earnings per share target for the third year. Performance measures, such as revenue growth, operating return on invested capital ("ROIC"), and diluted earnings per share, are set by the Compensation Committee at the beginning of each calendar year in the three-year award cycle.

The actual number of RPUs that the management employee will receive is determined once the payment percentage for a particular tranche has been approved by the Compensation Committee, based on achievement of performance goals for the applicable calendar year.

LTIP Target Award Values

In March 2013, the Compensation Committee approved 2013 target award values for the three-year 2013 LTIP awards at 675% of base salary for the Chief Executive Officer, 575% of base salary for the Chief Operating Officer, 450% of base salary for the Chief Financial Officer and 250% of base salary for the other executive officers. Target award values are based on internal pay equity considerations and market data regarding total compensation of comparable positions at similarly sized companies. In 2013, after taking into account the foregoing considerations, the Compensation Committee approved an increase in the target award value for the Chief Financial Officer from 300% to 450% of base salary. Differences in the target award values are based on increasing levels of responsibility among the management team. The maximum LTIP award that can be earned is 150% of target.

The threshold, target and maximum number of RPUs that can be earned by the Named Executive Officers under the 2013 LTIP is shown in the Grants of Plan-Based Awards for 2013 table.

Total 2013 Long-Term Equity Incentive Award Target Values

Shown in the table is the total long-term incentive opportunity granted to the Named Executive Officers in 2013, based upon a percentage of annualized base salary.

Named Executive Officer	Options (% salary)	LTIP RPUs (% salary)	Total (% salary)
D. Scott Davis	45	675	720
David P. Abney	30	575	605
Kurt P. Kuehn	30	450	480

David A. Barnes	30	250	280
John J. McDevitt	30	250	280

LTIP Performance Targets and Results

Performance targets and actual results for the completed performance periods for the 2011 LTIP, 2012 LTIP and 2013 LTIP are described below. Where the three-year LTIP cycles overlap, the performance goals for individual years are the same. The underlying units are earned based on actual performance as compared to pre-established performance criteria for each period over the three-year cycle of the award. The tranches based on 2013 performance, and the related Committee decisions, are shaded in the chart below. A description of the adjustments we make to the performance goals is included after the table.

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	Percent of Total LTIP Award	Performance Goals(1)	Actual Results(1)	Percent of LTIP Tranche Earned
2011 LTIP Award				
2011 Performance Tranche	30%	revenue growth 8.0% operating ROIC 24.0%	revenue growth 7.2% operating ROIC, as adjusted 24.3%	95%
2012 Performance Tranche	30%	revenue growth 6.0% operating ROIC 26.0%	revenue growth 1.9% operating ROIC, as adjusted 24.6%	70%
2013 Performance Tranche	30%	revenue growth 5.0% operating ROIC 25.2%	revenue growth 2.4% operating ROIC, as adjusted 24.1%	85%
2013 Earnings Measurement Tranche	10%	2013 earnings per share $5.24 to $5.51 (75%); > $5.51 (100%)	2013 earnings per share, as adjusted $4.57	0%
2012 LTIP Award				
2012 Performance Tranche	30%	revenue growth 6.0% operating ROIC 26.0%	revenue growth 1.9% operating ROIC, as adjusted 24.6%	70%
2013 Performance Tranche	30%	revenue growth 5.0% operating ROIC 25.2%	revenue growth 2.4% operating ROIC, as adjusted 24.1%	85%
2013 LTIP Award				
2013 Performance Tranche	30%	revenue growth 5.0% operating ROIC 25.2%	revenue growth 2.4% operating ROIC, as adjusted 24.1%	85%

(1) In determining attainment of performance goals, the Committee excludes the effect of unusual or infrequently occurring items, charges for restructurings (employee severance liabilities, asset impairment costs, and exit costs), discontinued operations, extraordinary items and the cumulative effect of changes in accounting treatment.

As shown in the table above, based on actual performance, 85% of the 2013 performance tranche was earned for each of the outstanding LTIP awards, while the 2013 earnings measurement tranche for the 2011 LTIP award was not earned.

The RPUs for 2013 are now earned based on performance, meaning the amount of the award for the 2013 performance period has been determined, but will not vest until January 31 following the third year of the cycle, provided the participant remains employed as of the vesting date. For example, units earned under the 2011 LTIP award vested on January 31, 2014 and units earned under the 2013 LTIP award will vest on

January 31, 2016. Special vesting rules apply to terminations by reason of death, disability or retirement. A participant's earned RSU and RPU account will be adjusted quarterly for dividends paid on class A common stock. Awards that vest will be distributed in the form of class A common stock.

Benefits and Perquisites

Consistent with our culture, the benefits and perquisites offered to the Named Executive Officers are the same or similar to programs offered to the entire UPS management team, with the exception of a financial planning service and executive health services. Additional information on these benefits can be found in the program descriptions below.

The UPS 401(k) Savings Plan

The UPS 401(k) Savings Plan is a 401(k) plan offered to all U.S.-based employees who are not subject to a collective bargaining agreement and who are not eligible to participate in another savings plan sponsored by UPS or one of its subsidiaries. We provided a matching contribution to those UPS employees who made elective deferrals to the UPS 401(k) Savings Plan. We match 50% of up to 5% of eligible pay contributed to the UPS 401(k) Savings Plan for eligible employees hired on or before December 31, 2007,

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including the Named Executive Officers. We match 100% of up to 3.5% of eligible pay contributed to the plan for eligible employees hired on or after January 1, 2008. The match is paid in shares of class A common stock.

Qualified and Non-Qualified Pension Plans

Named Executive Officers participate in our qualified retirement program, the UPS Retirement Plan, on the same terms as all other participants. Benefits payable under the plan are subject to the maximum compensation limits and the annual benefit limits for a tax-qualified defined benefit plan as established by the Internal Revenue Service. Amounts exceeding these limits are paid pursuant to the UPS Excess Coordinating Benefit Plan, which is a non-qualified restoration plan designed to replace the amount of benefits limited under the tax-qualified plan. Without the Excess Coordinating Benefit Plan, the Named Executive Officers would receive a lower benefit as a percent of final average earnings than the benefit received by other participants in the UPS Retirement Plan.

Discounted Employee Stock Purchase Plan

To foster our manager-owner philosophy, we have maintained a Discounted Employee Stock Purchase Plan since 2001. The plan provides all U.S.-based employees, including the Named Executive Officers, and some internationally based employees, with the opportunity to purchase up to $10,000 in our class A common stock annually at a discount to the market price of our stock. The plan has been designed to comply with Section 423 of the Internal Revenue Code. The purchase price at which our class A common stock may be acquired under the plan is equal to 95% of the fair market value of the shares on the last day of each calendar quarter. Share purchases are made on a quarterly basis.

Financial Planning Service

Our executive officers are eligible for a financial services benefit through which the Company reimburses fees from financial and tax services providers up to $15,000 per year, including the cost of personal excess liability insurance coverage.

Executive Health Services

UPS's business continuity is best facilitated by avoiding any prolonged or unexpected absences by members of its senior management team. To that end, all Named Executive Officers were provided certain executive health services, including comprehensive physical examinations.

Other Compensation and Governance Policies

Stock Ownership Guidelines

The board has adopted stock ownership guidelines that apply to management and to members of our board of directors. The guidelines further our core philosophy that managers should also be owners of our company. The guidelines are based on our expectation that each executive officer and director will maintain a targeted level of investment in our stock. Compensation programs are designed to foster long-term stock ownership by all of our managers; therefore each executive officer has accumulated a meaningful number of shares of our common stock. As a result, the interests of shareowners and our executive officers are closely aligned, and our executive officers have a strong incentive to provide effective management.

Target ownership for the Chief Executive Officer is eight times annual salary, and for the other executive officers is five times annual salary. The target for our non-employee directors is five times their annual retainer. Shares of class A common stock, deferred units and vested

and unvested RSUs and RPUs are considered as owned for purposes of calculating ownership. Managers and directors are expected to reach target ownership within five years of adoption of the guideline or the date that the manager or director became subject to the guideline.

As of December 31, 2013, all of the Named Executive Officers met or exceeded their stock

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ownership guidelines, after excluding any shares pledged by the Named Executive Officer.

In addition, all of our non-employee directors who have been subject to the stock ownership guidelines for at least five years exceed their target ownership. Kevin Warsh, who joined the board in 2012, and Rodney Adkins, who joined the board in 2013, have an additional three and four years, respectively, to achieve target ownership. RSUs are required to be held by the non-employee director until he or she separates from the UPS board of directors.

Hedging and Pledging Policies

We prohibit our executive officers and directors from hedging their ownership in UPS stock. Specifically, they are prohibited from purchasing or selling derivative securities relating to UPS stock and from purchasing financial instruments that are designed to hedge or offset any decrease in the market value of UPS securities.

Additionally, in early 2013 we adopted a policy prohibiting our directors and executive officers from entering into future pledges of UPS securities, including using UPS securities as collateral for a loan and holding UPS securities in margin accounts. These individuals are encouraged (but not required) to unwind any existing pledges.

Clawback Policy

The 2012 Plan and 2009 Plan provide that if an award is made to an executive officer, and the Compensation Committee later determines that financial results used to determine the amount of the award are materially restated and that the executive officer engaged in fraud or intentional misconduct, we will seek repayment or recovery of the award. This clawback applies to all awards granted under the 2012 Plan and 2009 Plan.

Equity Grant Practices

Grants for all equity programs under the 2012 Plan are approved by the Compensation Committee. Stock options have an exercise price equal to the closing market price on the NYSE on the date of grant.

Employment or Change in Control Agreements

We do not have employment agreements with any of our executive officers. In addition, we do not have a separate change in control or severance agreement with any of our executive officers.

The 2012 Plan generally requires a "double trigger" both a change in control and a termination of employment to accelerate the vesting of unvested awards. The 2009 Plan also requires a double trigger. The UPS Incentive Compensation Plan adopted in 1999 (the "1999 Plan") included a provision for an automatic acceleration of unvested awards in the event of a change in control. This provision applies equally to all outstanding equity awards under the 1999 Plan. At the time of the adoption of the 1999 Plan, the accelerated vesting of all outstanding equity awards following a change in control was a customary and reasonable component of an equity incentive program. All of the equity awards granted to the Named Executive Officers prior to May 7, 2009 are subject to the single trigger, while equity awards granted after that date are subject to the double trigger.

Consideration of Previous "Say on Pay" Voting Results

Because a substantial majority (over 70%) of votes cast for the shareowner "say on frequency" vote at our 2011 annual meeting expressed a preference for having a say on pay vote every three years, we are holding our "say on pay" vote at this annual meeting of shareowners. We welcome the input of our shareowners on our compensation policies and compensation program at any time, and not just in the years when we conduct a say on pay vote.

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Our last say on pay vote was held at our 2011 annual meeting of shareowners, where over 93% of votes cast for or against the proposal approved our compensation program as described in our 2011 proxy statement. As described under "Proposal 2 Advisory Vote to Approve Executive Compensation," on page 66, the Compensation Committee believes that shareowners support our compensation policies. Therefore, the Compensation Committee continued to apply the same principles in determining the amounts and types of executive compensation since the last say on pay vote.

Tax Implications of Executive Compensation

Section 162(m) of the Internal Revenue Code makes compensation paid to certain Named Executive Officers in amounts in excess of $1 million not tax deductible unless the compensation is paid under a predetermined objective performance plan meeting certain requirements, or satisfies one of various other exemptions. The Compensation Committee believes that the interests of our shareowners are best served by not restricting the Compensation Committee's discretion and flexibility in crafting compensation plans and arrangements. While the Compensation Committee intends to structure awards to comply with Section 162(m), the Compensation Committee may approve elements of compensation for certain executive officers that are not fully deductible, and reserves the right to do so in the future in appropriate circumstances.

Report of the Compensation Committee

The Compensation Committee is responsible for, among other things, reviewing and approving compensation for the executive officers, establishing the performance goals on which the compensation plans are based and setting the overall compensation principles that guide the committee's decision-making. The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed it with management. Based on the review and the discussions with management, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the 2014 proxy statement and incorporated by reference in the Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission.

The Compensation Committee

Ann M. Livermore, Chair
F. Duane Ackerman
Stuart E. Eizenstat
Kevin M. Warsh

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Summary Compensation Table for 2013

The following table shows the compensation for each of the Named Executive Officers for 2013, 2012 and 2011.

Name and Principal Position	Year	Salary ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compen-sation ($)(4)	Change in Pension Value ($)(5)	All Other Compen-sation ($)(6)	Total ($)
D. Scott Davis	2013	1,079,913	8,272,663	475,277	465,877	0	41,935	10,335,665
Chairman and Chief Executive	2012	1,049,703	8,714,617	463,675	426,034	1,453,028	40,292	12,147,349
Officer	2011	1,022,865	9,455,012	450,807	566,996	1,516,686	40,732	13,053,098
David P. Abney	2013	499,494	3,240,051	146,550	172,738	0	18,412	4,077,245
Senior Vice President and Chief	2012	485,517	3,405,622	142,980	158,132	1,123,038	17,383	5,332,672
Operating Officer	2011	473,097	3,614,104	148,937	209,431	606,037	14,931	5,066,537
Kurt P. Kuehn	2013	475,137	1,949,848	137,395	162,193	0	29,339	2,753,912
Senior Vice President and Chief	2012	452,502	1,759,853	130,852	145,017	908,556	28,612	3,425,392
Financial Officer	2011	427,137	1,865,518	136,299	191,660	535,154	29,815	3,185,583
David A. Barnes	2013	454,347	1,409,536	132,346	156,103	0	16,231	2,168,563
Senior Vice President and Chief	2012	436,866	1,468,744	127,255	140,909	937,023	15,732	3,126,529
Information Officer	2011	418,137	1,566,642	132,558	186,386	485,169	14,648	2,803,540
John J. McDevitt	2013	453,594	1,441,607	133,089	156,864	2,034,460	21,676	4,241,290
Senior Vice President, Human	2012	440,898	1,518,495	129,841	143,599	327,698	18,164	2,578,695
Resources and Labor Relations	2011	429,621	1,633,122	135,248	190,183	168,010	13,796	2,569,980

(1)

This column represents the salary earned from January 1 through December 31 of the applicable year. Salary increases generally are effective in April of the relevant fiscal year and therefore account for any variations reflected in this column.

(2)

The values for stock awards in this column represent the aggregate grant date fair value for the stock awards granted in the applicable year, computed in accordance with FASB ASC Topic 718. These awards include LTIP RPUs, long-term incentive plan RPUs and MIP RPUs and RSUs. Awards with performance conditions are computed based on the probable outcome of the performance condition as of the grant date for the award. Information about the assumptions used to value these awards can be found in Note 10 "Stock-Based Compensation" in our 2013 Annual Report on Form 10-K. The amounts reported for these awards may not represent the amounts that the individuals will actually realize, as the amounts, if any, ultimately received will depend on company performance and the change in our stock price over time. An overview of the features of these awards can be found in the "Compensation Discussion and Analysis" above.

In accordance with SEC rules, we also are required to disclose the grant date fair value for awards with performance conditions assuming maximum performance. The grant date fair value for the 2013 LTIP RPU awards, assuming maximum performance, are as follows: Davis $10,774,467; Abney $4,245,181; Kuehn $2,386,697; Barnes $1,636,434; and McDevitt $1,676,129.

(3)

The values for stock option awards in this column represent the aggregate grant date fair value for the option awards granted in the applicable year computed in accordance with FASB ASC Topic 718. The assumptions used to value these awards can be found in Note 10 "Stock-Based Compensation" in our 2013 Annual Report on Form 10-K. The amounts reported for these awards may not represent the amounts that the individuals will actually realize, as the amounts, if any, ultimately received will

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depend on the change in our stock price over time. An overview of the features of these awards can be found in the "Compensation Discussion and Analysis" above.

(4)

This column shows the cash portion of the MIP award and the MIP Ownership Incentive award. For a description of the MIP, see "Compensation Discussion and Analysis" above. The MIP Ownership Incentive award was paid at 100% of target (one month's salary) for each Named Executive Officer who met or exceeded his target ownership level in the same proportion that the MIP award is paid.

(5)

This column represents an estimate of the annual increase in the actuarial present value of the Named Executive Officer's accrued benefit under our retirement plans for the applicable year, assuming the greater of actual age or a retirement age of 60. Although there was a net aggregate decrease in the actuarial present value for four of the NEOs for 2013, the numbers in the table are displayed as zero in accordance with SEC rules. In addition, John McDevitt first became eligible to participate in the UPS Excess Coordinating Benefit Plan in 2013. In the year that an individual first becomes eligible for the UPS Excess Coordinating Benefit Plan, the Change in Pension Value includes the full present value of the individual's accrued benefit in the plan. See "2013 Pension Benefits" below for additional information, including the present value assumptions used in this calculation. The change in pension value can be impacted by a number of factors: additional credited service, changes in amounts of compensation covered by the benefit formula, plan amendments, impact of changes in assumptions used to estimate present values, and others.

Amounts for 2013 were impacted by the increase in discount rates of 87 basis points for the UPS Retirement Plan and 94 basis points for the UPS Excess Coordinating Benefit Plan. There are no above market or preferential earnings for the UPS Deferred Compensation Plan. For all NEOs except John McDevitt, the decline in the present value of accrued pension benefits due to the increase in discount rates more than offset the increase in present value for additional benefit accruals and other changes.

(6)

The following table breaks down the amounts shown in this column for 2013 (all amounts in $):

Name	401(k) Match	Life Insurance	RPRO	Financial Planning	Healthcare Benefits	Total
D. Scott Davis	6,375	8,157	6,308	15,000	6,095	41,935
David P. Abney	6,375	2,319	0	3,623	6,095	18,412
Kurt P. Kuehn	6,375	2,194	0	14,675	6,095	29,339
David A. Barnes	6,375	2,086	0	1,675	6,095	16,231
John J. McDevitt	6,375	2,083	0	7,123	6,095	21,676

For a description of the Restoration Plan Rollover Option, or RPRO, see "2013 Pension Benefits" below.

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Grants of Plan-Based Awards for 2013

The following table provides information about awards granted in 2013 to each of the Named Executive Officers.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)(3)**	**(#)(4)**	**($/Sh)**	**($)(5)**
D. Scott Davis			580,879	1,445,311							
	03/01/2013				38,712	86,026	124,738				7,420,594
	03/01/2013								30,683	$82.87	475,277
	03/08/2013							10,282			852,069
David P. Abney			211,682	523,925							
	03/01/2013				15,253	33,895	49,148				2,923,736
	03/01/2013								9,461	$82.87	146,550
	03/08/2013							3,817			316,315
Kurt P. Kuehn			198,448	523,925							
	03/01/2013				11,191	24,868	36,059				1,659,803
	03/01/2013								8,870	$82.87	137,395

	03/08/2013						3,500		290,045
David A. Barnes		191,147	523,925						
	03/01/2013			5,989	13,308	19,297			1,127,695
	03/01/2013						8,544	$82.87	132,346
	03/08/2013						3,401		281,841
John J. McDevitt		192,228	523,925						
	03/01/2013			6,023	13,383	19,406			1,154,379
	03/01/2013						8,592	$82.87	133,089
	03/08/2013						3,466		287,228

(1) Reflects the target and maximum values of the cash portion of the 2013 MIP performance incentive award for each Named Executive Officer. Does not include the MIP ownership incentive award, which is equal to one-third of one month's salary: Davis $30,218; Abney $13,977; Kuehn $13,357; Barnes $12,743; and McDevitt $12,692. The potential payments for the MIP performance incentive award are performance-based and therefore at risk. The MIP program is described in the "Compensation Discussion and Analysis" above.

(2) These columns show the potential number of units that would be awarded under the 2013 LTIP at the end of the applicable three-year performance period if the threshold, target or maximum performance goals are satisfied.

(3) Represents the number of RPUs granted under the MIP on March 8, 2013.

(4) This column shows the number of stock options granted on March 1, 2013.

(5) This column shows the grant date fair value of the LTIP RPUs, MIP RPUs, and stock options under FASB ASC Topic 718 granted to each of the Named Executive Officers in 2013. The grant date fair values are calculated using the NYSE closing price of UPS stock on the date of grant for RSUs and RPUs and the Black-Scholes option pricing model for stock options. The grant date fair value of the units granted under the 2013 LTIP, which have performance conditions, are computed based on the probable outcome of the performance condition for the 2013 performance period and the related earnings measurement tranche. There can be no assurance that the grant date fair value of stock and option awards will ever be realized.

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Outstanding Equity Awards at Fiscal Year-End 2013

The following table shows the number of shares covered by exercisable and unexercisable options and unvested RSUs and RPUs held by the Named Executive Officers on December 31, 2013.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Grant Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
D. Scott Davis	11,844	0	80.88	5/1/2006	4/29/2016				
	16,086	0	70.90	5/9/2007	5/8/2017				
	26,089	0	71.58	5/7/2008	5/7/2018				
	32,244	8,061	55.83	5/6/2009	5/6/2019				
	17,699	11,800	67.18	5/5/2010	5/5/2020				
	11,328	16,994	74.25	5/4/2011	5/4/2021				
	6,239	24,958	76.89	3/1/2012	3/1/2022				

	0	30,683	82.87	3/1/2013	3/1/2023				
						118,770	12,480,312	186,674	19,615,704
David P. Abney	9,052	0	80.88	5/1/2006	4/29/2016				
	11,260	0	70.90	5/9/2007	5/8/2017				
	8,619	0	71.58	5/7/2008	5/7/2018				
	10,652	2,663	55.83	5/6/2009	5/6/2019				
	5,847	3,898	67.18	5/5/2010	5/5/2020				
	3,742	5,615	74.25	5/4/2011	5/4/2021				
	1,924	7,696	76.89	3/1/2012	3/1/2022				
	0	9,461	82.87	3/1/2013	3/1/2023				
						44,745	4,701,764	73,550	7,728,634
Kurt P. Kuehn	8,862	0	72.07	5/9/2005	5/8/2015				
	8,178	0	80.88	5/1/2006	4/29/2016				
	9,652	0	70.90	5/9/2007	5/8/2017				
	7,454	0	71.58	5/7/2008	5/7/2018				
	9,212	2,304	55.83	5/6/2009	5/6/2019				
	5,057	3,372	67.18	5/5/2010	5/5/2020				
	3,425	5,138	74.25	5/4/2011	5/4/2021				
	1,760	7,044	76.89	3/1/2012	3/1/2022				
	0	8,870	82.87	3/1/2013	3/1/2023				
						28,472	2,991,822	43,415	4,562,048

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	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Grant Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
David A. Barnes	8,178	0	80.88	5/1/2006	4/29/2016				
	9,652	0	70.90	5/9/2007	5/8/2017				
	7,454	0	71.58	5/7/2008	5/7/2018				
	6,909	2,304	55.83	5/6/2009	5/6/2019				
	5,057	3,372	67.18	5/5/2010	5/5/2020				
	3,331	4,997	74.25	5/4/2011	5/4/2021				
	1,712	6,850	76.89	3/1/2012	3/1/2022				
	0	8,544	82.87	3/1/2013	3/1/2023				
						26,028	2,735,015	28,491	2,993,834
John J. McDevitt	8,883	0	80.88	5/1/2006	4/29/2016				

10,488	0	70.90	5/9/2007	5/8/2017				
7,827	0	71.58	5/7/2008	5/7/2018				
7,255	2,419	55.83	5/6/2009	5/6/2019				
5,310	3,540	67.18	5/5/2010	5/5/2020				
3,398	5,099	74.25	5/4/2011	5/4/2021				
1,747	6,989	76.89	3/1/2012	3/1/2022				
0	8,592	82.87	3/1/2013	3/1/2023				
					26,909	2,827,579	29,039	3,051,418

(1) These stock options vest over a five-year period with 20% of the option vesting at each anniversary date of the grant. All options expire ten years from the date of grant.

(2) Unvested stock awards in this column include RSUs and RPUs. The units granted as part of MIP in 2009 and 2010 vest over a five-year period with approximately 20% of the awards vesting on October 15 of each year. The units granted as part of MIP in 2012 and 2013 vest over a five-year period with approximately 20% of the award vesting on January 15 of each year. The units granted as part of LTIP will vest, if earned, on January 31 of the year following the end of the three-year performance cycle for each grant. The units granted under a discontinued long-term equity compensation program ("LTI") in 2009, 2010 and 2011 vest over a five-year period with approximately 20% of the award vesting at each anniversary date of the grant. Values are rounded to the closest unit.

(3) Market value based on NYSE closing price on December 31, 2013 of $105.08.

(4) Represents the potential units to be earned under the 2011 LTIP award (for the 2013 performance period), the 2012 LTIP award (for the 2013 and 2014 performance periods) and the 2013 LTIP award (for the 2013, 2014 and 2015 performance periods), and the related earnings measurement tranches. For the 2013, 2014 and 2015 performance periods, we have assumed target performance goals will be met.

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Option Exercises and Stock Vested in 2013

The following table sets forth the number and corresponding value realized during 2013 with respect to options that were exercised and restricted stock units and restricted performance units that vested for each Named Executive Officer.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(3)
D. Scott Davis	24,920	573,509	136,627	10,991,612
David P. Abney	28,167	740,001	52,810	4,243,052
Kurt P. Kuehn	10,325	212,590	27,230	2,207,721
David A. Barnes	12,134	244,505	22,108	1,801,378
John J. McDevitt	18,529	328,447	23,153	1,886,401

(1) This number is calculated by subtracting the exercise price from the price of our class B common stock on the date of exercise and multiplying the number of shares underlying the options. The amounts in this column may not represent amounts that were actually realized.

(2) The value in this column represents approximately 20% of the 2008 LTI award granted in the form of RPUs that vested on May 7, 2013; approximately 20% of the 2009 LTI award granted in the form of RPUs that vested on May 6, 2013; approximately 20% of the 2010 LTI award granted in the form of RPUs that vested on May 5, 2013; approximately 20% of the 2011 LTI award granted in the form of RPUs that vested on May 4, 2013; the 2010 LTIP award granted in the form of RSUs that vested on January 31, 2013; approximately 20% of the 2011 MIP award granted in the form of RPUs that vested on January 15, 2013; and approximately 20% of the 2008, 2009 and 2010 MIP award granted in the form of RSUs that vested on October 15, 2013. Vested RSU and RPU awards are distributed to participants in an equivalent number of shares of class A common stock.

(3) The value shown is based on the NYSE closing prices on January 15, 2013, the date the RPUs granted under MIP vested, of $79.33 per share; January 31, 2013, the date the RSUs granted under the 2010 LTIP award vested, of $79.29 per share; May 4, 2013, the date that the RPUs granted under the 2011 LTI vested, of $86.09 per share; May 5, 2013, the date that the RPUs granted under the 2010 LTI vested, of $86.09 per share; May 6, 2013, the date the RPUs granted under the 2009 LTI vested, of $87.04 per share; May 7, 2013, the date the RPUs granted under the 2008 LTI vested, of $88.66 per share; and October 15, 2013, the date the RSUs granted under MIP vested, of $90.28 per share. If the vesting date is not a NYSE trading day, the prior trading day's closing price is used.

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2013 Pension Benefits

The following table quantifies the pension benefits expected to be paid to each of the Named Executive Officers from the UPS Retirement Plan, the Restoration Plan Rollover Option ("RPRO") and the UPS Excess Coordinating Benefit Plan. The terms of each are described below.

Name	Plan Name	Number of Years Credited Service(#)(1)	Present Value of Accumulated Benefit($)(2)	Payments During Last Fiscal Year($)
D. Scott Davis	UPS Retirement Plan	29.0 years	1,280,896	0
	Restoration Plan Rollover Option	25.0 years	1,370,241	0
	UPS Excess Coordinating Benefit Plan	29.0 years	4,956,516	0
	Total		7,607,653	0
David P. Abney	UPS Retirement Plan	39.8 years	1,614,692	0
	UPS Excess Coordinating Benefit Plan	39.8 years	3,010,058	0
	Total		4,624,750	0
Kurt P. Kuehn	UPS Retirement Plan	36.9 years	1,595,917	0
	UPS Excess Coordinating Benefit Plan	36.9 years	2,488,864	0
	Total		4,084,781	0
David A. Barnes	UPS Retirement Plan	34.8 years	1,490,436	0
	UPS Excess Coordinating Benefit Plan	34.8 years	2,279,876	0
	Total		3,770,312	0
John J. McDevitt	UPS Retirement Plan	37.2 years	1,314,445	0
	UPS Excess Coordinating Benefit Plan	37.2 years	2,084,979	0
	Total		3,399,424	0

(1) This column represents years of service as of December 31, 2013 for all plans except for the RPRO. Service used for the RPRO was frozen for Scott Davis at age 57.

(2) This column represents the total discounted value of the monthly lifetime benefit earned at December 31, 2013 assuming the executive continues in service and retires at age 60 or at the executive's actual age, if later. The present value is not the monthly or annual lifetime benefit that would be paid to the executive. The present values are based on discount rates of 5.26%, 5.72% and 5.27% for the UPS Retirement Plan, Restoration Plan Rollover Option and UPS Excess Coordinating Benefit Plan, respectively, at December 31, 2013. The present values assume no pre-retirement mortality and utilize the RP 2000 mortality tables projected to 2019 using scale AA with no collar adjustments.

The UPS Retirement Plan is noncontributory and includes substantially all eligible employees of participating domestic subsidiaries who are not members of a collective bargaining unit, as well as certain employees covered by a collective bargaining agreement.

UPS also sponsors a non-qualified defined benefit plan, the UPS Excess Coordinating Benefit Plan, for non-union employees whose pay and benefits in the qualified plan are limited by the Internal Revenue Service. An employee must be at least age 55 with 10 years of service to be eligible to participate in this plan. John McDevitt first became eligible to participate in this plan in 2013. In the year that an individual first becomes eligible to participate in the UPS Excess Coordinating Benefit Plan, there is an increase for

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the participant for that year equal to the full present value of the participant's accrued benefit in the plan.

The Compensation Committee believes that the retirement, deferred compensation and/or savings plans offered at UPS are important for the long-term economic well-being of our employees, and are important elements of attracting and retaining the key talent necessary to compete. The UPS Retirement Plan and UPS Excess Coordinating Benefit Plan provide monthly lifetime benefits to participants and their eligible beneficiaries based on final average compensation at retirement, service with UPS and age at retirement. Participants may choose to receive a reduced benefit payable in an optional form of annuity that is equivalent to the single lifetime benefit.

The plans provide monthly benefits based on the greatest result from up to four benefit formulas. Participants receive the largest benefit from among the applicable benefit formulas. For Scott Davis and David Barnes, the formula that results in the largest benefit is called the "grandfathered integrated formula." This formula provides retirement income equal to 58.33% of final average compensation offset by a portion of the Social Security benefit. A participant with less than 35 years of benefit service receives a proportionately lesser amount. For Kurt Kuehn, David Abney and John McDevitt, the formula that results in the largest benefit is called the "integrated account formula." This formula provides retirement income equal to 1.2% of final average compensation plus 0.4% of final average compensation in excess of the Social Security Wage Base times years of benefit service.

Participants earn benefit service for the time they work as an eligible UPS employee. For purposes of the formulas, compensation includes salary and an eligible portion of the MIP award. The average final compensation for each participant in the plans is the average covered compensation of the participant during the five highest consecutive years out of the last ten full calendar years of service.

Benefits payable under the UPS Retirement Plan are subject to the maximum compensation limits and the annual benefit limits for a tax-qualified defined benefit plan as prescribed and adjusted from time to time by the Internal Revenue Service. Eligible amounts exceeding these limits will be paid from the UPS Excess Coordinating Benefit Plan. Under this plan, participants receive the benefit in the form of a life annuity. From 1999 through 2002, certain executives were eligible for the RPRO, which allowed them to receive their benefit in excess of the UPS Retirement Plan in a combination of life annuity and cash lump sum. Under this option, the cash lump sum is based on a projected benefit under the UPS Excess Coordinating Benefit Plan using projected pay and service through the date the executive would have reached age 57.

The plans permit participants with 25 or more years of benefit service to retire as early as age 55 with only a limited reduction in the amount of their monthly benefits. Each of the Named Executive Officers would be eligible to retire at age 60 and receive unreduced benefits from the plans. In addition, the plans allow participants with ten years or more of service to retire at age 55 with a larger reduction in the amount of their benefit. As of December 31, 2013, all NEOs except Scott Davis were eligible for early retirement with reduced benefits. If they had retired on December 31, 2013, their benefits would be reduced by 5.25% (Abney), 2.25% (Kuehn), 4.75% (Barnes) and 14.0% (McDevitt). Scott Davis is currently eligible for early retirement with unreduced benefits.

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2013 Non-Qualified Deferred Compensation

The following table shows the executive contributions, earnings and account balances for the Named Executive Officers in the UPS Deferred Compensation Plan for 2013.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(1)
D. Scott Davis	0	0	260,570	0	1,123,451
David P. Abney	0	0	678,327	0	2,303,925
Kurt P. Kuehn	0	0	453,912	0	1,511,533
David A. Barnes	0	0	323,019	0	1,017,387
John J. McDevitt	0	0	852,798	0	2,752,293

(1) Certain amounts in this column represent salary, bonus or stock options contributed by the Named Executive Officer to the plan in prior years as follows:

Name	($)
D. Scott Davis	536,848
David P. Abney	1,122,199
Kurt P. Kuehn	711,254
David A. Barnes	492,880
John J. McDevitt	1,274,729

There are three deferred compensation vehicles in the UPS Deferred Compensation Plan, and not all of the Named Executive Officers participate in each feature of the UPS Deferred Compensation Plan.

2004 and Before Salary Deferral Feature

Prior to December 31, 2004, contributions could be deferred from executive officers' monthly salary and the half-month bonus.

Prior to December 31, 2004, non-employee directors could defer retainer and meeting fees quarterly. Assets from the discontinued UPS Retirement Plan for Outside Directors were transferred to the 2004 and Before Salary Deferral Feature in 2003.

No contributions were permitted after December 31, 2004.

2005 and Beyond Salary Deferral Feature

Executive officers may defer 1 to 35% of their monthly salary and 1 to 100% of the cash portion of the MIP award. They may also defer excess pre-tax contributions if the UPS 401(k) Savings Plan fails the annual average deferral percentage (ADP) test.

Non-employee directors may defer retainer fees quarterly.

Elections are made annually for the following calendar year.

Stock Option Deferral Feature

Assets are invested solely in shares of UPS stock.

Non-qualified or Incentive Stock Options which vested prior to December 31, 2004 were deferrable during the annual enrollment period for the following calendar

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year. Participants deferred receipt of UPS stock that would otherwise be taxable upon the exercise of the stock option.

The shares received upon exercise of these options are deferred into a rabbi trust. The shares held in this trust are classified as treasury stock, and the liability to participating employees is classified as "deferred compensation obligations" in the shareowners' equity section of the balance sheet.

No deferrals of stock options were permitted after December 31, 2004.

As a result of the requirements applicable to non-qualified deferred compensation arrangements under Section 409A of the Internal Revenue Code and related guidance, deferral of stock options is no longer offered under the UPS Deferred Compensation Plan for options that vested after December 31, 2004.

Withdrawals and Distributions under the UPS Deferred Compensation Plan

For the 2004 and Before Salary Deferral Feature, participants may elect to receive the funds in a lump sum or up to a 10 year installment (of 120 monthly payments), subject to restrictions if the balance is less than $20,000. For the Stock Option Deferral Feature, participants may elect to receive shares in a lump sum or up to 10 annual installments, subject to restrictions if the balance is less than $20,000.

For the 2005 and Beyond Salary Deferral Feature, participants may elect to receive funds in a lump sum or up to a 10 year installment (120 monthly payments), subject to restrictions if the balance, plus the total balance in any other account which must be aggregated with the 2005 and Beyond Salary Deferral Account under Section 409A of the Internal Revenue Code, is less than the Internal Revenue Code Section 402(g) annual limit in effect for qualified 401(k) plans on the date of the participant becomes eligible for a distribution.

The distribution election under the 2005 and Beyond Salary Deferral Feature may be changed one time only, but may be changed more frequently under the 2004 and Before Salary Deferral Feature and the Stock Option Deferral Feature.

Hardship distributions are permitted under all three features of the UPS Deferred Compensation Plan.

Withdrawals are not permitted under the 2005 and Beyond Salary Deferral Feature, but withdrawals are permitted for 100% of the account under the 2004 and Before Salary Deferral Feature and Stock Option Deferral Feature. However, withdrawals will result in a forfeiture of 10% of the participant's total account balances.

We do not make any company contributions to any of the three features of the UPS Deferred Compensation Plan. The aggregate balances shown in the table above represent amounts that the Named Executive Officers have earned but elected to defer, plus earnings (or less losses). There are no above-market or preferential earnings in the UPS Deferred Compensation Plan. The investment options mirror those in the UPS 401(k) Savings Plan. Dividends earned on shares of our stock in the UPS Deferred Compensation Plan are earned at the same rate as all other class A and class B shares of common stock. Dividends are added to the participant's deferred compensation balance. Deferral elections made under the UPS Deferred Compensation Plan are irrevocable.

Potential Payments on Termination or Change in Control

We have not entered into any employment agreements with our Named Executive Officers that provide for severance or change in control

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benefits, nor do we have separate severance or change in control agreements or arrangements with our Named Executive Officers. As described earlier, our Compensation Committee believes that the UPS promotion from within policy has created a culture where long tenure for executives is the norm. As a result, the Named Executive Officers serve without employment contracts, as do most of our other U.S.-based non-union employees.

The equity awards granted between May 7, 2009 and May 2, 2012 were made pursuant to the 2009 Plan, and equity awards granted on or after May 3, 2012 were made pursuant to the 2012 Plan. The plans and the related award certificates contain provisions that affect outstanding awards to all plan participants, including the Named Executive Officers, in the event of a change in control (as defined below) of the Company and a participant's retirement, death or disability. Upon a participant's retirement, death or disability:

- Options will become immediately exercisable;
- Restrictions imposed on shares of restricted stock, RSUs or RPUs that are not performance-based lapse; and
- Target payout opportunities attainable under all outstanding awards of performance-based restricted stock, RSUs and RPUs are deemed to have been fully earned for the applicable performance periods, and payment of an award (in cash or stock, as applicable) is made to the participant based upon an assumed achievement of all relevant targeted performance goals and the length of time within the applicable performance period which has elapsed.

In the event of a change in control, if the successor company continues, assumes or substitutes other grants for outstanding awards and within two years following the change in control, the participant is terminated by the successor without cause or resigns for good reason, then:

- Options will become immediately exercisable as of the termination or resignation;
- Restrictions imposed on restricted stock or RSUs that are not performance-based will lapse; and
- Performance-based awards will vest with respect to each performance measurement tranche completed during the performance period prior to the termination or resignation (or, if the performance period is not divided into separate performance measurement tranches, proportionately based on the portion of the performance period completed prior to such resignation or termination).

In the event of a change in control, if the successor company does not continue, assume or substitute other grants for outstanding awards, or in the case of a dissolution or liquidation of UPS, then options will be fully vested and exercisable and the Compensation Committee will either give a participant a reasonable opportunity to exercise the option before the transaction resulting in the change in control or pay the participant the difference between the exercise price for the option and the consideration provided to other similarly situated shareowners. Other outstanding awards will vest and be paid generally as described in the bullet points above (except, where applicable, timing of payment generally will be tied to such change in control, rather than termination or resignation).

In addition, a previous equity plan, the 1999 Plan, provides for tax gross-up payments to plan participants upon a change in control if the plan participants would be subject to certain excise taxes imposed as a result of the amounts paid to the participant pursuant to the treatment of the awards as a result of the event. The tax gross-ups are payable as an additional lump sum cash payment. The 2012 Plan and 2009 Plan do not provide for the payment of tax gross-ups.

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The following table shows the potential payments to the Named Executive Officers upon a termination of employment under various circumstances. In preparing the table, we assumed the termination occurred on December 31, 2013. The closing price per share of our common stock on December 31, 2013 was $105.08. With respect to the tax gross-ups, if any, we assumed an excise tax rate under 280G of the Internal Revenue Code of 20%, a 39.6% federal income tax rate, a 1.45% Medicare tax rate and a 6% state income tax rate. As of December 31, 2013, our calculations indicate that no 280G tax gross-ups would be required. In addition, as of December 31, 2013, all were eligible for early retirement.

Name	Severance Amount	Accelerated Vesting of Equity Awards ($)(1)	Benefits ($)(2)	Estimated Tax Gross-Up ($)(3)	Total ($)
D. Scott Davis					
Termination (Voluntary or Involuntary)	0	0	0	0	0
Change in Control (with termination)	0	15,233,496	0	0	15,233,496
Early Retirement	0	15,233,496	0	0	15,233,496
Normal Retirement	0	15,233,496	0	0	15,233,496
Death	0	15,233,496	0	0	15,233,496
Disability	0	15,233,496	0	0	15,233,496
David P. Abney					
Termination (Voluntary or Involuntary)	0	0	0	0	0
Change in Control (with termination)	0	5,580,841	0	0	5,580,841
Early Retirement	0	5,580,841	228,387	0	5,809,228
Normal Retirement	0	5,580,841	0	0	5,580,841
Death	0	5,580,841	0	0	5,580,841
Disability	0	5,580,841	0	0	5,580,841
Kurt P. Kuehn					
Termination (Voluntary or Involuntary)	0	0	0	0	0
Change in Control (with termination)	0	3,787,071	0	0	3,787,071
Early Retirement	0	3,787,071	82,171	0	3,869,242
Normal Retirement	0	3,787,071	0	0	3,787,071
Death	0	3,787,071	0	0	3,787,071
Disability	0	3,787,071	0	0	3,787,071
David A. Barnes					
Termination (Voluntary or Involuntary)	0	0	0	0	0
Change in Control (with termination)	0	3,399,784	0	0	3,399,784
Early Retirement	0	3,399,784	157,821	0	3,557,605
Normal Retirement	0	3,399,784	0	0	3,399,784
Death	0	3,399,784	0	0	3,399,784
Disability	0	3,399,784	0	0	3,399,784
John J. McDevitt					
Termination (Voluntary or Involuntary)	0	0	0	0	0
Change in Control (with termination)	0	3,506,845	0	0	3,506,845
Early Retirement	0	3,506,845	412,154	0	3,918,999

Normal Retirement	0	3,506,845	0	0	3,506,845
Death	0	3,506,845	0	0	3,506,845
Disability	0	3,506,845	0	0	3,506,845

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(1)
Represents the value of accelerated vesting of stock options, RSUs and RPUs in accordance with the terms of the 1999 Plan, the 2009 Plan, the 2012 Plan and the applicable award certificates.

(2)
Represents the actuarial present value of the incremental non-qualified amounts payable upon change in control, early retirement, death and disability from the UPS Excess Coordinating Benefit Plan. For information about the UPS Excess Coordinating Benefit Plan, see the 2013 Pension Benefits table and related narrative. The same assumptions were used to calculate the present value of the amounts in this table that were used for the 2013 Pension Benefits table except that benefits are assumed to be payable immediately as of December 31, 2013 (or age 55 if later) instead of as of age 60. Only individuals eligible for early retirement (55 with 10 years of service) who are not yet age 60 will have an early retirement value in the table. Only individuals not yet eligible for early retirement (55 with 10 years of service), if any, will have a change in control, death or disability value in the table. All NEOs are eligible for early retirement at December 31, 2013.

(3)
In accordance with the terms of the 1999 Plan, we are required to provide tax gross-ups in connection with the accelerated vesting of the equity awards granted under the plan in the event of a change in control. Tax gross-ups are not provided for awards made under the 2012 Plan or 2009 Plan.

Other Amounts

The tables above do not include payments and benefits to the extent they are generally provided on a non-discriminatory basis to salaried employees not subject to a collective bargaining agreement upon termination of employment. These include:

Life insurance upon death in the amount of 12 times the employee's monthly base salary, with a December 31, 2013 maximum benefit payable of $1 million;

A death benefit in the amount of three times the employee's monthly salary;

Disability benefits; and

Accrued vacation amounts.

The tables above also do not include amounts to which the executives would be entitled to receive that are already described in the compensation tables that appear earlier in this proxy statement, including:

The value of equity awards that are already vested;

Amounts payable under defined benefit pension plans; and

Amounts previously deferred into the deferred compensation plan.

Definition of a Change in Control

A change in control is deemed to have occurred as a result of any one of the following events:

The consummation of a reorganization, merger, share exchange or consolidation, in each case, where persons who were the shareowners immediately prior to such event do not, immediately thereafter, own more than 50% of the combined voting power of the reorganized, merged, surviving or consolidated company's then outstanding securities entitled to vote generally in the election of directors; or

The board members as of May 7, 2009 or board members whose elections or nominations are approved by a majority of such board members cease for any reason to constitute at least an 80% majority of the board of directors.

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Report of the Audit Committee

The Audit Committee of the board of directors is composed solely of independent directors meeting the requirements of applicable SEC and NYSE rules. Each member is financially literate for audit committee purposes under NYSE rules, and the board has concluded that Carol B. Tomé qualifies as an audit committee financial expert.

The key responsibilities of the Audit Committee are set forth in its charter, which was approved by the board and is available on the governance section of the UPS investor relations website at *www.investors.ups.com*. Pursuant to its charter, the Audit Committee's purposes, duties and responsibilities include:

Assisting the board in discharging its responsibilities relating to the accounting, reporting and financial practices of UPS.

Overseeing the accounting and financial reporting processes, including oversight of the integrity of UPS's financial statements and evaluation of major financial risks.

Having sole authority to appoint, determine the compensation of and terminate the company's independent registered public accounting firm.

Management has primary responsibility for preparing UPS's financial statements and establishing effective internal financial controls. Deloitte & Touche LLP ("Deloitte"), the company's independent registered public accounting firm for 2013, is responsible for auditing those financial statements and expressing an opinion on the conformity of UPS's audited financial statements with generally accepted accounting principles and on the effectiveness of UPS's internal controls over financial reporting based on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission.

In this context, the Audit Committee has met with management and Deloitte to review and discuss the company's audited financial statements. The Audit Committee discussed with management and Deloitte the critical accounting policies applied by UPS in the preparation of its financial statements. The Audit Committee discussed with Deloitte the matters required to be discussed by applicable requirements of the Public Company Accounting Oversight Board, and had the opportunity to ask Deloitte questions relating to such matters. The discussions included the quality, and not just the acceptability, of the accounting principles utilized, the reasonableness of significant accounting judgments, and the clarity of disclosures in the financial statements.

The Audit Committee discussed with Deloitte the overall scope and plans for their audit and approved the terms of their engagement letter, and also reviewed UPS's internal audit plan. The Audit Committee met with the Deloitte and with UPS's internal auditors, in each case, with and without other members of management present, to discuss the results of their respective examinations, the evaluations of the company's internal controls and the overall quality and integrity of financial reporting. Additionally, the Audit Committee reviewed the performance, responsibilities, budget and staffing of UPS's internal auditors. The Audit Committee also oversaw compliance with, procedures for UPS's receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and its employees' confidential and anonymous submissions of concerns regarding questionable accounting or auditing matters.

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Deloitte has provided the Audit Committee with the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountants' communications with the Audit Committee concerning independence, and the Audit Committee has discussed with Deloitte that firm's independence. The Audit Committee reviewed and pre-approved all fees paid to Deloitte. These fees are described in the next section of this proxy statement. The Audit Committee also considered whether Deloitte's provision of non-audit services to UPS was compatible with the independence of the independent registered public accountants. The Audit Committee has established a policy requiring the pre-approval of all audit and non-audit services provided to us by Deloitte.

Based on the review and the discussions described above, the Audit Committee recommended to the board of directors that the audited financial statements be included in UPS's Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the Securities and Exchange Commission.

In addition, as in prior years, the Audit Committee, along with management and UPS's internal auditors, reviewed Deloitte's 2013 performance as part of its consideration of whether to appoint Deloitte as UPS's independent registered public accounting firm for 2014 and to recommend to the board that shareowners ratify this appointment. As part of this review, the Audit Committee considered the continued independence of Deloitte. The Audit Committee also considered, among other things, the length of time that Deloitte has served as UPS's independent auditors, the breadth and complexity of UPS's business and its global footprint and the resulting demands placed on its auditing firm in terms of expertise in UPS's business, and the quantity and quality of Deloitte's staff and global reach. The Audit Committee recognized the ability of Deloitte to provide both the necessary expertise to audit UPS's business and the matching global footprint to audit UPS worldwide, as well as other factors, including the policies that Deloitte follows with respect to rotation of its key audit personnel, so that there is a new partner-in-charge at least every five years. Based on the results of its review, the Audit Committee concluded that Deloitte is independent and that it is in the best interests of UPS and its shareowners to appoint Deloitte to serve as UPS's independent registered accounting firm for 2014. Consequently, the Audit Committee has appointed Deloitte as UPS's independent auditors for 2014 and the board is recommending that UPS's shareowners ratify this appointment.

The Audit Committee

Carol B. Tomé, Chair
Rodney C. Adkins
Michael J. Burns
Candace Kendle
Rudy H.P. Markham

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Principal Accounting Firm Fees

Aggregate fees billed to us for the fiscal years ended December 31, 2013 and 2012 by our independent registered public accountants, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates were:

	2013	2012
Audit Fees(1)	$ 13,345,000	$ 12,426,000
Audit-Related Fees(2)	1,060,000	970,000
Total Audit and Audit-Related Fees	14,405,000	13,396,000
Tax Fees(3)	1,279,000	1,017,000
All Other Fees	0	0
Total Fees	$ 15,684,000	$ 14,413,000

(1)
Includes fees for the audit of our annual financial statements, Sarbanes-Oxley Section 404 attestation procedures, statutory audits of foreign subsidiary financial statements and services associated with securities filings.

(2)
Includes fees for employee benefit plan audits, SSAE No. 16 independent service auditors' reports and accounting consultations.

(3)
Includes fees for tax compliance work and tax planning and advice services.

The Audit Committee has considered whether the provision of audit-related and other non-audit services by Deloitte & Touche is compatible with maintaining Deloitte & Touche's independence.

Our Audit Committee has established a policy requiring the pre-approval of all audit and non-audit services provided to us by Deloitte & Touche. The policy provides for pre-approval of audit, audit-related and tax services specifically described by the Audit Committee. The Audit Committee has delegated to its chair authority to pre-approve permitted services between the Audit Committee's regularly scheduled meetings, and the chair must report any pre-approval decisions to the Audit Committee at its next scheduled meeting for review by the Audit Committee. The policy prohibits the Audit Committee from delegating to management the Audit Committee's responsibility to pre-approve permitted services of our independent registered public accounting firm.

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Equity Compensation Plans

The following table sets forth information as of December 31, 2013 concerning shares of our common stock authorized for issuance under all of our equity compensation plans.

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders(1)	19,318,638	$ 19.89	40,329,728(2)
Equity compensation plans not approved by security holders	0	N/A	0
Total	19,318,638	$ 19.89	40,329,728

(1)
Includes the 1999 Plan, the 2009 Plan, the 2012 Plan and the Discounted Employee Stock Purchase Plan, each of which has been approved by our shareowners. Effective with the authorization of the 2012 Plan that was approved by our shareowners in May 2012, no additional securities may be issued under the 1999 Plan or the 2009 Plan. Awards that do not entitle the holder to receive or purchase shares and awards that are settled in cash are not counted against the aggregate number of shares available for awards under the 2012 Plan.

(2)
In addition to grants of options, warrants or rights, includes up to 22,020,359 shares of common stock or other stock-based awards that may be issued under the 2012 Plan, and up to 18,309,369 shares of common stock that may be issued under the Discounted Employee Stock Purchase Plan. Does not include shares under either of the 1999 Plan or the 2009 Plan because no new awards may be made under those plans.

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The board has nominated the 13 persons named below for election as directors at the annual meeting to serve until the next annual meeting and until their respective successors are elected and qualified. Each of the nominees for director is currently serving on the board. If any nominee is unable to serve as a director, which we do not anticipate, the board by resolution may reduce the number of directors or choose a substitute nominee.

Nominees for Director

F. Duane Ackerman

Rodney C. Adkins

Michael J. Burns

D. Scott Davis

Stuart E. Eizenstat

Michael L. Eskew

William R. Johnson

Candace Kendle

Ann M. Livermore

Rudy H.P. Markham

Clark T. Randt, Jr.

Carol B. Tomé

Kevin M. Warsh

For biographical information about the nominees for director, including information about their qualifications to serve as a director, see "Our Board of Directors" beginning on page 11.

The board of directors recommends a vote FOR the election to the board of each of the 13 nominees for director.

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This year, shareowners have the opportunity to vote, on an advisory basis, to approve the compensation of our Named Executive Officers. This is often referred to as a say on pay, and provides you, as a shareowner, with the ability to cast a vote with respect to our 2013 executive compensation programs and policies and the compensation paid to the Named Executive Officers as disclosed in this proxy statement.

We have designed our executive compensation program to retain highly qualified leaders, reward performance, and align our executives' interests with the long-term interests of our shareowners. We believe that our compensation programs are designed to encourage executive decision making that is aligned with the long-term interests of our shareowners by tying a significant portion of pay to company performance over a multi-year period and by promoting our long-standing owner manager culture.

In deciding how to vote on this proposal, we encourage you to read the Compensation Discussion and Analysis beginning on page 34 for a detailed description of our executive compensation philosophy and programs, the compensation decisions the Compensation Committee has made under those programs and the factors considered in making those decisions. Highlights include the following:

Pay for Performance

The vast majority of the total direct compensation to our Named Executive Officers is performance based and at risk, comprising 89% of our Chief Executive Officer's 2013 total direct compensation and 86% of the 2013 total direct compensation for our Named Executive Officers as a whole.

We do not guarantee any cash or equity bonuses.

Our annual and long-term incentive programs include performance measures that encourage both annual and long-term growth of our Company, such as revenue growth, annual and three-year earnings per share growth, average daily package volume growth and operating return on invested capital.

Alignment with Shareowner Interests

We do not have separate change in control or severance agreements with any of our executive officers.

Our 2012 Plan and 2009 Plan generally require a "double trigger" both a change in control and a termination of employment to accelerate the vesting of unvested awards.

We have robust stock ownership guidelines that include a target ownership of eight times annual salary for the Chief Executive Officer and five times annual salary for the other executive officers, ensuring that our senior executives maintain a

significant stake in our long-term success.

Our compensation practices provide a balanced mix of cash and equity, annual and longer-term incentives, and performance metrics which mitigate excessive risk-taking.

Responsible Pay Practices

We do not have employment agreements with any of our executive officers.

Our 2012 Plan and 2009 Plan include clawback provisions and prohibit repricing of stock options.

We prohibit our executive officers and directors from hedging their ownership in UPS stock and in 2013 we adopted a policy

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prohibiting our executive officers and directors from pledging UPS stock.

Our Compensation Committee engages an independent compensation consultant.

We believe that our executive compensation program plays a key role in driving UPS's long-term performance, as evidenced by our strong financial and operating performance in 2013. We expect to continue to drive performance in our businesses and return value to our shareowners by rewarding executives consistent with our business performance.

In our last shareowner say on pay vote, over 93% of votes cast were FOR approval of the compensation of our Named Executive Officers. Since that vote at our 2011 annual meeting, the Compensation Committee has continued to apply the same principles in determining executive compensation.

The board recommends that shareowners vote FOR the following resolution:

"RESOLVED, that the shareowners approve the compensation of the Named Executive Officers, as described in the Compensation Discussion and Analysis section and in the compensation tables and accompanying narrative disclosure in this proxy statement."

Although the vote is non-binding, the Compensation Committee will review the voting results. To the extent there is any significant negative vote, we will consult directly with shareowners to better understand the concerns that influenced the vote. The Compensation Committee will consider the constructive feedback obtained through this process in making decisions about future compensation arrangements for our Named Executive Officers.

The board of directors recommends that shareowners vote FOR the approval, on an advisory basis, of executive compensation.

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Deloitte & Touche LLP audited our consolidated financial statements for the year ended December 31, 2013. Our Audit Committee has appointed Deloitte, our independent registered public accounting firm, to audit our consolidated financial statements for the year ending December 31, 2014 and to prepare a report on this audit, subject to ratification by our shareowners.

This proposal asks you to ratify the selection of Deloitte as our independent registered public accounting firm. Although we are not required to obtain such ratification from our shareowners, the board of directors believes it is good practice to do so. If the appointment of Deloitte is not ratified, the Audit Committee may reconsider the appointment.

A representative of Deloitte is expected to be present at the annual meeting of shareowners, will have the opportunity to make a statement and is expected to be available to respond to appropriate questions by shareowners.

The board of directors recommends that shareowners vote FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

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Walden Asset Management, One Beacon Street, Boston, MA 02108 has advised us that it is the holder of 236,204 shares and that it, along with co-proponents whose names, addresses and share ownership will be promptly provided upon oral or written request to the UPS Corporate Secretary at the UPS executive offices, intends to submit the proposal set forth below for consideration at the annual meeting:

Shareowner Proposal

Whereas, businesses, like individuals, have a recognized legal right to express opinions to legislators and regulators on public policy matters.

We have a strong interest in full disclosure of our company's lobbying activities and expenditures to assess whether our company's lobbying is consistent with its expressed goals and in the best interests of shareholders and long-term value.

Resolved, the shareholders of United Parcel Service ("UPS") request the Board authorize the preparation of a report, updated annually, disclosing:

1.
Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.

2.
Payments by UPS used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.

3.
UPS's membership in and payments to any tax-exempt organization that writes and endorses model legislation.

4.
Description of the decision making process and oversight by management and the Board for making payments described in section 2 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engage in by a trade association or other organization of which UPS is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on the company's website.

Supporting Statement

As shareholders, we encourage transparency and accountability in the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly. We appreciate UPS updating its oversight and disclosure on political spending and lobbying but crucial information on lobbying through trade associations is still secret.

UPS spent approximately $15.2 million in 2010 to 2012 on direct federal lobbying activities, according to disclosure reports (*Senate Reports*). These figures may not include grassroots lobbying to directly influence legislation by mobilizing public support or opposition and do not include lobbying expenditures to influence legislation or regulation in states that do not require disclosure.

For example, UPS does not disclose or explain to investors it contributions to the highly controversial American Exchange Legislative Council (ALEC). UPS sits on ALEC's Private Enterprise Board and made a $25,000 contribution in 2011.

Over 50 companies left ALEC in light of controversy regarding its positions including Coca Cola, Dell Computers, General Electric, Johnson & Johnson, McDonalds, Proctor & Gamble and Unilever.

Finally, UPS sits on the Board of the Chamber of Commerce, the largest lobbyist spender, which spent over $1 billion lobbying since 1998. Yet UPS does not disclose portions of its trade association payments used for lobbying.

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Response of UPS's Board

After careful consideration, the board of directors recommends that shareowners vote **AGAINST** this proposal. The board believes the adoption of this proposal is unnecessary given UPS's already extensive disclosures, the oversight role played by the board of directors and the company's existing policies. Additionally, shareowners rejected this proposal in both 2012 and 2013.

UPS participates in the political process with the goal of enhancing value for all shareowners. The company complies with, and goes beyond, what is required by law with respect to reporting political activities. The following examples demonstrate UPS's commitment to political transparency and accountability:

UPS Ranked #1 for Political Accountability and Disclosure: The Center for Political Accountability-Zicklin Index of Corporate Political Accountability and Disclosure ranked UPS #1 among the top 200 companies in the S&P 500 for political transparency and accountability in 2013. This is the third year that UPS was named as one of the top companies. A copy of the 2013 ranking can be found at *www.politicalaccountability.net*.

UPS Provides Significant Disclosures About Political Spending: UPS publishes a semi-annual report disclosing the amounts and recipients of any federal and state political contributions and expenditures made with corporate funds in the United States. UPS also discloses any payments to trade associations that receive $50,000 or more from the company and that use a portion of the payment for political expenditures. The reports can be found at *http://www.investors.ups.com/phoenix.zhtml?c=62900&p=irol-govpolitical*.

The Board of Directors Provides Independent Oversight of UPS's Lobbying and Political Activities: The President of UPS's Public Affairs Group regularly reviews all UPS lobbying activities and regularly reports to the board of directors about lobbying and political activities. In addition, the Nominating and Corporate Governance Committee of the board of directors, which is composed entirely of independent directors, reviews and approves UPS's semi-annual political contribution report.

The Board of Directors Monitors UPS's Memberships in Trade Associations and Other Tax Exempt Organizations that Engage in Lobbying: UPS must often make determinations with respect to participation in a variety of trade associations and other tax exempt organizations that engage in lobbying to provide that the company's involvement is consistent with specific UPS business objectives. These determinations are subject to oversight by the board of directors and are regularly reviewed by the Nominating and Corporate Governance Committee. UPS understands that individual shareholders may disagree with one or more positions expressed by certain organizations. In fact, given the variety of business issues in which many trade associations and other groups are engaged, UPS does not necessarily agree with every position taken by every organization where UPS is a member.

UPS's Decision-Making Process for Lobbying Activities is Transparent: UPS's Public Affairs Group works with senior management to focus involvement at all levels of government on furthering business objectives and on protecting and enhancing long-term shareowner value. Moreover, prior approval from the Public Affairs Group is required for all lobbying

activities and any payments to trade associations or other tax-exempt organizations that engage in lobbying activities.

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UPS Provides Detailed Information About Lobbying Activities: UPS files publicly available federal Lobbying Disclosure Act Reports each quarter. Links to these reports can be found on UPS's web site at *http://www.investors.ups.com/phoenix.zhtml?c=62900&p=irol-govpolitical*. The reports provide information about expenditures for the quarter, describe the specific pieces of legislation that were the topic of communications, and identify the employees who lobbied on UPS's behalf. UPS files similar periodic reports with state agencies reflecting state lobbying activities. In addition, UPS participates in various trade associations that disclose their lobbying expenditures in their own reports under the Lobbying Disclosure Act.

UPS Has Not Engaged in "Grassroots" Lobbying: In recent years, UPS has not engaged in any communications directed to the general public with respect to influencing specific legislation or regulations (defined in the shareowner proposal as a "grassroots lobbying communication").

UPS participates in the political process in accordance with good corporate governance practices. The board believes UPS lobbying activities are transparent and the adoption of this proposal is unnecessary given the information that is already publicly available. In addition, adoption of this proposal is not an efficient use of resources and could be detrimental by alerting competitors to UPS's top strategic priorities. Additional disclosure will only serve to benefit the limited interests of a small group of shareowners. For these reasons, the board recommends that shareowners vote **AGAINST** this proposal.

The board of directors
recommends that shareowners vote
AGAINST the shareowner proposal.

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John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, CA 90278, has advised is that he is the holder of no less than 60 shares and that he intends to submit the proposal set forth below for consideration at the annual meeting.

Shareowner Proposal

Proposal 5 Give Each Share An Equal Vote

RESOLVED: Shareholders request that our Board take steps to ensure that all of our company's outstanding stock has one-vote per share in each voting situation. This would encompass all practicable steps including encouragement and negotiation with shareholders, who have more than one vote per share, to request that they relinquish, for the common good of all shareholders, any preexisting rights, if necessary.

This proposal is not intended to unnecessarily limit our Board's judgment in crafting the requested change in accordance with applicable laws and existing contracts. This proposal is important because certain shares have super-sized voting power with 10-votes per share compared to one-vote per share for other shareholders. Plus there are further voting limitations on the shares with one-vote per share.

With stock having 10-times more voting power our company takes our shareholder money but does not let us have an equal voice in our company's management. Without a voice, shareholders cannot hold management accountable. Plus we had no right to call a special meeting or act by written consent. And we had provisions mandating an 80% vote in order to make a certain improvements to our corporate governance.

This proposal should also be more favorably evaluated due to the deficiencies in our company's corporate governance as reported in 2013:

GMI Ratings, an independent investment research firm rated our company F in social issues and D in governance and accounting. Scott Davis received $12 million in a year and had a whopping 28 years of pension credits. Mr. Davis could also receive long-term incentive pay for below-median performance. UPS had not incorporated links to environmental or social performance in its incentive pay policies for executives. We did not have an independent board chairman or even a Lead Director. There were only 5 full board meetings in a year.

GMI said there was not one independent director who had expertise in risk management. There was not one audit committee member who had substantial industry knowledge. Our board did not have formal responsibility for strategic oversight of our company's environmental practices. There were overboarded directors on our board and on our audit committee. Stuart Eizenstat was negatively flagged due to his involvement with the Mirant Corporation board, which filed for bankruptcy. Plus Mr. Eizenstat was on our executive pay and governance committees.

GMI said forensic accounting ratios related to asset-liability valuation had extreme values either relative to industry peers or to our company's own history. UPS had a history of significant restatements, special charges or write-offs. UPS also had higher accounting and governance risk than 94% of companies and had a higher shareholder class action litigation risk than 85% of all rated companies.

Returning to the core topic of this proposal from the context of our clearly improvable corporate governance, please vote to protect shareholder value

Give Each Share An Equal Vote Proposal 5

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Response of UPS's Board

The board recommends that shareowners vote **AGAINST** this proposal for the following reasons.

UPS is an employee owned and managed company. Current and former employees and their families have been the primary shareowners of the Company since its founding in 1907. The Company's current ownership structure, which has been in place since UPS became a public company in 1999, includes class A and class B common stock. The class A shares are held by current and former employees and their families from hourly employees to officers of UPS, many of whom owned UPS shares before the Company's initial public offering. The class B shares that began publicly trading on the NYSE in 1999 are held by current and former employees as well as individual and institutional shareowners. Class A shareowners are entitled to ten votes per share; class B shareowners are entitled to one vote per share. As of February 1, 2014, approximately 75% of the total voting power with respect to UPS shares was held by the current and former employees who own class A shares.

The board strongly disagrees with the shareowner proposal's characterization of UPS's ownership structure. Some companies maintain multiple classes of stock in order to concentrate voting power with a limited number of people (such as company founders) who have unique interests that may not necessarily align with those of other shareowners. In contrast, UPS's class A shares are widely held by current and former employees. In fact, there were 155,091 holders of class A shares as of February 1, 2014. Moreover, our employee stock ownership tradition dates back to our founders, who believed that employee stock ownership was a vital foundation for successful business. As a result, UPS has been primarily owned by its employees and managed by its owners. Over that period of time, UPS has become the world's largest package delivery company, a leader in the U.S. less-than-truckload industry and the premier provider of global supply chain management solutions. Thus, we owe our success, to a significant degree, to the commitment our ownership structure inspires in our current and former employee owners.

We also believe that our ownership structure aligns the interests of UPS employees and class B shareowners in building long-term shareowner value. In this regard, we believe that the benefits of our ownership structure are reflected in various financial metrics used to measure UPS, especially when compared with our competitors.

In addition, UPS is committed to strong corporate governance practices. All but two UPS directors are independent, all UPS directors are elected annually by a majority of votes cast in uncontested director elections and only independent directors serve on the board's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Moreover, UPS was cited in 2011 by an influential proxy advisory firm as a member of its S&P 500 "Underpaid 25," which identifies companies that are leaders in aligning executive compensation with performance.

The board also has evaluated UPS's ownership structure on numerous occasions and, for the reasons discussed above, believes that it continues to be in the best interests of UPS and its shareowners.

The board of directors
recommends that shareowners vote
AGAINST the shareowner proposal.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own beneficially more than 10% of either our class A or class B common stock to file reports of ownership and changes in ownership of such stock with the Securities and Exchange Commission. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file with the SEC. To our knowledge, each of our directors and executive officers complied during 2013 with all applicable Section 16(a) filing requirements.

Solicitation of Proxies

We will pay our costs of soliciting proxies. Directors, officers and other employees, acting without special compensation, may solicit proxies by mail, email, in person or by telephone. We will reimburse brokers, fiduciaries, custodians and other nominees for out-of-pocket expenses incurred in sending our proxy materials and Notice to, and obtaining instructions relating to the proxy materials and Notice from, beneficial owners. In addition, we have retained Georgeson to assist in the solicitation of proxies for the 2014 annual meeting at a fee of approximately $10,000, plus associated costs and expenses.

Householding

We have adopted a procedure approved by the SEC called "householding" under which multiple shareowners who share the same last name and address and do not participate in electronic delivery will receive only one copy of the annual proxy materials or Notice unless we receive contrary instructions from one or more of the shareowners. If you wish to opt out of householding and continue to receive multiple copies of the proxy materials or Notice at the same address, or if you have previously opted out and wish to participate in householding, you may do so by notifying us in writing or by telephone at: UPS Investor Relations, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328, (404) 828-6059, and we will promptly deliver the requested materials. You also may request additional copies of the proxy materials or Notice by notifying us in writing or by telephone at the same address or telephone number.

Shareowner Proposals or Shareowner Nominations for Director at 2015 Annual Meeting

Shareowners who, in accordance with Rule 14a-8 of the Exchange Act, wish to present proposals for inclusion in the proxy materials to be distributed in connection with the 2015 annual meeting of shareowners must submit their proposals so that they are received by our Corporate Secretary at 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328 no later than the close of business on November 17, 2014. Any proposal will need to comply with SEC regulations regarding the inclusion of shareowner proposals in company-sponsored material.

Shareowners who wish to propose business or nominate persons for election to the board of directors at the 2015 annual meeting of shareowners must provide a notice of shareowner business or nomination in accordance with Section 10.1 of our Bylaws. In order to be properly brought before the 2015 annual meeting of shareowners, Section 10.1 of our Bylaws requires that a notice of a matter the shareowner wishes to present (other than a matter brought pursuant to Rule 14a-8), or the person or persons the shareowner wishes to nominate as a director, must be

received by our Corporate Secretary not less than 120 days prior to the first anniversary of the date on which we first mailed the proxy statement for the preceding year's annual shareowner meeting. Therefore, any notice intended to be given by a shareowner with respect to the 2015 annual meeting of shareowners pursuant to our Bylaws must be received our Corporate Secretary at 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328 no later than November 17, 2014. However, if the date of our 2015 annual meeting occurs more than 30 days

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before or 30 days after May 8, 2015, the anniversary of the 2014 annual meeting, a shareowner notice will be timely if it is received by our Corporate Secretary by the later of (a) the close of business on the 120th day prior to the date of the 2015 annual meeting and (b) the close of business on the 10th day following the day on which we first make a public announcement of the date of the 2015 annual meeting. To be in proper form, a shareowner's notice must include the specified information concerning the proposal or nominee as described in Section 10.1 of our Bylaws. Our Bylaws are available on the governance page of our investor relations website at *www.investors.ups.com*

2013 Annual Report on Form 10-K

A copy of our 2013 annual report on Form 10-K, including financial statements, as filed with the SEC, may be obtained without charge upon written request to: **Corporate Secretary, 55 Glenlake Parkway, N.E., Atlanta, Georgia 30328.** It is also available on our investor relations website at *www.investors.ups.com.*

Other Business

Our board of directors is not aware of any business to be conducted at the annual meeting of shareowners other than the proposals described in this proxy statement. Should any other matter requiring a vote of the shareowners arise, the persons named in the accompanying proxy card will vote in accordance with their best judgment.

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