

November 8, 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 January 1, 2018 through June 30, 2018. 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 \$6,147,957.

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.



October 31, 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 JUNE 30, 2018

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 January 1, 2018 through June 30, 2018, which indicates \$12,475,000 of transferable tax credits earned during this period.

Upon certification of the compliance report for the period covering January 1, 2018 through June 30, 2018, we will issue an irrevocable declaration to GOED for \$6,147,957 pursuant to NRS 360.945. This amount includes \$187,500 of transferable tax credit that was carried over from the compliance audit report issued for the period ended December 31, 2017. This amount is also reduced by \$6,514,543 pursuant to a working agreement between Tesla and GOED.

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 Certified Public Accountants on
Applying Agreed-Upon Procedures**

Tesla, Inc.

January 1, 2018 through June 30, 2018



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
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www.GrantThornton.com

We have performed the procedures enumerated below, which were agreed to by the management and board of directors of Tesla, Inc. (the “Company” or “Lead Participant”) and the State of Nevada (the “Regulator”) (collectively, the “Specified Parties”), related to the Company’s compliance with the State of Nevada SB1 Incentive Compliance agreement during the period of January 1, 2018 through June 30, 2018. The Company’s management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. 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 January 1, 2018 through June 30, 2018, 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 June 30, 2018, 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)

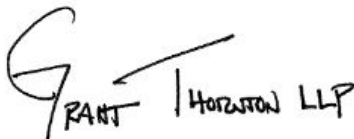
- We obtained a schedule listing all construction employees of the Project Site for the period of January 1, 2018 through June 30, 2018.
- We selected a sample of 25% of the construction employee additions during the period listed as Nevada residents per the summary sheet. For each selected construction 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 January 1, 2018 through June 30, 2018, 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 met the definition of a capital investment 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 an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. 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
October 19, 2018

Exhibit A

Combined Summary and Transferable Tax Credit

Qualified Project Name:	Gigafactory Project
Lead Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	January 1, 2018 - June 30, 2018
Project to Date Period:	October 17, 2014 - June 30, 2018

	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	998	4,247
Number of NQEs who are Nevada Residents	773	3,841
Residency as a Percent		90%
Average Wage of Qualified Employees		\$ 30.58
Nevada residency requirements verified:		Yes
Qualified Employees requirements verified:		Yes
Total Capital Investment	\$ 720,767,238	\$ 4,453,429,471
Number of Qualified Employees (NQE)	998	4,247
Dollar Credit per NQE	\$ 12,500	\$ 12,500
Qualified Employee Tax Credit	\$ 12,475,000	\$ 53,087,500
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%	\$ -	\$ 2,500,000,000
Percent Credit (2.8% up to \$2.5 Billion)	2.8%	2.8%
Capital Investment Tax Credit at 2.8%	\$ -	\$ 70,000,000
Total Transferable Tax Credit	\$ 12,475,000	\$ 173,087,500
Additional Capital Investment	\$ 720,767,238	\$ 953,429,471
Percent Credit (0%)	0%	0%
	\$ -	\$ 6,514,543 *

**Amount represents excess capital investment tax credit claimed for the project to date period ended December 31, 2017. Tesla, Inc. and GOED have formed a working agreement for the State of Nevada to recoup the over allocation of capital investment related transferable tax credits.*

Exhibit B

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period: January 1, 2018 - June 30, 2018
Project to Date Period: October 17, 2014 - June 30, 2018

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	760	2,715
Number of NQEs who are Nevada Residents	542	2,356
Residency as a Percent		87%
Average Wage of Qualified Employees		\$ 32.49

Exhibit C

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Panasonic Energy Corporation of North America
Reporting Period: January 1, 2018 - June 30, 2018
Project to Date Period: October 17, 2014 - June 30, 2018

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	217	1,418
Number of NQEs who are Nevada Residents	214	1,396
Residency as a Percent		98%
Average Wage of Qualified Employees		\$ 26.34

Exhibit D

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: H&T Nevada, LLC
Reporting Period: January 1, 2018 - June 30, 2018
Project to Date Period: October 17, 2014 - June 30, 2018

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	21	114
Number of NQEs who are Nevada Residents	17	89
Residency as a Percent		78%
Average Wage of Qualified Employees		\$ 31.74

Exhibit E

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	January 1, 2018 - June 30, 2018
Project to Date Period:	October 17, 2014 - June 30, 2018

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ 41,989,595
Building/Structure	\$ (47,700,830)	\$ 305,326,606
Building/Structure - CIP	\$ 172,941,640	\$ 1,405,164,035
Subtotal	\$ 125,240,810	\$ 1,752,480,236
Personal Property		
3- year life	\$ 5,801,274	\$ 6,870,913
5- year life	\$ 24,703	\$ 39,087
7- year life	\$ -	\$ -
10- year life	\$ -	\$ -
15- year life	\$ 13,399,227	\$ 68,913,361
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 258,112,748	\$ 895,223,499
Other Property	\$ 61,820	\$ 413,191
Expensed Property	\$ 517,953	\$ 30,252,763
Subtotal	\$ 277,917,725	\$ 1,001,712,814
Total Capital Investment	\$ 403,158,535	\$ 2,754,193,050

Exhibit F

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Panasonic Energy Corporation of North America
Reporting Period:	January 1, 2018 - June 30, 2018
Project to Date Period:	October 17, 2014 - June 30, 2018

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 1,624,132	\$ 9,893,544
5- year life	\$ -	\$ -
7- year life	\$ 782,241,628	\$ 1,005,975,341
10- year life	\$ -	\$ -
15- year life	\$ 274,851,555	\$ 333,270,995
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ (764,051,565)	\$ 239,081,103
Other Property	\$ -	\$ -
Expensed Property	\$ 2,124,344	\$ 3,534,133
Subtotal	\$ 296,790,094	\$ 1,591,755,116
Total Capital Investment	\$ 296,790,094	\$ 1,591,755,116

Exhibit G

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	H&T Nevada, LLC
Reporting Period:	January 1, 2018 - June 30, 2018
Project to Date Period:	October 17, 2014 - June 30, 2018

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 2,080	\$ 124,414
5- year life	\$ 397,442	\$ 592,595
7- year life	\$ -	\$ -
10- year life	\$ 31,176,417	\$ 51,917,276
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ (10,757,330)	\$ 45,970,546
Other Property	\$ -	\$ -
Expensed Property	\$ -	\$ -
Subtotal	\$ 20,818,609	\$ 98,604,831
Total Capital Investment	\$ 20,818,609	\$ 98,604,831

Exhibit H

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Valeo North America, Inc.
Reporting Period:	January 1, 2018 - June 30, 2018
Project to Date Period:	October 17, 2014 - June 30, 2018

	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: January 1, 2018 - June 30, 2018
Project to Date Period: October 17, 2014 - June 30, 2018

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of Construction Employees (CE)	1,369	15,112
Number of CEs who are Nevada Residents	827	8,265
Residency as a Percent		55%
Nevada residency requirements verified:		Yes