

December 15, 2015

The Honorable Brian Sandoval
Office of the Governor
One Hundred One North Carson Street
Carson City, Nevada 89701

Mr. Richard Combs, Director
Legislative Counsel Bureau
401 South Carson Street
Carson City, Nevada 89701

Re: Tesla Gigafactory Compliance Audit Report (FY15)

Gentlemen:

Pursuant to NRS 360.955 the Governor's Office of Economic Development ("Office") has certified the first compliance audit of Tesla Motors, Inc. ("Tesla") for the period covering October 17, 2014 through June 30, 2015. As such, and again pursuant to NRS 360.955, our Office has determined all other requirements have been met, and we plan to issue to Tesla transferable tax credits totaling \$9,617,941 as further described in the attached compliance audit. Tesla has 30 days after the receipt of this notice to make an irrevocable declaration of the amount of transferable tax credits that will be applied to each fee or tax set forth in NRS 360.945.

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

Respectfully yours,



Brad Mamer
Director of Business Development

Attachment: Report of Independent Accountants on Applying Agreed Upon Procedures
Tesla Motors, Inc., October 17, 2014 through June 30, 2015

cc: Steve Hill
Tesla Motors, Inc.



Report of Independent Accountants on Applying
Agreed-Upon Procedures

Tesla Motors, Inc.

October 17, 2014 through June 30, 2015



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Report of Independent Certified Public Accountants

Management
Tesla Motors, Inc.

We have performed the procedures listed below, which were agreed to by management of Tesla Motors, Inc. (the “Company” or “Lead Participant”) and the State of Nevada (the “Regulator”) (collectively, the “Specified Parties”), solely to assist you in determining compliance with the State of Nevada SB1 Incentive Compliance agreement for the period of October 17, 2014 through June 30, 2015. Tesla Motors, Inc.’s management is responsible for the schedules of qualified employees and construction employees and the listing of all capital investments made by each Participant (as defined in the SBI Incentive Compliance Agreement) in the State of Nevada. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Company and the State of Nevada. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows.

Required Qualified Employee Audit Data

- We obtained a schedule from each Participant listing all qualified employees of the Project Site for the period of October 17, 2014 through June 30, 2015.
- We selected a sample of 25% of the qualified employees per the summary sheet. For each selected qualified employee, we agreed wages paid, hours worked and employment term to paystubs or system-generated payroll reports. For each selected qualified employee, we agreed residency status to a current (during the period under review) and valid Nevada driver’s license and motor vehicle registration (if applicable). We also obtained proof that each qualified employee was offered coverage under a plan of health insurance provided by the Participant. We noted one exception as to residency status, and therefore, expanded our sample, with no further exceptions noted. Our expanded sample selected resulted in the 90% accuracy threshold being met.
- We recalculated the average wage of qualified employees to verify that the minimum average wage of \$22.00 was met without exception.
- We recalculated the residency as a percentage of qualified employees to verify the percentage reported and that at least 50% of qualified employees are Nevada residents, as required, was met without exception.
- We agreed the schedule of qualified employees obtained from each participant to the Required Qualified Employee Audit Data form without exception.
- We recalculated the transferable tax credit determined by the Company based on the number of qualified employees as noted above and traced to the combined summary and transferable tax credit form, without exception.

Required Construction Employee Audit Data

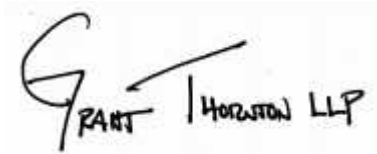
- We obtained a schedule from each Participant listing all construction employees of the Project Site for the period of October 17, 2014 through June 30, 2015.
- We selected a sample of 25% of the construction employees listed as Nevada residents per the summary sheet. For each selected construction employee, we agreed residency status to a current (during the period under review) and valid Nevada driver's license. Our sample selected resulted in the 90% accuracy threshold being met.
- We recalculated the residency as a percentage of construction employees to verify the percentage reported and that at least 50% of construction employees are Nevada residents, as required, was met without exception.
- We agreed the schedule of construction employees obtained from each participant to the Required Construction Employee Audit Data form without exception.

Required Property Audit Data

- We obtained the real and personal property listings from each Participant listing all capital investments made by each Participant in the state of Nevada for the period of October 17, 2014 through June 30, 2015.
- We selected a sample of property additions during the period of 25% of the total book value of property additions during the period.
- We reviewed the supporting documentation obtained for the sampled property additions to determine that the addition meets the definition of capital investments per the Incentive Agreement, and verified determination of depreciable life, without exception. Our sample selected resulted in the 90% threshold being met.
- We footed the listings by asset class/depreciable life without exception.
- We agreed the listings obtained from each participant to the Required Property Audit Data form, by asset class/depreciable life grouping and in total without exception.
- We recalculated the transferable tax credit determined by the Company based on the total Capital Investment for the period as noted above and traced to the Combined Summary and Transferable Tax Credit form without exception.

We were not engaged to and did not conduct an examination or a review, the objective of which is the expression of opinion or limited assurance in determining the compliance with the State of Nevada SB1 Incentive Compliance agreement. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Tesla Motors, Inc. and the State of Nevada and is not intended to be and should not be used by anyone other than these specified parties.



Reno, Nevada
December 14, 2015

Exhibit A

Combined Summary and Transferable Tax Credit

Qualified Project Name:	Gigafactory Project
Lead Participant:	Tesla Motors, Inc.
Reporting Period:	October 17, 2014 - June 30, 2015
Project to Date Period:	October 17, 2014 - June 30, 2015

	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	24	24
Number of NQEs who are Nevada Residents	16	16
Residency as a Percent	67%	67%
Average Wage of Qualified Employees	\$ 94.26	\$ 94.26
Nevada residency requirements verified:	Yes	Yes
Qualified Employees requirements verified:	Yes	Yes
Total Capital Investment	\$ 186,358,823	\$ 186,358,823
Number of Qualified Employees (NQE)	24	24
Dollar Credit per NQE	\$ 12,500	\$ 12,500
Qualified Employee Tax Credit	\$ 300,000	\$ 300,000
Total Capital Investment	\$ 186,358,823	\$ 186,358,823
Percent Credit	5%	5%
Capital Investment Tax Credit	\$ 9,317,941	\$ 9,317,941
Total Transferable Tax Credit	\$ 9,617,941	\$ 9,617,941

Exhibit B

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Tesla Motors, Inc.
Reporting Period: October 17, 2014 - June 30, 2015
Project to Date Period: October 17, 2014 - June 30, 2015

Workforce Composition

	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	19	19
Number of NQEs who are Nevada Residents	15	15
Residency as a Percent	79%	79%
Average Wage of Qualified Employees	\$ 97.64	\$ 97.64

Exhibit C

Required Qualified Employee Audit Data

Qualified Project Name: Gigafactory Project
Participant: Panasonic Energy Corporation of North America
Reporting Period: October 17, 2014 - June 30, 2015
Project to Date Period: October 17, 2014 - June 30, 2015

Workforce Composition

	Reporting Period	Project to Date Period
Number of New Qualified Employees (NQE)	5	5
Number of NQEs who are Nevada Residents	1	1
Residency as a Percent	20%	20%
Average Wage of Qualified Employees	\$ 78.84	\$ 78.84

Exhibit D

Required Property Audit Data

Qualified Project Name: Gigafactory Project
Participant: Tesla Motors, Inc.
Reporting Period: October 17, 2014 - June 30, 2015
Project to Date Period: October 17, 2014 - June 30, 2015

	Reporting Period	Project to Date Period
Real Property		
Land	\$ 352,539	\$ 352,539
Building/Structure	\$ -	\$ -
Building/Structure - CIP	\$ 182,777,418	\$ 182,777,418
Subtotal	\$ 183,129,957	\$ 183,129,957
Personal Property		
3- year life	\$ -	\$ -
5- year life	\$ -	\$ -
7- year life	\$ -	\$ -
10- year life	\$ -	\$ -
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 386,894	\$ 386,894
Expensed Property	\$ -	\$ -
Subtotal	\$ 386,894	\$ 386,894
Total Capital Investment	\$ 183,516,851	\$ 183,516,851

Exhibit E

Required Property Audit Data

Qualified Project Name: Gigafactory Project
Participant: Panasonic Energy Corporation of North America
Reporting Period: October 17, 2014 - June 30, 2015
Project to Date Period: October 17, 2014 - June 30, 2015

	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	\$ -	\$ -
10- year life	\$ -	\$ -
15- year life	\$ -	\$ -
20- year life	\$ -	\$ -
30- year life	\$ -	\$ -
CIP - Life TBD	\$ 2,823,496	\$ 2,823,496
Expensed Property	\$ 18,476	\$ 18,476
Subtotal	\$ 2,841,972	\$ 2,841,972
Total Capital Investment	\$ 2,841,972	\$ 2,841,972

Exhibit F

Required Construction Employee Audit Data

Qualified Project Name: Gigafactory Project
Lead Participant: Tesla Motors, Inc.
Reporting Period: October 17, 2014 - June 30, 2015
Project to Date Period: October 17, 2014 - June 30, 2015

<u>Workforce Composition</u>	Reporting Period	Project to Date Period
Number of Construction Employees (CE)	1348	1348
Number of CEs who are Nevada Residents	916	916
Residency as a Percent	68%	68%
Nevada residency requirements verified:	Yes	Yes