

**Report of Independent Accountants on Applying
Agreed-Upon Procedures**

Tesla, Inc.

July 1, 2017 through September 30, 2017

Report of Independent Certified Public Accountants

Board of Directors and Management
Tesla, Inc.

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of Tesla, Inc. (the “Company” or “Lead Participant”) and the State of Nevada (the “Regulator”) (collectively, the “Specified Parties”), related to determining compliance with the State of Nevada SB1 Incentive Compliance agreement for the period of July 1, 2017 through September 30, 2017. Tesla, Inc.’s management is responsible for the schedules of qualified employees and construction employees and the listing of all capital investments made by each Participant (as defined in the SB1 Incentive Compliance Agreement) in the State of Nevada. The sufficiency of these procedures is solely the responsibility of the Company and the State of Nevada. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows.

Required Qualified Employee Audit Data (Exhibits A-D)

- We obtained a schedule from each Participant listing all qualified employees of the Project Site for the period of July 1, 2017 through September 30, 2017, except for Valeo North America, Inc. who did not report any qualified employees.
- We selected a sample of 25% of the qualified employee additions during the period per the summary sheet. For each selected qualified employee: we agreed wages paid to paystubs or W-2 forms (or equivalent system-generated payroll reports) to include wages, 401(k) contributions, and cafeteria plan contributions; we agreed residency status to a copy of their current (during the period under review) and valid Nevada driver’s license or a copy of their current (during the period under review) motor vehicle registration; and we agreed qualified employee status to the payroll information obtained above to verify that the qualified employee is employed full-time and scheduled to work for an average of 30 hours per week at the Project site and has been for at least three consecutive months as of quarter-end, as well as proof that the qualified employee was offered coverage under a plan of health insurance provided by the Participant. Our sample selected resulted in the 90% accuracy threshold being met.
- We recalculated the average wage of qualified employees to verify that the minimum average wage of \$22.00 was met without exception.
- We recalculated the residency as a percentage of qualified employees for the project to date to verify the percentage reported and that at least 50% of qualified employees are Nevada residents, as required, was met without exception.
- We agreed the schedule of qualified employees obtained from each participant to the Required Qualified Employee Audit Data form without exception.

- We recalculated the transferable tax credit determined by the Company based on the number of qualified employees as noted above and traced to the combined summary and transferable tax credit form, without exception.

Required Combined Construction Employee Audit Data (Exhibit I)

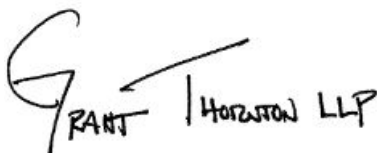
- We obtained a schedule listing all construction employees of the Project Site for the period of July 1, 2017 through September 30, 2017.
- We selected a sample of 25% of the construction employee additions during the period listed as Nevada residents per the summary sheet. For each selected construction employee, we agreed residency status to a current (during the period under review) and valid Nevada driver's license. Our sample selected resulted in the 90% accuracy threshold being met.
- We recalculated the residency as a percentage of construction employees for the project to date to verify the percentage reported and that at least 50% of construction employees are Nevada residents, as required, was met without exception.
- We agreed the schedule of construction employees obtained from each participant to the Combined Required Construction Employee Audit Data form without exception.

Required Property Audit Data (Exhibits E-H)

- We obtained the real and personal property listings from each Participant listing all capital investments made by each Participant in the state of Nevada for the period of July 1, 2017 through September 30, 2017, except for Valeo North America, Inc. who did not report any capital investments.
- We selected a sample of property additions during the period of 25% of the total book value of property additions during the period.
- We reviewed the supporting documentation obtained for the sampled property additions to determine that the addition meets the definition of capital investments per the Incentive Agreement, and verified determination of depreciable life. Our sample selected resulted in the 90% accuracy threshold being met.
- We footed the listings by asset class/depreciable life without exception.
- We agreed the listings obtained from each participant to the Required Property Audit Data form, by asset class/depreciable life grouping and in total without exception.
- We recalculated the transferable tax credit determined by the Company based on the total Capital Investment for the period as noted above and traced to the Combined Summary and Transferable Tax Credit form without exception.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which is the expression of opinion or limited assurance in determining the compliance with the State of Nevada SB1 Incentive Compliance agreement. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Tesla, Inc. and the State of Nevada and is not intended to be and should not be used by anyone other than these specified parties.



Reno, Nevada
March 2, 2018

Exhibit A

Combined Summary and Transferable Tax Credit

Qualified Project Name: Lead Participant: Reporting Period: Project to Date Period:	Gigafactory Project Tesla, Inc. (FKA: Tesla Motors, Inc.) July 1, 2017 - September 30, 2017 October 17, 2014 - September 30, 2017
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	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	1,017	2,417
Number of NQEs who are Nevada Residents	889	2,239
Residency as a Percent		93%
Average Wage of Qualified Employees		\$ 37.66
Nevada residency requirements verified:		Yes
Qualified Employees requirements verified:		Yes
Total Capital Investment	\$ 611,312,739	\$ 3,272,996,255
Number of Qualified Employees (NQE)	1,017	2,417
Dollar Credit per NQE	\$ 12,500	\$ 12,500
Qualified Employee Tax Credit	\$ 12,712,500	\$ 30,212,500
Capital Investment at 5%	\$ -	\$ 1,000,000,000
Percent Credit (5% up to \$1 Billion)	5%	5%
Capital Investment Tax Credit at 5%	\$ -	\$ 50,000,000
Capital Investment at 2.8%	\$ 611,312,739	\$ 2,272,996,255
Percent Credit (2.8% over \$1 Billion)	2.8%	2.8%
Capital Investment Tax Credit at 2.8%	\$ 17,116,757	\$ 63,643,895
Total Transferable Tax Credit	\$ 29,829,257	\$ 143,856,395

Exhibit B

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period: July 1, 2017 - September 30, 2017
Project to Date Period: October 17, 2014 - September 30, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	711	1,636
Number of NQEs who are Nevada Residents	594	1,478
Residency as a Percent		90%
Average Wage of Qualified Employees		\$ 39.40

Exhibit C

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Panasonic Energy Corporation of North America
Reporting Period: July 1, 2017 - September 30, 2017
Project to Date Period: October 17, 2014 - September 30, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	284	715
Number of NQEs who are Nevada Residents	279	709
Residency as a Percent		99%
Average Wage of Qualified Employees		\$ 32.65

Exhibit D

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: H&T Nevada, LLC
Reporting Period: July 1, 2017 - September 30, 2017
Project to Date Period: October 17, 2014 - September 30, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	22	66
Number of NQEs who are Nevada Residents	16	52
Residency as a Percent		79%
Average Wage of Qualified Employees		\$ 34.85

Exhibit E

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	July 1, 2017 - September 30, 2017
Project to Date Period:	October 17, 2014 - September 30, 2017

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ 41,989,595
Building/Structure	\$ 41,893,517	\$ 330,036,265
Building/Structure - CIP	\$ 196,516,465	\$ 1,108,853,837
Subtotal	\$ 238,409,982	\$ 1,480,879,697
Personal Property		
3- year life	\$ 92,325	\$ 968,094
5- year life	\$ -	\$ 14,384
7- year life	\$ -	\$ -
10- year life	\$ -	\$ -
15- year life	\$ 4,052,294	\$ 52,305,807
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 183,799,978	\$ 520,942,363
Other Property	\$ 84,880	\$ 351,371
Expensed Property	\$ 7,488,191	\$ 18,967,495
Subtotal	\$ 195,517,668	\$ 593,549,514
Total Capital Investment	\$ 433,927,650	\$ 2,074,429,211

Exhibit F

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Panasonic Energy Corporation of North America
Reporting Period:	July 1, 2017 - September 30, 2017
Project to Date Period:	October 17, 2014 - September 30, 2017

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 169,682	\$ 8,233,850
5- year life	\$ -	\$ -
7- year life	\$ 47,804,395	\$ 195,761,255
10- year life	\$ -	\$ -
15- year life	\$ 6,095,598	\$ 40,724,403
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 113,618,383	\$ 877,480,316
Other Property	\$ -	\$ -
Expensed Property	\$ (270,109)	\$ 904,688
Subtotal	\$ 167,417,949	\$ 1,123,104,512
Total Capital Investment	\$ 167,417,949	\$ 1,123,104,512

Exhibit G

Required Property Audit Data

Qualified Project Name: Gigafactory Project
Participant: H&T Nevada, LLC
Reporting Period: July 1, 2017 - September 30, 2017
Project to Date Period: October 17, 2014 - September 30, 2017

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 22,388	\$ 102,100
5- year life	\$ 163,213	\$ 163,213
7- year life	\$ -	\$ -
10- year life	\$ 5,103,815	\$ 15,534,705
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 4,677,724	\$ 50,786,040
Other Property	\$ -	\$ -
Expensed Property	\$ -	\$ -
Subtotal	\$ 9,967,140	\$ 66,586,058
Total Capital Investment	<u>\$ 9,967,140</u>	<u>\$ 66,586,058</u>

Exhibit H

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Valeo North America, Inc.
Reporting Period:	July 1, 2017 - September 30, 2017
Project to Date Period:	October 17, 2014 - September 30, 2017

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ -	\$ -
5- year life	\$ -	\$ -
7- year life	\$ -	\$ 8,876,474
10- year life	\$ -	\$ -
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ -	\$ -
Other Property	\$ -	\$ -
Expensed Property	\$ -	\$ -
Subtotal	\$ -	\$ 8,876,474
Total Capital Investment	\$ -	\$ 8,876,474

Exhibit I

Combined Required Construction Employee Audit Data

Qualified Project Name: Gigafactory Project
Lead Participant: Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period: July 1, 2017 - September 30, 2017
Project to Date Period: October 17, 2014 - September 30, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of Construction Employees (CE)	1,017	12,411
Number of CEs who are Nevada Residents	485	6,578
Residency as a Percent		53%
Nevada residency requirements verified:		Yes