SARGASSO CAPITAL MANAGEMENT

Project Kepler: The Case for Combining Tesla & SpaceX

Patrick Feeley · Founder and Chief Investment Officer

Project Kepler · Nov 9, 2026

Research for the Tesla and SpaceX special committees and their public holders.

Disclosure

We will update or withdraw this report if either company announces terms of a combination.

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This report is not an offer to sell, or a request to buy, an interest in any Sargasso fund. Any such offering would be made only under Rule 506(c) to verified accredited investors.

Market prices and most filing extracts run through Oct 28, 2026. The last completed primary gap check was Nov 7, 2026 at 01:36 ET. Neither company had announced combination terms at that check. Both stocks fell sharply after the Nov 3, 2026 U.S. elections [50]. Exchange-ratio, premium and voting figures use the locked Oct 20, 2026 closes and do not reflect those moves. Sources were checked as of Nov 9, 2026, and neither company had announced combination terms.

As of Nov 9, 2026, Sargasso Capital Management and its affiliates hold small positions in Tesla and SpaceX. Sargasso may at any time buy, sell, hedge or otherwise change those positions for any reason, and has no obligation to disclose any change except as required by law. Sargasso has an economic interest in the outcomes discussed in this report, which may create a conflict of interest. Sargasso is not seeking authority to act as proxy for any shareholder and has not coordinated this report with either company or its management.

Figures carry dated, numbered sources. Quotes come from company filings, earnings-call transcripts or attributed public posts. This report draws only on public information.

Contents

1. Letter to the Committees..... 3
2. The Terawatt Company..... 4
3. One Machine, Two Owners..... 5
4. Faster and Larger Together..... 7
5. Planning Terafab Together..... 8
6. Own the Bottleneck..... 10
7. A Premium Would Move $80 Billion for Nothing..... 10
8. The Banks Already Allow It..... 12
9. Influence Without Control..... 13
10. Six Protections for Outside Shareholders..... 15
11. The Questions We Expect..... 15
12. The Scorecard..... 17
What We Ask..... 18
Sources and Methods is available at projectkepler.co/Project_Kepler_Sources_and_Methods.pdf.

1. Letter to the Committees

To the Tesla Special Committee and the SpaceX Special Committee,

Tesla and SpaceX are building one machine with two owners. We believe they should become one company.

The machine is a factory for intelligence, and it ends in orbit. SpaceX's goal is to launch 100 gigawatts of AI compute to space every year, starting as early as 2028 [43], and Musk expects orbital deployment to overtake the ground by the end of 2028 [45]. Gavin Baker of Atreides Management calls data centers in space "the most important thing in the next 3-4 years" [39].

Neither company has every input alone. An orbital data center is a chip, a solar array, a power system and a radiator riding a rocket. Tesla designs the chip Musk has assigned to space [46], each company is building toward 100 gigawatts a year of American solar manufacturing [47], and together they are building Terafab [2] [3]. In nine months they spent $61.1 billion on plants and equipment [10][11][12].

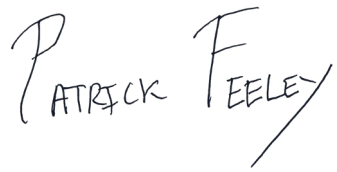
The joint venture already exists, and its hardest test is ahead. There is still no public answer to who pays for Terafab or who gets the chips [3]. When a chip runs hotter or demand moves between Optimus and orbit, one set of holders will have to fund the other's priority. The lowest-cost producer of tokens wins this market [39], and that call is made faster by one owner on one budget.

We propose a simple deal. Tesla survives, and SpaceX holders receive Tesla shares at the market ratio with no premium for either side. Tesla's bank agreements already allow that path subject to a ratings test [5], and our base model funds the combined build without outside capital through 2030.

Musk's modeled vote would be roughly 27% to 37%, above the roughly 25% he has said he wants [7]. Our counterweight is an Independent Holder Vote, requiring a majority of all outstanding unaffiliated Tesla shares alongside the charter vote.

Each board has already formed a special committee to study a combination. We ask each committee to continue its independent review and to weigh the research in this report as part of it, including the protections in Section 10 and the scorecard in Section 12.

Respectfully,



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Nov 9, 2026

2. The Terawatt Company

The binding constraints on artificial intelligence are watts, wafers and launch. Ideas are abundant. Energized capacity is not.

On Earth, every new gigawatt waits on a grid interconnect, a cooling plant and a permit. SpaceX's application to the FCC argues that orbital data centers are the most efficient way to meet accelerating demand for AI computing, and that within a few years the lowest-cost place to generate AI compute will be space [42]. It describes a constellation of up to one million satellites. At 100 kilowatts of compute per tonne, a million tonnes a year to orbit adds 100 gigawatts of AI capacity every year [42][43].

The physics favor orbit. A satellite in the right orbit sees the sun around the clock, in sunlight about 30% more intense than at the surface, and sheds its heat by radiating it to space [39]. Satellites linked by lasers through vacuum move data faster than light travels through glass fiber [39]. Baker estimates that once Starship is fully reusable, launch adds roughly $5 billion per gigawatt, and orbital compute costs about $30 billion per gigawatt against about $60 billion on the ground [40]. Google's Project Suncatcher points the same direction on a longer clock. Its researchers found that launch prices near $200 per kilogram would bring the cost of orbital power roughly level with terrestrial data center energy costs [49].

The schedule is public. Starship reached orbit for the first time on Sep 28, 2026 and deployed 26 Starlink V3 satellites [52]. SpaceX says it will attempt to catch both the booster and the upper stage, and that it will have complete reusability [2]. Starmind satellites begin flying in 2027 [2]. A space-optimized Vera Rubin NVL72 system is planned for orbit in the fourth quarter of 2027, with significant scale in 2028 [44]. The prospectus targets the first orbital AI compute deployments as early as 2028 [43].

Baker says the question investors should be asking about orbital compute is Starship reusability [41]. We agree, and we add a second question. Who builds the million tonnes?

A million tonnes a year is a manufacturing problem. SpaceX had launched about 7,400 metric tons to orbit in its entire history through March 2026 [43]. Its orbital goal calls for roughly 135 times that mass every year. That is the scale of an automaker, not an aerospace program. Tesla builds well over a million vehicles a year, each a dense package of power electronics, batteries, sensors and custom silicon, on lines engineered for unit cost. The combined company would put the world's leading launch business and its most automated high-volume manufacturer under one roof, building one product.

EXHIBIT 1

Every input of an orbital token, by owner today

Input	What orbit requires	Tesla today	SpaceX today
Chips	AI silicon built for space, at volume	AI5 and AI6 designs; AI7/Dojo3 assigned to space-based compute [46]; Terafab co-owner [3]	Space-optimized Vera Rubin platform for Starmind [44]; Terafab co-owner [3]
Power	Solar arrays by the gigawatt	Building toward 100 GW a year of U.S. solar manufacturing [47]	Separately building toward 100 GW a year [47]
Storage	Batteries for ground sites and power systems	Megapack; $626 million sold to SpaceX in nine months [12]	Megapack buyer for its sites [11]
Launch	Thousands of heavy launches a year [43]	None	Starship; first orbital flight Sep 28, 2026 [52]
Network	Laser links between satellites and to Earth	Starlink to be integrated into all vehicles [48]	Starlink constellation and optical mesh [42]
Models and demand	Workloads that fill the capacity	Fleet, Cybercab and Optimus training and inference; Cortex clusters [18]	SpaceXAI models and Grok; SI cloud customers [11]
Factories	Satellites built like cars	High-volume automated vehicle, battery and energy manufacturing	Satellite production at thousands a year [43]

Source. Sargasso Capital Management analysis of company filings and public statements. The table lists inputs the companies have publicly described. It is not a claim that any program will meet its schedule.

Each column is incomplete alone. Musk named the same list on SpaceX's third-quarter webcast, citing superintelligence software, chip design, Terafab, robotics, mass to orbit and connectivity as what the two companies stand to gain together [2]. A joint venture can share that list. Only one owner can rank it.

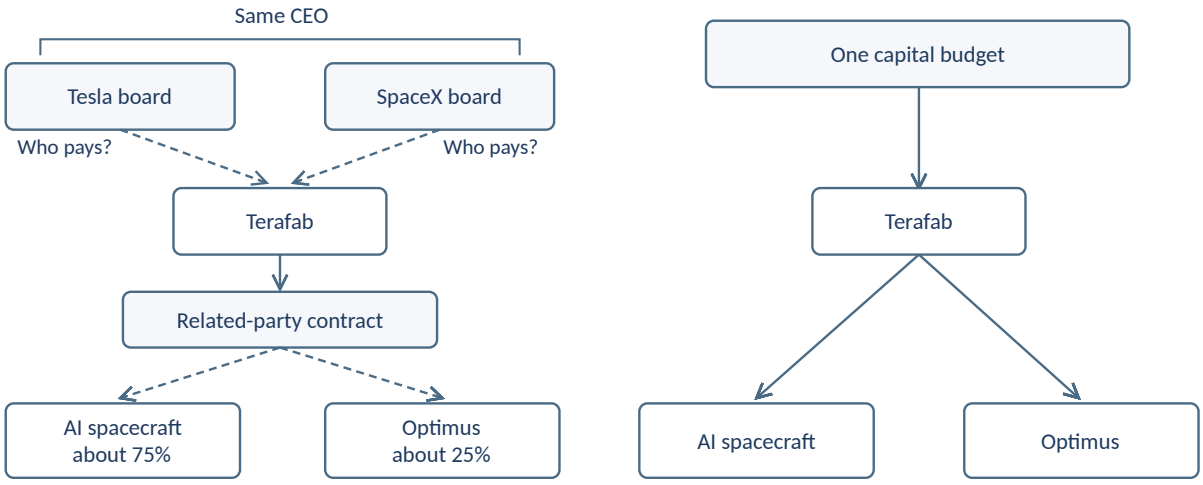
3. One Machine, Two Owners

The scarce inputs are wafers, power and time.

Terafab puts that choice in front of both boards. Musk has said roughly three quarters of its AI compute is planned for AI spacecraft and one quarter for Optimus [4]. The prospectus discloses no budget or cost split [3]. The owner who pays for the factory should also decide how its next wafer is used.

EXHIBIT 2

Two owners on the left, one company on the right



Source. Sargasso Capital Management analysis of public filings. Musk post on X, Aug 6, 2026 (75/25 estimate). Who pays and cost split. SpaceX prospectus [3].

The build already costs real money. Nine-month capital spending was $61.1 billion, including $40.0 billion for SpaceX SI [10][11][12]. Tesla's own 2026 capital spending guidance adds to that bill [13]. Advanced chips, memory and packaging tools still come from outside suppliers until Terafab produces in volume [9].

The committees have a choice to make. Each board has formed a special committee, and neither company has announced terms [14][15]. Their review can compare one budget against the best binding two-owner plan, not against a handshake.

Sell-side research has started to weigh the same question. Financial-press coverage of Barclays research identifies vertical integration as a rationale for a combination [37]. Financial-press coverage of Piper Sandler's November analysis considers premium, synergy and deal-risk assumptions [38]. Our case adds the mechanism, which is who allocates the next wafer, watt and launch slot.

Name	What it is
Austin Fab	Tesla semiconductor line at Gigafactory Texas, equipment commissioning planned for 2027 [16].
Terafab	Joint Tesla and SpaceX chip factory. No disclosed budget or cost split in the June prospectus [3].
Grimes County (first phase)	First production phase in Texas announced above $16.8 billion [17].

4. Faster and Larger Together

A merger earns its keep in two ways. It moves faster, and it sells more. We see both, and we see them compounding.

Speed is revenue. In compute, revenue follows energized gigawatts. After our base assumptions for usable share and billing, each gigawatt of nameplate capacity supports about $5.5 billion of annual revenue (Exhibit 3). Musk has said he is highly confident of 10 GW of new compute in 2027 [2]. At base, every quarter gained or lost on that capacity moves about $14 billion of revenue. That is revenue, not profit or merger value, and it counts only if a quarter is actually saved. A board that can move a wafer, a megawatt or a launch slot without a negotiation is the cheapest insurance against a lost quarter.

Two solar factories become one. Tesla and SpaceX are each building toward 100 gigawatts a year of American solar manufacturing [47]. Two teams are buying equipment, hiring engineers and qualifying cells for what is, at the level of physics, the same product. Cells for orbit and for the ground may differ in design, so the saving is not automatic. One owner can decide where the designs truly diverge, share equipment, engineers and supply where they do not, and avoid paying twice for the same lessons.

Tesla's chips meet their largest customer. Musk has said AI6 is for Optimus and data centers and AI7/Dojo3 is for space-based AI compute [46]. Today a Tesla chip bound for a SpaceX satellite crosses a corporate wall, with a price, a contract and a minority holder on each side. Inside one company, the chip team designs for the spacecraft it sits beside.

Every Tesla becomes a Starlink endpoint. Tesla built a Starlink terminal into the Cybercab, and Musk has said Starlink will be integrated into all Tesla vehicles [48]. Combining does not create that subscription revenue, since Starlink would earn it either way. What changes is who decides. One owner can treat connectivity in the vehicle, the Cybercab fare and the robot as a single product decision rather than a contract between two sets of holders.

Megapack gains an anchor customer at gigawatt scale. SpaceX bought $480 million of Megapacks in nine months, and Tesla reports $626 million of sales to SpaceX over the same period [11][12]. A build of 13 GW or more needs grid-scale storage at a scale few customers anywhere can match [2]. In a combined company those sales become internal transfers, not new revenue. The gain is planning, since one owner can commit cell supply against that demand years ahead rather than negotiate it quarter to quarter.

Frontier models meet the largest fleet of machines on Earth. Tesla's fleet, Cybercab and Optimus need training and inference capacity [18]. SpaceX sells frontier compute and develops Grok, which already runs in Tesla vehicles [48]. Ark Invest has written that SpaceX's models could serve as the planning layer for Optimus while Tesla's robotaxi cash flow helps fund orbital data centers [51]. One owner sets that exchange on one ledger.

Cash meets the build. Tesla generated $14.9 billion of operating cash flow in the first nine months of 2026, while SpaceX spent $48.1 billion on plants and equipment (Appendix B4). Together they hold about $86.8 billion of net cash. A combined balance sheet funds the build from the business that throws off cash rather than from new outside capital, and without either set of holders subsidizing the other through related-party pricing.

The joint venture already exists. Its hardest test is ahead. Tesla and SpaceX already build Terafab together, sell Megapacks to each other and share chips, models and connectivity. Two owners can share a factory while plans hold. The test comes when plans change, and the rules for those cases have not been written in public, since no Terafab budget or cost split has been disclosed [3]. Two decisions show where it matters. The first is redirecting Terafab wafers mid-cycle between Optimus and spacecraft. The second is moving solar and battery supply between Tesla's own products and SpaceX's data centers and satellites. Under two owners, each needs a price, a contract change and approval from directors who answer to different holders. Under one owner, each is a budget decision. If the existing arrangement publishes a cost split and handles a major mid-build change as quickly, Test 1 in Section 12 says our case weakens.

EXHIBIT 3

What a gigawatt is worth · Illustrative annual revenue at Appendix M bands ($B)

Capacity	Billed GW	Low ($8B / billable GW)	Base ($12B / billable GW)	High ($18B / billable GW)
1 GW of nameplate	0.455	3.6	5.5	8.2
SpaceX nameplate today, 1.7 GW [2]	0.77	6.2	9.3	13.9
New compute in 2027, 10 GW [2]	4.55	36.4	54.6	81.9
One quarter of that 10 GW (three months of revenue)	1.14 GW-yr	9.1	13.7	20.5
One year at the orbital goal, 100 GW (ambition, not forecast) [43]	45.50	364	546	819

Source. Sargasso Capital Management arithmetic. Billed GW applies the Appendix M base usable share (70%) and billable utilization (65%) to nameplate, then the Appendix M revenue band per billable gigawatt-year. Annual-rate revenue, not profit, merger value or a forecast, and not added to Appendix M. Orbital revenue per gigawatt may differ from terrestrial.

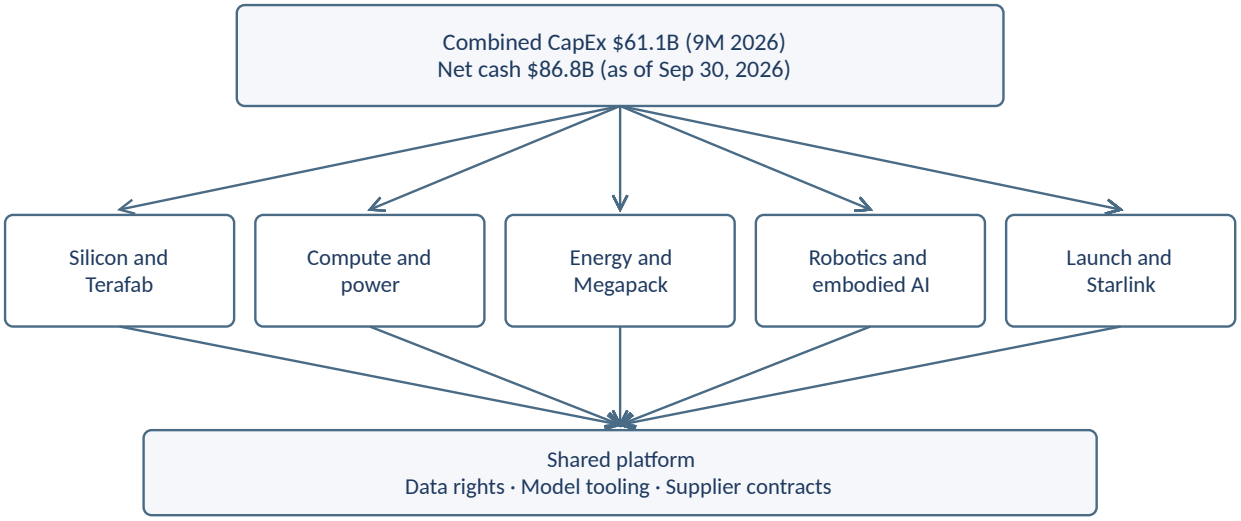
Our model values the cost of two owners at about $6.2 billion in its base case. That figure already includes about $2.2 billion of faster revenue, $4.2 billion of avoided capital spending and $1.2 billion of financing benefit, net of $1.4 billion of integration cost (Appendix M). It assigns no value to orbital compute, solar consolidation, Starlink in vehicles or Megapack supply planning. A positive base case is a reason to examine the deal closely, not proof that every transaction cost and risk is covered.

5. Planning Terafab Together

The prospectus discloses no Terafab budget or cost split [3]. Musk's planning estimate sends about three quarters of its AI compute to AI spacecraft and one quarter to Optimus [4], with a related March goal of about 80% for space [19]. Those public planning estimates are not a cost-split or offtake contract, and cars have no stated share [3][4][19].

EXHIBIT 4

Tesla-led company · One board, one CEO and one budget



Source. Sargasso Capital Management analysis of public filings.

EXHIBIT 5

Where one owner changes the choice and where contracts work

Area	What one owner changes	What contracts already do
Custom Silicon and Terafab Manufacturing	Rank chip designs, fab spending and the next wafer order on one budget.	A joint venture (JV) can set funding, output shares and change rules.
AI Compute Clusters and Grid Power	Choose where scarce power and compute earn the most across both fleets.	Sell compute as a service at a market rate.
Energy Storage and Megapack Supply	Choose which project gets the next scarce battery or megawatt-hour.	Sell Megapacks at a reported gross margin.
Robotics and Embodied AI Models	Put the robot and AI-model roadmaps under one owner.	Develop and license models or robots together.
Fleet Data and Training Rights	Choose one fleet-data roadmap within consent and regulatory limits.	License data under agreed consent terms.
Launch, Starlink and Orbital Compute	Rank fab spending and orbital compute together.	Supply launch and connectivity by contract.

Source. Sargasso Capital Management analysis of the Tesla and SpaceX Q3 2026 Form 10-Q reports and the SpaceX 424B4. One owner chooses how the next dollar and wafer are used.

A chip change can become an ownership decision. Suppose a new chip draws more power and runs hotter. Its spacecraft needs different cooling and a revised launch plan, while the same wafers can serve Optimus or Cortex. We believe a joint venture handles agreed changes well but struggles when one group of shareholders must fund another's new priority. Inside one company, the board can choose the whole project rather than bargain over each company's share.

The missing cost split leaves outside holders guessing [1][3].

Tesla holders risk helping pay for Terafab while owning only a minority stake in SpaceX's orbital compute and Starlink. One balance sheet puts the bill and the output with the same owners (Exhibit 6).

AMD's wafer agreement with GlobalFoundries was amended for years after AMD gave up ownership [20] [21]. Contracts grow harder to manage when the next scarce wafer can serve competing projects with different owners.

Customer B supplied 34.5% of SpaceX's Q3 2026 revenue and 24.2% of nine-month revenue, all in SI [11]. One board must weigh that customer's next rack against compute for Optimus and vehicle software.

EXHIBIT 6

Tesla and SpaceX related-party transfers (USD millions)

Reader note. period amounts, balance-sheet amounts and equity valuations are distinct and must not be added together. Megapack rows keep both reported figures ($626 Tesla sales; $480 SpaceX purchases). They differ by $146; no reconciliation is provided in the cited material.

Type	Item	Amount	Date / period	Detail / source
Period flow	Tesla Megapack sales to SpaceX	$626	9 months ended Sep 30, 2026	Tesla Note 13
Period flow	SpaceX purchases of Tesla Megapacks	$480	9 months ended Sep 30, 2026	SpaceX Note 17
Balance-sheet stock	Receivable owed to Tesla	$729	As of Sep 30, 2026	Includes $588 undelivered Megapack billings; $141 excluding those billings
Balance-sheet stock	Deferred revenue at Tesla	$648	As of Sep 30, 2026	$516 current; $132 long-term
Equity investment	Tesla stake in SpaceX	Cost $2,002 Fair value $2,865	Cost Mar 2026; Fair value Sep 30, 2026	Cost from Notes 1, 2, 13 and cash flow. Fair value from Note 2
Funding plan	Terafab funding / cost split	Not disclosed	As of June prospectus	SpaceX prospectus [3]; funding split not disclosed

Sources. Tesla Q3 2026 Form 10-Q, Notes 1, 2 and 13; SpaceX Q3 2026 Form 10-Q, Note 17; Terafab who-pays gap. SpaceX prospectus [3].

6. Own the Bottleneck

Own the bottleneck, and you choose where it goes. The combined company brings chip design, fab spending, batteries, launch and the robots and cars that use the compute under one owner. SpaceX already reports 1.7 GW of nameplate AI computing capacity [2]. Tesla's Cortex draws on scarce wafers and site power [18], and Musk's AI-spacecraft planning split links the intended uses [4]. One budget is the right place to rank them.

The value lies in choosing the next use, not just owning more assets. The point is to move a wafer, a power allocation or a dollar to the project that needs it most, then live with the result as one set of owners.

The same logic runs from the ground to orbit. Terafab chips can power a Cortex cluster, an Optimus robot or a Starmind satellite. A Megapack can back a Tesla site or a SpaceX compute campus. Tesla's solar factories can supply the ground today and, with cells built for orbit, spacecraft later. Whoever owns all three choices can send each scarce unit to its highest use the day it is made.

7. A Premium Would Move $80 Billion for Nothing

We see no reason to pay a control premium. One chief executive already runs both companies, but Tesla holders and SpaceX holders still own different assets and voting rights. A premium would move money from one group of shareholders to the other.

A premium starts by moving money away from one group of holders. At the locked Oct 20, 2026 prices, a 10% premium transfers about $80 billion from Tesla holders to SpaceX holders before any operating gain. A 25% premium transfers about $186 billion. Those amounts are far larger than our model's $6.2 billion base estimate of the cost of two owners, so we propose no premium.

One owner puts related-party pricing on one ledger. That is fairer to holders than leaving the bill in one company and part of the payoff in the other.

The SPCX-per-TSLA ratio rose about 10.07% between Oct 20 and Oct 28, while the reverse ratio fell about 9.15%. That eight-day move dwarfs our modeled friction estimate and makes a published pricing method and window essential.

We favor Tesla as the survivor. The SpaceX-led contrast in Exhibit 7 falls outside the banks' express Tesla-surviving exception. At 25% to 35% premiums to Tesla, the premium would have to earn back about $369 billion to $517 billion.

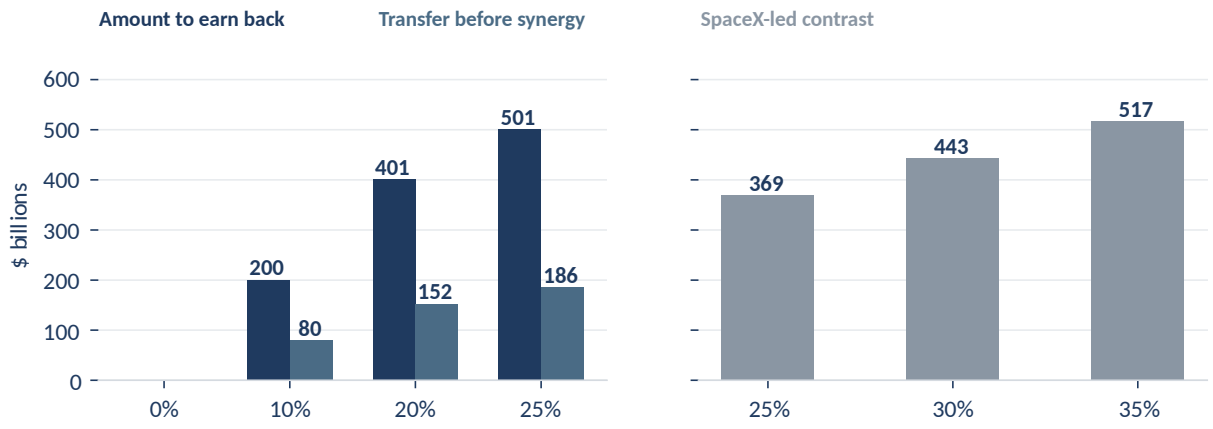
At the Oct 20 closes, a zero-premium Tesla-surviving exchange issues 0.3955 Tesla shares per SpaceX share after cancelling Tesla's SpaceX stake, with the EchoStar shares included in the share count (Exhibit 7 note).

Why SpaceX holders should accept Tesla as the survivor. SpaceX holders would own about 58% of the combined company at the market ratio, so they keep the larger share of every outcome. They gain a claim on Tesla's operating cash flow, its vehicle, battery and solar manufacturing, and its fleet as a customer for compute and connectivity. The Tesla-surviving path is the one Tesla's bank agreements already allow [5], which avoids reopening $30 billion of facilities in the middle of the build. What they give up is SpaceX's dual-class voting, which Moody's cited as a governance concern in its first rating [36]. We believe that trade favors them.

What the friction alone is worth. Our model puts the cost of two owners at about $6.2 billion of present value in its base case, or about $2.0 billion with capital-spending savings set to zero. It excludes overhead savings and assigns no value to strategic options. We add no separate speed valuation. The ownership question is bigger than this estimate, given the $61.1 billion spent in the first nine months of 2026.

EXHIBIT 7

Premiums at Oct 20 values · Tesla-led left, SpaceX-led right



Panel A is the recommended Tesla-led structure. Panel B is a SpaceX-led contrast. Bars show premium-recovery hurdles and pre-synergy redistribution at locked prices, not operating synergy. Calculations exclude deal costs, conglomerate discount, key-person risk and China review. Musk's net transfer cents per dollar are estimates on his two stakes, not voting control. Share-count note. Including 261.8 million SpaceX Class A shares committed to EchoStar gives about 5.47 billion new Tesla shares and about 9.42 billion shares in the single-class survivor.

8. The Banks Already Allow It

Tesla's bank agreements already allow a Tesla-surviving merger, as long as Tesla stays investment grade. The Sep 29, 2026 agreements provide three facilities [5].

The $8 billion five-year revolver, with Wells Fargo as administrative agent (Exhibit 10.1 to Tesla's filing)

The $2 billion 364-day revolver, also with Wells Fargo (Exhibit 10.2)

The $20 billion delayed-draw term loan, with Citibank as administrative agent (Exhibit 10.3)

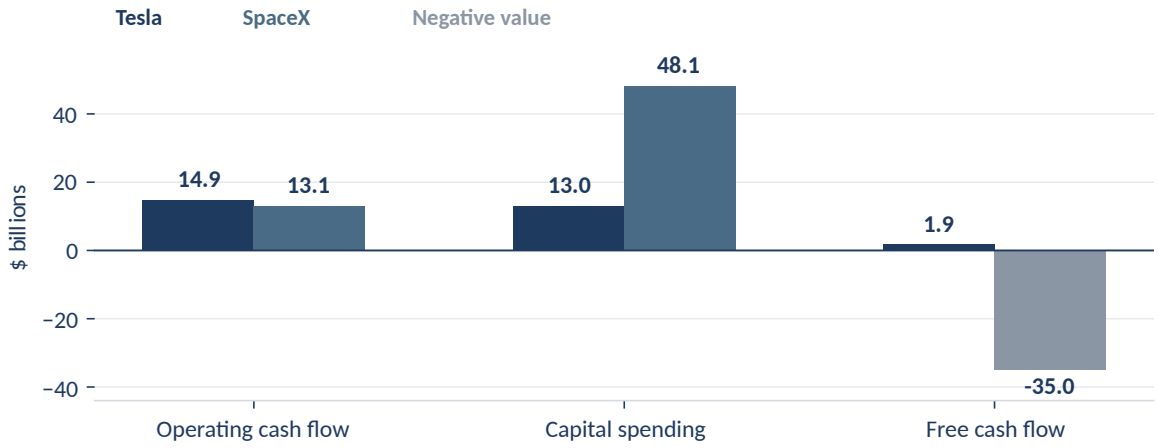
The three agreements match in substance on the merger clauses compared. Tesla must survive, and a qualifying deal must retain investment-grade ratings from at least two of Moody's, S&P and Fitch during the required review period [5].[1]

Tesla has stable investment-grade ratings from all three agencies, with Moody's Baa3 affirmed Aug 1, 2025, S&P BBB affirmed in March 2026 and Fitch BBB first assigned Sep 21, 2026 [33][34][35]. SpaceX's first ratings on Jun 18, 2026 were Moody's Baa1, Fitch BBB+ and S&P BBB, all stable, putting it above Tesla at two agencies and level at the third [36].

1Bank agreement terms [5]. The path is a Permitted Borrower Merger with Tesla surviving. A Specified Merger also triggers the Ratings Requirement during the Ratings Test Period. Investment Grade Ratings means Moody's Baa3 or higher, S&P BBB- or higher, or Fitch BBB- or higher, each with stable or better outlook. A Change in Control is an Event of Default. A SpaceX-led structure requires a waiver, amendment or separate Qualified Holding Company analysis.

EXHIBIT 8

Cash flow and capital spending · Nine months to Sep 30, 2026 ($B)



Free cash flow equals operating cash flow minus purchases of property and equipment as each reports them. Both companies use one scale. Source. Form 10-Q Q3 2026 cash flows.

Cash gives the companies time to make the choice. They hold about $86.8 billion of net cash at Sep 30, 2026, or about $78.3 billion after the EchoStar cash commitment. Our stress case repeats recent cash use at about $41.5 billion a year, exhausting that cushion in about 1.9 years. On our funding bridge, the base model needs no outside capital through 2030 [22][23][11].

EXHIBIT 9

Combined cash, debt and net cash at Sep 30, 2026 ($B)

Measure	Amount ($B)
Cash and investments	135.3
Debt and finance leases	48.5
Net cash	86.8

Source. Debt at principal plus finance leases. Undrawn commitments excluded. Tesla and SpaceX Form 10-Q, quarter ended Sep 30, 2026.

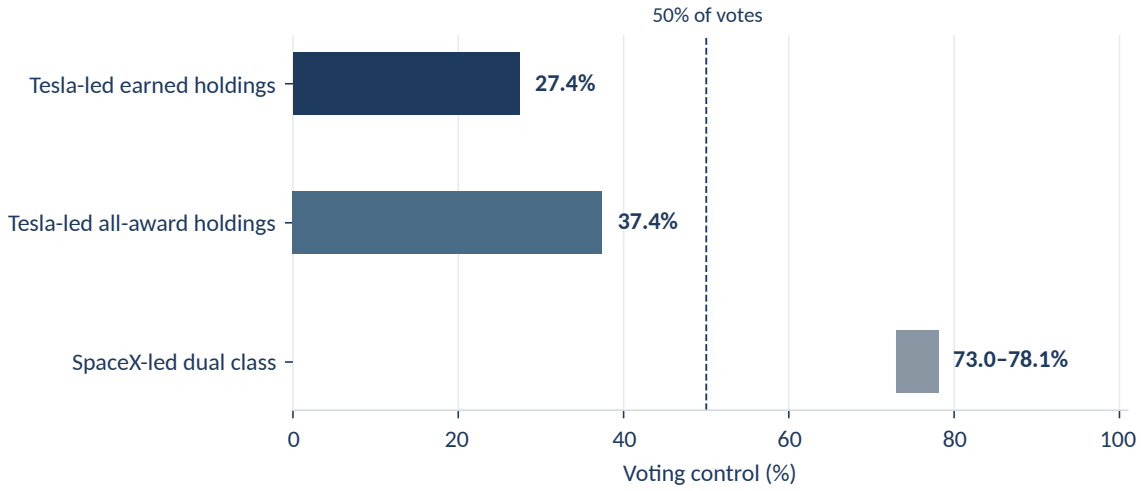
SpaceX owes about $12.9 billion on equipment financed through Valor Equity Partners, the firm of SpaceX director Antonio Gracias [22][24]. SpaceX records those arrangements as failed sale-leaseback debt [11]. Interest was $351 million in Q3 and $864 million over nine months. Protection 4 asks for five disclosures, covering maturities, exit costs, collateral, related-party governance and funding alternatives.

9. Influence Without Control

Musk would gain influence without majority voting control. The Tesla-led model gives him roughly 27% to 37% of the vote, against about 73% to 78% in a SpaceX-led dual-class company, and above the roughly 25% he has said he wants [7]. On SpaceX's Q3 2026 webcast he said a combination path needs shareholder support [2].

EXHIBIT 10

Musk's voting control by structure



The 50% line is a majority of votes, not an economic share. The earned bar is 27.4%. The all-award bar is 37.4%. Both Tesla-led bars use the Appendix B5 issued-share denominator as conditional award-treatment scenarios, not current discretionary votes. SpaceX-led span is the B5 range 73.0% to 78.1%. Source. Share counts in Sources and Methods. The SpaceX-led form falls outside the five-year revolver's survivor-merger exception and is shown for contrast.

SpaceX holders keep a stake in the whole business. They receive Tesla shares at the market ratio, while the single-class survivor ends SpaceX's dual-class voting power. Their protections include their special committee, appraisal rights where available and a published funding plan.

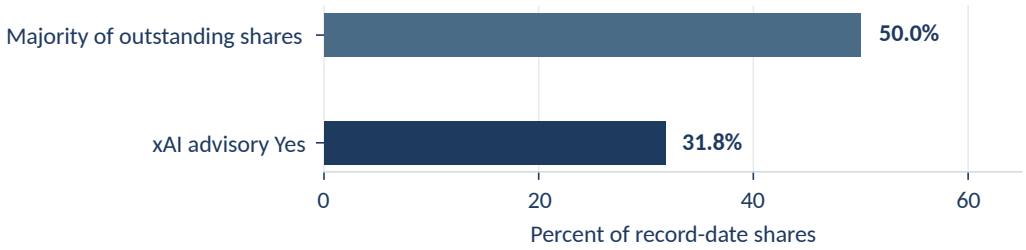
Moody's identified the governance problem directly. Its first SpaceX rating in June 2026 cited the controlled structure and concentrated voting power [36]. A single-class Tesla survivor ends that structure.

Outside holders need a vote that counts shares, not just ballots returned. That is the proper counterweight to a chief executive with a large stake and substantial influence.

The xAI vote shows why the denominator matters. The 2025 advisory Yes tally was about 31.8% of Tesla's Sep 15, 2025 record-date shares [6]. A majority of votes cast is not a majority of shares outstanding.

EXHIBIT 11

Different voting denominators on one record-date share count



Source. Tesla 2025 voting record [6]. The 50% line is an illustrative merger comparison, not that advisory proposal's approval standard.

Institutions can make the vote matter. The June 30, 2026 13F extract reports about 1.69 billion shares, or

42.69% of the Oct 13, 2026 record-date count, and about 0.66 billion consolidate under Vanguard, BlackRock, State Street and Geode, or 16.80% using those counts [25]. That is influence, not a ready-made majority.[2]

The committees represent owners who are not in the room. Tesla's Oct 19, 2026 proxy lists nine directors. There are 15 directors across the two boards, using eight SpaceX directors and two shared seats, conditional on the vacant Harrison seat [27][28].

10. Six Protections for Outside Shareholders

We believe the committees' review should include six protections for outside shareholders. They give the committees the power to say no and give outside holders a separate say on any deal.

Protection	What we suggest	Purpose
1. The Independent Holder Vote	An additional independent vote beside the charter majority-of-outstanding vote	Count all outstanding unaffiliated shares, not just votes cast [29][30].
2. Special committees with real power and independent advisors	Committees with independent advisors and authority to say no	Give independent directors the power to reject the deal.
3. A published exchange-ratio method and pricing window	Publish how the ratio is set and the trading days used to price it	Let holders check the exchange ratio.
4. A pro forma funding and credit plan	A funding plan that ranks the build and includes Valor lease terms	Show how the build is funded and investment-grade ratings are protected [5].
5. A plain-English related-party and China wall summary	A plain-English summary of what crosses the walls and what does not	Show which assets, data and payments cross the wall.
6. Falsification tests and dated milestones	Published tests and milestones from Section 12	Tell holders what results mean we are wrong.

One owner is not a substitute for good terms. The six protections describe the terms we recommend for the committees' review.

11. The Questions We Expect

Does zero premium make this a free deal? No deal is free. Deal costs, a conglomerate discount, key-person risk and China review all consume value, and our low case is slightly negative. The low, base and high model values are -$1.6 billion, $6.2 billion and $56.0 billion. Those figures include modeled timing and capital savings, but no value for orbital compute or the other engines in Section 4.

Is orbital compute proven? Not yet, and the case does not depend on it. Radiation tolerance, thermal design, servicing and orbital debris are real engineering problems, and SpaceX's own prospectus treats orbital compute as a risk to be managed [43]. Common ownership improves who makes the choice, not the laws of physics. The case for one owner already stands on the terrestrial build and Terafab. Orbit is what makes it urgent.

Why not just own both stocks? You can, and a combined listing can trade below the sum of its parts. Two stock positions do not let you choose which company gets Terafab's next wafer, which solar line gets built or who pays for a changed design. That choice is the reason to combine.

2Holdings are dated June 30, 2026. Percentages use the Oct 13, 2026 Tesla record-date count. The holdings date and share-count date therefore differ [25].

Can't a joint venture do this just as well? One already exists, and it is the right benchmark. It can handle agreed changes, with spending bands, change rules and fast escalation. The hard case is a large change outside those limits that moves costs or output between the owners. AMD's wafer agreement with GlobalFoundries needed amendment after amendment once the owners diverged [20][21]. Test 1 in Section 12 tells us when a two-owner plan has answered our case.

Won't Tesla holders pay for SpaceX's spending? They will own about 42% of the result and pay the market exchange ratio without a premium. SpaceX's free cash flow was about negative $35 billion for the first nine months of 2026, and it brings about $50.9 billion of net cash. Moody's and Fitch rate it above Tesla, while S&P rates them the same [36]. In return, they gain about a 42% share of the launch, network and compute businesses their chips, batteries and solar cells would serve, which today they hold only indirectly and in small part.

Is this another SolarCity? No. SpaceX brings about $50.9 billion of net cash at Sep 30, 2026, unlike SolarCity's cash pressure in 2016. SolarCity passed with about 85.1% of disinterested votes cast [30][31]. Delaware assumed entire fairness without deciding it applied, found fair price and affirmed judgment for the defendants [32]. A stronger vote denominator and a real independent process belong in this review.

Does Musk gain control? The Tesla-led model gives him about 27% to 37% of the vote, short of a voting majority. That is substantial influence and leaves key-person concentration. The Independent Holder Vote and empowered committees are the counterweight, and neither substitutes for a fair price.

What about Customer B, the banks, China and Texas law? Each belongs in the review, and each needs a credible answer before any signing. Customer B supplied 34.5% of SpaceX's third-quarter revenue, so revenue under contract and the lowest projected cash balance should be disclosed [11]. The Tesla-surviving path is permitted if ratings hold through the review period [5]. Tesla's Shanghai car and Megapack plants should stay outside the shared U.S. compute and Terafab build, behind export, data and entity walls. Both companies are Texas corporations, and Tesla holders declined to repeal the 3% derivative threshold in Nov 2025 [6]. The vote protects outside owners before a deal is signed, which is better than litigation after it.

Does the new Congress change the case? It changes the calendar risk, not the physics. Both stocks fell sharply after the Nov 3 elections on fear of new scrutiny [50]. A combination that pays no premium, gives outside holders their own vote and publishes its funding plan is the version of this deal best able to withstand that scrutiny.

Why listen to a small firm? Because the argument does not depend on our size. It rests on public filings, and every figure and assumption can be checked in Sources and Methods.

12. The Scorecard

We will hold this case to dated evidence. The milestones below show whether the machine is arriving on schedule. The four tests after them tell holders what would change our view.

EXHIBIT 12

Milestones that prove or test the case

Milestone	Expected timing	What it tells holders
Starship catch of both stages and full reuse	Flight test after Flight 14 [2] [52]	Whether launch cost falls toward orbital-compute economics
Tesla annual meeting	Dec 3, 2026 (Tesla proxy)	Vote calendar and holder sentiment before any proposal
Tesla and SpaceX Q4 2026 results	Q1 2027	Cash use, capital spending, Customer B and SI build pace
Special committee announcements or terms	Not yet scheduled [14][15]	Whether a combination path is live
Austin Fab equipment commissioning	2027 [16]	Tesla's own fab timing
First Starmind satellites fly	2027 [2]	Whether orbital hardware is real
SpaceX compute online of at least 13 GW	End of 2027 [2]	Speed of the terrestrial build
Space-optimized Vera Rubin NVL72 in orbit	Q4 2027 [44]	Whether data center-class compute works in orbit
Terafab volume production	Around Q3 2028 [2]	Whether the shared bottleneck opens
Tesla 100 GW of U.S. solar manufacturing	Before end of 2028 [47]	Whether the power input scales
First orbital AI compute deployments	As early as 2028 [43]	Start of orbital revenue
Orbital passes terrestrial monthly deployment	Around end of 2028 [45]	Whether orbit becomes the main growth engine
Grimes County first-phase milestones	Not yet dated [17]	First-phase Texas production progress
Disclosed Terafab budget and cost split	Not disclosed [3]	Whether Test 1 is approaching

Source. Company filings, webcast remarks and public statements as cited. Dates are company targets or our expectations, not commitments.

Four tests would change our view.

1. **Two owners match one.** If by Jun 30, 2029 Terafab produces in volume under a disclosed standing cost-split and offtake agreement, the case weakens. A two-owner plan that handles a major mid-build design change in the same decision cycle also answers our speed argument. This is our proposed test, not a company target.

2. **The independent vote is left out.** If a proposal advances without the Independent Holder Vote, we will say publicly that outside holders deserve one.

3. **The capital plan is missing.** Holders need to see how the build is ranked and paid for. Our $41.5 billion annual stress outflow and the base model's funding through 2030 explain why a funding plan belongs in the review.

4. **The credit plan fails.** If the committees cannot address the banks' ratings conditions and the Valor lease disclosures, the Tesla-surviving recommendation stalls.

What We Ask

Tesla and SpaceX are building one machine with two owners. That machine is aimed at the largest prize in industrial history, intelligence made from sunlight, and the prize will go to whoever builds fastest at the lowest cost. We believe one company, with no premium and an independent vote, is how the outside holders of both companies share in it.

Each board has formed a special committee to study a combination. We ask both committees to continue that independent work and to weigh the research in this report as they do. Section 10 sets out the protections we believe outside holders deserve. Section 12 sets out the scorecard by which we will judge our own case.

Patrick Feeley
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Sargasso Capital Management
Nov 9, 2026