

**STATE OF NEVADA  
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT  
BOARD MEETING  
November 20, 2014**

**The meeting of the Board of Economic Development was called to order by Governor Brian Sandoval at 1:02 p.m. in the Grant Sawyer Building, Governor's Board Room, 555 E. Washington Ave, Room 5100, Las Vegas, Nevada, 89101, and the Nevada State Capitol Building, The Guinn Room, 101 S. Carson Street, Carson City, Nevada, 89701 via video conference.**

**1. ROLL CALL/CALL TO ORDER**

**VOTING BOARD MEMBERS PRESENT**

Governor Brian Sandoval, State of Nevada  
Lt. Governor Brian Krolicki, State of Nevada  
Dr. Weldon Havins, Director, Medical Jurisprudence and Ophthalmology, Touro University Nevada  
Mr. Sam Routson, Chief Administrative Officer, Winnemucca Farms  
Mr. Benny Yerushalmi, Owner, The Jewelers of Nevada  
Ms. Kathleen Drakulich, Attorney, McDonald Carano Wilson  
Mr. Rob Roy, CEO/Founder, Switch

**VOTING BOARD MEMBERS ABSENT AND EXCUSED**

Secretary of State Ross Miller, State of Nevada

**NONVOTING BOARD MEMBERS PRESENT**

Mr. Daniel Klaich, Chancellor, Nevada System of Higher Education (NSHE)  
Mr. Don Soderberg, Department of Employment, Training and Rehabilitation (DETR)

**STAFF MEMBERS PRESENT**

Mr. Steve Hill, Executive Director, Governor's Office of Economic Development (GOED)  
Mr. Brad Mamer, Director of Business Development, GOED  
Ms. Lauren Hawkins, Administrative Assistant, GOED  
Ms. Shante Willis, Administrative Assistant, GOED  
Ms. Jennifer Cooper, Communications Director, GOED  
Ms. Maria Guideng, Business Development Analyst, GOED  
Mr. Bob Potts, Research Director, GOED  
Mr. Rich Lyles, Procurement Specialist, GOED  
Mr. Grant Sims, Northern Regional Director, GOED  
Ms. Vera Adams, Executive Assistant, GOED  
Mr. Tyler Langdon, representing Secretary of State Ross Miller, State of Nevada  
Mr. Blake Doerr, Office of the Attorney General

Ms. Lezlie Helget, Department of Taxation  
Ms. Jill Calkins, Department of Taxation  
Ms. Melanie Brooks, Department of Taxation  
Mr. Larry Walsh, Department of Taxation  
Mr. Robert Dally, Governor's Office of Energy  
Ms. Suzanne Linfante, Governor's Office of Energy

## **GUESTS PRESENT**

Mr. Chris Zunis, LVGEA	Mr. Joel Grace, EDawn
Mr. Richard Velotta, LVRJ	Mr. Stan Thomas, EDawn
Mr. Brad Woodring, NV Energy	Mr. Robert Boyle, Break Bridge Capital
Ms. Gina Gavan, City of NLV	Mr. Steven T. Polikalas, Watson Rounds
Mr. Kevin Gullette, Clark County	Mr. Stephen Fenney, Solid Landings
Mr. Adam Kramer, Switch	Mr. Kevin Gallagher, Solid Landings
Ms. Stacy Mueller, NVIE	Mr. Mark Shandrow, Solid Landings
Mr. Don Ritzman, Ghost Systems	Mr. Bob Corsi, APAC
Mr. Greg Fish, Ghost Systems	Ms. Margie Morse, APAC
Mr. Antonio A. Rucci, Ghost Systems	Mr. Pierre Chraghcian, Erickson International
Mr. Don Clark, Ghost Systems	Mr. Michael Martin, Erickson International
Ms. Stefanie Fenton, Grand Rounds	Mr. Johnnie Stoker, K2 Energy
Ms. Jeanne Benedetti, Fulcrum	Mr. Randon Hansen, K2 Energy
Mr. Dennis Cullen, Fisher & Phillips	Mr. Stewart Graham, K2 Energy
Mr. Joe Reel, NV LCB	Ms. Lysle Oliveros, K2 Energy
	Mr. Russell Rowe, Griffin Rowe
	Mr. Nelson Wong, Tesla Motors
	Mr. Daniel Witt, Tesla Motors
	Mr. David Snyder, Brookings Institution

## **2. PUBLIC COMMENT**

Governor Sandoval opened public comment. There was no public comment.

## **3. GOVERNOR SANDOVAL'S COMMENTS**

Governor Sandoval welcomed the Board and guests in attendance to the meeting and wished everyone a happy Thanksgiving.

## **4. APPROVAL OF THE OCTOBER 10, 2014 BOARD MEETING MINUTES**

**A MOTION WAS MADE BY LIEUTENANT GOVERNOR KROLICKI TO APPROVE THE OCTOBER 10, 2014 MEETING MINUTES; THIS MOTION**

**WAS SECONDED BY MR. BENNY YERUSHALMI. THE MOTION PASSED UNANIMOUSLY.**

**5. ABATEMENT AND INCENTIVE APPLICATION FOR BOARD APPROVAL:**

**A. TESLA MOTORS**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**
- **REAL PROPERTY TAX ABATEMENT**
- **TRANSFERABLE TAX CREDIT**

Director Hill greeted the Board and attendees and welcomed the members present from Tesla. Director Hill provided an overview of the Tesla project, explaining the building will be 5.8 million square feet with multiple stories in certain areas, making it the largest footprint for a building in the world. Tesla is projected to invest \$5 billion in the initial construction of the facility, which will include \$1 billion in construction costs and \$4 billion in equipment costs. The project will employ approximately 6,500 operational staff at the Gigafactory site, with average wages in excess of \$25 per hour plus benefits. Director Hill explained the project is structured to include a lead participant, with other participants authorized by the lead participant. As part of this application, Tesla is designated as the lead and will be the single point of contact for the State of Nevada. Director Hill noted Panasonic Corporation has already been designated as a participant, and will make a significant investment. The other participants have not yet been selected nor named.

As part of GOED's review, Director Hill noted three different economic development models were commissioned to predict the economic and tax revenue impacts for the Gigafactory project over the proposed 20 year term of the agreement. Applied Economics, an Arizona economic consulting firm frequently used by GOED and other state jurisdictions, was hired to develop the IMPLAN economic model. The IMPLAN model summarized both regional and national results. At GOED's request, the University of Nevada Reno separately created a REMI economic model, and GOED commissioned the EMSI company in Idaho to produce a third model using its own proprietary methodology. Director Hill explained the REMI and EMSI conclusions supported the IMPLAN national results, and therefore GOED determined these predictions could be viewed as reliable. The IMPLAN national results predicted a \$100 billion economic impact over a 20 year period. This assumed the Gigafactory would reach initial maturity in four or five years, or sometime in late 2018 to early 2019. Director Hill noted this economic impact would add over 3% to the State's Gross Domestic Product, and more than 20% to northern Nevada's regional GDP. Director Hill mentioned the Gigafactory has already had a significant impact on the local economy, noting a recent report showed the comparative value of homes in northern Nevada are up 21%.

Director Hill described the components of the proposed agreement with Tesla including, a 100% abatement of Real and Personal Property Tax (RPT and PPT, respectively) until June 30, 2014, or 10 years, a 100% abatement of the Modified Business Tax (MBT) for

the same period of time, and a 100% abatement of Sales and Use Tax (SUT) until June 30, 2034, or a 20-year period. Director Hill noted there are 39 states that do not charge sales tax on manufacturing equipment and Nevada is one of the 11 states that does. In order to compete with the other state finalists, all of these incentives were recommended by GOED as important and necessary. Director Hill emphasized the SUT abatement, which is approximately \$725 million of the \$1.1 billion in tax abatements, simply put Nevada on a level playing field with other state finalists, including most notably Arizona and Texas.

Director Hill explained the request before the Board is to abate the SUT for up to 20 years down to 2.75%. The remaining 2.75% will be abated by Storey County, in an agreement between the county and the Department of Taxation. That additional 2.75% will therefore not be a topic on which the Board is asked to act. In addition to the SUT, RPT, PPT and MBT abatements, there is a transferable tax credit component approved by the Legislature during the recent Special Session of 2014. The application before the Board provides authority for a transferable tax credit of \$12,500 per job for up to 6,000 jobs, or a total of \$75 million. There is a second transferable tax credit of 5% of the first billion dollars that is invested, and 2.8% of the next \$2.5 billion, for a total transferable tax credit of \$120 million. The combined total for these transferable tax credits is \$195 million. While the transferable tax credits are gained through the investment and workforce creation of all participants, these incentives will be distributed to Tesla in its capacity as the lead participant.

Director Hill pointed out the legislation passed during the most recent special session could be used by other companies that agree to invest a minimum of \$3.5 billion at a designated project site. Each county has the ability to designate such sites, and such a site will be designated in Storey County for the Gigafactory project. The \$3.5 billion commitment will be part of the performance standards required of Tesla and the other participants.

Director Hill noted Tesla has also agreed to hire a minimum of 50% Nevadans during both the construction process and the manufacturing process. This guarantees thousands of Nevadans will be employed as a result of this project. The abatements and transferable tax credits are also performance based, and Tesla will hire an auditor to audit results and report to the State at the end of each fiscal year.

Director Hill introduced Mr. Daniel Witt from Tesla Motors, and recognized Mr. Diarmuid O'Connell and Mr. Kevin Kassekert from Tesla Motors who were not in attendance. Mr. Hill thanked them for all the work they did to make this a reality in Nevada. Director Hill also thanked a number of people across the state that were involved in this project, and specifically thanked Mr. Brad Mamer, Mr. Bob Potts, Ms. Jennifer Cooper, and Ms. Bonnie Lind, all from GOED, for spending a good portion of the last year on this project.

Governor Sandoval asked Director Hill to go into more detail regarding the economic studies, where the \$100 billion figure came from, and for Director Hill to explain more about the number of construction jobs resulting from this project. Governor Sandoval also recalled from the legislation that Tesla had committed and will provide a \$37.5 million to K-12 education in Nevada.

Director Hill reported Tesla has agreed to a \$7.5 million contribution to K-12 education each year for 5 years beginning in August 2018. That time frame aligns with when the manufacturing process will have reached maturity, which is when the students from those workers will be enrolled in school districts near the factory. Director Hill explained the \$7.5 million is an approximate equivalent to the K-12 component of the real and personal property taxes. Tesla is committed to education in Nevada, and strongly supported this contribution. In addition, Tesla has committed to grant \$1 million to fund battery research at the University of Nevada Las Vegas.

Director Hill went on to explain the \$100 billion of economic impact breaks down to approximately \$5 billion each year. This total includes both the direct and indirect impacts that result from the project. There is approximately \$40 billion of direct impact, including the investment that will be made in the project. The direct impact is largely related to the jobs and the pay employees receive. The indirect impact includes both indirect and induced impacts; the indirect impact is related to the supply chain at the site, and the induced impact includes the ripple effect into the community. Those indirect impacts are approximately \$60 billion.

Director Hill briefly explained the IMPLAN model which is largely driven by wages paid, and the ripple effect that those wages will have in the community. The other two models are based more on the investment made. Director Hill added there has been some discussion regarding the accuracy of these projections, which is concentrated on the multiplier effect the Gigafactory is assume to have on the economy. The multiplier effect is largely based on how large the supply chain will grow to at the plant and in the region. The larger the supply chain in the regional, the larger the multiplier in the economic model. This is contrasted by a supply chain dispersed outside the state and around the country and international locations. Director Hill noted GOED studied not only what it thinks will happen, but what has historically occurred at other projects of this size around the United States.

Director Hill described construction has already started at the site and activity is moving quickly. Construction jobs are estimated to peak at around 3,000 workers and those jobs will pay, on average, over \$50,000 a year.

Governor Sandoval thanked Director Hill and again noted the estimate was a conservative number. Governor Sandoval asked Director Hill to discuss the personal property tax abatement.

Director Hill commented the \$1.1 billion in tax abatements frequently discussed assumes Tesla and other participants will ultimately invest \$10 billion at the site, not just \$5 billion. If the Gigafactory investment only reaches the lower estimate, the total tax abatement would be \$675 million. Director Hill again added \$725 million of the \$1.1 billion tax abatement is sales tax. Sales tax would not have been charged in Texas or Arizona, and therefore the abatements these competing states would offer would certainly be much less. Director Hill commented while the \$1.1 billion number, or even the \$675 million, is a very significant number, but it is important to note Nevada's standard abatements would have provided approximately 70% of that number. While the additional \$300 million was critically important to be able to secure this project for

Nevada, Director Hill concluded by saying the abatement is large because the size of the investment is so large.

Governor Sandoval asked Director Hill to explain what Tesla has to do in order to be eligible for these incentives. Director Hill explained all of the incentives are performance based and there are claw back provisions if those performance thresholds are not met. The first threshold is the commitment to invest at least \$3.5 billion dollars over the first 10 years of the project, which is an absolute. In addition, the commitment to hire 50% Nevadans during both the construction and manufacturing phases is also a requirement. It must be met and maintained in order to both earn and keep the abatements and incentives for the project. Each full time manufacturing position must be in place for three months, be regularly scheduled for a minimum of 30 hours per week, and be paid an average hourly wage of \$22. The jobs will be counted on an annual basis, and the growth in those jobs will be used to calculate the amount of the transferable tax credit. Transferable tax credits can be granted each fiscal year starting July 2015, but there is a \$45 cap in any given fiscal year, so the tax credits cannot be earned at a rate faster than \$45 million per year.

Mr. Witt, Senior Manager for Business Development and Policy greeted the Board and presented a company overview for Tesla Motors. Mr. Witt highlighted what Tesla's CEO, Mr. Elon Musk, said previously about selecting Nevada for the Tesla Gigafactory. Tesla came to Nevada because it is a state that knows how to get things done. The project before the Board represents the biggest expansion in Tesla's history, and it is an unparalleled ambition to construct the largest building by mass in the world in record time in order to double the world's capacity of lithium-ion cells by 2020. Mr. Witt stated while undoubtedly a substantial investment, the abatements and investments are absolutely necessary in order to hasten the timeline for the ramping up to construction, production, and hiring of the employees. Mr. Witt discussed Tesla's commitment to education and to STEM programs in Nevada in order to ready the workforce needed to staff the Gigafactory. Mr. Witt stated he is extremely grateful for the welcome Tesla has received thus far, and is eager to continue getting underway with the project.

Governor Sandoval thanked Mr. Witt and Tesla for their commitment to strengthen Nevada's workforce through education. Governor Sandoval asked when Tesla expects the first employees to commence work at the Gigafactory. Mr. Witt stated the timeline is on schedule and Tesla expects to have the first phase of the building completed by the middle of 2015. After construction is completed, installation of the very advanced equipment will begin, and Mr. Witt noted much of this equipment is already being procured from around the globe. Tesla anticipates starting initial production in the middle of 2016, and will not begin hiring the substantial part of its operational workforce until that time.

Governor Sandoval asked if there is any potential for acquiring the raw materials for the batteries within Nevada. Mr. Witt replied Tesla is absolutely looking at Nevada for raw materials, and the company is committed to finding sources for all of their raw materials as close as possible.

Governor Sandoval asked when they expect to be at full employment and fully operational. Mr. Witt stated they anticipate hitting that 6,000 number by 2022, but that is based on market conditions and how many vehicles need to be produced.

Ms. Kathleen Drakulich asked if Tesla was anticipating a legislative process like the one they underwent in Nevada, and if the legislative process would have been needed in the other states they considered. Mr. Witt replied they did anticipate a legislative process for Nevada specifically, but not necessarily in other states. Mr. Witt added most other states had an incentive process that was already available.

Lieutenant Governor Brian Krolicki stated there is no question this is one of those extraordinary opportunities that do not happen very often, almost generational, and Nevada is grateful for this opportunity. Lieutenant Governor Krolicki asked Mr. Witt to describe the market for electric cars. Mr. Witt stated in terms of product line, Tesla currently only sells one vehicle, the Model S, and they just released a new version of this vehicle with all-wheel drive. Mr. Witt stated they are trying to hit new markets all the time and the next market they will enter will be SUVs. Tesla's mission has never been to create a niche product, but to inspire the mass production of electric vehicles. In 2018, Tesla plans to release the Model 3 as a mass market offering with an initial price at \$35,000 per car before any credits or rebates.

Lieutenant Governor Krolicki asked how much of the production line Tesla envisions being exported. Mr. Witt stated he must be vague as they are a private company, but they recently were introduced into the European and China markets and each market has so far been successful.

Governor Sandoval asked about the infrastructure issue associated with charging stations. Mr. Witt replied Tesla has tried to enable even longer travel by virtue of their supercharging stations. Mr. Witt describe these units are a private investment and allows a driver to get 150 miles of range in about 20 minutes. Tesla believes that residences will be the primary location for charging for customers, as 80 to 90% of the charging done now is in the home, but the supercharger stations raise some challenges since the installation involves sometimes complicated electrical issues. Mr. Witt stated Tesla is committed to participate in discussions on how to find solutions for this problem.

Chancellor Dan Klaich stated a group of representatives was put together at the Nevada System of Higher Education and visited the Fremont plant. Those representatives toured the facilities and discussed how the community college system can be ramped up to meet Tesla's requirements. Chancellor Klaich added this team has been communicating with Tesla and developing a plan on how NSHE can provide the necessary workforce at the time it is going to be required.

Governor Sandoval thanked Chancellor Klaich for his statement and noted the community college system is nimble and can prepare curriculums for the various companies, and the university system that can produce the graduates to populate these very important positions. Governor Sandoval stated Nevada is ready for Tesla, ready for other companies on today's agenda, and hopes others will see what Nevada has done, what Nevada can do, and what Nevada will do.

Director Hill thanked Mr. Witt and everybody at Tesla for such an enjoyable, professional process, and for making the right choice. Nevada is happy that Tesla is here.

Governor Sandoval stated this is a great opportunity for Nevada; it's a great opportunity for our higher education system and our K-12 system. This is going to put people back to work with meaningful, great jobs, and it is going to change the economy of Nevada. This project is going to put Nevada on the ground floor of a new technology that could be a generational change in transportation and energy storage on the planet. Governor Sandoval believes the discussion has demonstrated that this deal was fair to Nevada, and it is a perfect marriage of a great company with a great state. Governor Sandoval thanked everyone who had played a role in this project and complimented Director Hill and the staff at GOED for all of their hard work.

Governor Sandoval asked Director Hill if the abatement application is the final step of completing this process. Director Hill stated this is the final public step and then GOED will enter into a contract with Tesla that will document what has been determined both through the legislative process and this Board meeting.

**A MOTION WAS MADE BY MS. DRAKULICH TO APPROVE THIS APPLICATION FOR ABATEMENTS AND TRANSFERABLE TAX CREDITS FOR TESLA MOTORS. THE MOTION READ:**

GOVERNOR, I move the Board approve this application by instructing the Executive Director of the Office of Economic Development to issue certificates of eligibility authorized by Senate Bill 1, which was approved in the 2014 special session of the Nevada legislature, to Tesla Motors, Incorporated, a Nevada foreign corporation, acting as the Lead Participant of the Qualified Project commonly known as the Gigafactory as follows:

1. A partial abatement of the "local sales and use taxes" imposed pursuant to chapters 374 and 377 of NRS on the gross receipts of any retailer from the sale of tangible personal property sold at retail, or stored, used or otherwise consumed, in the county in which the Qualified Project is located. The term does not include the taxes imposed by NRS 372. This action would abate said local taxes from the prevailing county rate imposed pursuant to NRS chapters 374 and 377 to a local rate of 0.75%, or to an adjusted overall sales and use tax rate of 2.75% when considering the state sales and use taxes described in chapter 372, for a duration of not more than 20 years after the date on which the application is submitted;
2. A complete abatement of real and personal property taxes that would otherwise be owed by each Participant for the Qualified Project, including but not limited to the Lead participant ("Participant"), for a duration of not more than 10 years after the date on which the application is submitted;
3. A complete abatement of employer excise taxes, otherwise known as the Modified Business Tax, that would otherwise be owed by each Participant for employees employed by the Participant for the Qualified Project, for a duration of not more than 10 years after the date on which the application is submitted;
4. Transferable tax credits in an amount not to exceed a total of \$75,000,000, in the amount of \$12,500 for each qualified employee of a Participant, to a maximum of 6,000 Qualified Employees, employed at the Qualified Project by all Participants, collectively;

as further conditioned by the state fiscal year limitations established in Sec. 14 of Senate Bill No. 1, and

5. Transferable tax credits in an amount not to exceed a total of \$120,000,000, in an amount equal to (a) 5 percent of the first \$1 billion of new Capital Investment in this State made collectively by the Participants in the Qualified Project, and (b) 2.8 percent of the next \$2.5 billion of new Capital Investment in this State made collectively by the Participants in the Qualified Project; as also conditioned by the state fiscal year limitations established in Sec. 14 of Senate Bill No. 1.

The meaning of the capitalized terms in this Motion shall be those set forth in sections 2 through 10 of Senate Bill 1.

AND GOVERNOR, I further move the Board authorize the Executive Director of the Office of Economic Development approve without further Board review:

1. The addition of other Participants upon the petition of Tesla Motors, Incorporated acting as the Lead Participant of the Qualified Project known as the Gigafactory;
2. Administer those other terms and conditions contained in the special legislation known as Senate Bill No. 1;
3. Negotiate and execute a contract by and between the state of Nevada, acting by and through the Office of Economic Development, and the Lead Participant, that carries out the statutory requirements contained in Senate Bill No. 1 and other provisions of NRS, and,
4. Administer the Economic Development Rate Rider program contained in the special legislation known as Assembly Bill No. 1.

AND GOVERNOR, I finally move the Board issue an order to the Executive Director of the Office of Economic Development to issue an annual report to this Board on all of these economic incentives for the duration of these approvals.

**THIS MOTION WAS SECONDED BY MR. SAM ROUTSON. THE MOTION PASSED UNANIMOUSLY BY ALL MEMBERS PRESENT.**

**6. ABATEMENT APPLICATIONS FOR BOARD APPROVAL:**

**A. ERICKSON INTERNATIONAL, LLC**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**

Mr. Chris Zunis with LVGEA presented Erickson International, LLC's abatement application to the Board. Erickson International, LLC is a window film manufacturing operation that will create 28 additional full time jobs at an average hourly wage of \$20.07. Erickson will invest \$13.4 million in capital equipment within 2 years.

Mr. Zunis introduced Mr. Mike Martin, President of Erickson International, LLC. Mr. Martin provided an overview of Erickson International, LLC and noted they use an innovative approach to make window film that is very low waste with high efficiency and can produce a roll from raw material in about 80 seconds.

Governor Sandoval asked Mr. Martin if they intend to hire the additional employees locally. Mr. Martin said the company plans to bring one or two people from California, but the rest will be hired locally.

Governor Sandoval asked if the incentives played a large role in Erickson International choosing Nevada for their expansion. Mr. Martin commented the cost of acquiring equipment is important to the company and with the investment from the state; they are able to double their investment in the industry. Without the state incentives, they would be unable to expand.

Ms. Drakulich inquired about their anti-graffiti film. Mr. Martin replied it is a clear film they use the on glass, like the walkways over the strip, and even on granite bar tops. Any graffiti can be removed by peeling the film off and replacing it with new film.

Mr. Routson stated the technology this company has is amazing and appreciates the company recycles material.

Governor Sandoval inquired about the company's medical benefits. Mr. Martin stated they offer PPO or HMO options for their workers, and the company pays the bulk of this benefit by covering about 60% of the total cost.

**A MOTION WAS MADE BY MR. YERUSHALMI TO APPROVE THIS APPLICATION FOR ABATEMENTS FOR ERICKSON INTERNATIONAL, LLC; THIS MOTION WAS SECONDED BY DR. WELDON HAVINS. THE MOTION PASSED UNANIMOUSLY BY ALL MEMBERS PRESENT.**

**B. FULCRUM SIERRA BIOFUELS, LLC**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**
- **REAL PROPERTY TAX ABATEMENT**
- **TEN GRANT**

Mr. Stan Thomas with EDAWN presented Fulcrum Sierra Biofuels LLC's abatement applications for tax incentives. Fulcrum Sierra Biofuels manufactures high level jet fuel from municipal waste. Fulcrum will be creating 26 full time jobs at an average hourly wage of \$20.56, with a capital investment of almost \$17 million. Fulcrum covers 100% of their employees' health insurance cost which equates to a little over \$15,000 per employee.

Mr. Thomas introduced Ms. Jeanne Benedetti, Vice President of Fulcrum Sierra Biofuels. Ms. Benedetti provided an overview of Fulcrum Sierra Biofuels, LLC, which is a wholly-owned subsidiary of Fulcrum BioEnergy, Inc. This facility will convert municipal solid waste into renewable transportation fuels. Their main focus will be on jet fuel, which is being used by both commercial aviation and the Defense Department. Ms. Benedetti added their bio refinery will be coming back in front of the Board in the next 6 months

with an expansion application. This application will have another \$180 million investment and between 60 to 70 additional jobs.

Governor Sandoval asked if Fulcrum intends to hire their employees locally. Ms. Benedetti responded they always like to focus on hiring locally and the company just hired their first employee out of UNR. Ms. Benedetti added they are working with Silver State Works to hire other staff out of the Reno market.

Governor Sandoval asked what the time period will be between completion of the feedstock facility, currently in front of the Board for incentives, and the future bio refinery. Ms. Benedetti replied they aim to have the bio refinery completed by the latter part of 2016.

Governor Sandoval asked how much the incentives influenced their decision to locate in Nevada. Ms. Benedetti stated lenders and the Defense Department view state and local support and incentives as important parts of this investment.

Governor Sandoval asked after the completion of both facilities if the company will have invested \$200 million. Ms. Benedetti confirmed this statement. Governor Sandoval asked if their location provides adequate waste at the landfill to feed their operation. Ms. Benedetti confirmed this as well.

**A MOTION WAS MADE BY MR. ROY TO APPROVE THIS APPLICATION FOR TAX ABATEMENTS FOR FULCRUM SIERRA BIOFUELS, LLC; THIS MOTION WAS SECONDED BY LIEUTENANT GOVERNOR KROLICKI. MS. DRAKULICH ABSTAINED FROM THE VOTE AS SHE PROVIDES LEGAL SERVICE FOR FULCRUM. THE MOTION PASSED BY BOARD MEMBERS LIEUTENANT GOVERNOR KROLICKI, MR. ROY, MR. ROUTSON, DR. HAVINS AND MR. YERUSHALMI.**

#### **C. GHOST SYSTEMS, LLC**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**

Mr. Joel Grace with EDAWN presented Ghost Systems LLC's abatement application. Ghost Systems develops proprietary software and hardware products and services which provide an ecosystem for complete data protection. Ghost Systems will be setting up and operating SafePlace centers worldwide with Northern Nevada being their global headquarters. Ghost Systems covers 100% of the cost of employee health insurance, and plans to hire 30 full time employees at an average hourly wage of \$46.13. Ghost Systems plans to invest a total of \$12 million in equipment for phase one.

Mr. Grace introduced Mr. Don Ritzman, CFO from Ghost Systems, LLC. Mr. Ritzman greeted the Board and provided a company overview. Mr. Ritzman explained the SafePlace ecosystem is a completely cyber secure solution that directly protects anything and everything connected to a network using what they call future-proof, perfectly secure

proprietary technologies. These technologies create an impenetrable electronic mesh similar to an electronic version of Kevlar to prevent cyber theft of digital information.

Governor Sandoval asked if Ghost Systems anticipates hiring their future workforce locally. Mr. Ritzman stated he believes they can hire directly from Nevada and are looking to create training programs and incentive programs of their own to allow for future training.

**A MOTION WAS MADE BY LIEUTENANT GOVERNOR KROLICKI TO APPROVE THIS APPLICATION FOR TAX ABATEMENTS FOR GHOST SYSTEMS, LLC; THIS MOTION WAS SECONDED BY MR. ROUTSON. THE MOTION PASSED UNANIMOUSLY BY ALL MEMBERS PRESENT.**

**D. K2 ENERGY SOLUTIONS, INC**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**

Mr. Zunis with LVGEA presented K2 Energy Solutions, Inc.'s abatement application. K2 Energy Solutions is a lithium battery manufacturer that began operations in Henderson, Nevada in 2006. This expansion will create 29 additional full time employees at an average hourly wage of \$20.56 including benefits. K2 Energy Solutions will be making a capital investment of over \$32 million in the first two years of operation.

Mr. Zunis introduced Mr. Johnnie Stoker, founder of K2 Energy Solutions. Mr. Stoker provided the company's history and stated they have had more than 60% growth every year for the past five years. The number one factor driving their growth is a contract with the Navy, as K2 Energy is the sole proprietor of the electromagnetic rail gun program. Mr. Stoker noted they need the kind of support the Board offers in order to gain support from other investors. Mr. Stoker added the Silver State Opportunity Fund has been very beneficial to K2 Energy. Mr. Stoker stated they turned down \$600,000 in incentives from Texas because they wanted to stay in Nevada and the incentives are critical to the growth of the company.

Governor Sandoval stated this is exactly the kind of story he likes to see with a Nevada-born company that has grown to be successful and has an international business. Governor Sandoval noted K2 Energy contemplated Texas, Arizona, Idaho and New Mexico for their expansion and asked if the abatements are their sole reason for expanding in Nevada. Mr. Stoker responded they are the deciding factor and if they are approved for incentives the company will expand in Nevada.

Governor Sandoval asked if they plan to hire locally. Mr. Stoker stated they plan to hire locally and are working with ITT Technical College to adjust their curriculum in order to train future employees.

Mr. Yerushalmi asked where Mr. Stoker sees the company going in terms of workforce size. Mr. Stoker replied the initial plan is for manufacturing engineers, quality engineers

and test engineers. Their big jump will be when they build their own cell factory which will add a lot of process engineers, production management and more administration staff adding 150 to 250 employees.

**A MOTION WAS MADE BY MR. ROY. TO APPROVE THIS APPLICATION FOR TAX ABATEMENTS FOR K2 ENERGY SOLUTIONS, INC; THIS MOTION WAS SECONDED BY MR. YERUSHALMI. THE MOTION PASSED UNANIMOUSLY BY ALL MEMBERS PRESENT.**

**E. SOLID LANDINGS BEHAVIORAL HEALTH**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**

Mr. Morgan Bunker with LVGEA presented Solid Landings Behavioral Health's abatement application for tax incentives. Solid Landings provides the specialized treatment of addiction, chemical dependency, substance abuse and mental illness, and is expanding their operations out of Southern California to the Las Vegas market. Solid Landings will employ 104 full time employees making an average hourly wage of \$25.22 plus benefits. They will also make a capital investment of \$3,363,000.

Mr. Bunker introduced Mr. Kevin Gallagher, CFO, Mr. Steve Fennelly, cofounder, president and CEO, and Mr. Mark Shandrow, cofounder and senior vice president. Mr. Fennelly provided an overview of his company and stated they are currently operating over 40 homes with approximately 300 beds throughout Orange County and LA County. Mr. Fennelly added they would like to partner with the university system to create internships for social workers, therapists, and nursing students.

Governor Sandoval asked how many beds each facility holds. Mr. Fennelly replied the smallest facility holds 6 while the largest holds 42. All of the properties are residential, and there are two phases of home placement. The first home is for detox and residential treatment where clients usually stay for 30 days. The second home is a step-down house used for transitional living.

Governor Sandoval asked how big their lab will be. Mr. Fennelly responded the lab equipment will cost \$3 million and the lab will employ 20 to 30 employees.

Dr. Havins if they provide 50% of the health insurance for employees. Mr. Fennelly responded they do cover 50%. Dr. Havins asked what type of mental healthcare providers would be included in the new hires. Mr. Fennelly stated they would employ a marriage and family therapist, licensed social workers, drug and alcohol counselors, nursing staff, RNs, LPNs, doctors, and support staff. They also employ 80 to 85 maintenance workers to keep up landscaping as well as drivers to transport clients to and from doctors' appointments.

Mr. Routson asked if Solid Landings takes TRICARE for military men and women. Mr. Fennelly stated TRICARE is working on this network affiliation, but the company is currently an out-of-network provider only.

Dr. Havins inquired as to how many of the 104 workers will be Nevadans. Mr. Fennelly replied he believe they will hire about 80% of the employees locally.

**A MOTION WAS MADE BY MR. ROUTSON TO APPROVE THIS APPLICATION FOR TAX ABATEMENTS AND FOR SOLID LANDINGS BEHAVIORAL HEALTH; THIS MOTION WAS SECONDED BY DR. HAVINS. THE MOTION PASSED UNANIMOUSLY BY ALL MEMBERS PRESENT.**

#### **F. SWITCH, LTD**

- **SALES TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**

Mr. Zunis with LVGEA presented Switch, LTD's abatement application for tax incentives to assist with their expansion in Clark County. Switch will create an additional 34 full time positions at an average hourly wage of \$24.63 plus benefits. Switch will also be making a total capital investment of \$365 million over the next two years.

Mr. Zunis introduced Mr. Adam Kramer, Vice President of Government Affairs. Mr. Kramer discussed the company's overview and noted that Switch is focused on giving back to the community. The InNEVation Center gives non-profits that are focused on moving Nevada's economy forward free office and event space, and the Center hosts 30 startups. Switch is working with the State Superintendent to supply high speed connectivity to rural schools, and donated the Cherry Creek Super Computer to UNLV to help move UNLV forward in Tier 1 research.

Governor Sandoval voiced his appreciation for the philanthropy of Mr. Roy and Switch. Governor Sandoval asked what their experience has been like with regard to getting local talent. Mr. Roy replied 85% of their employees are from Nevada and the 15% that are not from Nevada.

Governor Sandoval stated he is really proud of this state and Nevada produces great graduates who turn into great employees. It's one thing to have a great company that provides great service, but to also be backed by that amount of philanthropy is outstanding.

Mr. Yerushalmi thanked Mr. Roy and Switch as a member of the Board and as a citizen of Nevada for everything he and his company have done for the state. Mr. Yerushalmi added Switch is effectively the illustration of diversification for the state, and it has been from the beginning of this process the quintessential example of a Nevada homegrown company in a non-gaming industry.

Chancellor Klaich commented it has been a very good day for higher education and virtually every company before the Board has highlighted their connections between higher education and economic development. Chancellor Klaich stated the relationship with Switch will change UNLV in amazing ways. Chancellor Klaich thanked Switch for all of their collaborations and is looking forward to working with them more in the future.

Mr. Zunis added the economic impact from companies visiting Switch is enormous between hotels, food and beverage and transportation, and Switch is like a convention center in itself.

**A MOTION WAS MADE BY MR. YERUSHALMI TO APPROVE THIS APPLICATION FOR TAX ABATEMENTS AND FOR SWITCH, LTD; THIS MOTION WAS SECONDED BY DR. HAVINS. MR. ROY, LIEUTENANT GOVERNOR KROLICKI AND MS. DRAKULICH ABSTAINED FROM VOTING. THE MOTION PASSED BY BOARD MEMBERS GOVERNOR SANDOVAL, MR. YERUSHALMI, DR. HAVINS AND MR. ROUTSON.**

**7. ABATEMENT APPLICATIONS FOR DIRECTOR APPROVAL:**

**A. APAC CUSTOMER SERVICES, INC.**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**
- **TEN GRANT**

Mr. Bunker with LVGEA presented APAC Customer Services, Inc.'s application for abatements and for TEN Grant funding. APAC Customer Services specializes in global business process outsourcing support services. APAC already operates in the state with an employee base of 500. They are applying for a complete expansion abatement package as well as a \$40,000 Train Employees Now Grant to aid in its local expansion. APAC will make a capital investment of \$1,533,000 and will hire 48 new full time employees at an average hourly wage of \$20.37 plus benefits.

Mr. Bunker introduced, Mr. Bob Corsi, Senior Vice President of Operations, and Ms. Margie Morse, Vice President of Marketing and Communications. Ms. Morse provided the company overview for APAC and described the components in the full benefits package. Mr. Corsi described the 48 jobs on their application are only their management team, and there will be an additional 500 future jobs that are not part of this application. Mr. Corsi stated he expects 100% of the employees to be hired locally and the bulk of their management team will be promoted from their existing operation.

Governor Sandoval noted APAC looked at South Carolina, Missouri, Arizona and Texas for their expansion, and asked why Nevada was still considered their top choice. Mr. Corsi replied nowhere else would give them the opportunity to be close to their existing operation and workforce.

Governor Sandoval asked when they intend to have the 548 positions filled. Mr. Corsi stated he expects to this hiring to take place by the end of 2015. Governor Sandoval asked where APAC finds their employees. Mr. Corsi responded they typically look at community colleges, job fairs, and advertise in local media and on the internet. Mr. Corsi added they have a well-supported referral program for existing employees that qualifies them for a significant payment for referring a new employee who stays for a prescribed period of time. Governor Sandoval introduced Mr. Corsi to Mr. Soderberg, the head of the Department of Employment, Training and Rehabilitation, and who oversees Nevada JobConnect. Mr. Corsi said he is familiar with this program.

Mr. Yerushalmi asked Mr. Corsi to clarify if all of the 548 jobs would be hired locally. Mr. Corsi confirmed they will hire all positions locally. Mr. Yerushalmi asked what the pay range will be for the other 500 employees. Mr. Corsi stated the average wage would be \$11.17 per hour.

**DIRECTOR HILL APPROVED THIS APPLICATION FOR ABATEMENTS AND TEN GRANT FUNDING FOR APAC CUSTOMER SERVICES, INC.**

**B. GRAND ROUNDS, INC.**

- **SALES TAX ABATEMENT**
- **MODIFIED BUSINESS TAX ABATEMENT**
- **PERSONAL PROPERTY TAX ABATEMENT**
- **TEN GRANT**

Mr. Thomas with EDAWN presented Grand Rounds, Inc.'s application for tax incentives and TEN Grant funding. Grand Rounds is creating 80 jobs in the first year with an average hourly wage of \$30.00. Grand Rounds covers 80% of its health care cost for employees.

Mr. Thomas introduced Ms. Stefanie Fenton, Senior Vice President of Grand Rounds, Inc. Ms. Fenton greeted the Board and provided an overview of the company. Grand Rounds' patient services center will employ physicians, engineers, human resources, medical assistants, and customer service agents. The company has relationships with top medical specialists in all the subspecialties in the country, and they connect patients with those specialists. Ms. Fenton explained they chose Nevada due to its close proximity to its headquarters in San Francisco. Ms. Fenton also said Nevada's business-friendly regulatory climate, affordable housing, and educated labor pool, and the ability to get sufficient resources to support their expansion were key criteria in making this decision.

Governor Sandoval noted Grand Rounds is still in their decision phase and asked what will help make the decision. Ms. Fenton responded they are waiting for three things to come together including state incentives packages, a location that is compelling and can support what the company is proposing, and confirmation the labor market can support the company's projected growth.

Governor Sandoval asked when they will make the decision. Ms. Fenton stated the company plans on making a decision at their Board meeting on December 5, 2014.

Governor Sandoval asked how Grand Rounds will evaluate whether the workforce is available. Ms. Fenton stated she has been connected with Nevada JobConnect and met Chancellor Klaich, and he offered to connect the company with representatives from the medical school.

Lieutenant Governor Krolicki asked what other locations Grand Rounds had considered. Ms. Fenton responded the company is also evaluating the Phoenix area. Originally, Ms. Fenton said, Grand Rounds was considering five multi-state locations, but EDAWN's fast action moved Reno to the top of the list.

Governor Sandoval asked how long it would take for the facility to be operational. Ms. Fenton stated they need to have the first 10 employees active by the end of January 2015, another 30 individuals fully trained by the end of March 2015, and 60 of the 80 ready for full operations by the end of September 2015.

**DIRECTOR HILL APPROVED THIS APPLICATION FOR ABATEMENTS AND TEN GRANT FUNDING FOR GRAND ROUNDS, INC.**

**8. METRICS REPORTING**

Mr. Bob Potts reviewed the metrics report and began by stating third quarter performance was good and brought in 1,274 jobs. These additions brought the year to date total to 3,577 jobs. Notably, almost half of those jobs were in Business IT and 20% were in manufacturing. Of the 72 companies brought in during the first three quarters of 2014, 21, or 30%, have been manufacturers.

Mr. Potts stated the wages have increased slightly during the third quarter, but are just below the state average wage. Mr. Potts noted a primary goal for the office moving forward will be higher wage companies. Mr. Potts continued by saying assisted company capital investment has increased to \$192 million in the third quarter, which is \$93 million above second quarter performance.

Mr. Potts explained over the last four quarters, 91% of leads have converted into prospects, and 44% of these prospects have converted into wins. That turns out to be a 2.5 conversion ratio. Global recruiting is up to 238 inquiries which turned into 22 leads and to 16 prospects over the four quarter period, and a number of leads close to becoming wins.

Governor Sandoval stated what is important is not just quantity, but it is quality, and it is in sectors we have been focusing on in both ends of the state. Governor Sandoval voiced his excitement about diversifying the economy, bringing great jobs, and enhancing the university and K-12 system.

**9. DIRECTORS COMMENTS, INCLUDING PENDING BILL DRAFTS**

Director Hill began by discussing the process of drafting bills in partnership with the Legislative Counsel Bureau. Director Hill briefed the Board on the four provisions to review and asked for the Board to provide any guidance as he proceeds.

The first bill involves a confidentiality revision to Chapter 231. Mr. Hill described the current revision to Chapter 231 is based on the Chapter 360 confidentiality provisions authorized during the Special Session of 2014 and outlined in S.B. No 1. Mr. Hill noted the proposed revisions to Chapter 231 would apply well to the businesses that work with GOED, and therefore the Legislature and the Governor will therefore be asked to allow this level of confidentiality for future GOED projects.

The second bill relates to Chapter 360. Director Hill believes it would be good policy to ask companies to sign an affidavit that the abatements and incentives being provided make a significant difference in the decision making process they are going through. Director Hill is planning to ask this be added to the law.

The third bill also relates to Chapter 360 with the distinction and bifurcation of abatements based on whether or not the unemployment rate in the county in which the project is located is below or above 6%.

Also in the bill related to Chapter 360, Director Hill addressed is his belief it makes sense to have a minimum average wage below which abatements would not be made available to the company. Director Hill recommends it would be different depending on the unemployment rate. Director Hill noted GOED prepared a brief analysis of the number of companies and the number of jobs that would be affected by these policy revisions. Historically, there would not have been a significant number of projects affected, but it would have affected a relatively significant number of jobs. Affected companies would primarily be call centers, distribution centers and fulfillment centers, the majority of which in Nevada have historically had lower average wages. Director Hill noted as our unemployment situation drops below 6%, the proposed revisions to NRS 360 are meant to improve the state's average wage and a focus on high paying jobs.

Mr. Yerushalmi cautioned Director Hill to carefully consider the proposed NRS 360 affidavit. Mr. Yerushalmi noted there have been instances where applicants have come in having already hired the employees, leased the location, and spending the money before the abatements have necessarily been granted. Mr. Yerushalmi recommended thinking about a timeline for how everything is coordinated as it could arguably undercut an affidavit that says the abatements were material to the company's decision.

Lieutenant Governor Krolicki agreed with the proposed revisions related to wage, and believes it is time to review the current process.

**10. PUBLIC COMMENTS**

Lieutenant Governor Krolicki addressed the Board as a member of the public as this is his last meeting as a Board member. Lieutenant Governor Krolicki mentioned he had

returned from China the previous evening with a signed Memorandum of Understanding. He added Nevada has an agreement with the China Council for Promotion of International Trade (CCPIT), the national government, and the central government of China. The CCPIT is the largest and most important trade and investment body in China. The agreement says China will look to our state for strategic investment, and they will make special accommodations for Nevada entrepreneurs to invest in China.

Governor Sandoval thanked the Lieutenant Governor personally and on behalf of the people of the State of Nevada for his service to Nevada and thinks he has been one of the finest public servants that has ever served the state. What the Lieutenant Governor has done with regard to economic development is nothing short of remarkable, and the outreach to Asia and other parts of the world has been extremely beneficial to Nevada. Governor Sandoval stated the Lieutenant Governor will be greatly missed on the Board, and he appreciated the insights and thoughtfulness the Lieutenant Governor has added to the Board.

**11. ADJOURNMENT**

**A MOTION WAS MADE BY MR. YERUSHALMI TO ADJOURN THE BOARD MEETING; THIS MOTION WAS SECONDED BY MR. ROY. THE MOTION PASSED UNANIMOUSLY. THE MEETING ADJOURNED AT 4:45 P.M.**