

December 5, 2016

The Honorable Brian Sandoval
Office of the Governor
101 North Carson Street
Carson City, Nevada 89701

Mr. Richard Combs, Director
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701

Re: Tesla Gigafactory Compliance Audit Report

Dear Governor Sandoval and Director Combs:

Pursuant to NRS 360.955 and the Tesla Motors Incentive Agreement (“Agreement”) the Governor’s Office of Economic Development (“Office”) has certified the fourth compliance audit of Tesla Motors, Inc. (“Tesla”) for the period covering April 1, 2016 through June 30, 2016. The Agreement allows Tesla to report on a period shorter than one fiscal year. As such, and again pursuant to the Agreement, our Office has determined all other requirements have been met, and we plan to issue to Tesla transferable tax credits totaling \$8,011,173. This includes \$5,986,173 from the audit period 4/1/16 to 6/30/16 and \$2,025,000 for qualified employees in the 1/1/16 to 3/31/16 audit report. Tesla has 30 days after the receipt of this notice to make an irrevocable declaration of the amount of transferable tax credits that will be applied to each fee or tax set forth NRS 360.945.

If further information is required, please contact me at your convenience.

Respectfully yours,



Michael Dang
Director of Business Operations

Attachment: Report of Independent Accountants on Applying Agreed Upon Procedures
Tesla Motors, Inc., April 1, 2016 through June 30, 2016

cc: Steve Hill
Tesla Motors, Inc.



December 5, 2016

Steve Hill
Executive Director
Governor's Office of Economic Development
555 E. Washington Avenue, Suite 5400
Las Vegas, NV 89101

RE: TESLA SB-1 COMPLIANCE REPORT FOR THE PERIOD ENDED JUNE 30, 2016

Dear Executive Director Hill:

Pursuant to NRS 360.955 and the Tesla Motors Incentive Agreement ("Agreement"), we have submitted the fourth compliance audit report for the period covering April 1, 2016 through June 30, 2016, which indicates \$5,986,173 of transferable tax credits earned during this period.

Upon certification of the compliance report for the period covering April 1, 2016 through June 30, 2016, we will issue an irrevocable declaration to GOED for \$8,011,173 pursuant to NRS 360.945, which includes \$2,025,000 of transferable tax credit that was carried over from the previous period ended March 31, 2016.

If you have any questions or required additional information, please do not hesitate to contact me at (650) 681-6543 or susan@teslamotors.com.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Susan Repo", is written over a horizontal line.

Susan Repo
Corporate Treasurer
Tesla Motors, Inc.



Report of Independent Accountants on Applying
Agreed-Upon Procedures

Tesla Motors, Inc.

April 1, 2016 through June 30, 2016



Report of Independent Certified Public Accountants

Management
Tesla Motors, Inc.

Grant Thornton LLP
100 W Liberty Street, Suite 770
Reno, NV 89501-1965
T 775.786.1520
F 775.786.7091
www.GrantThornton.com

We have performed the procedures listed below, which were agreed to by management of Tesla Motors, Inc. (the “Company” or “Lead Participant”) and the State of Nevada (the “Regulator”) (collectively, the “Specified Parties”), solely to assist you in determining compliance with the State of Nevada SB1 Incentive Compliance agreement for the period of April 1, 2016 through June 30, 2016. Tesla Motors, 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. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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-C)

- We obtained a schedule from each Participant listing all qualified employees of the Project Site for the period of April 1, 2016 through June 30, 2016.
- 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 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 F)

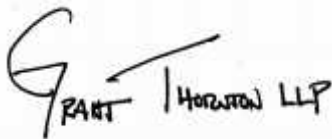
- We obtained a schedule from each Participant listing all construction employees of the Project Site for the period of April 1, 2016 through June 30, 2016.
- We selected a sample of 25% of the construction employee additions during the period listed as Nevada residents per the summary sheet. For each 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 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 Required Combined Construction Employee Audit Data form without exception.

Required Property Audit Data (Exhibits A, D-E)

- 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 April 1, 2016 through June 30, 2016.
- 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, without exception. 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.

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 Motors, 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
December 2, 2016

Exhibit A

Combined Summary and Transferable Tax Credit

Qualified Project Name:	Gigafactory Project
Lead Participant:	Tesla Motors, Inc.
Reporting Period:	April 1, 2016 - June 30, 2016
Project to Date Period:	October 17, 2014 - June 30, 2016

	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	77	331
Number of NQEs who are Nevada Residents	80	296
Residency as a Percent		89%
Average Wage of Qualified Employees		\$ 53.51
Nevada residency requirements verified:	Yes	Yes
Qualified Employees requirements verified:	Yes	Yes
Total Capital Investment	\$ 100,473,454	\$ 607,677,131
Number of Qualified Employees (NQE)	77	331
Dollar Credit per NQE	\$ 12,500	\$ 12,500
Qualified Employee Tax Credit	\$ 962,500	\$ 4,137,500
Total Capital Investment	\$ 100,473,454	\$ 607,677,131
Percent Credit	5%	5%
Capital Investment Tax Credit	\$ 5,023,673	\$ 30,383,857
Total Transferable Tax Credit	\$ 5,986,173	\$ 34,521,357

Exhibit B

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Tesla Motors, Inc.
Reporting Period: April 1, 2016 - June 30, 2016
Project to Date Period: October 17, 2014 - June 30, 2016

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	68	283
Number of NQEs who are Nevada Residents	68	252
Residency as a Percent		89%
Average Wage of Qualified Employees		\$ 53.18
Nevada residency requirements verified:	Yes	Yes
Qualified Employees requirements verified:	Yes	Yes

Exhibit C

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Panasonic Energy Corporation of North America
Reporting Period: April 1, 2016 - June 30, 2016
Project to Date Period: October 17, 2014 - June 30, 2016

Workforce Composition

	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	9	48
Number of NQEs who are Nevada Residents	12	44
Residency as a Percent		92%
Average Wage of Qualified Employees		\$ 54.89
Nevada residency requirements verified:	Yes	Yes
Qualified Employees requirements verified:	Yes	Yes

Exhibit D

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Tesla Motors, Inc.
Reporting Period:	April 1, 2016 - June 30, 2016
Project to Date Period:	October 17, 2014 - June 30, 2016

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ 8,448,847
Building/Structure	\$ 29,275,514	\$ 71,790,115
Building/Structure - CIP	\$ 32,670,779	\$ 345,304,986
Subtotal	\$ 61,946,293	\$ 425,543,947
Personal Property		
3- year life	\$ 41,383	\$ 373,421
5- year life	\$ 6,776	\$ 6,776
7- year life	\$ -	\$ -
10- year life	\$ -	\$ -
15- year life	\$ (166,317)	\$ 10,280,518
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 8,951,494	\$ 12,327,941
Other Property	\$ 14,367	\$ 74,595
Expensed Property	\$ 307,570	\$ 2,154,767
Subtotal	\$ 9,155,272	\$ 25,218,016
Total Capital Investment	\$ 71,101,565	\$ 450,761,964

Exhibit E

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Panasonic Energy Corporation of North America
Reporting Period:	April 1, 2016 - June 30, 2016
Project to Date Period:	October 17, 2014 - June 30, 2016

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 10,987	\$ 10,987
5- year life	\$ -	\$ -
7- year life	\$ -	\$ -
10- year life	\$ -	\$ -
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 29,256,602	\$ 156,593,298
Other Property	\$ -	\$ -
Expensed Property	\$ 104,300	\$ 310,882
Subtotal	\$ 29,371,889	\$ 156,915,167
Total Capital Investment	\$ 29,371,889	\$ 156,915,167

Exhibit F

Required Combined Construction Employee Audit Data

Qualified Project Name:	Gigafactory Project
Lead Participant:	Tesla Motors, Inc.
Reporting Period:	April 1, 2016 - June 30, 2016
Project to Date Period:	October 17, 2014 - June 30, 2016

Workforce Composition

	Reporting Period	Project to Date Period
Number of Construction Employees (CE)	540	3,464
Number of CEs who are Nevada Residents	341	2,430
Residency as a Percent	63%	70%
Nevada residency requirements verified:	Yes	Yes