

DRAFT 02-19-24b (Clean draft)

GOVERNMENTAL SERVICES AGREEMENT

for Storey County Economic Diversification District No. 2 (Tesla)

between Storey County and Tesla

This Governmental Services Agreement (the "Agreement") is made and entered into as of this _____ day of _____ 2024, to be effective _____, (the "Effective Date") by and among **TESLA, INC.**, a Delaware corporation, having offices at Electric Avenue, Sparks, Nevada 89437 ("Tesla" or "Lead Participant"), **STOREY COUNTY, NEVADA** a political subdivision of the State of Nevada (the "County"). Tesla and County are referred to as the "Parties."

RECITALS

Whereas, pursuant to S.B. 1, 28th (2014) Special Session of the Nevada Legislature, (the "Economic Diversification Act"), the County has the power to create an economic diversification district for the development of property within the jurisdiction of the County for the purpose of acquiring, improving, equipping, and developing a qualified project; and

Whereas, pursuant to the Economic Diversification Act, section 35, the County may enter into an agreement with an owner of any interest in property located within an economic diversification district, pursuant to which that owner would agree to make payments to the County or other local government that provides services within the economic diversification district, to defray in whole or in part the cost of providing governmental services within the district; and

Whereas, pursuant to the Economic Diversification Act, section 31, the Board of County Commissioners of Storey County, Nevada (the "Board") has adopted Ordinance No. 24-327, the Economic Diversification District 2 Creation Ordinance (the "Ordinance") creating Storey County Economic Diversification District No. 2 (Tesla) in Storey County, Nevada (District No. 2) which becomes effective on approval and execution of this Agreement; and

Whereas the County will provide governmental services within District No. 2 including, but not limited to, Sheriff's Office law enforcement, 9-1-1- Dispatch services, and Assessor; and

Whereas Tesla will cause increased vehicular traffic on certain roads in the County, and Tesla will cause improvements at Tesla's expense to occur on those roads to defray associated impacts to the County; and

Whereas, the Parties all acknowledge that, as a result of the abatement of sales and use tax and property tax that the County would normally receive to pay for governmental services within District No. 2, there is a resulting budgetary difficulty facing the County in providing governmental services within District No. 2; and

Whereas, Tesla, as the Lead Participant in District No. 2, desires to assist the County by making payments to the County intended to enable the County to provide governmental services in District No. 2 during this period of budgetary difficulty; and

Whereas, in an effort to address the situation just described and to fulfill the Economic Diversification Act, Section 35, Tesla, together with the County desire to set forth the terms pursuant which Tesla will make payments to the County to defray

in whole or in part the cost of providing the governmental services within District No. 2 and will cause certain road improvements to occur at Tesla's expense during the term of this Agreement.

Now, therefore, in consideration of the premises set forth above and the mutual covenants set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties agree as follows:

1. Term. This Agreement will remain in effect (the "Term") from the Effective Date until June 30, 2034, unless sooner terminated under the provisions of this Agreement.

2. Governmental services to be provided. The County including, as applicable, such divisions of the County as the Sheriff's Office shall provide the following "Governmental Services" to the standard and in the quantities described in this Agreement, and in any event, at a service level not less than provided by the County to other commercial enterprises located within the County (the "Base Level of Services").

Governmental Services means the following services, as more particularly described on Exhibit A to this Agreement, which will be provided by the County, as applicable, and Tesla as applicable, within and throughout the District No. 2 for the benefit of all Participants in District No. 2:

- Sheriff's Office law enforcement services,
- 9-1-1 Emergency Dispatch services, and
- Assessor and tax appraisal services.

3. Compliance with Base Levels of Services.

(a) In the absence of extenuating circumstances and subject to the factors described elsewhere in this Section 3, the County agrees to provide the Base Level of Services for each of the Governmental Services throughout the Term of this Agreement.

(b) The Base Level of Services assumes an average level of demand and activity, and the Parties recognize that Governmental Services provided on any particular day or period may vary based upon special circumstances. However, the expectation is that the County will perform each of the Governmental Services at no less than the Base Level of Service, except as otherwise provided herein.

(c) The Base Level of Services may be adjusted to reflect new methodologies and policies, provided that the basic intent of this Agreement is maintained in any adjustment.

(d) In the event of extreme emergency, as declared by the Chairman of Board of County Commissioners or the Governor of the State of Nevada, Governmental Services may be temporarily suspended in all or part of District No. 2, to the extent required by such emergency. The Parties acknowledge that such circumstances are likely to be highly unusual and temporary in nature.

4. Computation of Governmental Services Amount. Each year during the term of this Agreement, Tesla, as an owner of a property interest within District No. 2, agrees to pay the amount determined pursuant to Section 5 below to defray, in whole or in part, the costs of the Governmental Services provided by the County in District No. 2. The Parties agree the amounts to be paid by Tesla will be used primarily by the County to provide Governmental Services in District No. 2.

5. Payment for Governmental Services.

(a) Tesla agrees to pay the following annual amounts shown in Table 5.1 below, based upon a June 30th fiscal year, to the County to defray, in whole or in part, the cost of the Governmental Services provided in District No. 2 by the County during the term of this Agreement.

(b) Tesla will pay the County \$253,258 by April 1, 2024, and 321,989 by June 30, 2024, toward Sheriff’s Office services to expedite the hiring of Sheriff’s deputies and acquisition of law enforcement equipment needed to fulfill this Agreement. These amounts will be subtracted from Tesla’s Fiscal-Year 25 (Fiscal-Year 24/25 in Table 5.1) contribution. Between the effective date of this Agreement and July 1, 2024, the Sheriff’s Office will progressively recruit deputies and purchase law enforcement supplies necessary to fulfill this Agreement. The Sheriff’s Office will continue progressively building its patrol program between July 1, 2024, and December 31, 2024.

(c) By June 30, 2024, Tesla will provide funds to the County to be applied toward the purchase of a new Tesla Model Y vehicle as one of the seven Deputy Sheriff vehicles, and work with the county to outfit the vehicle with necessary law enforcement equipment meeting Sheriff’s Office standards.

- i. Vehicle Purchase – Tesla will provide the County up to \$70,000 to purchase a new Tesla Model Y vehicle. The vehicle will include warranties and maintenance programs offered by Tesla to new-vehicle customer purchases. The County will invoice Tesla for any vehicle purchase costs and fees exceeding \$70,000, and Tesla will reimburse the County for those costs in the next normal quarterly Government Services Agreement payment to the County.
- ii. Law Enforcement Vehicle Outfitting – Tesla will provide the County up to \$18,000 to outfit its purchased Tesla Model Y vehicle with necessary law enforcement patrol equipment, radio communications equipment, and other equipment not including Mobile Data Terminal (MBT) necessary to meet Sheriff’s Office standards. The County will invoice Tesla for any vehicle outfitting costs and fees exceeding \$18,000, and Tesla will reimburse the County for those costs in the next normal quarterly Government Services Agreement payment to the County.

Fiscal Year (July 1 – June 30)	Payment (Annual Amount)		
	Sheriff’s Office	Dispatch & Assessor’s Office	<u>Infrastructure</u>
24/25	\$1,289,955	\$191,018*	
25/26	\$980,366	\$138,095	<u>\$1,700,000</u>
26/27	\$1,009,461	\$151,366	
27/28	\$1,039,431	\$165,951	
28/29	\$1,070,299	\$181,980	
29-30	\$1,111,193	\$199,599	
30/31	\$1,134,840	\$218,966	
31/32	\$1,168,571	\$240,253	
32/33	\$1,203,313	\$263,655	
33/34	\$1,239,097	\$370,630*	
Subtotal	\$11,246,526	\$2,121,513	<u>\$1,700,000</u>
Total Investment	\$15,068,039		
*Assessor third-party audit added to FY25 and FY34			

(d) On or about April 1, 2027, and again on or about April 1, 2030, the Parties agree to meet upon the request by either Party to evaluate a redetermination of Tesla's annual fee payments to the County to defray, in whole or in part, the cost of the Governmental Services provided in District No. 2 by the County during the next succeeding three years of the term of this Agreement (County Fiscal Years ending in 2024-2027 and 2030-2034).

Factors which the Parties ~~must~~may consider in this re-determination include, without limitation: (i) the County's current budgetary condition and its resulting ability to provide Governmental Services in District No. 2 without financial assistance from Tesla; (ii) Tesla's historical usage of Governmental Services in District No. 2; (iv) an assessment of the financial impact of District No. 2 on the provision of local governmental services, including, without limitation, services for police protection and fire protection in the County.

The Parties agree to meet immediately to re-determine Tesla's annual fee payment to the County to defray, in whole or in part, the cost of Government Services provided to District No. 2 by the County at any time when the State of Nevada or a political subdivision or agency of the State of Nevada causes the diversion of Tesla Gigafactory I or Gigafactory II (Economic Diversification District 1 or 2, respectively) property tax revenues away from Storey County causing adverse fiscal impact to the County during the term of this Agreement.

Tesla shall pay in advance each annual amount provided for in this Section 5. Such payments shall be made to the County in four equal installments on a quarterly basis (July 1, October 1, January 1, and April 1). Payments received by the County past 90 days of these dates will result in a 1.8% compound monthly penalty charged to Tesla.

(e) Nothing in this Agreement shall be construed to cause permits and plan review fees of the Community Development and/or Building Department or the Fire Protection District to be abated or deferred. Tesla will be subject to permit and plan review fees per Storey County Code, Storey County Fire Protection District Code, and/or other applicable codes or regulations, and permit and plan review fee abatements and deferments for Economic Diversification District 1 do not apply to Economic Diversification District 2.

(f) In addition to payment for Government Services, Tesla agrees to terms and payment for road improvement and traffic management as specified in Exhibit B of this Agreement.

6. Cooperation, non-exclusivity, conflict.

(a) Conflict. Any conflict between the provisions of this Agreement and any present or future lawful exercise of the County's police powers shall be resolved in favor of the latter.

7. Public Records Law. Tesla acknowledges and agrees that, subject to the limitations and protections of the Economic Diversification Act, all records, documents, drawings, plans, specifications and other materials in the County's possession, including materials submitted by Tesla, are subject to the provisions of the Nevada Public Records Law (NRS 239.005 et seq.). Tesla shall be solely responsible for all determinations made by it under such law, and for clearly and prominently marking each and every page or sheet of materials with "Trade Secret", "Proprietary" or "Confidential" as it determines to be appropriate.

8. Defaults and remedies.

The following shall constitute an Event of Default by Tesla under this Agreement:

(a) Any representation, covenant or warranty contained in this Agreement which proves to have been incorrect in any material and adverse respect when made and continues to be materially adverse to the County other Party after expiration of the cure period set forth below; or

(b) A court having jurisdiction has made or entered any decree or order (1) adjudging Tesla a Party to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of Tesla a Party or seeking any arrangement for Tesla under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of ~~the Tesla a Party~~ in bankruptcy or insolvency or for any of its properties, or (4) directing the winding up or liquidation of Tesla a Party; or

(c) Tesla shall have assigned its assets for the benefit of its creditors (other than pursuant to a security instrument) or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within sixty (60) days after such event; or

(d) Any violation of a material provision of this Agreement, which remains uncured within the time set forth below.

Upon the occurrence of an Event of Default hereunder, the County non-offending Party shall first notify Tesla in writing of its purported breach or failure, giving Tesla sixty (60) days from receipt of such notice to cure or, if cure cannot be accomplished within sixty (60) days, to commence to cure such breach, failure or act. In the event Tesla the offending Party does not then so cure, or commence to cure, within sixty (60) days, the County non-offending Party shall have the right to terminate this Agreement and pursue all rights and remedies available in law and in equity.

9. Remedies Cumulative. The rights and remedies of the Parties under this Agreement are cumulative, and the exercise or failure to exercise one or more of these rights or remedies by either Party will not preclude the exercise by it, at the same time or different times, of any right or remedy for the same default or any other default.

10. No Waiver. No failure or delay by either Party in asserting any of its rights or remedies hereunder shall operate as a waiver of any default or of any such right or remedy, nor deprive such Party of its right to institute and maintain any action or proceeding which it may deem necessary to protect, assert or enforce any such rights or remedies. Without limiting the generality of the foregoing, the failure or delay by either Party in providing a notice of default shall not constitute a waiver of any default.

11. Prohibition on Assignment or Transfer. Except as provided below, Tesla shall not directly or indirectly, voluntarily, involuntarily or by operation of law make or attempt any total or partial sale, transfer, conveyance, assignment or hypothecation (collectively "Transfer") of the whole or any part of this Agreement without the prior written approval of the County, which will not be unreasonably withheld or delayed. Any such attempt to Transfer this Agreement without the County's consent will be null and void and will confer no rights or privileges upon the purported assignee and will constitute an Event of Default. Notwithstanding the foregoing, Tesla's rights hereunder with respect to the Governmental Services may be transferred to (i) any affiliate of Tesla; or (ii) any person or entity to whom the Tesla's rights with respect to the Gigafactory Project are transferred in compliance with the transfer/assignment provisions of any applicable agreement between Tesla and the County.

12. No Third-party Rights. The Parties expressly disclaim the creation of any right in any third party whatsoever under this Agreement, except those third parties that are also Participants in District No. 2. There are no third-party beneficiaries other than the Participants in District No. 2. Each participant in District No. 2 is deemed to be a third-party beneficiary of this Agreement.

arbitrator, the dispute shall be arbitrated and the proceedings shall be governed by the rules and regulations established by the arbitrator. The location of the arbitration shall be in the County unless otherwise agreed by the Parties, and shall be governed by the laws of the State of Nevada. All decisions by the arbitrator(s) so chosen shall be final and binding upon both Parties and may be enforced by either Party in a court of competent jurisdiction. To the extent possible, the Party found to be at fault shall pay the cost of any such mediation or arbitration. If the Parties cannot agree upon an arbitrator, the dispute shall be submitted to the First District Court of the State of Nevada. The procedures specified herein shall be the sole and exclusive procedures for the resolution of disputes between the Parties arising out of or relating to this Agreement; however, either Party may at any time seek a preliminary injunction or other preliminary judicial relief from the appropriate court or other jurisdictions as the circumstances require to prevent irreparable or immediate damage. Nothing contained herein, shall restrict either Party's right to seek monetary damages in addition to or independent of injunctive relief. Despite such action, the Parties will continue to participate in good faith in the procedures specified herein, which shall survive any termination of this Agreement.

20. Entire agreement. ~~This Agreement is the entire Agreement of the Parties and supersedes all prior negotiations whether written or oral. This Agreement constitutes the entire agreement between the Parties. This Agreement shall run concurrently with any pre-existing agreements and is not intended to supersede or replace any prior written agreement between the Parties.~~

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

In witness whereof, the Parties have executed this Agreement the day and year first above written.

TESLA:

THE COUNTY

TESLA, INC.

STOREY COUNTY, NEVADA

By: _____

By: _____

Attest:

Attest:

Name

Jay Carmona, Chair
Board of Storey County Commissioners

ATTEST:

By: _____
Jim Hindle
Storey County Clerk-Treasurer

APPROVED AS TO FORM:

Anne Langer,
Storey County District Attorney

EXHIBIT A
Governmental Services

In consideration of the annual payment by Tesla for governmental services set out in this Agreement the County will provide the following services:

1. The Storey County Sheriff's Office (Sheriff's Office) will provide the following services within the limitations set forth in Section 5 of this Agreement:
 - a. Staffing during the term of this Agreement to the following minimum standards:
 - i. The Sheriff's Office will maintain this level of staffing unless an emergency exists as declared by the Sheriff or the Board of Storey County Commissioners, including responding to calls to duty, that requires the use of such dedicated Deputy and only for such time as the emergency is occurring. Sheriff's Office coverage of Beat 7 and other related matters will be discussed between the parties on a quarterly basis.
 - ii. The Sheriff's Services shall include all duties and functions customarily rendered by the Sheriff's Office.
 - iii. The Sheriff's Office shall be responsible for providing adequate and appropriate training for all Sheriff's Office personnel and Deputies at its own expense. The terms "Deputy" or "Deputies" as used in this Agreement shall mean a trained and licensed Sheriff's Deputy who possess a current and valid Nevada Commission on Peace Officer's Standards and Training (P.O.S.T.) Basic Category 1 Peace Officer Certificate per NRS/NAC 289, is at least 21 years of age, and has completed the P.O.S.T continuing education requirements in accordance with NRS/NAC 289.
 - iv. The Sheriff's Office will not be involved in day-to-day internal Tesla security operations.
 - v. The Sheriff's Office will provide staffing time to work with Tesla's private security on agreed training that may be necessary for Tesla employees such as Active Shooter-Active assailant, workplace violence, crime scene preservation, obtaining statements, and initial responses to different incidents.
2. Storey County will provide Emergency 9-1-1 Dispatch services to District No. 2.
3. Storey County will provide Assessor's Office real and personal property appraisal services to District No. 2.
4. Tesla and the Sheriff's Office shall hold quarterly business reviews ("QBR") to discuss the level of coverage during the quarter, review quarterly data regarding Beat 7, and discuss best practices, get updates on Deputy staffing levels and hiring, and any concerns or areas where improvements can be made to better serve and protect the Beat Territory.

5. In the event the Sheriff's Office does not provide the services set forth in this Agreement or fails to provide coverage to Beat 7 for seven consecutive days of 24x7 coverage as evidenced by beat schedules provided by the Sheriff's Office, the quarterly payment for the next quarter shall be reduced by a percentage equal to the number of days in the quarter that the Sheriff's Office did not provide coverage for Beat 7. Tesla and the Sheriff's Office will hold quarterly meetings to discuss Beat 7 coverage including, but not limited to, reasons for non-coverage of Beat 7, such as related to staffing and equipment availability, response to other emergency calls, and Declarations of Emergencies by the County, and will develop remedies to ensure consistent coverage of Beat 7.

Figure A: Beat 7 Map



EXHIBIT B
Road Improvements and Traffic Management

a. Traffic Management

To lessen congestion around the intersection of Electric Avenue and Milan Drive, vehicle traffic to and from facilities situated south of Milan Drive shall be directed to and from Electric Avenue through the Tesla guard shack/gate where it is approximately located at the time of this agreement. Tesla will install and maintain gates and other barriers between facilities and Milan Drive as needed to maintain these traffic flows.

b. Electric-Milan Traffic Signal:

- i. Tesla shall reimburse the County 85 percent of all actual documented costs of engineering design, RFP bidding and project management, and construction of the Electric Avenue-Milan Drive intersection improvements, not to exceed \$1,700,000. The requirements in this section will become effective July 1, 2025, and the intersection improvement project must be complete by June 30, 2027, unless a later completion deadline is mutually agreed to by both parties. *The payment will be made to the County upon completion of the project.*

c. Electric-Milan Turn Restrictions:

- i. Tesla agrees not to contest restrictions to left turns from Milan to Electric and right turn from Electric to Milan, or to cause the county to facilitate these turns if the county finds the restrictions to be appropriate.
 1. Alternative: Tesla to pay 100% actual costs for engineering design, RFP bidding and project management, and construction needed to facilitate these turns.

d. Electric Maintenance:

- i. On or about April of 2027, the County and Tesla will discuss the following possible reimbursement programs to defray the County's costs responding to District No. 2:
 1. Actual costs for slurry seal of Electric Avenue from the Venice Drive intersection to the Tesla guard shack.
 2. Actual cost to rehab Electric Avenue from the Venice Drive intersection to the Tesla guard shack.
 3. Alternative: Tesla potentially taking ownership of Electric Avenue from Venice Drive to the Tesla guard shack/property line. If an agreement is reached, Tesla will also cause the County to be relieved of the amount it owes to Roger Norman/Tahoe-Reno Industrial Center, or Tesla will pay County the equivalent amount, for this segment of road. Upon completion of an agreed transfer, Tesla will become the owner of this road segment and will privately maintain it thenceforth.
 4. Other road considerations.

e. The improvements and associated activities in this Agreement are not subject to the Tahoe-Reno Industrial Center infrastructure reimbursement requirements.

EXHIBIT C

Economic Diversification District No. 2

(See Legal Descriptions in Storey County Code 3.50, Article III)

Exhibit C Cover Map Summary

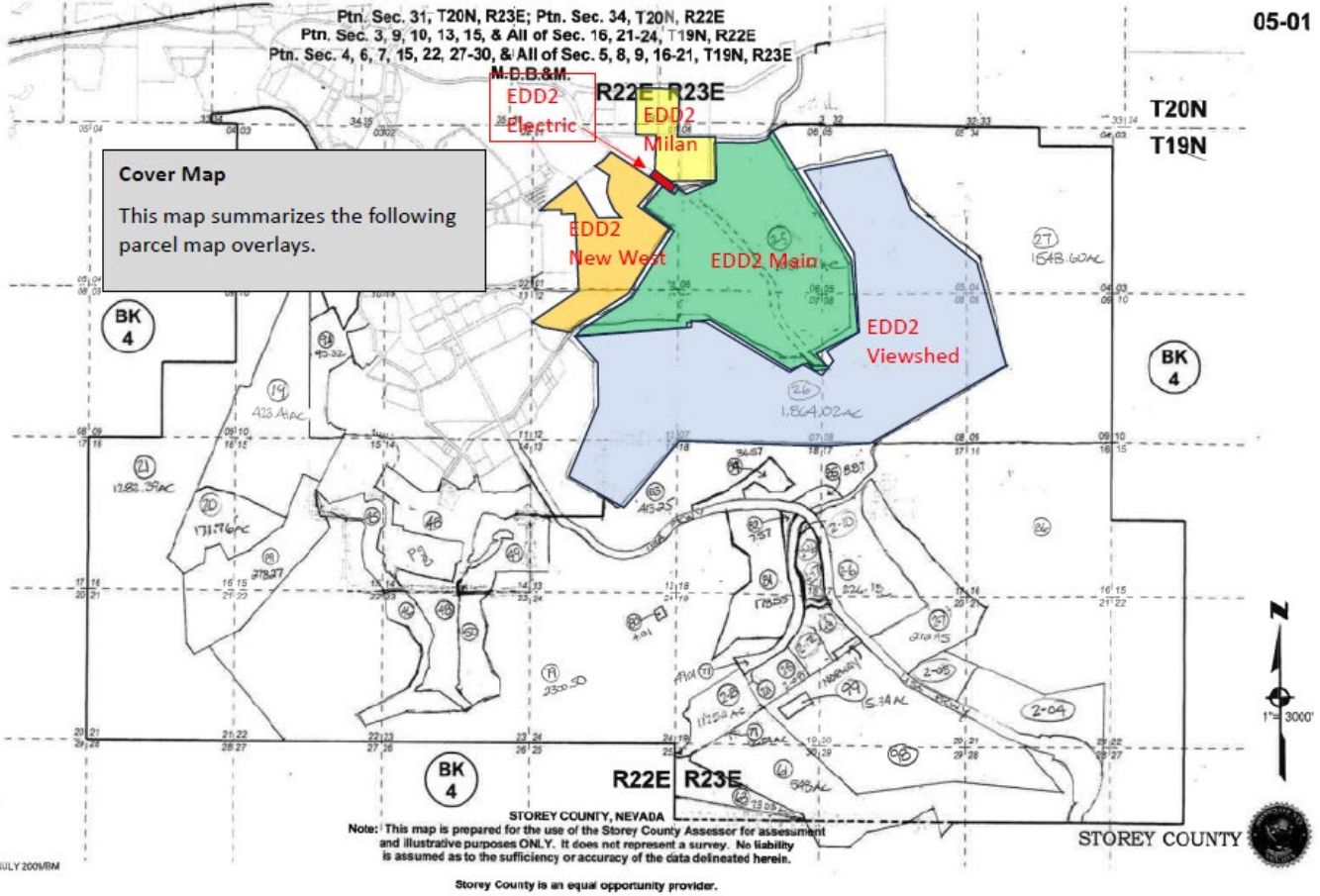
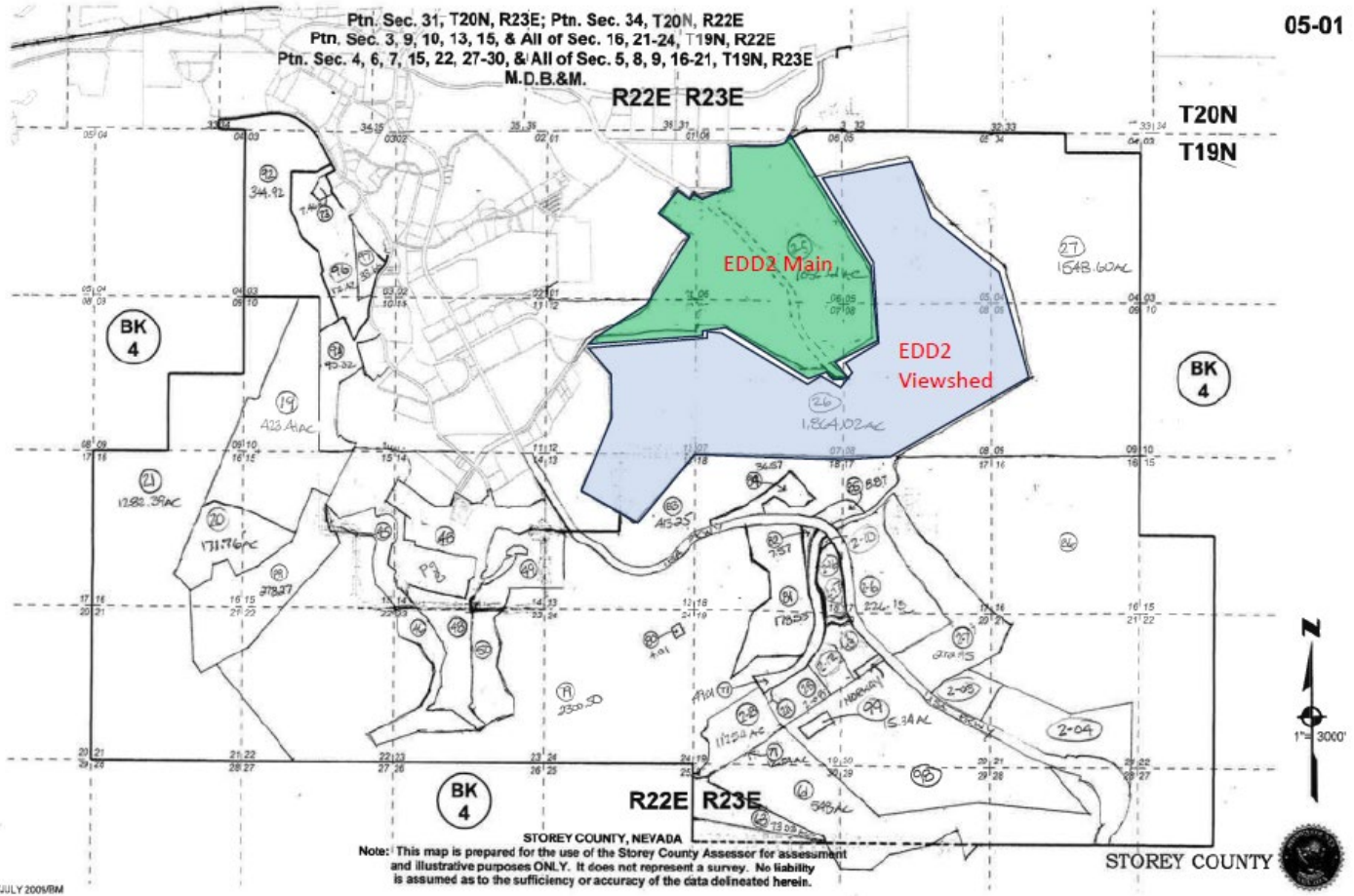


Exhibit C: District No. 2, EDD2 Main & EDD2 Viewshed

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REV JULY 2006/MB

Exhibit C: District No. 2, EDD2 Milan & EDD2 Electric

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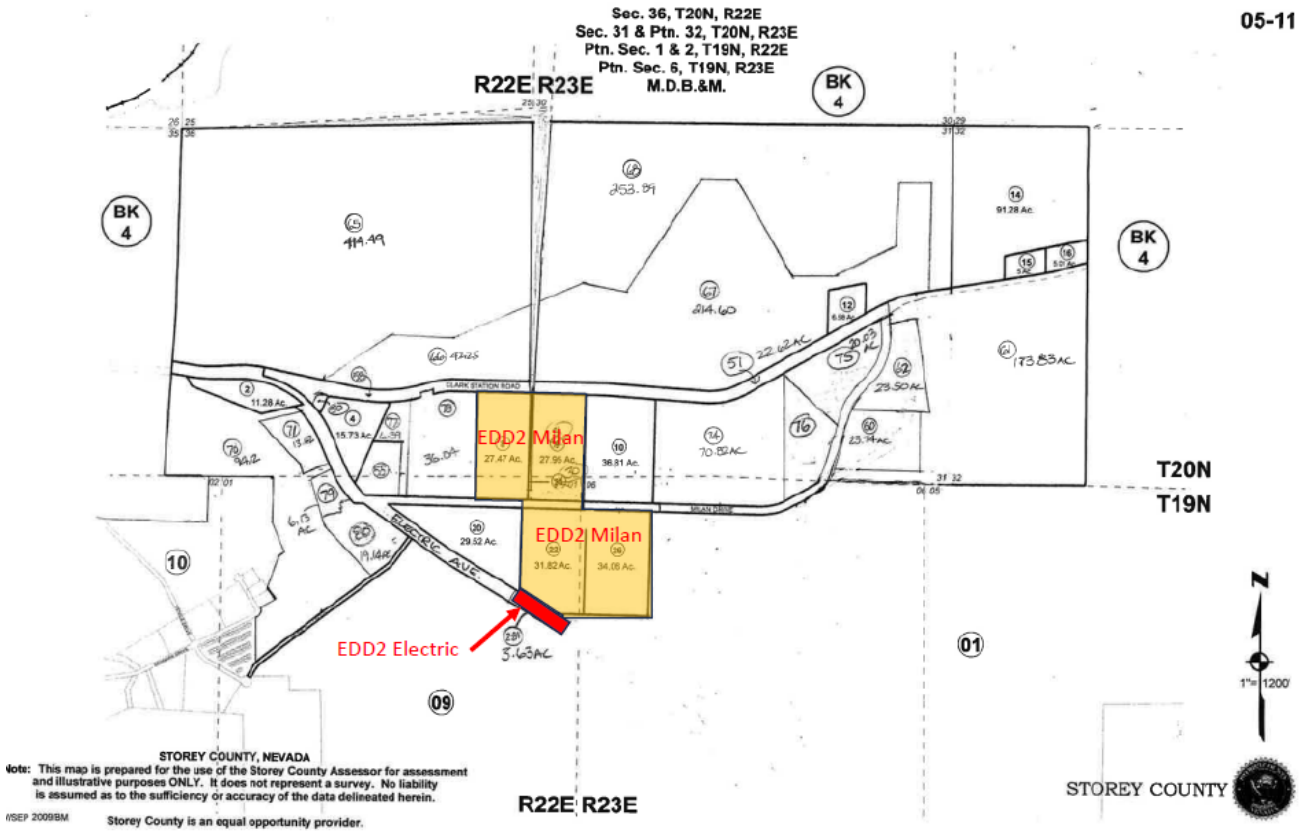


Exhibit C: District No. 2, EDD2 New West

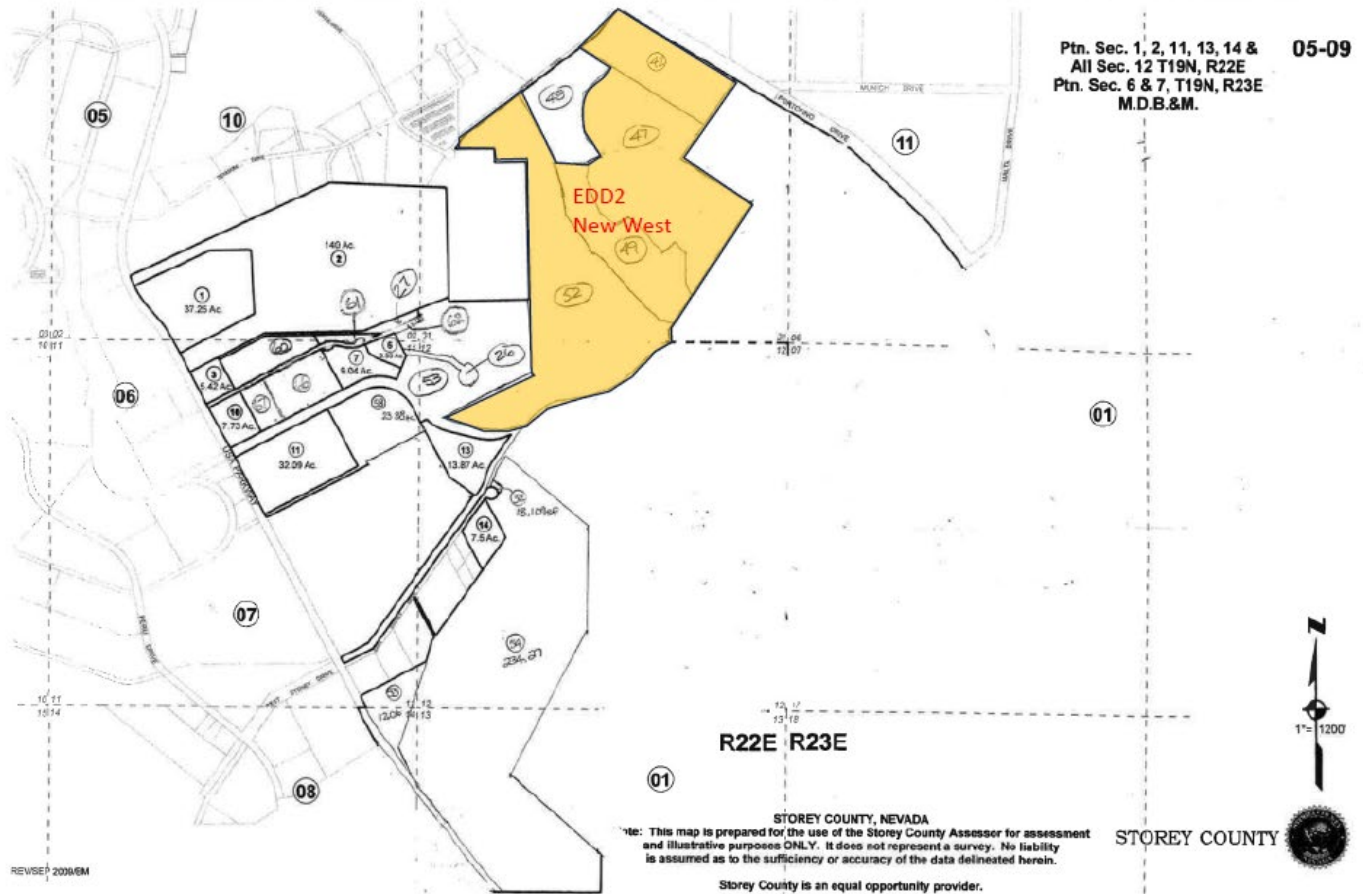


Exhibit C: Gigafactory 1, Not District No. 2 and Not Abated

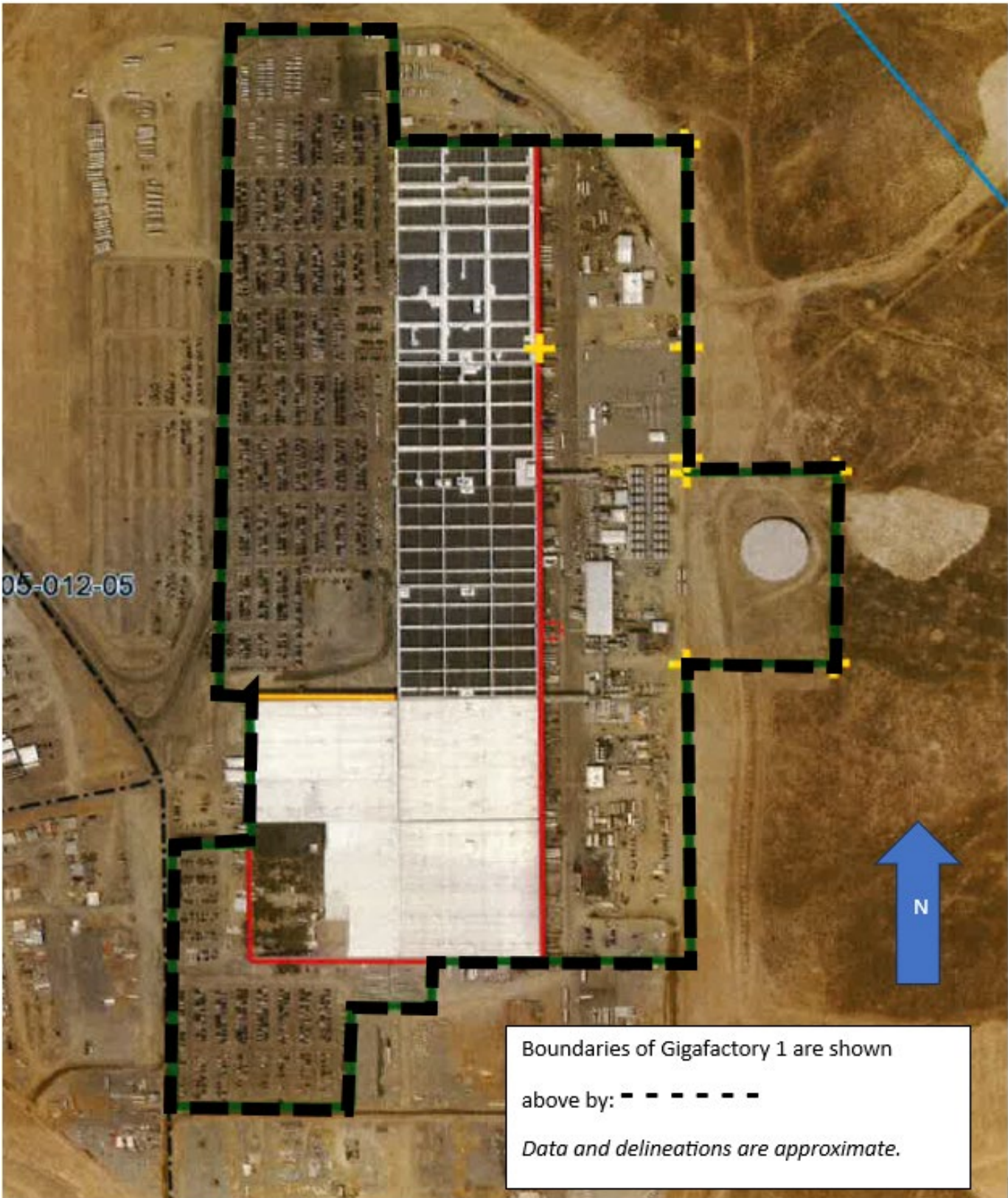
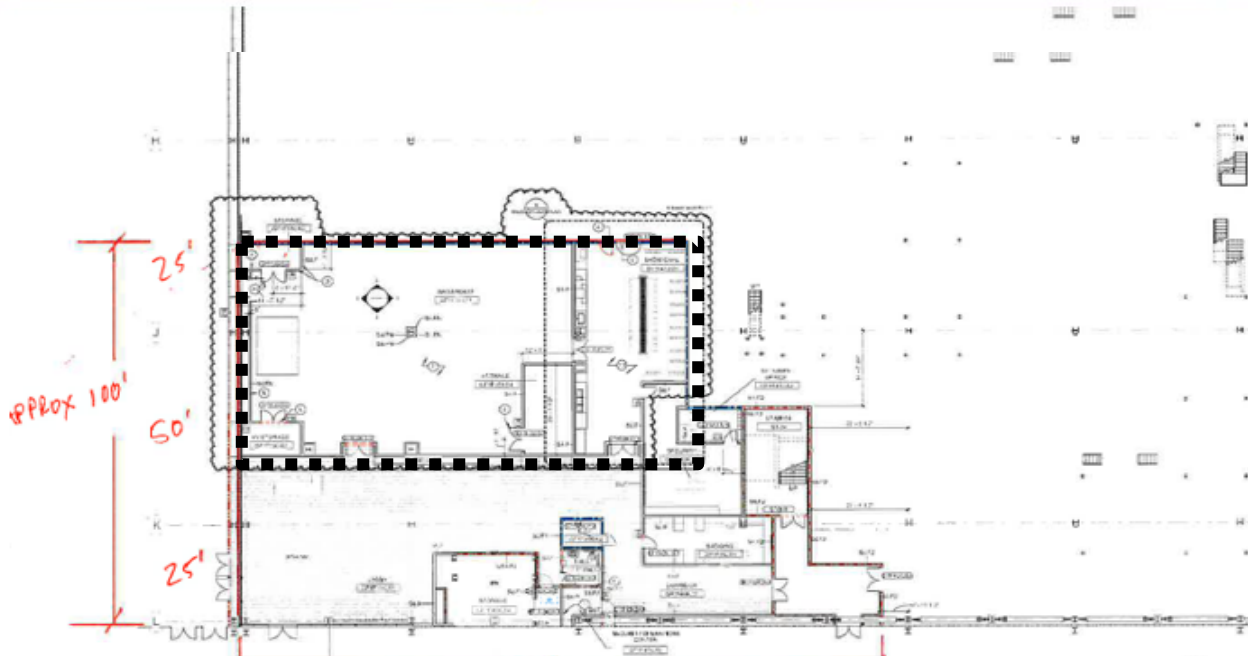
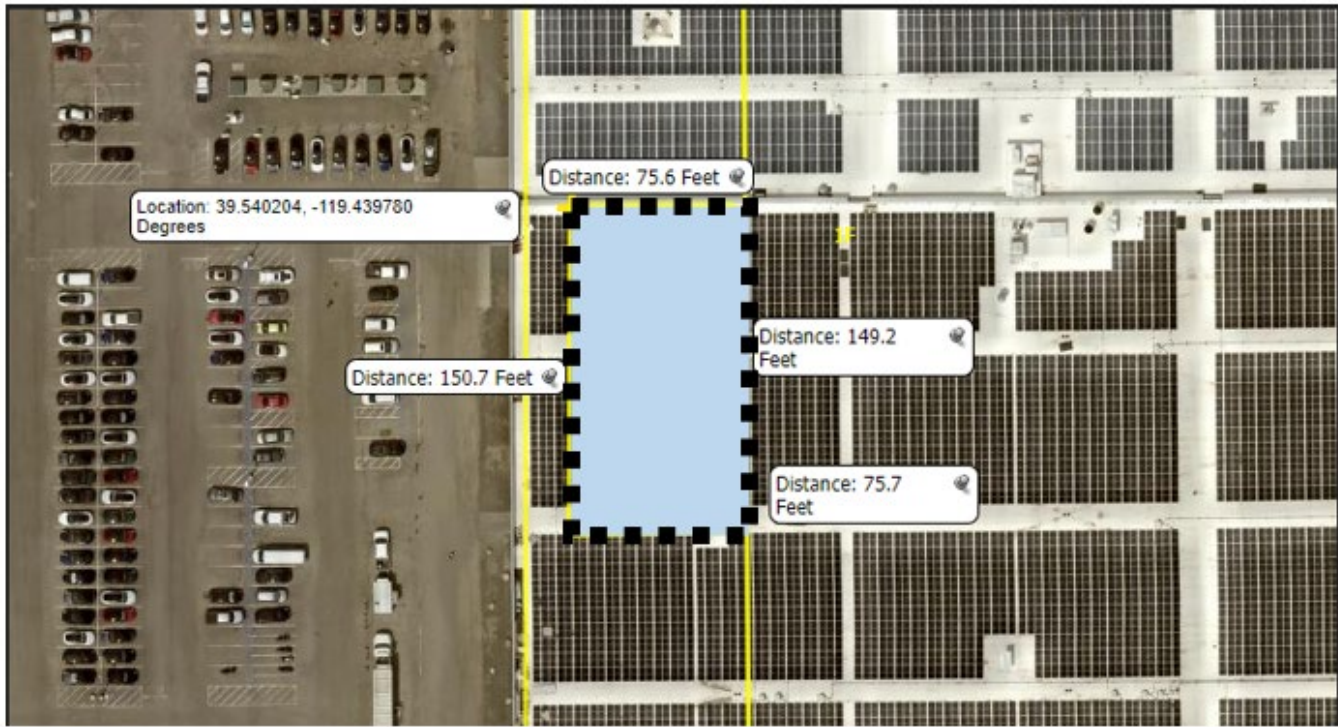
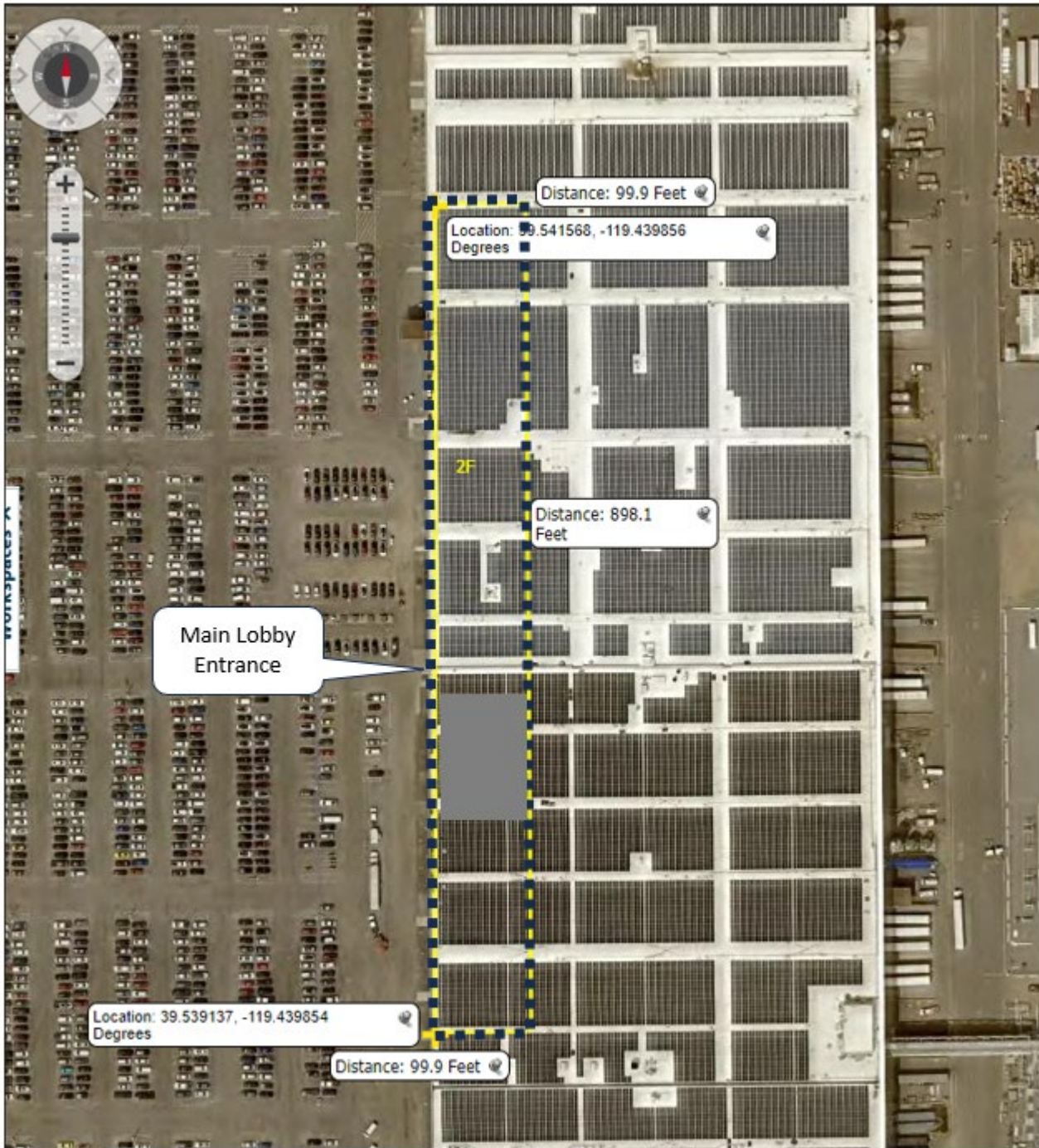


Exhibit C: Gigafactory 1 Exception: Giga First Floor Expansion Area

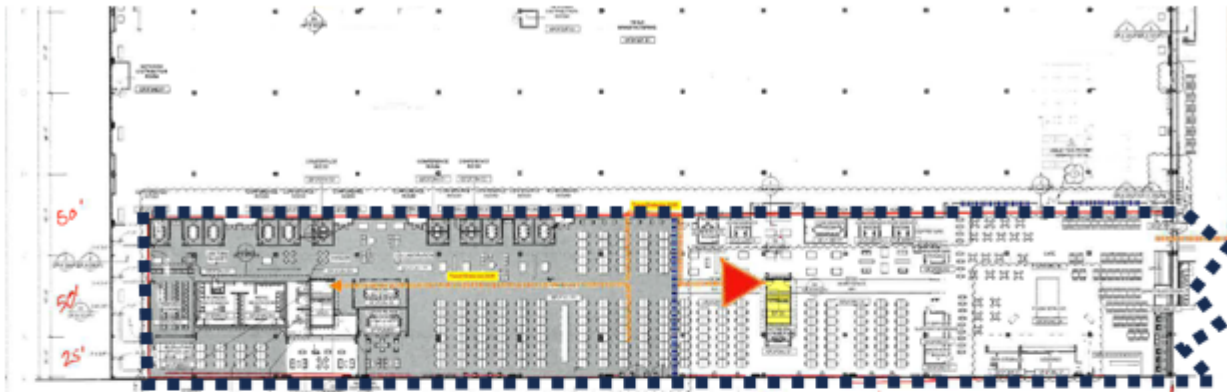


First Floor Expansion Area: Commencing at point location 39.540204, -119.439780, thence easterly a distance of approximately 75 feet, thence southerly a distance of approximately 150 feet, thence westerly a distance of approximately 75 feet, thence northerly a distance of approximately 150 feet to the point of beginning location 39.540204, -119.439780, location and bearings approximate using Eagle View Technologies imagery software for Storey County, Mosaic View May 2023- June 2023.

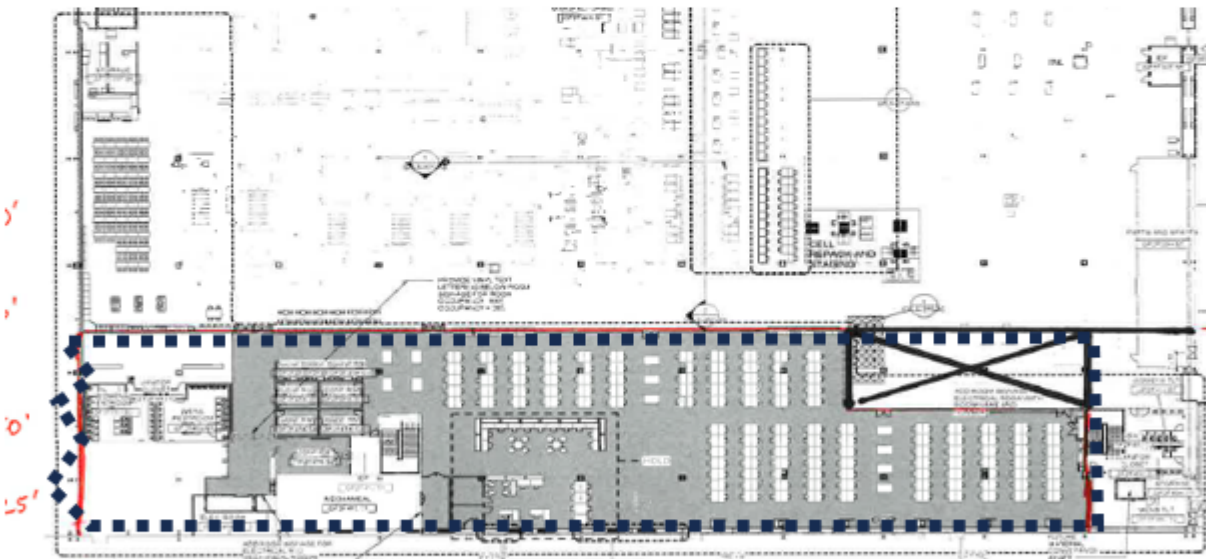
Exhibit C: Gigafactory 1 Exception: Giga Second Floor Expansion Area



North Section



South Section



Second Floor Expansion Area: Commencing at point location 39.541568, -119.439856, thence easterly a distance of approximately 100 feet, thence southerly a distance of approximately 900 feet, thence westerly approximately 100 feet to point location 39.539137, -119.439854, thence northerly a distance of approximately 900 feet to point of beginning location 39.541568, -119.439856, location and bearings approximate using Eagle View Technologies imagery software for Storey County, Mosaic View May 2023-June 2023.

Exhibit C: Gigafactory 1 Exception, Equipment Expansion Area



Exhibit C: Gigafactory 1 Exception, North Parking Lot Expansion Area & South Parking Expansion Area

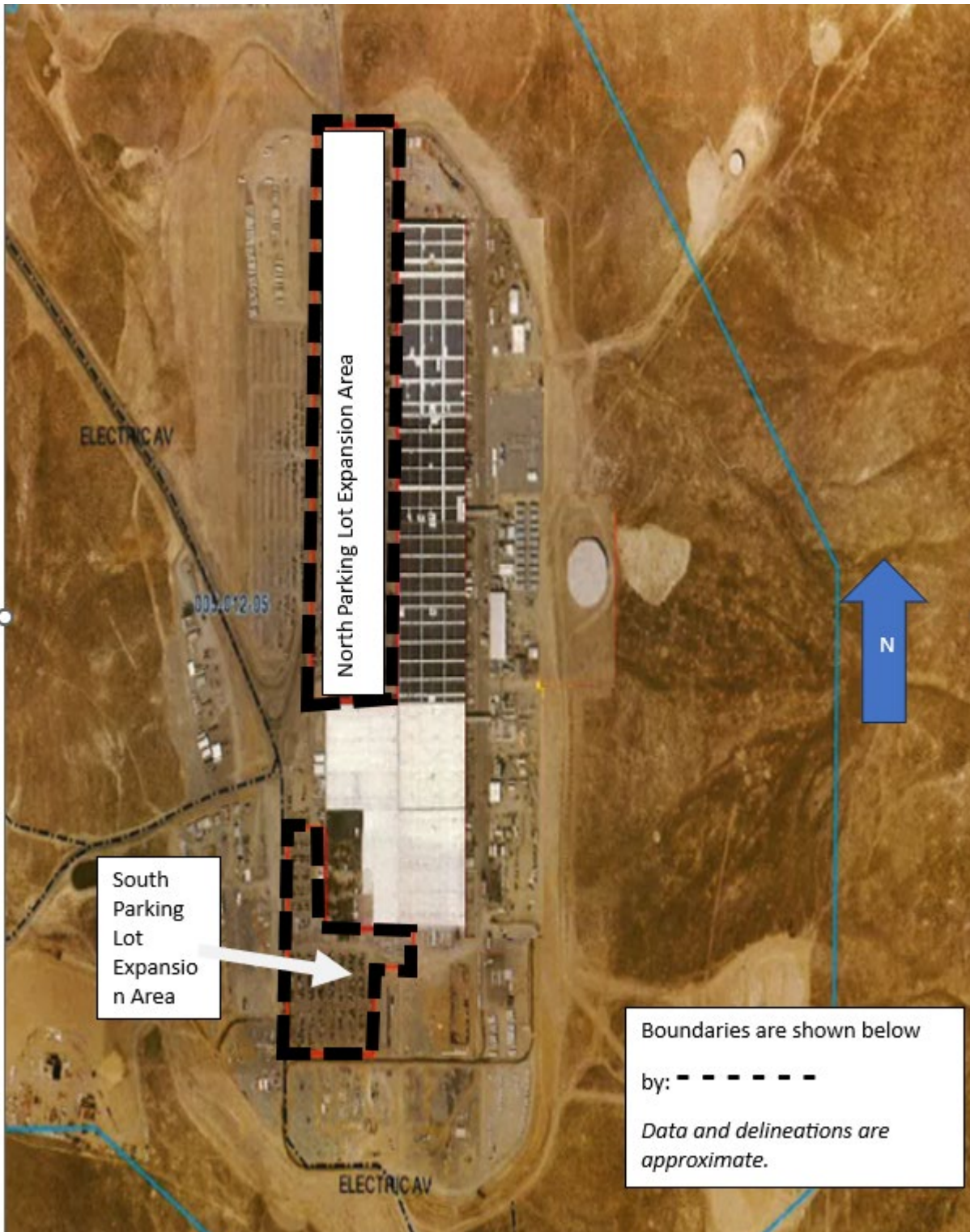


Exhibit C: Gigafactory 1 Exception: Test Area Expansion Area

Boundaries of Test Area are shown below by:

Data and delineations are approximate.

