

July 17, 2018

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 compliance audit of Tesla Motors, Inc. (“Tesla”) for the period covering October 1, 2017 through December 31, 2017. 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 \$35,795,647.

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

Respectfully yours,



Derek Armstrong
Deputy Director

Attachment: Report of Independent Accountants on Applying Agreed Upon Procedures
Tesla Motors, Inc., January 1, 2018 through June 30, 2018

cc: Paul Anderson
Tesla Motors, Inc.



July 12, 2018

Mr. Paul Anderson
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 DECEMBER 31, 2017

Dear Executive Director Anderson:

Pursuant to NRS 360.955 and the Tesla Motors Incentive Agreement ("Agreement"), we have submitted the compliance audit report for the period covering October 1, 2017 through December 31, 2017, which indicates \$23,270,647 of transferable tax credits earned during this period.

Upon certification of the compliance report for the period covering October 1, 2017 through December 31, 2017, we will issue an irrevocable declaration to GOED for \$35,983,147 pursuant to NRS 360.945. This amount includes \$12,712,500 of transferable tax credit that was carried over from the compliance audit report issued for the period ended September 30, 2017.

If you have any questions or required additional information, please do not hesitate to contact Erin Bradley at (650) 645-2830 or erbradley@tesla.com or me at (510) 602-3567 or molson@tesla.com.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Mark Olson", written over a horizontal line.

Mark Olson
Senior Tax Director, U.S. Tax
Tesla, Inc.

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

Tesla, Inc.

October 1, 2017 through December 31, 2017

Report of Independent Certified Public Accountants

Board of Directors and Management
Tesla, 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 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 October 1, 2017 through December 31, 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 October 1, 2017 through December 31, 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, a copy of their current (during the period under review) motor vehicle registration, or other Nevada DMV proof of residency; 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.

Combined Required Construction Employee Audit Data (Exhibit I)

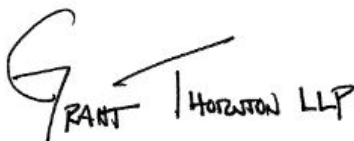
- We obtained a schedule listing all construction employees of the Project Site for the period of October 1, 2017 through December 31, 2017.
- We selected a sample of 25% of the construction employee additions during the period listed as Nevada residents per the summary sheet. For each selected construction employee, we agreed residency status to a current (during the period under review) and valid Nevada driver's license, a copy of their current (during period under review) motor vehicle registration, or other Nevada DMV proof of residency. 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 A, 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 October 1, 2017 through December 31, 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
July 12, 2018

Exhibit A

Combined Summary and Transferable Tax Credit

Qualified Project Name:	Gigafactory Project
Lead Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	October 1, 2017 - December 31, 2017
Project to Date Period:	October 17, 2014 - December 31, 2017

	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	832	3,249
Number of NQEs who are Nevada Residents	829	3,068
Residency as a Percent		94%
Average Wage of Qualified Employees		\$ 34.97
Nevada residency requirements verified:		Yes
Qualified Employees requirements verified:		Yes
Total Capital Investment	\$ 459,665,978	\$ 3,732,662,233
Number of Qualified Employees (NQE)	832	3,249
Dollar Credit per NQE	\$ 12,500	\$ 12,500
Qualified Employee Tax Credit	\$ 10,400,000	\$ 40,612,500
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%	\$ 459,665,978	\$ 2,732,662,233
Percent Credit (2.8% over \$1 Billion)	2.8%	2.8%
Capital Investment Tax Credit at 2.8%	\$ 12,870,647	\$ 76,514,543
Total Transferable Tax Credit	\$ 23,270,647	\$ 167,127,043

Exhibit B

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period: October 1, 2017 - December 31, 2017
Project to Date Period: October 17, 2014 - December 31, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	319	1,955
Number of NQEs who are Nevada Residents	336	1,814
Residency as a Percent		93%
Average Wage of Qualified Employees		\$ 37.65

Exhibit C

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Panasonic Energy Corporation of North America
Reporting Period: October 1, 2017 - December 31, 2017
Project to Date Period: October 17, 2014 - December 31, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	486	1,201
Number of NQEs who are Nevada Residents	473	1,182
Residency as a Percent		98%
Average Wage of Qualified Employees		\$ 28.41

Exhibit D

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: H&T Nevada, LLC
Reporting Period: October 1, 2017 - December 31, 2017
Project to Date Period: October 17, 2014 - December 31, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	27	93
Number of NQEs who are Nevada Residents	20	72
Residency as a Percent		77%
Average Wage of Qualified Employees		\$ 33.26

Exhibit E

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	October 1, 2017 - December 31, 2017
Project to Date Period:	October 17, 2014 - December 31, 2017

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ 41,989,595
Building/Structure	\$ 22,991,171	\$ 353,027,436
Building/Structure - CIP	\$ 123,368,558	\$ 1,232,222,395
Subtotal	\$ 146,359,729	\$ 1,627,239,426
Personal Property		
3- year life	\$ 101,545	\$ 1,069,639
5- year life	\$ -	\$ 14,384
7- year life	\$ -	\$ -
10- year life	\$ -	\$ -
15- year life	\$ 3,208,327	\$ 55,514,134
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 116,168,388	\$ 637,110,751
Other Property	\$ -	\$ 351,371
Expensed Property	\$ 10,767,315	\$ 29,734,810
Subtotal	\$ 130,245,575	\$ 723,795,089
Total Capital Investment	\$ 276,605,304	\$ 2,351,034,515

Exhibit F

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Panasonic Energy Corporation of North America
Reporting Period:	October 1, 2017 - December 31, 2017
Project to Date Period:	October 17, 2014 - December 31, 2017

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 35,562	\$ 8,269,412
5- year life	\$ -	\$ -
7- year life	\$ 27,972,458	\$ 223,733,713
10- year life	\$ -	\$ -
15- year life	\$ 17,695,037	\$ 58,419,440
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 125,652,352	\$ 1,003,132,668
Other Property	\$ -	\$ -
Expensed Property	\$ 505,101	\$ 1,409,789
Subtotal	\$ 171,860,510	\$ 1,294,965,022
Total Capital Investment	\$ 171,860,510	\$ 1,294,965,022

Exhibit G

Required Property Audit Data

Qualified Project Name: Gigafactory Project
Participant: H&T Nevada, LLC
Reporting Period: October 1, 2017 - December 31, 2017
Project to Date Period: October 17, 2014 - December 31, 2017

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 20,234	\$ 122,334
5- year life	\$ 31,940	\$ 195,153
7- year life	\$ -	\$ -
10- year life	\$ 5,206,154	\$ 20,740,859
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 5,941,836	\$ 56,727,876
Other Property	\$ -	\$ -
Expensed Property	\$ -	\$ -
Subtotal	\$ 11,200,164	\$ 77,786,222
Total Capital Investment	<u>\$ 11,200,164</u>	<u>\$ 77,786,222</u>

Exhibit H

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Valeo North America, Inc.
Reporting Period:	October 1, 2017 - December 31, 2017
Project to Date Period:	October 17, 2014 - December 31, 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: October 1, 2017 - December 31, 2017
Project to Date Period: October 17, 2014 - December 31, 2017

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of Construction Employees (CE)	1,332	13,743
Number of CEs who are Nevada Residents	860	7,438
Residency as a Percent		54%
Nevada residency requirements verified:		Yes