ECONOMIC DEVELOPMENT
FINANCING PROPOSAL
Tahoe Reno Industrial Center Effluent Water Pipeline
Presentation Objectives

1. Provide an Overview of Storey County’s Economic Development Financing Proposal
2. Summarizes the Current Status of the Application and Preliminary Submittal Provided
3. Discuss Potential Timelines for Financing and Development of the Project (If Deemed Appropriate)
Provide an Overview of Storey County’s Economic Development Financing Proposal

Key Players

Private

Public

Applicant

For Consideration

Nevada Governor’s Office of ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT FINANCING PROPOSAL
Tahoe Reno Industrial Center Effluent Water Pipeline
Provide an Overview of Storey County’s Economic Development Financing Proposal

Project Overview

Effluent Water

Water Pipeline (Off-Site Improvements)

13 Miles

Water Processing (On-Site Improvements)

Economic Development

“The Project” Under Consideration

TRIGID

Jobs
Provide an Overview of Storey County’s Economic Development Financing Proposal

Project Overview

- Effluent Water
- Water Pipeline (Off-Site Improvements)
- Water Processing (On-Site Improvements)
- Economic Development

“The Project” Under Consideration

±$35 Million

TRIGID
±$30 Million
Provide an Overview of Storey County’s Economic Development Financing Proposal


“Sections 19-29 of this bill establish provisions pursuant to which a local government that receives notice from the Office that a qualified project will be located within the jurisdiction of the local government and that determines there is a need to finance infrastructure projects to support the development of the qualified project may submit to the Office an economic development financing proposal pursuant to which the infrastructure projects would be financed from the proceeds of bonds, securities or other indebtedness issued by the State of Nevada.”

Note: The reference Senate Bill 1 (SB1) is from the 2015 Special Session.
Preliminary Submission Filed

- Filed on June 30, 2017
- Summary document and all supporting exhibits are available at: www.AppliedAnalysis.com/EDFP
- Contains the best available information as of the date of the submission
- Pending items that will be completed before any financing moves forward
- Subject to review and approval of the Board of Commissioners of Storey County
Summarizes the Current Status of the Application and Preliminary Submittal Provided

TRIC Build-Out and Absorption

2017

Square Feet in Millions

Tesla | Switch | New Data Centers | New Distribution Warehouses | New Manufacturing | New Retail

Note: Projected build-out assumes an unconstrained environment (i.e., no infrastructure restrictions).
TRIC Build-Out and Absorption

Note: Projected build-out assumes an unconstrained environment (i.e., no infrastructure restrictions).
Summarizes the Current Status of the Application and Preliminary Submittal Provided

**TRIC Build-Out and Absorption**

2025

<table>
<thead>
<tr>
<th>Activity</th>
<th>Square Feet in Millions</th>
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</thead>
<tbody>
<tr>
<td>Tesla</td>
<td>10</td>
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<td>Switch</td>
<td>5</td>
</tr>
<tr>
<td>New Data Centers</td>
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<tr>
<td>New Distribution Warehouses</td>
<td>40</td>
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<tr>
<td>New Manufacturing</td>
<td>18</td>
</tr>
<tr>
<td>New Retail</td>
<td>1</td>
</tr>
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</table>

Note: Projected build-out assumes an unconstrained environment (i.e., no infrastructure restrictions).
Summarizes the Current Status of the Application and Preliminary Submittal Provided

TRIC Build-Out and Absorption

2030

Square Feet in Millions

- Tesla
- Switch
- New Data Centers
- New Distribution Warehouses
- New Manufacturing
- New Retail

Note: Projected build-out assumes an unconstrained environment (i.e., no infrastructure restrictions).
Summarizes the Current Status of the Application and Preliminary Submittal Provided

TRIC Build-Out and Absorption

Note: Projected build-out assumes an unconstrained environment (i.e., no infrastructure restrictions).
Summarizes the Current Status of the Application and Preliminary Submittal Provided

TRIC Build-Out and Absorption

Note: Projected build-out assumes an unconstrained environment (i.e., no infrastructure restrictions).
TRIC Build-Out and Absorption

Note: Projected build-out assumes an unconstrained environment (i.e., no infrastructure restrictions).
### Summary of Off-Site Project Costs

<table>
<thead>
<tr>
<th>Project Element</th>
<th>Est. Cost</th>
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<tr>
<td>Pipeline Construction Costs</td>
<td>$20,422,260</td>
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<tr>
<td>Pump Station Construction Costs</td>
<td>$1,334,150</td>
</tr>
<tr>
<td>Admin, Contingency, and Engineering Costs</td>
<td>$7,179,615</td>
</tr>
<tr>
<td><strong>Total Off-Site Project Costs</strong></td>
<td><strong>$28,936,025</strong></td>
</tr>
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</table>

Summarizes the Current Status of the Application and Preliminary Submittal Provided
Sources of Revenue for the Project

Real Property Taxes

Personal Property Taxes

Modified Business Tax (Payroll)

Sales and Use Tax (Equipment and Material Purchases)
Summarizes the Current Status of the Application and Preliminary Submittal Provided

Projected Public Revenues

Total Public Revenues, Net of Abatements

- Real Property Tax
- Personal Property Tax
- Modified Business Tax
- Sales & Use Tax

ECONOMIC DEVELOPMENT FINANCING PROPOSAL
Tahoe Reno Industrial Center Effluent Water Pipeline
Summarizes the Current Status of the Application and Preliminary Submittal Provided

Projected Public Revenues

Incremental Public Revenues, Net of Abatements

- Real Property Tax
- Personal Property Tax
- Modified Business Tax
- Sales & Use Tax

ECONOMIC DEVELOPMENT FINANCING PROPOSAL
Tahoe Reno Industrial Center Effluent Water Pipeline
Summarizes the Current Status of the Application and Preliminary Submittal Provided

## Bond Financing Summary

<table>
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<tr>
<th>Assumptions</th>
<th>Value</th>
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<tr>
<td>Par Amount</td>
<td>$28,555,000</td>
</tr>
<tr>
<td>Premium</td>
<td>$2,986,646</td>
</tr>
<tr>
<td>Interest Rate/Yield</td>
<td>4.03%</td>
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<tr>
<td>Term</td>
<td>25 Years</td>
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<tr>
<td>Amortizing Annual Debt Service Amount</td>
<td>$2,103,301</td>
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<tr>
<td>Interest-Only Period (Non-Amortizing)</td>
<td>First 2 Years</td>
</tr>
<tr>
<td>Required Coverage (Minimum Cash Flow Relative to Debt Service)</td>
<td>3.0x</td>
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<tr>
<td>Required Debt Service Reserves (Paid from Proceeds up Front)</td>
<td>1 Year</td>
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### Sources and Uses

**Sources**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>$28,555,000</td>
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<tr>
<td>Premium</td>
<td>2,986,646</td>
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<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$31,541,646</strong></td>
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</table>

**Uses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Project Fund</td>
<td>$28,950,000</td>
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<tr>
<td>Debt Service Reserve Fund</td>
<td>2,105,750</td>
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<tr>
<td>Cost of Issuance</td>
<td>300,000</td>
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<td>Underwriter's Discount</td>
<td>185,608</td>
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<td>Contingency</td>
<td>288</td>
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<td><strong>Total Uses</strong></td>
<td><strong>$31,541,646</strong></td>
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Summarizes the Current Status of the Application and Preliminary Submittal Provided
Summarizes the Current Status of the Application and Preliminary Submittal Provided

## Bond Repayment Schedule

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Initial Balance</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Payment</th>
<th>Ending Balance</th>
<th>TIA Revenue</th>
<th>Coverage Ratio</th>
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<td>$0</td>
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<td>$1,362,063</td>
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<td>$1,362,063</td>
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<td>Year 2021</td>
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<td>$740,000</td>
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<td>$1,315,000</td>
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<td>$1,339,863</td>
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<td>$1,287,350</td>
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<td>$1,139,750</td>
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<td>$1,139,750</td>
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<td>$1,091,500</td>
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<td>$1,060,000</td>
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<td>$2,105,250</td>
<td>$100,000</td>
<td>$78,337,933</td>
<td>37.21x</td>
</tr>
</tbody>
</table>
Summarizes the Current Status of the Application and Preliminary Submittal Provided

**Bond Coverage Ratio (3.0x Min.)**

Year | Coverage Ratio
--- | ---
2017-N/A | N/A
2018 | 3.0x
2019 | 3.7x
2020 | 3.2x
2021 | 8.1x
2022 | 9.4x
2023 | 10.2x
2024 | 18.1x
2025 | 19.0x
2026 | 19.8x
2027 | 20.5x
2028 | 21.4x
2029 | 22.2x
2030 | 23.0x
2031 | 27.0x
2032 | 32.5x
2033 | 33.6x
2034 | 36.5x
2035 | 37.3x
2036 | 34.0x
2037 | 34.3x
2038 | 35.0x
2039 | 35.8x
2040 | 36.5x
2041 | 36.5x
2042 | 37.2x

ECONOMIC DEVELOPMENT FINANCING PROPOSAL
Tahoe Reno Industrial Center Effluent Water Pipeline
Summarizes the Current Status of the Application and Preliminary Submittal Provided

Pending Agreements

- 6.02: Financing Agreement
- 6.03: Infrastructure Agreement
- 6.04: Reimbursement Agreement
- 6.05: Qualified Project Security Agreement
- 6.06: Development Agreement
- 6.07: State Release
- 6.08: Management and Operations Agreement
- 6.09: Interlocal Agreements
- 6.10: Development and Construction Insurance Plan
- 6.11: Prevailing Wage Applicability Opinion
Discuss Potential Timelines for Financing and Development of the Project (If Deemed Appropriate)

### Project Timeline (Tentative)

<table>
<thead>
<tr>
<th>TASKS</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<td></td>
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<td>03</td>
</tr>
<tr>
<td></td>
<td>06</td>
<td>07</td>
<td>08</td>
</tr>
<tr>
<td><strong>Off-Site Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Application</td>
<td></td>
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<tr>
<td>GOED Briefings</td>
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<tr>
<td>GOED Approval</td>
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<tr>
<td>Interlocal &amp; Other Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Marketing/Issuance</td>
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<tr>
<td>Infrastructure Development</td>
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<td></td>
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<tr>
<td><strong>On-Site Infrastructure</strong></td>
<td></td>
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<tr>
<td>Funding</td>
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<tr>
<td>Infrastructure Development</td>
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</tr>
<tr>
<td><strong>Overall Project Completion</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Timelines are tentative and subject to material review and revision.
June 29, 2017

Mr. Steve Hill
Executive Director
Nevada Governor’s Office of Economic Development
555 E. Washington Avenue; Suite 5400
Las Vegas, Nevada 89101

RE: Economic Development Financing Proposal | Tahoe Reno Industrial Center Effluent Water Pipeline

Dear Mr. Hill:

Storey County is pleased to submit this Economic Development Financing Proposal (“EDFP”) for the sourcing, construction and installation of an effluent water pipeline to ensure the long-run viability and build-out of the Tahoe Reno Industrial Center (“TRIC”) in Storey County. The pipeline contemplated in this submittal is expected to span approximately 13 miles from the Truckee Meadows Water Reclamation Facility to TRIC. The project cost for the full scope of the project is currently estimated at approximately $60 million. The financing proposal contained in this submittal reflects a funding request of approximately $35 million, which excludes the costs of on-site improvements at TRIC that are expected to be financed through other means.

Please consider this EDFP as an application for bond funding. However, should you require or request additional information, we will be happy to amend and/or supplement this submittal as may be necessary to fully evaluate and consider our request. This preliminary submittal contains the best available information as of the date of this letter and is pending review and approval by the Board of Commissioners of Storey County.

We would be happy to meet in person to walk you and your team through the various elements of the project, if helpful. That said, please do not hesitate to reach out with questions or any preliminary feedback following your review. I can be reached (775) 847-0968 or by email at pwhitten@storeycounty.org.

Sincerely,

Pat Whitten
County Manager

Enclosure
Special Note: This Economic Development Financing Proposal has been prepared in a manner consistent with preliminary guidance provided by Governor’s Office of Economic Development ("GOED"). Storey County, TRI General Improvement District, its partners and contractors would like to express thanks to GOED and other state and local government representatives, without whom, this proposal could not be have been completed.

Application requirements and project financing estimates have been completed to the best of our knowledge and ability as of the date of this submittal. This having been said, we are mindful that this proposal is part of a process, and we reserve the right to amend or modify this proposal should GOED determine that such revisions are necessary and appropriate to ensure that the state and all interested parties have the information necessary to consider, and potentially approve, this proposal.

This document includes forward-looking statements. While the underlying analyses rely on best available information at the time of submittal, the future remains uncertain and can be influenced by any number of local, regional, national and international factors. These limitations and others cited throughout this application should be carefully considered by all reviewers.
Section 1: Executive Summary

1.01: GOED Infrastructure Project & Process Overview

1.01(a): Project Overview

The Tahoe Reno Industrial Center (“TRIC” or “TRI Center”) is a significant business park located within Storey County in the northern portion of the state of Nevada. The park itself spans an estimated 87,000 acres, with approximately 21,000 acres of development property within its industrial complex. TRIC is conveniently located approximately nine miles east of the Reno-Sparks area along Interstate-80. TRI Center is accessible by both highway and rail, and the Reno-Tahoe International Airport is a relatively modest drive from the center. The project has been seeded with major investments by a number of firms ranging from some of the most technologically advanced companies in the world to large-scale manufacturing, distribution and online retailers.

TRIC is home to Tesla’s Gigafactory, which broke ground in June 2014, and the facility is expected to become the largest producers of lithium ion batteries in the world.¹ TRI Center is also home to Switch. Switch, a globally recognized leader in future-proof data center design, superscale cloud, unparalleled telecom gateways and energy sustainability, recently opened the largest, most advanced data center campus in the world within TRIC. The Switch campus, also known as The Citadel Campus, is designed for up to 7.2 million square feet of data center space and up to 650 megawatts (MW) of power. The 2,000-acre campus is located near the Tesla Gigafactory and is powered by 100-percent renewable energy.

The Switch data centers at TRIC are connected to the Switch SUPERLOOP, a 500-mile, multi-terabyte fiber optic network that provides active/active connectivity to San Francisco and Los Angeles as well as the company’s 2.5 million square feet of data center space located in Las Vegas. This enables clients to build resilient, always-on IT infrastructures to support continuous business operations. The route through Nevada, coupled with the complete SUPERLOOP pathway through the State of California, delivers the most direct and diverse path for data to reach its destinations.

¹ See https://www.tesla.com/gigafactory.
destination with the lowest latency connectivity, at 4 and 7 milliseconds respectively. The SUPERLOOP allows Switch’s more than 1,000 clients to deploy a low-risk, low network latency IT infrastructure for mission-critical workloads. In addition, SUPERLOOP connects Switch’s clients to more than 40 million people through fiber optic communication to California’s Bay Area and the Los Angeles metropolitan area in sub-10 milliseconds.

In addition to major anchor tenants such as Tesla and Switch, existing and future tenants within TRIC require a stable, predictable and sustainable operating environment. A key element of the required infrastructure includes non-potable water for operations. Tahoe-Reno Industrial Center, LLC (“TRI”), the master developer of TRI Center, has received numerous inquiries from companies needing high amounts of non-potable water for their industrial facilities (“Process Water”).

To meet the needs of users within TRI Center, the developers have implemented a multi-faceted approach to address overall water demand within the project. Note, TRIC is located ±13 miles downriver from the Truckee Meadows Water Reclamation Facility (“TMWRF”), which is owned by the City of Reno and the City of Sparks (“the Cities”) and provides centralized wastewater treatment for residents of Truckee Meadows. To meet National Pollutant Discharge Elimination System standards, TMWRF must achieve a complex balance between treatment plant processes, effluent reuse, water rights requirements, Truckee River water quality standards and numerous other interrelated, regional water management objectives. Given the strategic positioning of TRI Center relative to the TMWRF and the needs of TRIC’s tenants, the objective of this financing proposal is to develop a ±13-mile effluent water pipeline from TMWRF to TRI, as well as a number of storage and transmission components at TRI. The entire project will be known as the “Effluent Project”; the pipeline from TMWRF to TRIC as the “off-site Effluent Project”, and the on-site improvements as the “on-site Effluent Project”. Only the off-site Effluent Project will be considered for EDFP financing.

Increased availability of Process Water at TRI Center from the Effluent Project is expected to resolve short and long-term load and capacity issues for TMWRF, improve water quality in the Truckee River, and facilitate continued major future economic development benefitting all of northern Nevada, including the neighboring cities.

It is also worth noting that the TRI General Improvement District (“TRIGID”) is a general improvement district and political subdivision of the State of Nevada created by Storey County pursuant to Nevada Revised Statutes (NRS) Chapter 318 to provide water and sewer service to TRI Center customers, which currently include 67 industrial and commercial properties and 133 service connections. Like similar government entities providing community services, TRIGID does not make a profit, but it does currently cover its expenses with revenues generated from TRIGID customer usage fees. TRIGID does not, and will not as a result of the Effluent Project, discharge treated effluent water in the Truckee River, significantly enhancing TMWRF’s ability to meet total maximum daily loading (TMDL) discharge standards. TRI Center expects that the demand for Process Water will increase substantially as Tesla, Switch and other TRIGID customers complete construction and operate their respective facilities.

TRIGID currently holds water rights for use as Process Water (Truckee River water rights, groundwater rights and effluent from the TRIGID wastewater treatment plant). These sources are sufficient to supply Process Water until the Effluent Project is completed and operational. The addition of TMWRF effluent water to the TRIGID Process Water system will enable future economic development opportunities for northern Nevada by companies requiring Process Water.

The plan of finance for these improvements involves the issuance of debt, as permitted by Senate Bill 1 (“SB1”) of the 2015 Special Session of the Nevada Legislature, along with supplemental funding on the part of TRIC, Switch and/or Storey County. The request is to maximize the use of state bond financing, secured by revenues generated through the creation of a tax increment area encompassing the TRI Center (“TIA”). TRIGID is expected to operate and maintain, at its expense, the Effluent Project. The Cities shall have no responsibility for any costs to operate or maintain TRIGID facilities. Compliance with all applicable laws and regulations governing the use of treated effluent and all required reporting of such usage shall be the sole responsibility of TRIGID.
1.01(b): EDFP Process
The EDFP Process is outlined in sections 19-29 of SB 1 of the 2015 Special Session of the Nevada Legislature.

1.01(c): EDFP date received
Intentionally left blank.

1.01(d): EDFP date completed
Intentionally left blank.

1.01(e): State Treasurer’s determination of debt capacity
To be determined by GOED and State Treasurer.

1.01(f): Review period start date
Intentionally left blank.

1.01(g): Review period expiration date
Intentionally left blank.

1.02: Legal Authority

1.02(a): GOED Authority
The Governor’s Office of Economic Development is granted authority to issue bonds for certain infrastructure projects in SB1 from the 2015 Special Session of the Nevada Legislature.

1.02(b): Constitutional Authority
Article 9, Section 3 of the Constitution of the State of Nevada permits the state to contract public debts, given those debts are authorized by law for some purpose to be distinctly specified.

1.02(c): Applicable Nevada Revised Statutes
NRS 278C, NRS 349, NRS 350, NRS 360.
1.03: EDFP Applicant

1.03(a): EDFP Applicant

1.03(a)(i): Project Team

The infrastructure project team consists of Storey County, TRIGID, Farr West Engineering, Switch and Tesla.

- **Storey County**
  Created in 1861, Storey County is a political subdivision of the State of Nevada. Located in the northwest portion of the state, Storey County is home to the TRI Center.

- **TRIGID**
  TRIGID has owned and operated the community water and sewer systems at TRI Center since 2001. Pursuant to state law, TRIGID is governed by a Board of Trustees who are elected or appointed. TRIGID has no debt, since all water and sewer infrastructure has been built and dedicated by TRI.

- **Farr West Engineering**
  District engineering and project management for TRIGID are performed by Farr West Engineering. Farr West currently performs similar work for a number of small water and sewer purveyors in Northern Nevada, including Storey County, Yerington, Carlin, Canyon GID, Kingsbury GID, Lovewood, Hawthorne, Silver Springs Water Company and Lyon County. Farr West was chosen to perform site selection and design of Reno’s Valley Road Lift, the largest in the city, as well as manage the city’s 2014 Sewer Rehabilitation Project.

- **Switch**
  Switch owns and operates data centers around the world, including those at TRI Center. The build-out of its footprint at its data center campus at TRI Center is expected to include over 7,000,000 square feet of building space, requiring significant amounts of Process Water for cooling purposes.

- **Tesla**
  Tesla Motors is currently constructing its Gigafactory 1 in TRI Center. Currently utilizing around 5,000,000 square feet, this project will include roughly 13,000,000 square feet of building space upon completion, making it one of the largest buildings in the world.

1.03(a)(ii): Project Lead

Storey County is the lead applicant for the EDFP. TRIGID will lead the project team for construction of the Effluent Project, with Farr West Engineering acting as project manager.

1.03(b): Authorizing Support from Storey County Commission

To be supplied by Storey County Commission.

1.03(c): Storey County Commission

The Storey County Commission is comprised of three elected officials; representatives that each reside in one of the county’s three census districts. The County Commission members serve a 4-year term and are elected by voters residing in the entire county. The commission serves as the county’s local governing body creating and monitoring the county’s budget, tax rates, and ordinances.
1.03(d): Financial Statements of EDFP Applicant
Storey County’s Comprehensive Annual Financial Statement for 2016 is included in Exhibit J attached.

1.03(e): Statement of financing need
Pending. To be provided.

1.04: Infrastructure General Parameters

1.04(a): Infrastructure Project acreage
The infrastructure project consists of a +/- 13 mile pipeline with an 11,600 square foot area for a pump station, which will contain a 1,200 square foot building.

1.04(b): Types of service area land uses approved at time of EDFP submittal
Parcels in the Project Area are zoned for industrial and commercial use.

1.04(c): Additional land uses planned not already zoned
Additional land uses are planned in TRI Center, but not yet zoned for industrial or commercial uses.

1.04(d): Leasable improved space by land use type served by Infrastructure
The infrastructure will serve the TRI Center as shown in Exhibit E attached.

1.05(e): Total improved space served by Infrastructure
The infrastructure will serve the TRI Center as shown in Exhibit E attached.
Section 2: The Qualified Project

2.01: GOED Board Determination of Qualified Project

2.01(a): Notice

Notice of qualified project status is included in Exhibit H attached.

2.01(b): State Incentive Summary

The State Incentives are outlined in Exhibit H attached.

2.01(c): State Economic Impact Report

The State economic impact report is included in Exhibit I attached.

2.01(d): State Certificates of Eligibility

The State certificates of eligibility are included in Exhibit H attached.

2.02: Tesla as Lead Participant

2.02(a): Company History

Tesla was founded in 2003 by a group of engineers in Silicon Valley who wanted to prove that electric cars could be better than gasoline-powered cars. With instant torque, incredible power, and zero emissions, Tesla’s products would be cars without compromise. Each new generation would be increasingly affordable, helping the company work towards its mission: to accelerate the world’s transition to sustainable energy.

In 2012, Tesla launched Model S, the world’s first premium electric sedan. Built from the ground up to be 100 percent electric, Model S has redefined the very concept of a four-door car. With room for seven passengers and more than 64 cubic feet of storage, Model S provides the comfort and utility of a family sedan while achieving the acceleration of a sports car: 0 to 60 mph in about five seconds. Its flat battery pack is integrated into the chassis and sits below the occupant cabin, lending the car a low center of gravity that enables outstanding road holding and handling while driving 265 miles per charge. Model S was named Motor Trend’s 2013 Car of the Year and achieved a 5-star safety rating from the U.S. National Highway Traffic Safety Administration.

Tesla’s vehicles are produced at its factory in Fremont, California, previously home to New United Motor Manufacturing Inc., a joint venture between Toyota and General Motors. The Tesla Factory has returned thousands of jobs to the area and is capable of producing 2,000 cars a week.

The company is expanding its manufacturing footprint into other areas, including in Tilburg, the Netherlands, where it has an assembly facility, and Lathrop, California, where it has a specialized production plant. To reduce the costs of lithium ion battery packs, Tesla and key strategic partners including Panasonic have begun construction of a gigafactory in Nevada that will facilitate the production of a mass-market affordable vehicle, Model 3. By 2018, the gigafactory will produce more lithium ion cells than all of the world’s combined output in 2013. The gigafactory will also produce battery packs intended for use in stationary storage, helping to improve robustness of the electrical grid, reduce energy costs for businesses and residences, and provide a backup supply of power.
Tesla is not just an automaker, but also a technology and design company with a focus on energy innovation.

2.02(b): Executive Team

Elon Musk, CEO

Mr. Musk co-founded Tesla and continues to oversee the company's product strategy -- including the design, engineering and manufacturing of more and more affordable electric vehicles for mainstream consumers. As Chairman and Product Architect, he helped design the ground-breaking Tesla Roadster, for which he won an Index and a Global Green award, the latter presented by Mikhail Gorbachev. In October 2008, he took on the additional responsibility of CEO, overseeing daily operations as the company was ramping up Roadster production and accelerating the development of its second vehicle, the Model S.

Musk launched Tesla's regional sales and service centers across two continents, and in May 2009 secured a $50 million investment and strategic partnership from Germany's Daimler. He spearheaded a successful cost-down program that enabled Tesla to achieve profitability in July 2009. He guides development of the Model S, the all-electric family sedan that is produced at the Tesla Factory in Northern California.

Musk has been fascinated by electric cars for two decades. After earning bachelor's degrees in physics and business from the University of Pennsylvania, he worked briefly on ultracapacitors at Pinnacle Research in Silicon Valley to understand their potential as an energy storage mechanism for EVs. He planned to do graduate studies at Stanford in materials science and applied physics but put school on hold to start Internet companies Zip2 and PayPal. In addition to his Tesla duties, he serves as CEO and CTO of SpaceX, and he's Chairman of SolarCity.

Deepak Ahuja, CFO

Mr. Ahuja brings more than 20 years of global automotive financial experience to the Tesla team. As Chief Financial Officer, Ahuja brings invaluable insight of a well-versed industry veteran to help Tesla become a leading automobile company in the world.

Prior to originally joining Tesla Motors in 2008, Ahuja was the Controller of Small Cars Product Development at Ford with the goal of bringing several exciting fuel-efficient automobiles to the North American market. Previously, Ahuja was CFO for Ford of Southern Africa, a $3 Billion subsidiary where he oversaw the finance, legal and IT functions. Prior to that, Ahuja served as CFO for Auto Alliance International, a joint venture between Ford and Mazda with over $4 billion in revenue. His career at Ford included assignments in all aspects of the business, including Manufacturing, Marketing and Sales, Treasury, Acquisition and Divestitures. Before joining Ford, Ahuja worked as an engineer for Kennametal, Inc. near Pittsburgh, PA for almost 6 years and developed two new ceramic composites cutting tools for machining of aluminum alloys in aerospace and automotive industries. Ahuja was Tesla's CFO between 2008 and 2015 and returned to Tesla as CFO in February 2017.

Ahuja and his family live in Silicon Valley, where Deepak spearheads financial initiatives out of Tesla's San Carlos headquarters. In his spare time, Ahuja enjoys playing racquet ball, spending time with his kids and hiking. He loves cooking Indian food on special occasions just to have fun with his friends and family.

Ahuja holds bachelor's and master's degrees in materials engineering from Banaras Hindu University and Northwestern University, respectively and an MBA from Carnegie Mellon University.
Economic Development Financing Proposal
Tahoe Reno Industrial Center Effluent Water Pipeline

JB Straubel, Chief Technology Officer (“CTO”)

The story of Mr. Straubel’s career started at a junkyard in Wisconsin, where, at the age of 14, he discovered a discarded electric golf cart and decided to rebuild it. Thus began a lifelong fascination with energy work and electric vehicles.

As a co-founder of Tesla, Straubel has overseen the technical and engineering design of the vehicles, focusing on the battery, motor, power electronics, and high-level software sub-systems. Additionally, he evaluates new technology, manages vehicle systems testing, and handles technical interface with key vendors.

Prior to Tesla, Straubel was the CTO and co-founder of the aerospace firm, Volacom, which designed a specialized high-altitude electric aircraft platform using a novel power plant. At Volacom, Straubel invented and patented a new long-endurance hybrid electric propulsion concept that was later licensed to Boeing. Before Volacom, Straubel worked at Rosen Motors as a propulsion engineer developing a new hybrid electric vehicle drivetrain based on a micro turbine and a high-speed flywheel. Straubel was also part of the early team at Pentadyne, where he designed and built a first-generation 150kW power inverter, motor-generator controls, and magnetic bearing systems.

Armed with a bachelor’s in energy systems engineering and a master’s in energy engineering from Stanford University, Straubel left the cold winters of Wisconsin for good. He now lives in Menlo Park, Calif., where he continues to indulge his passion for electric transportation: he built an electric Porsche 944 that held a world EV racing record, a custom electric bicycle, and a pioneering hybrid trailer system. Straubel is also an accomplished pilot.

2.02(c): Capital Investment Plan

Tesla and partners plan to invest $5.0 billion dollars in building and equipment for the Gigafactory 1 project.

2.02(d): Project Financing Plan

Tesla and partners will use private financing for the Gigafactory 1 project.

2.03: Project Description

2.03(a): Site Location

Tesla’s Gigafactory 1 is located on Electric Avenue in the TRI Center, more specifically parcels 005-011-21, 005-011-22, 005-011-24, 005-011-26 as shown in Exhibit (parcel map in appendix).

2.03(b): Facility Plan

Tesla intends for Gigafactory 1 to produce battery cells, modules, and packs for their electric vehicles as well as the stationary storage market.

2.03(c): Other Participants

Panasonic and other strategic partners will assist Tesla in battery production.
Section 3: Proposed Infrastructure Project

3.01: Market Research & Plan

3.01(a): Current and projected area market demand and supply
See TIA financing analysis attached as Exhibit A.

3.01(b): Current inventory of industrial parks and park space in the market area
The current TRI Center contains 21,289 acres, 1,977 of which are currently developed.

3.01(c): Projected demand at project for leasable/improved square footage at completion
See TIA financing analysis attached as Exhibit A.

3.01(d): Estimated absorption rate and term
See TIA financing analysis attached as Exhibit A.

3.01(e): Marketing Plan
Not applicable.

3.01(f): Marketing Budget
Not applicable.

3.02: Traffic Analysis
Not applicable.

3.03: Infrastructure Project Information

3.03(a): Master Plan

3.03(a)(i): Description of Project
The off-site Effluent Project will consist of a pipeline, one pump station and associated facilities, constructed between TMWRF and TRI Center, allowing transmission of treated effluent from TMWRF to TRI Center for approved reuse applications.

The on-site Effluent Project will consist of an increase in storage capacity at the on-site reservoir, two induction wells and several groundwater wells, and two booster stations and transmission lines to pump effluent to two storage tanks.
An 18” diameter pipe (or larger) will be installed at the existing TMWRF discharge manifold, from which reclaimed water can be pumped by TMWRF’s existing pump station at approximately 138 psi. There is a 120 to 130-foot elevation drop from TMWRF to TRI Center. East of Mustang in the Truckee River corridor, the pipeline will climb a slope via a pump station to reach land owned by TRI. From there it will run downhill to TRI Center. The off-site Effluent Project will be designed to transport 4,000 acre feet or more of treated effluent water annually.

TRIGID has limited storage. Due to the cost of constructing a new storage reservoir within TRI Center, TRIGID intends only to enlarge, line and fence its existing reclaimed water reservoir to provide at least 1,500 acre feet of storage. This means reclaimed water from TMWRF will have to be supplied year-round for TRIGID customer use, but flows can be adjusted in order to meet Truckee River return flow requirements. In order to distribute pipeline reclaimed water within TRI Center, TRIGID will have to construct additional pipelines, pump stations and storage tanks, in addition to improvements to its reservoir.

No project site improvements are under consideration for this EDFP. Only the off-site Effluent Project is proposed to be financed pursuant to this EDFP.

Farr West Engineering will be the development management entity under the supervision of TRIGID.

TRIGID, the current owner and manager of all water and sewer assets at TRI Center, will be the asset management entity.

TRI will be the property management entity.

On-site storage and transmission projects to distribute Process Water to TRIGID customers are considered for this project, but do not seek EDFP funding.

The Effluent Project will use TMWTF as the source of treated effluent for Process Water for use in various manufacturing and cooling processes. Pro Forma information may be found in the TIA financing analysis attached as Exhibit A. Budget overview may be found in Exhibit B.
3.03(f)(iii): Planned Service Capacity
The off-site Effluent Project shall provide a minimum of 4,000 acre-feet of treated effluent per year.

3.03(g): Natural Resources Project
The Effluent Project qualifies as a Natural Resources Project as defined in SB1.

3.03(h): Maximum Service area and Capacity SOW
The entire Process Water system is designed to serve the TRI Center and is designed for a maximum capacity of 10,000 acre-feet of water per year, serving properties requiring Process Water in TRI Center.

3.04: Infrastructure Project Maps, Plans, and Schedules
3.04(a): Infrastructure facility plans
3.04(a)(i): Interim Elements
No interim elements are included in this project.

3.04(a)(ii): Permanent Elements
See Exhibit D attached.

3.04(a)(iii): Established District Documentation
A tax increment area ("TIA") is to be formed after state financing approval.

3.04(a)(iv): Final District Creation Documentation
The TIA is to be formed after state financing approval.

3.04(b): Assessment Plans
A TIA is contemplated to service debt associated with the Effluent Project. This TIA will include only properties in TRI Center.

3.04(c): Review of Interests Required
3.04(c)(i): Water Rights
TRIGID currently holds water rights for use as Process Water including Truckee River water rights, groundwater rights, and effluent from the TRIGID wastewater treatment plant. The Truckee Meadows Water Authority ("TMWA") holds water rights for the treated effluent to be delivered by the off-site Effluent Project.
3.04(c)(ii): Title Reports
Title reports for affected parcels will be available in the quarter following the financing decision, prior to construction.

3.04(c)(iii): Easements
Easements on the affected parcels will be secured by the end of the quarter following the financing decision, prior to construction.

3.04(d): Project Area Lands in the Service Area
Only those parcels in the TRI Center will be included in the Service Area.

3.04(e): Infrastructure Plots
See Exhibit D attached.

3.04(f): Infrastructure Service Area Boundaries
The service area boundaries are those of the TRI Center, which are shown in Exhibit E attached.

3.04(g): Zoning for the Service Area
Parcels in the Project Area are zoned for industrial and commercial use.

3.04(h): FEMA Flood Zoning
The property is not located in a FEMA Flood Zone.

3.04(i): Proof of Property Control
The legal rights to construct, operate, and repair the Effluent Project will be acquired by obtaining easements after the financing decision, see 3.04(c)(iii) above.

3.04(j): Phase 1 and 2 reports

3.04(j)(i): Phase 1 Reports
Phase 1 reports will be performed in the quarter following the financing decision, if needed.

3.04(j)(ii): Phase 2 Reports
Phase 2 reports will be performed in the quarter following the financing decision, if needed.
3.04(k): Environmental Review and Site Assessment

Preliminary review and assessment have been performed by TRIGID engineers and officers by on-site inspections of each parcel. No issues have been found. If further review and assessments are needed, they will be performed during the quarter following the financing decision.

3.04(l): Typical Infrastructure Excluded

No infrastructure that is typically a part of this type of project will be excluded.

3.04(m): Non-Included Infrastructure

Not applicable.

3.04(n): Non-Included Infrastructure and Absorption

Not applicable.

3.05: Updated Infrastructure Facility Budgets

3.05(a): Cost Estimates

See Exhibit B attached.

3.05(b): Pre-Approval and Post-Approval Costs, Other Fees

All relevant costs are included in Exhibit B attached.

3.06: Updated Infrastructure Facilities Development and Construction Maps, Plans, and Schedules

3.06(a): Utility Layout Map

See Exhibit D attached.

3.06(b): Quantity and Size Takeoffs Schedule and Budget

See Exhibit B attached.

3.06(c): Equivalent Development Units

Not applicable.
3.06(d): Pre-Approval and Post Approval Costs, Other Fees
All relevant costs are included in Exhibit B attached.

3.07: Project Readiness

3.07(a): Zoning and Permitting Milestones and Schedule
All permits will be obtained in the quarter following the financing decision. Zoning requirements have been satisfied.

3.07(b): Contractor’s Contract Status
No contract currently exists, however TRIGID currently retains Farr West Engineering to perform all engineering and construction project management functions.

3.07(c): Remaining Requirements

3.07(c)(i): Design
Farr West Engineering currently has 30% completed engineering plans for the Effluent Project. Fully completed plans for the off-site Effluent Project will be provided after the financing decision.

3.07(c)(ii): Other Contracts
Not applicable.

3.07(c)(iii): GOED Administration
Per SB1 of the 2015 special session of the Nevada Legislature, GOED will administer the development funds that result from an approved EDFP. TRIGID and Far West Engineering will work with GOED to report and account for all funds used.

3.07(d): Post-Construction and Ongoing Operations
TRIGID will operate and maintain all infrastructure related to the Effluent Project.

3.08: Master Infrastructure Plans and Cost Estimates

3.08(a): Water
Not applicable.

3.08(b): Wastewater
Master infrastructure plans and cost estimates are included in Exhibit D and Exhibit B, respectively.
3.08(c): Rail Port
Not applicable.

3.08(d): Fire EMS
Not applicable.

3.08(e): Storm Drainage
Not applicable.

3.08(f): Scopes of Work, Budgets, Cashflow, and Construction Timing
Scope of work and budget is included in Exhibit B. Cashflow and construction timing are included in the Pro Forma Cash Flow Model attached as Exhibit D, respectively.

3.08(g): Elements of Complementary Infrastructure
Not applicable.

3.08(h): Development Entitlements
The Development Agreement dated February 1, 2000 between TRI and Storey County is the development entitlement for construction and operation of water and sewer systems for TRI Center. No additional development entitlements are necessary except building permits.

3.08(i): Confirmation of Entitlement Readiness
See 3.08(h).
Section 4: Proposed Infrastructure Project Financing

4.01: Overview of Project Financing

4.01(a)(i): Project Financing

The Project to be financed has been previously described in Section 1, and consists of the off-site Effluent Project.

4.01(a)(ii): Statement by the governing body of the creation of one or more districts or areas

To be provided by Storey County in conjunction with the creation of the special taxing district as provided for in SB1 of the 2015 Special Session of the Nevada Legislature. Upon approval of this EDFP for bonding authority, Storey County will consider the TIA contemplated herein.

4.01(a)(iii): Project infrastructure elements

General

The off-site Effluent Project will consist of a pipeline, one pump station and associated facilities, constructed between TMWRF and TRI Center, allowing transmission of treated effluent from TMWRF to TRI Center for approved reuse applications. The Cities will reserve and supply treated effluent in the minimum quantities identified in Subsection 3.03(f)(iii) above.

Alignment

A portion of the off-site Effluent Project from TMWRF is in Washoe County (.44 miles). The remainder is in Storey County (12.5 miles). The proposed alignment is down the Truckee River corridor until it reaches land owned by TRI. See Subsection 4.01 (c)(iii) for cost detail.

4.01(a)(iv): Infrastructure financed by public financing

The amount of bond funding made available is a decision to be made by GOED. TRIGID, TRI and Switch encourage consideration of the highest amount feasible, but have sized this request to $35 million in bonding through the State’s bond bank. The priority for bond financing is the construction of the off-site Effluent Project. Both the off-site and on-site Effluent Project are necessary to make the project operational. This application seeks a minimum of $28.95 million in construction proceeds from the sale of bonds. The par value of the bonds will need to be higher than the objective level of the construction proceeds to accommodate the funding of a debt service reserve, issuance costs, and any other requirements imposed by the State in issuing the bonds. Only the amount of bonds necessary to fund the project, pay for the costs of issuance, fund a one-year debt service reserve, and address any State-imposed requirements will be issued. Only the cost of the off-site Effluent Project is being considered for bond financing through the State of Nevada.

All costs not covered by bond financing will be paid by TRI and Switch.
4.01(a)(v): Infrastructure financed by Public Private Partnership (“P3”)

See 4.01(a)(iv), above. The private portion of the project financing, though not technically through a traditional P3, will be borne by TRI and Switch.

4.01(a)(vi): Infrastructure financed by other financing means

None.

4.01(b)(i): Infrastructure components planned

See 4.01(a)(iii) above.

4.01(b)(ii): Changes to infrastructure component plans

None at this time.

4.01(c)(i): Project elements

See 4.01(a)(iii) above.

4.01(c)(ii): Service area

The service area for the Effluent Project will be TRI Center, located within Storey County, which is the service area of TRIGID. As noted, a small portion of the off-site Effluent Project will be within Washoe County, but that is not a part of the service area. Ancillary benefits, beyond those realized by the primary customers within the TRI Center, will inure to TMWRF and the Cities of Reno and Sparks.

4.01(c)(iii): Costs

Cost estimates for the off-site Effluent Project are estimated to be $28,936,025. Costs for the on-site Effluent project improvements are outlined in the table below.

<table>
<thead>
<tr>
<th>On-site Improvements</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage Reservoir Upgrades</td>
<td>$11,560,463</td>
</tr>
<tr>
<td>Induction Well 1 and Pipeline</td>
<td>$1,084,353</td>
</tr>
<tr>
<td>Induction Well 2 and Pipeline</td>
<td>$591,528</td>
</tr>
<tr>
<td>Groundwater Well Development</td>
<td>$6,001,239</td>
</tr>
<tr>
<td>Booster Station to Peru Tank</td>
<td>$3,423,155</td>
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<tr>
<td>Transmission Main to Peru Tank</td>
<td>$2,877,322</td>
</tr>
<tr>
<td>Peru Storage Tank</td>
<td>$1,073,698</td>
</tr>
<tr>
<td>Booster Station to Comstock Valley Tank</td>
<td>$1,907,698</td>
</tr>
<tr>
<td>Transmission Main to Comstock Valley Tank</td>
<td>$1,531,845</td>
</tr>
<tr>
<td>Comstock Valley Storage Tank</td>
<td>$1,021,098</td>
</tr>
<tr>
<td><strong>Total On-site Improvements</strong></td>
<td><strong>$31,072,399</strong></td>
</tr>
</tbody>
</table>
4.01(c)(iv): Planned allocation/coverage of costs

See 4.01(a)(iv) above.

4.01(c)(v): Changes in risk

None identified.

4.01(c)(v)(1): Impact of risk of P3 termination

Not applicable.

4.01(c)(v)(2): Assumption/assignment of responsibility for water and waiver of P3 assuming responsibility

Not applicable.

4.02: Special Improvement District (NRS 271)

4.02(a): Overview

No Special Improvement District is contemplated for the off-site Effluent Project. All other sections of 4.02 are not applicable.

4.03: Tax Increment Area (“TIA”) (NRS 278C)

4.03(a): Overview

The proposed TIA will include all properties in TRI Center. A Master Plan showing the current properties and boundaries of TRI Center is attached as Exhibit E. TRI currently owns ±65,000 contiguous acres in a mountainous area of Storey County, in addition to TRI Center. TRI Center is developing in phases. The Master Plan represents Phases I, II and III, comprising 21,289 acres of industrially-zoned land. However, based on topography, 12,945 acres are not developable, leaving 8,344 acres of developable property in the first, second and third phases. Attached as Exhibit F are spreadsheets on all the parcel numbers in TRI Center, including acreage, ownership and tax values. Also, attached as Exhibit G are spreadsheets on the currently developed acreage and ownership, totaling 1,977 acres. This is the property on which commercial/industrial facilities currently operate in TRI Center.

Future phases of TRI Center will expand developable acreage. Planning of the future phases, however, is not complete. For purposes of the TIA analysis associated with this application, only Phases I, II, and III are included. These phases are summarized in the table below.

<table>
<thead>
<tr>
<th>TRI Center Phases I, II, and III</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total acreage</td>
<td>21,289</td>
</tr>
<tr>
<td>Less: Undevelopable portion</td>
<td>12,945</td>
</tr>
<tr>
<td>Current Developable acreage</td>
<td>8,344</td>
</tr>
<tr>
<td>Less: Developed acreage</td>
<td>1,977</td>
</tr>
<tr>
<td>Total useable vacant acreage in Phases I, II, and III</td>
<td>6,367</td>
</tr>
</tbody>
</table>
Since development commenced in 2000, 1,977 acres of industrial properties have been constructed and have commenced operation. This equates to just over 124 acres per year of historical development activity within the area that would comprise the proposed TIA. The development of facilities for Switch and Tesla, and other companies, has created positive inertia for development of other related or supply chain enterprises in the area.

4.03(b): Determination of the governing body that tax process will be sufficient

Determination that the tax revenue will be sufficient to pay the debt service on the bonds to be secured, in part, by the TIA revenues will be made by the governing body, Storey County, when the tax increment district is created. Estimates of tax increment yields are included in this proposal and the revenues, as forecast, are sufficient to pay debt service and provide for a reasonable coverage ratio. Please refer to the TIA financing analysis attached as Exhibit A. Both the forecasted revenues from the TIA and the projected debt service to repay the bonds issued to fund the Project are shown in the TIA revenue model, and the revenues are sufficient to pay debt service as it comes due and to provide for the additional security that will be required by the State.

4.03(c): Infrastructure Projects Included

The only project proposed to be funded by the revenues (and associated bond proceeds) within the TIA is the off-site Effluent Project. No additional projects are contemplated as a part of this proposal. The on-site Effluent Project will be the responsibility of Switch and TRI.

4.03(d): Areas Served

The area to be served by the improvements is described in 4.03(a) above and will be the area within the proposed TIA. The benefitting area is coterminous to the area within the TIA.

4.03(e): Undertaking Allocations

As previously noted, the funding of the undertaking is proposed to include proceeds of bonds issued through the State, supplemented by funding from TRI and Switch. The proceeds of the bonds would fund the off-site Effluent Project. The balance of the project costs for the on-site Effluent Project (beyond the costs to be funded by the proceeds of bonds issued through the State) will be paid by TRI and Switch.

4.03(g): Tax Increment Funding Analysis

See the TIA financing analysis attached as Exhibit A.

4.03(h): Municipal Bond Analysis

See the Bond Schedule tab in the TIA financing analysis attached as Exhibit A.
4.03(f): Tax Increment Area

As noted herein, the TIA will be created to include Phases I, II, and III of the TRI Center Master Plan. The revenues permitted to be captured for use for this project will be generated by existing and future development within these project phases. Revenue increments to be captured by the TIA include real and personal property taxes, sales and use tax, and modified business tax.

4.03(i): County Ordinance

The ordinance establishing the tax increment district will be adopted by Storey County, and will be provided once the district is formally adopted.

4.04: Bond Issuance

4.04(a): Summary of Project Bond financing profile

4.04(a)(i): Bond principal amount requested

The principal amount being requested is $35 million. The amount that will actually be issued will be constrained by the amount of revenue available for debt service, the costs of issuance, the funding of the debt service reserve, and any other structural requirements or features of the debt. The revenue sources available to be pledged for debt service include the revenues from the TIA and the net revenues of the project.

The size of the issuance that has been modeled as a part of this application is $28,555,000, with a premium of $2,986,646 also assumed. Including the par and the premium, the total sources attributable to bonding is modeled to be $31,541,646.

4.04(a)(ii): Tax-exempt or taxable bonds being sought

To the degree permitted by Federal Tax Code, the intent is to maximize the use of tax-exempt bonds. Tax opinions will be rendered by bond counsel at the time the bonds are issued.

4.04(a)(iii): Term

The contemplated term of the bonds will be less than 30 years. Bonds of a TIA must mature and be fully paid, including any interest thereon, before the expiration of the tax increment area. A tax increment area must expire not more than 30 years after the date on which the ordinance which creates the area becomes effective. As noted, the term of the bonds for this project will comply with these restrictions. For modeling purposes, a term of 25 years has been assumed.

4.04(a)(iv): Interest Rate

The interest rate assumed for the analysis contained herein is current (at the time of preparation of this application) AA-MMD (tax-exempt benchmark for AA rated general obligation debt) plus 100 basis points. AA-MMD represents current market rates for the State of Nevada bond bank, with the additional 100 basis points added to hedge against future market movement. The true interest cost assumed in the debt analysis, using the aforementioned rates, is 4.12 percent. See the bond tab in the TIA financing analysis attached as Exhibit A for the rates used to determine debt service.
4.04(a)(v): Security

The State Bond Bank would purchase bonds from Storey County that are secured by the tax increment revenues of the TIA, net revenues of the project (per NRS 278C.280), and a debt service reserve fund equal to approximately one year of debt service. The bonds issued by the State Bond Bank will be secured with the general obligation pledge of the State and the revenues of the TIA. The revenues of the TIA are estimated to provide substantial debt service coverage to protect the State from needing to use general fund revenues to pay debt service.

4.04(a)(vi): Project total financing costs

Costs of project financing are expected to include underwriter’s discount, legal fees, financial advisory fees, and other typical costs of issuance. See the bond tab in the attached TIA financing analysis attached as Exhibit A for the actual costs assumed in computing both the funds available for construction and the associated debt service costs. The applicant also recognizes that since these bonds would be issued through the State of Nevada, additional requirements may be imposed by the State Treasurer’s Office in advance of issuance.

4.05: Bond Repayment Methods

4.05(a): Overview of Bond Payment Methods

4.05(a)(i): Special Improvement District

No Special Improvement District is contemplated for the off-site Effluent Project.

4.05(a)(ii): Reserves

Not applicable.

4.05(a)(iii): Tax Increment Area

Taxes collected within the TIA will be used to service the debt in accordance with NRS 278C. This includes real and personal property tax, modified business (payroll) tax, and sales and use tax.

4.05(a)(iv): Collateral Property

Not applicable.

4.05(a)(v): Local Government

Not applicable.

4.05(a)(vi): State Securities Law

This issuance is expected to be compliant with the requirements of SB1 of the 2015 Special Legislative Session in all respects, and will fully comply with all Constitutional and statutory requirements and limits that pertain to the issuance of bonds through the State Bond Bank. See (b)(iii), below. There will be no impact upon the State’s general fund.
4.05(b): Financing Amount

4.05(b)(i): Terms

4.05(b)(i)(1): Principal Amount

The bond modeling assumes a principal amount of $28,555,000 plus a premium of $2,986,646 to yield $31,541,646 for the project fund.

4.05(b)(i)(2): Term for natural resources project

As the project is a treated effluent pipeline, it qualifies as a natural resource project. As noted herein, the term is expected to be no more than 30 years. Given that the debt must be repaid in full within 30 years of the adoption of the ordinance creating the TIA, and given that the bonds would be issued after the creation of the TIA, the maximum term would be 29 years. For modeling purposes, a term of 25 years has been assumed.

4.05(b)(i)(3): Term for non-natural resources project

Not applicable.

4.05(b)(i)(4): Review of Nevada Constitutional Requirements regarding Bond Payments

This applies to general obligations of the State, other than bonds issues through the State Bond Bank and, thus, does not present a concern for the issuance of bonds for the Effluent project.

4.05(b)(ii): Projected Interest Rate

The interest rate that was assumed in the model (see the response to question 4.04(a)(iv), above) is 4.12 percent (true interest cost), with coupons ranging from 2.50 percent to 5.00 percent. The actual interest rate will be determined at the time of issuance of the bonds. As noted previously, the interest rate assumed in the bonding model includes a cushion of 100 basis points above current AA-MMD to accommodate possible future increases in rates.

4.05(b)(iii): Projected Issuance Costs

The costs of issuance assumed in the bonding model include an underwriter’s discount of $6.50 per bond ($191,230) and other costs (legal, financial advisors, and other customary costs) of $300,000.

4.05(b)(iv): Payment Amount per Acre

Not applicable.

4.05(b)(v): Prepayment Penalty

Not applicable.
4.05(b)(vi): Tax Exemption Opinion
Bond counsel will issue a tax opinion prior to the issuance of the bonds. These are public purpose bonds to extend a pipeline from a currently operating wastewater treatment plant (TMWRF). The bonding models have assumed a tax-exempt financing for this project, as it is a natural resource project being issued through the State of Nevada Bond Bank.

4.05(b)(vii): Issuance Fees
Only customary fees as may be assessed by the State Treasurer's Office for the use of the State Bond Bank.

4.05(b)(viii): Refinancing and Bond Paydowns
Bonds issued pursuant to NRS 350A may be refunded upon the mutual agreement of the State Treasurer's Office and the entity originating the bond bank transaction (in this case, Storey County). Early redemption or defeasance may be considered, revenues permitting. The bonds have been structured in the bond model with a standard 10-year call option.

4.05(c): Plans to Treat Potential Cost Overruns
Project cost overruns, if any, will be the responsibility of Switch and TRI.

4.05(d): Subordinate Financing
No additional financing is contemplated at this time. If additional debt is issued in the future, it is expected that it would be subordinate to the bonds issued for this project.

4.05(e): Statement Regarding Subordination
There are no plans for the issuance of additional debt at this time. The issuance may include an additional bonds test that may affect any future borrowings against this credit.

4.05(f): Credit Enhancements
A surety may be required during the construction period, per the requirements of the State Treasurer's Office. Since these are expected to be State obligations issued through the State Bond Bank, and since there is expected to be adequate coverage coupled with a one-year debt service reserve fund, no other credit enhancements are being contemplated.
Section 5: Infrastructure Project Financial Analysis

5.01: Development Budget

5.01(a): Sources & Uses of Funds

Sources and uses of funds are outlined in the tables below.

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par amount of bonds</td>
<td>$28,555,000</td>
</tr>
<tr>
<td>Premium</td>
<td>$2,986,646</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$31,541,646</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project fund</td>
<td>$28,950,000</td>
</tr>
<tr>
<td>Debt service reserve</td>
<td>$2,049,750</td>
</tr>
<tr>
<td>Cost of issuance</td>
<td>$300,000</td>
</tr>
<tr>
<td>Underwriter’s discount</td>
<td>$185,218</td>
</tr>
<tr>
<td>Contingency</td>
<td>$383</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$31,485,351</strong></td>
</tr>
</tbody>
</table>

5.01(b): Pro Forma Development Phase Cash Flow

5.01(b)(i-vii): Pro Forma Model

See Pro Forma Development Phase Cash Flow Model attached as Exhibit C for timing of costs. See TIA financing analysis attached as Exhibit A for all other revenues and schedules.

5.01(b)(viii): Key Ratios and Measures

5.01(b)(viii)(1): Estimated Payments

See TIA financing analysis attached as Exhibit A.

5.01(b)(viii)(2): Debt Coverage Ratio

Minimum debt service coverage expected to be required by the State Treasurer’s Office is 3.0 times debt service. See the attached TIA financing analysis attached as Exhibit A for actual coverage projected per year of debt service.

5.01(b)(viii)(3): Loan to Value

Not applicable.

5.01(b)(viii)(4): Mitigation Plan for Low Value-Lien Ratios

Not applicable.
5.01(b)(xi): Supporting Cash Flow Statements
See the attached TIA financing analysis, including the bonding assumptions, attached as Exhibit A. The revenues projected in the model appear to be sufficient to pay the debt service as it comes due, and also provide for appropriate or required levels of coverage.

5.01(b)(x): Prepayment and Yield Maintenance
Pending.

5.01(c): Reserves
A pre-funded debt service reserve of one-year of debt service has been assumed in the bonding models. It is expected that the State Treasurer’s Office will require a one-year debt service reserve.

5.01(d): Revenue Plan
5.01(d)(i): Pledged Revenues
The revenues to be pledged for the repayment of this debt will be the TIA revenues and the net revenues of the project. There is a requirement that the issuing entity provide for the use of “uncommitted balances” of its general fund in the event that cash flows from the pledged sources are insufficient to make debt service payments as they come due. Although this is not a formal pledge, it does provide additional assurances that debt will be paid timely.

5.01(d)(ii): Uncommitted Balance of the General Fund of the Local Government
As noted in 5.01(d)(i), above, local governments issuing securities through the State as permitted by SB1 of the 2015 Special Legislative Session are required to make their uncommitted balances of their general fund available to the State in the event cash flows are insufficient to meet debt service requirements as they come due. The term “uncommitted balance” has been defined by the Department of Taxation, and issuers through the State are required to comply with this definition and the requirements of SB1.

5.01(d)(iii): Contingency Plan Regarding State Securities Law
As required, the issuer will be required to make the “uncommitted balances” of its general fund available to address any shortfalls in cash flow. Beyond the pledged revenues and the commitment of the “uncommitted balances”, there are no other contingencies in place. NRS 350A.153 may provide an avenue of additional contingency, if so elected by the State and the issuer.

5.01(d)(iv): Payment by Local Governments Not Secured by Their Taxing Power
The bond that will be provided by the issuer to the State is expected to pledge the revenues from the TIA and the net revenues of the project, only. There will be no underlying general obligation pledge on the part of the issuer.
5.01(d)(v): Proposed Transfer and Accounting of Bond Proceeds to GOED

The project is expected to commence in mid-2018, with system operation expected to commence in mid-2020. GOED will be provided with a construction draw schedule that will provide the basis for draws against the bond proceeds. The applicant understands that the bond proceeds will be administered by GOED and that GOED will disburse project payments in accordance with the actual construction draws needed to complete the project. See Pro Forma Cash Flow Analysis attached as Exhibit C for additional detail regarding expected construction draws.

5.01(e): Costs

5.01(e)(i-vi): Project Costs

Cost estimates can be found in Exhibit B attached and summarized here. Costs for the off-site Effluent project are estimated to be **$28,936,025**. Bond proceeds will be used only for the off-site Effluent project costs. Costs for the on-site Effluent project improvements are outlined in the table below.

<table>
<thead>
<tr>
<th>On-site Improvements</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage Reservoir Upgrades</td>
<td>$11,560,463</td>
</tr>
<tr>
<td>Induction Well 1 and Pipeline</td>
<td>$1,084,353</td>
</tr>
<tr>
<td>Induction Well 2 and Pipeline</td>
<td>$591,528</td>
</tr>
<tr>
<td>Groundwater Well Development</td>
<td>$6,001,239</td>
</tr>
<tr>
<td>Booster Station to Peru Tank</td>
<td>$3,423,155</td>
</tr>
<tr>
<td>Transmission Main to Peru Tank</td>
<td>$2,877,322</td>
</tr>
<tr>
<td>Peru Storage Tank</td>
<td>$1,073,698</td>
</tr>
<tr>
<td>Booster Station to Comstock Valley Tank</td>
<td>$1,907,698</td>
</tr>
<tr>
<td>Transmission Main to Comstock Valley Tank</td>
<td>$1,531,845</td>
</tr>
<tr>
<td>Comstock Valley Storage Tank</td>
<td>$1,021,098</td>
</tr>
</tbody>
</table>

**Total On-site Improvements** $31,072,399

The above cost estimates were prepared by Farr West Engineering on May 5, 2017 and represent engineer’s estimates based upon 30% design.

5.01(e)(vii): Cost Overrun Plans

Cost overruns, if any, will be the responsibility of the applicant, Switch and TRI. Since Switch and TRI are covering all on-site costs, there is an expectation that the completed pipeline is of sufficient importance to the end users that they will assume responsibility for cost overruns.

5.01(f): Debt Repayment

See the Bond Schedule tab in the TIA financing analysis attached as Exhibit A for complete debt repayment schedule based upon a 25-year term, current MMD (+100 bps), and a one-year pre-funded debt service reserve.
Section 6: Economic Development Financing Agreement

6.01: Contracting Overview

6.01(a): Project Developer

6.01(a)(i): Profile
TRIGID is a general improvement district and political subdivision of the State of Nevada created by Storey County pursuant to NRS Chapter 318 to provide water and sewer service to TRI Center customers, which currently include 67 industrial and commercial properties and 133 service connections.

6.01(a)(ii): Ability to do Business in Nevada
TRIGID was created by Storey County pursuant to NRS 318.

6.01(a)(iii): Development Agreement between Applicant and Project Manager
To be provided during the quarter after the financing decision.

6.01(b): Project Manager

6.01(b)(i): Profile
Farr West Engineering is a 50-employee civil, environmental, and electrical engineering firm located in Reno, Nevada. Farr West has provided municipal and utility engineering services to the City of Reno, including the City’s 2014 sanitary sewer rehabilitation project and the Valley Road Lift Station. It also serves as the engineer of record and project manager for TRIGID, creating the master plan for the non-potable water system.

6.01(b)(ii): Ability to do Business in Nevada
Farr West Engineering is registered with the Nevada Secretary of State, business ID NV20011242988. It also employs multiple Professional Engineers and Professional Land Surveyors who are licensed in the State of Nevada. Farr West has operated in Nevada for over 15 years.

6.01(b)(iii): Development Agreement between Applicant and Project Manager
To be provided during the quarter after the financing decision.

6.01(b)(iv): State Protection
To be provided with development agreement in 6.01(b)(iii).

6.02: Financing Agreement

PENDING
6.03: Infrastructure Agreement
PENDING

6.04: Reimbursement Agreement
PENDING

6.05: Qualified Project Security Agreement
PENDING

6.06: Development Agreement
PENDING

6.07: State Release
PENDING

6.08: Management and Operations Agreement
PENDING

6.09: Interlocal Agreements
PENDING

6.10: Development and Construction Insurance Plan
PENDING

6.11: Prevailing Wage Applicability Opinion
PENDING
Exhibits

Exhibit A: TIA Financing Analysis
Exhibit B: Effluent Project Budgets and Cost Estimates
Exhibit C: Pro Forma Development Phase Cash Flow Analysis
Exhibit D: 30% Engineering plans
Exhibit E: TRI Center Master Plan
Exhibit F: TRI Center Parcel List – All Parcels
Exhibit G: TRI Center Parcel List – Developed Parcels
Exhibit H: GOED Notice of Qualified Project Status and Certificates
Exhibit I: State Economic Impact Study of the Qualified Project
Exhibit J: Storey County Comprehensive Annual Financial Statement, 2016

[PLEASE VISIT HTTP://APPLIEDANALYSIS.COM/EDFP TO ACCESS ALL REFERENCED EXHIBITS ABOVE]