

October 1, 2020

The Honorable Steve Sisolak
Office of the Governor
One Hundred One North Carson Street
Carson City, Nevada 89701

Ms. Brenda Erdoes, Director
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701

**Re: Annual Report
Projects with Capital Investments of \$3.5 Billion
Pursuant to NRS 360.975**

Dear Governor Sisolak and Director Erdoes:

Pursuant to NRS 360.975 the Governor's Office of Economic Development is submitting its annual report for the Qualified Project commonly known as the Tesla Gigafactory (the "Project"). The attached report is based on information provided by the Lead participant, Tesla Motors, Inc., and addresses the following statutory questions:

- (a) For the immediately preceding fiscal year;
- 1) The number of applications submitted pursuant to NRS 360.945
 - 2) The number of qualified projects for which an application was approved;
 - 3) The amount of transferable tax credits approved;
 - 4) The amount of transferable tax credits used;
 - 5) The amount of transferable tax credits transferred;
 - 6) The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding, in total and for each qualified project;
 - 7) The number of abatements approved;

- 8) The dollar amount of the abatements;
 - 9) The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in a qualified project who are residents of Nevada;
 - 10) The number of qualified employees employed by each participant in a qualified project and the total amount of wages paid to those persons; and
 - 11) For each qualified project, an assessment of whether the participants in the qualified project are making satisfactory progress towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project
- (b) For each abatement from taxation that the Office approved during the fiscal years which are 3 fiscal years, 6 fiscal years, 10 fiscal years and 20 fiscal years immediately preceding the submission of the report:
- 1) The dollar amount of the abatement;
 - 2) The value of infrastructure included as an incentive for the qualified project;
 - 3) The economic sector in which each participant in the qualified project operates, the number of primary jobs related to the qualified project, the average wage paid to employees employed by the participants in the qualified project and the assessed values of personal property and real property of the qualified project; and
 - 4) Any other information that the Office determines to be useful.

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

Respectfully yours,



Melanie Sheldon
Director of Business Development

cc: Michael Brown, Executive Director, GOED

Annual Report
Projects with Capital Investments of \$3.5 Billion
Pursuant to NRS 360.975
(FY 2020)

A. For the immediately preceding fiscal year, the NRS requirements and responses are as follows:

- 1) The number of applications submitted pursuant to NRS 360.945: The number of applications submitted pursuant to NRS 360.945 was zero (0) for FY 2020. In FY 2015, one application was submitted by Tesla Motors, Inc. for the project typically known as the “Tesla Gigafactory.”**
- 2) The number of qualified projects for which an application was approved: The number of qualified projects for which an application was approved was zero (0) for FY 2020.**
- 3) The amount of transferable tax credits approved: The amount of transferable tax credits approved for use in FY 2020 was \$21,912,501. Total approved for all periods is \$195,000,000.**
- 4) The amount of transferable tax credits used: The amount of transferable tax credits used by Tesla Motors, Inc. was \$21,912,501.**
- 5) The amount of transferable tax credits transferred: The amount of transferable tax credits transferred by Tesla Motors, Inc. was \$21,912,501.**
- 6) The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding, in total for each qualified project: The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding in total for each qualified project, were taken against Gaming License Fees imposed by NRS 463.370 and totaled \$21,912,501.**
- 7) The number of abatements approved: The number of abatements approved was zero (0) in FY 2020.**
- 8) The dollar amount of the abatements: The dollar amount of the abatements in FY 2020 totaled \$55.73 million, including \$13.80 million in Sales Taxes on construction materials, equipment and other property, \$1.34 million in Modified Business Tax, \$6.22 million in Real Property Tax, and \$34.36 million in Personal Property Tax. Also, 100 percent claw-back plus interest provisions are contractually activated if the project fails to reach the required minimum 10-year investment of \$3.5 billion.**

Source: Storey County Assessor's Office, Nevada Department of Taxation

- 9) The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in a qualified project who are residents of Nevada: **The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in a qualified project who are residents of Nevada are included below:**
- i. **Total number of construction employees who are Nevada residents: 9,017**
 - ii. **Total number of Nevada residents who are employees of participants: 6,646 total Nevada residents, which includes 4,302 for Tesla Motors, 2,177 for Panasonic Electronics North America (PENA) and 167 for H&T Nevada, LLC**

Source: Tesla Motors, Inc. / Eide Bailly LLP– Report of Independent Accountants on Applying Agreed Upon Procedures

- 10) The number of qualified employees employed by each participant in a qualified project and the total amount of wages paid to those persons: **The number of qualified employees (QEs) employed by each participant in a qualified project and the total amount of wages paid to those persons is as follows:**
- i. **Total number of QEs of participants for the reporting period: 7,805 total QEs; 5,403 for Tesla Motors, 2,201 for Panasonic Electronics North America (PENA), and 201 for H&T Nevada, LLC**
 - ii. **Total wages paid: \$572.2 million in wages were paid to 7,805 QEs to date which, adjusted for actual hours, equates to \$37.40 per hour**

Source: Tesla Motors, Inc. – internal reporting

- 11) For each qualified project, an assessment of whether the participants in the qualified project are making satisfactory progress towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project: **For each qualified project, GOED provides an assessment of whether the participants in the qualified project are making satisfactory progress towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project:**
- i. **Tesla reports an estimated total combined investment of \$5.2 billion through June 30, 2020**
 - ii. **Based on this investment, and observations of physical progress at the site, GOED has determined for FY 2020 that Tesla is making satisfactory progress towards meeting the investment requirements necessary to maintain its status as a qualified project**

Source: Tesla Motors, Inc. / Eide Bailly LLP– Report of Independent Accountants on Applying Agreed Upon Procedures

B. For each abatement from taxation that the Office approved during the fiscal years which are 3 fiscal years, 6 fiscal years, 10 fiscal years and 20 fiscal years immediately preceding the submission of the report:

1) The dollar amount of the abatement:

	2015	2016	2017	2018	2019	2020	Combined total
RPT	-	\$ 2,364,797	\$ 5,595,710	\$ 6,139,331	\$ 6,284,005	\$ 6,220,544	
PPT	-	\$ 334	\$ 156,993	\$ 17,377,826	\$ 27,964,821	\$ 34,363,259	
MBT	\$ 59,067	\$ 396,916	\$ 1,251,559	\$ 2,772,508	\$ 4,284,572	\$ 1,340,631	
SUT	\$ 2,532,930	\$ 5,136,661	\$ 68,832,963	\$ 51,163,942	\$ 17,417,131	\$ 13,809,902	
Total	\$ 2,591,998	\$ 7,898,708	\$ 75,837,225	\$ 77,453,606	\$ 55,950,529	\$ 55,734,336	\$ 275,466,401

Source: Storey County Assessor's Office, Nevada Department of Taxation

2) The value of infrastructure included as an incentive for the qualified project: **No infrastructure was provided as an incentive for this qualified project.**

3) The economic sector in which each participant in the qualified project operates, the number of primary jobs related to the qualified project, the average wage paid to employees employed by the participants in the qualified project and the assessed values of personal property and real property of the qualified project:

Project to date

	Tesla	PENA	H&T	Valeo
Economic Sector	Manu.	Manu.	Manu.	Manu.
New Qualified Employees (NQE)	5,403	2,201	201	0
Number of Nevadan residents NQEs	4,302	2,177	167	0
NQE Residency Percentage	80%	99%	83%	0
Average Wage	\$ 34.29	\$ 27.77	\$ 32.02	0

Source: Tesla Motors, Inc. / Eide Bailly LLP – Report of Independent Accountants on Applying Agreed Upon Procedures

RPT Assessed Values	Tesla	PENA	H&T	Valeo
2016-17	\$ 68,332,897	-	-	-
2017-18	\$ 161,692,999	-	-	-
2018-19	\$ 177,401,419	-	-	-
2019-20	\$ 181,581,894	-	-	-
2020-21	\$ 179,748,133	-	-	-

Source: Storey County Assessor's Office

PPT Assessed Values	Tesla	PENA	H&T	Valeo
2015-16	\$ 9,649	-	-	-
2016-17	\$ 4,516,053	\$ 20,415	-	-
2017-18	\$ 151,257,236	\$ 342,638,323	\$ 3,663,453	\$ 4,588,69
2018-19	\$ 284,186,838	\$ 503,860,156	\$ 15,989,255	\$ 4,032,091
2019-20	\$ 391,154,268	\$ 569,965,152	\$ 27,868,252	\$ 3,969,230

Source: Storey County Assessor's Office

Note: The time periods from April 13, 2020 through May 4, 2020 for the Company, March 23, 2020 through April 5, 2020 for Panasonic Energy Corporation of North America, and March 29, 2020 through April 19, 2020 for H&T Nevada, LLC were not included as, during this time, operations were reduced due to COVID-19.

For Further Reference / Background on Annual Report

Pursuant to NRS Chapter 360, beginning with the State fiscal year ending June 30, 2015 and ending with the State fiscal year ending June 30, 2034, the Lead Participant agrees to provide the Office and the Department with a full compliance audit ("SB No. 1 Audit") of the Participants in the Project for each such State fiscal year.

The SB1 No. 1 Audit is conducted by an independent certified public accountant licensed in the State who is approved by the Office.

Attached

SB1 No. 1 Audit

Period of July 01, 2019 through June 30, 2020



Agreed-Upon Procedures
Period of July 01, 2019 through June 30, 2020

Tesla, Inc.



Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors and Management
Tesla, Inc.
Palo Alto, California

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and Management of Tesla, Inc. (the "Company" or "Lead Participant") and the State of Nevada (the "Regulator") (collectively the "Specified Parties"), related to the Company's compliance with the State of Nevada SB1 Incentive Compliance agreement during the period of July 01, 2019 through June 30, 2020 (the "Period"). The Company's management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed, and our findings are as follows:

Required Qualified Employee Audit Data (Exhibits A-D)

1. We obtained a schedule from each Participant listing all qualified employees of the Project Site for the period of July 01, 2019 through June 30, 2020, except for Valeo North America, Inc. who did not report any qualified employees. The time periods from April 13, 2020 through May 4, 2020 for the Company, March 23, 2020 through April 5, 2020 for Panasonic Energy Corporation of North America, and March 29, 2020 through April 19, 2020 for H&T Nevada, LLC were not included as, during this time, operations were reduced due to COVID-19.
2. We selected a sample of 25% of the qualified employee additions during the period per the summary sheet. For each selected qualified employee: we agreed wages paid to a paystub or W-2 form (or equivalent system-generated payroll report) to include wages, 401(k) contributions, and cafeteria plan contributions; we agreed residency status to a copy of their current (during the period under review) and valid Nevada driver's license, a copy of their current (during the period under review) motor vehicle registration, or other Nevada DMV proof of residency; and we agreed qualified employee status to the payroll information obtained above to verify that the qualified employee was employed full-time and scheduled to work for an average of 30 hours per week at the Project site and had been for at least three consecutive months as of June 30, 2020, as well as proof that the qualified employee was offered coverage under a plan of health insurance provided by the Participant. Our sample selected resulted in the 90% accuracy threshold being met.

3. We recalculated the average wage of qualified employees to verify that the minimum average wage of \$22.00 was met without exception.
4. We recalculated the residency as a percentage of qualified employees for the project to date to verify the percentage reported and that at least 50% of qualified employees are Nevada residents, as required, was met without exception.
5. We agreed the schedule of qualified employees obtained from each participant to the Required Qualified Employee Audit Data form without exception.

Eide Bailly noted that in prior reporting periods, the Company exceeded the goal of hiring 6,000 employees per the SB1 Incentive Compliance agreement and earned the maximum qualified employee tax credit of \$75,000,000.

Combined Required Construction Employee Audit Data (Exhibit I)

1. We obtained a schedule listing all construction employees of the Project Site for the period of July 01, 2019 through June 30, 2020.
2. We selected a sample of 25% of the construction employee additions during the period listed as Nevada residents per the summary sheet. For each selected construction employee, we agreed residency status to a current (during the period under review) and valid Nevada driver's license, a copy of their current (during period under review) motor vehicle registration, or other Nevada DMV proof of residency. Our sample selected resulted in the 90% accuracy threshold being met.
3. We recalculated the residency as a percentage of construction employees for the project to date to verify the percentage reported and that at least 50% of construction employees are Nevada residents, as required, was met without exception.
4. We agreed the schedule of construction employees obtained from each participant to the Combined Required Construction Employee Audit Data form without exception.

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

1. We obtained the real and personal property listings from each Participant listing all capital investments made by each Participant in the state of Nevada for the period of July 01, 2019 through June 30, 2020, except for Valeo North America, Inc. who did not report any capital investments.
2. We selected a sample of property additions during the period of 25% of the total book value of property additions during the period.
3. We reviewed the supporting documentation obtained for the sampled property additions to determine that the addition met the definition of a capital investment per the Incentive Agreement, and verified determination of depreciable life. Our sample selected resulted in the 90% accuracy threshold being met.
4. We footed the listings by asset class/depreciable life without exception.
5. We agreed the listings obtained from each participant to the Required Property Audit Data form, by asset class/depreciable life grouping and in total without exception.

Eide Bailly noted that in prior reporting periods, the Company exceeded the goal of \$3,500,000,000 in capital investment spend per the SB1 Incentive Compliance agreement and earned the maximum qualified capital investment tax credit of \$120,000,000.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and Management of Tesla, Inc. and the State of Nevada and is not intended to be, and should not be, used by anyone other than these Specified Parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
September 14, 2020

Exhibit A

Combined Summary and Transferable Tax Credit

Qualified Project Name: Lead Participant: Reporting Period: Project to Date Period:	Gigafactory Project Tesla, Inc. (FKA: Tesla Motors, Inc.) July 1, 2019 - June 30, 2020 October 17, 2014 - June 30, 2020
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	Reporting Period *	Project to Date Period
Number of New Qualified Employees (NQE)	248	7,805
Number of NQEs who are Nevada Residents	543	6,646
Residency as a Percent		85%
Average Wage of Qualified Employees		\$ 32.32
Nevada residency requirements verified:		Yes
Qualified Employees requirements verified:		Yes
Total Capital Investment	\$ 222,343,180	\$ 5,154,549,134
Number of Qualified Employees (NQE)	-	6,000
Dollar Credit per NQE	\$ 12,500	\$ 12,500
Qualified Employee Tax Credit	\$ -	\$ 75,000,000
Capital Investment at 5%	\$ -	\$ 1,000,000,000
Percent Credit (5% up to \$1 Billion)	5%	5%
Capital Investment Tax Credit at 5%	\$ -	\$ 50,000,000
Capital Investment at 2.8%	\$ -	\$ 2,500,000,000
Percent Credit (2.8% up to \$2.5 Billion)	2.8%	2.8%
Capital Investment Tax Credit at 2.8%	\$ -	\$ 70,000,000
Total Transferable Tax Credit	\$ -	\$ 195,000,000

* The total number of new qualified employees hired by all participants during the reporting period was 1,976. The numbers above reflect the net number of qualified employees added during the reporting period less the number of previously qualified employees that left during the reporting period.

Exhibit B

Required Qualified Employee Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

<u>Workforce Composition</u>	Reporting Period *	Project to Date Period
Number of New Qualified Employees (NQE)	(137)	5,403
Number of NQEs who are Nevada Residents	149	4,302
Residency as a Percent		80%
Average Wage of Qualified Employees		\$ 34.29

* The total number of new qualified employees hired by Tesla, Inc. during the reporting period was 1,110. The numbers above reflect the net number of qualified employees added during the reporting period less the number of previously qualified employees that left during the reporting period.

Exhibit C

Required Qualified Employee Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Panasonic Energy Corporation of North America
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

<u>Workforce Composition</u>	Reporting Period *	Project to Date Period
Number of New Qualified Employees (NQE)	376	2,201
Number of NQEs who are Nevada Residents	387	2,177
Residency as a Percent		99%
Average Wage of Qualified Employees		\$ 27.77

* The total number of new qualified employees hired by Panasonic Energy Corporation of North America during the reporting period was 803. The numbers above reflect the net number of qualified employees added during the reporting period less the number of previously qualified employees that left during the reporting period.

Exhibit D

Required Qualified Employee Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	H&T Nevada, LLC
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

<u>Workforce Composition</u>	Reporting Period *	Project to Date Period
Number of New Qualified Employees (NQE)	9	201
Number of NQEs who are Nevada Residents	7	167
Residency as a Percent		83%
Average Wage of Qualified Employees		\$ 32.02

* The total number of new qualified employees hired by H&T Nevada, LLC during the reporting period was 63. The numbers above reflect the net number of qualified employees added during the reporting period less the number of previously qualified employees that left during the reporting period.

Exhibit E

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ 41,989,595
Building/Structure	\$ 289,238,900	\$ 594,565,506
Building/Structure - CIP	\$ (264,340,605)	\$ 1,472,372,233
Subtotal	\$ 24,898,295	\$ 2,108,927,334
Personal Property		
3- year life	\$ 697,826	\$ 9,725,770
5- year life	\$ -	\$ -
7- year life	\$ 40,824	\$ 40,824
10- year life	\$ -	\$ -
15- year life	\$ 111,758,170	\$ 179,428,213
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ (8,785,997)	\$ 774,520,821
Other Property	\$ 61,820	\$ 158,256
Expensed Property	\$ 25,515,993	\$ 164,088,554
Subtotal	\$ 129,288,636	\$ 1,127,962,438
Total Capital Investment	\$ 154,186,931	\$ 3,236,889,772

Exhibit F

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Panasonic Energy Corporation of North America
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ 4,004,109	\$ 14,619,417
5- year life	\$ 139,129	\$ 139,129
7- year life	\$ 97,121,322	\$ 1,520,494,359
10- year life	\$ -	\$ -
15- year life	\$ (62,724,326)	\$ 102,221,434
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 16,736,831	\$ 144,992,519
Other Property	\$ -	\$ -
Expensed Property	\$ 2,122,154	\$ 7,899,722
Subtotal	\$ 57,399,219	\$ 1,790,366,580
Total Capital Investment	\$ 57,399,219	\$ 1,790,366,580

Exhibit G

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	H&T Nevada, LLC
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ 526,104	\$ 526,104
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ 526,104	\$ 526,104
Personal Property		
3- year life	\$ 844,271	\$ 968,685
5- year life	\$ 64,422	\$ 1,649,360
7- year life	\$ 463,207	\$ 463,207
10- year life	\$ 12,672,807	\$ 104,336,616
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ (3,813,781)	\$ 10,472,336
Other Property	\$ -	\$ -
Expensed Property	\$ -	\$ -
Subtotal	\$ 10,230,926	\$ 117,890,204
Total Capital Investment	\$ 10,757,030	\$ 118,416,308

Exhibit H

Required Property Audit Data

Qualified Project Name:	Gigafactory Project
Participant:	Valeo North America, Inc.
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

	Reporting Period	Project to Date Period
Real Property		
Land	\$ -	\$ -
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ -	\$ -
Subtotal	\$ -	\$ -
Personal Property		
3- year life	\$ -	\$ -
5- year life	\$ -	\$ -
7- year life	\$ -	\$ 8,876,474
10- year life	\$ -	\$ -
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ -	\$ -
Other Property	\$ -	\$ -
Expensed Property	\$ -	\$ -
Subtotal	\$ -	\$ 8,876,474
Total Capital Investment	\$ -	\$ 8,876,474

Exhibit I

Combined Required Construction Employee Audit Data

Qualified Project Name:	Gigafactory Project
Lead Participant:	Tesla, Inc. (FKA: Tesla Motors, Inc.)
Reporting Period:	July 1, 2019 - June 30, 2020
Project to Date Period:	October 17, 2014 - June 30, 2020

Workforce Composition

	Reporting Period	Project to Date Period
Number of Construction Employees (CE)	201	16,061
Number of CEs who are Nevada Residents	179	9,017
Residency as a Percent		56%
Nevada residency requirements verified:		Yes