

work with you, and we highlight and point to a timeline that specifies and summarizes all of these elements and conversations that have occurred. Thank you for your time.

Will Adler (Representative, Pyramid Lake Paiute Tribe):

Pyramid Lake would like to direct the members of the Committee to the letter from Janet Davis, the Chairwoman of the Pyramid Lake Paiute Tribe ([Agenda Item II D](#)). Pyramid Lake has been actively involved in the discussions regarding innovation zones, especially with regard to the natural resources and impacts on the Truckee River Basin. Pyramid Lake engaged in this process in the 2021 Legislative Session. As we all saw in the Legislative Session, innovation zones became a large and complex issue with many moving parts. It is the firm wish of the Pyramid Lake Paiute Tribe that this Committee will take this study with the seriousness and in some ways the skepticism it deserves while assessing what is or isn't in innovation zones and where it will or won't work in the State of Nevada. Thank you very much, and we look forward to this Committee and its results.

Patrick Boileau (Operating Engineers, Local 3):

I'm calling in support of the innovation zone concept. We think that this is an important step forward for the State of Nevada in drawing fresh industries and industries that are going to leapfrog the State of Nevada economically forward. We also support the good union jobs that these innovation zones are going to bring. There's a project labor agreement on the proposed blockchain city innovation zone project and we believe that that is going to cause a boom of good, high-paying, well-financed jobs that are going to trickle out to the wider community in terms of economic benefits, so we very much support the innovation zone concept. Thank you very much for your time.

Broadcast and Production Services Staff (Administrative Division, Legislative Counsel Bureau):

Committee, that was our last caller, and there are no more callers in the queue to give public comment at this time.

Assemblywoman Benitez-Thompson:

Thank you so much for everyone who gave your comment and submitted written material for us. At this time, we are going to move into item III on the agenda, which is election of the Chair and Vice Chair. In this item, we've got to make sure we get our leadership components in place for this Committee, so I will accept a motion to elect a member of the Committee as Chair and also a motion to elect a Committee member as a Vice Chair.

SENATOR DENIS NOMINATED ASSEMBLYWOMAN BENITEZ-THOMPSON AS CHAIR.

Assemblyman Howard Watts (Assembly District No. 15):

I don't know if we need a second. I'd second that, but I'd also like to make a motion that we elect Senator Denis as our Vice Chair.

ASSEMBLYMAN WATTS SECONDED THE MOTION.

ASSEMBLYMAN WATTS NOMINATED SENATOR DENIS AS VICE CHAIR.

ASSEMBLYWOMAN BENITEZ-THOMPSON SECONDED THE MOTION.

Assemblywoman Benitez-Thompson:

I believe that we can with our rules allow for Chair and Vice Chair to be appointed with one motion, but I think we have two motions that are standing right now. So, why don't we go ahead and take the first one, which is for the nomination of Chair, and we've got a first and a second. If there are no other nominations, then we can go ahead and close it and move on.

THE MOTION TO APPOINT ASSEMBLYWOMAN BENITEZ-THOMPSON AS CHAIR PASSED UNANIMOUSLY.

Chair Benitez-Thompson:

We've got the motion standing with the first and a second for Vice Chair for Senator Denis.

THE MOTION TO APPOINT SENATOR DENIS AS VICE CHAIR PASSED UNANIMOUSLY.

Chair Benitez-Thompson:

We can move on to item IV now, which will be an overview of the innovation zones. We have a representative from the Governor's Office who is going to kick us off as we begin this conversation and this discussion of the innovation zones. I believe I see Director Young from the Governor's Office. So, Mr. Young, will you be our person today? All right, perfect. I'm going to hand it over to you.

DuAne Young (Policy Director, Office of the Governor):

I am grateful to be here today in the place of our Chief of Staff, Michelle White, who could not be here but certainly sends her warm regards. I want to thank you, Chair Benitez-Thompson and Vice Chair Denis and the Special Committee, for conducting what is the first of many Special Committee meetings to review and analyze and ultimately make recommendations related to the Governor's innovation zones proposal. Today's meeting is a continuation of this conversation about our state's future and how we look at technological innovation and diversification going forward. This Joint Committee has been tasked with robustly examining the future of Nevada, whether innovation zones are a right fit for our future. This last year has shown us that the state must pursue both incentive, innovative and creative ideas to advance our continued ability to compete in both national and global markets to enhance our ability to attract new and innovative technologies here to Nevada. The innovation zones proposal would create a broad structure by which applicants engage in the development of innovative technologies to create an innovative zone after meeting strict standards and requirements laid out by statute, including a significant investment commitment. No tax incentives, abatements or public investments will be part of this proposal. We now have a draft, a BDR (bill draft request), that this Committee can review and propose changes to as part of its recommendations (Agenda Item IV A-1). SCR 11 asks that this Committee study any and all potential community and economic developments of innovation zones on the following: economic development and job creation, workforce development, affordable housing, water and natural resources and the impact on the environment and, of course, the impact on surrounding counties and other forms of local government (Agenda Item IV A-2). This Office is expectant that the Committee will be weighing the benefits of economic returns and workforce development and job creation against the potential impacts on local and tribal governments while including them in the conversation and while considering needs such as affordable housing, state and local revenue. These are all important considerations throughout. Understanding that these are issues that are on the mind of every Nevadan and stakeholders and communities throughout the state, the Office of the Governor continues to be both supportive and engaged in this dialogue. It is—that we await the Committee's recommendations delivered later this year. It is believed that innovation zones proposals can achieve a balance between these interests while both increasing tax revenue, creating jobs and diversifying Nevada's economy and without government providing tax incentives or abatements. We look forward to the work of this Committee. Thank you.

Chair Benitez-Thompson:

Thank you so much, Mr. Young, for your comments. We appreciate it. At this time, I think we're ready to move into item v. In item V, we're going to be handing it over to Mr. Pete Ernaut, Government and Public Affairs Director with R&R Partners, to talk about establishing Nevada as a global center for the development of blockchain and other emerging technologies. Mr. Ernaut, I know you have some presenters with you as well, so I'll let you introduce them and let them speak respectively about the different topics you have. I think what we'll do as a Committee, because I think there are different levels of understanding about what might be talked about—and of course, Mr. Ernaut, you've got speakers who are going to go into depth with us on the subject on the Committee. So, members, if you have questions as we go, let's hold them to the end of item V and then we can go back and allow for questions into item V once all the speakers under item V talk. With that being said, Mr. Ernaut, I'll hand it over to you.

Pete Ernaut (President, Government and Public Affairs, R&R Partners):

Thank you and good morning, Madam Chairwoman and members of the Committee. My name is Pete Ernaut with R&R Partners, today here on behalf of Blockchains, Inc. So, what's an innovation zone and why all the hoopla? Why was it a centerpiece of the Governor's State of the State and why do we have a special committee to look at this idea? It's that big. It's that big, it's that meaningful, it's that transformative, and quite frankly, it scares the daylights out of me. You can hear that reaction from a lot of folks, and I understand it, we understand it. Change is difficult, and change of this magnitude deserves the scrutiny and skepticism that will be put before it, not just by this Committee, not by the Governor's Office, not by the Legislature, but all of the folks that are affected by this, all the different stakeholders, whether it's Storey County, the Pyramid Lake Paiute Tribe, the surrounding counties and Nevada as a whole, and we hope that over the course of the next 4 to 5 months we're able to make that case. This is maybe the single most important idea that we've dealt with in our careers, maybe one that isn't surpassed by another, other than the legalization of gaming itself, nothing that creates as many jobs or transforms our economy in a way that innovation zones potentially does.

This all began in 2018. This isn't a new idea. This was presented on the world stage at a conference called Devcon in Prague in 2018, in which we talked about a smart city, all of its potential and also the commercial aspects of developing and incubating and testing along the lines of maybe the world's most important emerging technology, blockchain. Now again, another intimidating issue. A lot of people don't understand what blockchain even is or why would it even be important, and so hopefully today over the next 45 minutes we can focus as much on what blockchain is and what it isn't, why it's meaningful, why all of the affiliated emerging technologies are not only important in this world, in this global economy, but certainly right here at home in Nevada—be the leader of the technology itself. Today we'll begin to tell that story.

Now, as DuAne mentioned, there is a bill draft, and it is 5 months in progress and work. I think some of the finest and most experienced minds in Nevada worked on this from a public policy standpoint, and there will be a time that we'll go through that, of course, in mind-numbing detail and section by section, but rather than just diving straight into the weeds or making this feel like a planning commission meeting, we wanted to focus today as much on the why. What does this actually do and why would it matter and why would you go to the extent of creating an autonomous government for a project like this. I do want to correct just one thing, and we're going to deal with a lot of issues in the next 4 or 5 months and it's as much about what it isn't as what it is. You're going to hear a lot from the naysayers that it's a company town. You're going to hear that it's a private company getting its own autonomous government. You're going to hear about its effect on taxes and water and all those things. We'll get into a lot of that, but ultimately, understand this: this is not giving a private company its own government, and as we go through the bill draft you'll all get to see that what we do is create an autonomous government that is an arm's length from the company and developer itself, and also is one that has to adhere to all existing statute that govern every city and every county that exist in Nevada today. So, just so when we get into those conversations everybody is on the same page of what it's not and that hopefully the bill draft will unlock a lot of those mysteries and clear up a lot of the confusion surrounding that.

So, what is an innovation zone? An innovation zone is a bricks-and-mortar destination that provides Nevada the opportunity to be the global leader in the development of blockchain technology and a number of affiliated technologies that are amongst the most important emerging technologies on this planet. Again, I focus on bricks and mortar because this isn't a virtual designation. This isn't a cool proclamation by the Governor. This is a real, living and breathing community anchored by a smart city, which we'll talk about in a lot of detail over again the course of the next 4 months and what that means. It also is a development center unlike any in the world in which these technologies will be incubated and developed and created and tested right here in Nevada. We hope this innovation zone and how unique and exciting it is attracts the best and brightest developers from across the globe to come here in Nevada, develop here in Nevada, build here in Nevada and change the face of this technology globally right here in Nevada. It's hard to even overstate the importance of this when it comes to the fact of how it affects our economy and transforms our economy, the amount of jobs it creates, the culture of our business community changing forever, so let's just start with the easy parts.

Let's talk about first today this company, Blockchains, Inc., who they are, what they are, what they develop so we get a better understanding of why they would bring something this bold forward for you all to consider over the course of the balance of the year. To start with that—and I have to say, number one, I'm really excited to talk about the company, the technology, rather than the governance and all of the thousands of reasons people have decided this may not be a good idea, because there's thousands of reasons why it is a good idea, and having an opportunity to finally have a public hearing in which we can tell our story, begin to tell our story, I hope is the first step in a long journey of

doing something that may be the most important thing that any of us have done in our professional careers and in the State of Nevada. So, with that build up, I would like to introduce Michelle Basch, a director from Blockchains, to go to a company overview and give you an opportunity to understand who they are and why they want to do this. Thank you, Madam Chairwoman and members of the Committee. Michelle, if you'd present, that would be wonderful.

Michelle Basch (Director, External Communications, Blockchains, Inc.):

Thank you, Mr. Ernaut, and thank you, Madam Chairwoman and members of the Committee. We're grateful for the opportunity to participate in this process today. I am going to be sharing our corporate overview ([Agenda Item V](#)). So, when we started going out into the world and when companies started coming to us about meeting with us and understanding how they could use blockchain technology in what they're doing, one thing that started to occur to us is that we are actually in an emerging technology sector. We are an emerging technology company, and as a result, there is a little discussion usually about vocabulary. To make things a little bit easier, we start out these first introductory meetings now just going through some basics in terms of the vocabulary, so I want to take you through these one by one. Blockchain technology is a digital record of transactions. The name comes from its structure in which individual records called blocks are linked together in a single list called a chain. Each interaction added to a chain is validated, time- and date-stamped, preventing the information from ever unknowingly being manipulated, cheated or hacked. The second word is ecosystem. Now, in our world, an ecosystem is a personal digital universe where trusted interactions, transactions and engagements take place between a human being and organizations, systems, machines and/or things for a specific reason. Thirdly is prosumer philosophy. Now, a prosumer philosophy is an approach to business that prioritizes the individual over corporate profits. Lastly is a word that—incredibly common. You're probably wondering why would I even think about putting that on a list, but the reality is trust has been something that's out there and marketing departments and companies worldwide have been using it for years. But for our purposes in this emerging technology sector, trust is something very specific. Trust is the attested-to verification and confirmation of proof that's needed to establish the credible digital identity of an individual, things and devices, and with that said, we are Blockchains. We are on a mission to empower and protect individuals in the digital world. We approach this mission with a prosumer philosophy. We are digital customer experience focused and our engineers and developers are focused on identity first, mobile first and are dedicated to standards and interoperability. Now, from a business perspective, we actually have a triple bottom line business model. It is simply in our DNA to do good, to do better, and we push each other for that every single day, and it's not only for the global society and for our planet's environment, but also to help inspire a stronger global economy, and we truly believe that if companies focus on these three things consistently, then only can we achieve sustainability, and for us, that sustainability starts with empowering every person, entity, device and thing in the world with a digital identity, and why identity? Because identity is simply how we live our lives.

Now this chart—we are not alone in our thinking. It was actually the World Economic Forum that introduced this chart back in January, and they introduced it at the time because they looked across the world, they looked at our infrastructure globally, they looked at our technology all over the world and how far we've actually come as a global society, and what they realized is that now is a time to start thinking about creating almost an envelope, an innovation layer around the entire planet that every individual can derive value from, and they call that innovation layer digital identity. Now, obviously we could not agree more, so also as you look around this chart, you will see at the end of each of these spokes are obviously vertical industries, but these are very highly regulated vertical industries, and industry becomes regulated because a certain amount of protection is needed in order for people and entities to interact, and typically these industries are also incredibly highly transactional. They're available 24/7, and most of us as adults will be interacting with them throughout the majority of our lives. Now, if we can blockchain-enable each of these industries, we know we'd feel certain that we can boost the level of trust available in these industries because blockchain by its very nature is a decentralized environment that enables a certain amount of transparency and traceability that's really not found in this world today where we have so many middlemen and so many piles of papers that we have to get through to interact in these industries, and that is not only good for the organizations that are interacting in these industries but it's also good for the individual. Now, earlier I talked to you about an ecosystem actually being a personal digital universe. By placing this gentleman in the middle of the circle, this now becomes his digital universe for regulated industries. As I just said, he will be interacting with these industries likely for the rest of his life, and this becomes his ecosystem.

Now, from a company perspective, obviously our ambitions are huge. We want to definitely create solutions, and we will, for all of these industries, but we know we can't boil the ocean out of the gate. So, our research shows us that these particular industries—critical resources, health care, financial services and education—are actually and traditionally the early adopters of new technologies. When the idea of digitally transforming an entire enterprise was first presented, probably about 10, 12 years ago, that was a very new concept and it was very difficult for a lot of companies to wrap their heads around. It required a tremendous investment in resources, tremendous budget, a lot of people getting involved, because they were changing all of their processes and how they're working internally. But what these industries saw also at the end of that transformation roadmap was really the ability to maximize the true value of emerging technologies, those emerging technologies being artificial intelligence (AI), automation, real-time analytics and, of course, blockchain, and for our perspective also looking at these industries, we know we have to know our technology because we're the technology company. We are Blockchains, Inc. We are all about knowing what blockchain can do to help these industries. We don't understand, though, what's going on inside these industries. Our engineers are focused on the technology. So, what we said was since our focus is always on the individual, let's apply that same practice to how we're hiring for expertise in these areas, and we have gone out and found people who are doing so well in their chosen fields, their chosen field of health care, their chosen field of financial

services, critical resources, education, and they've done amazing things in their careers and they have contributed to the betterment of their industry. Well, they're ready to turn that up a notch. They're ready to go to the next level, and now they're joining us, and together we are facing and trying to solve a problem. This problem is that today's digital identity solutions prioritize the protection of the company over the individual's basic human right, which is to own our personal identity, and we know that this is happening because we have a perceived misuse of what's happening with our information whenever we're out on the internet. We know that there are security failures and technology failures, but actually, when was the last time you saw a big headline all over the global news talking about this data failures, because the reality is it's happening so frequently that it's not news anymore.

Something has to be done, so we are proposing a solution of decentralized blockchain-based digital identity that prioritizes the protection of the individual. We want to return control and ownership of personal data to the prosumer and protect that user privacy, and in doing that we will deliver on our value proposition, which is to enable trust in the digital world, and that value proposition is held up by three very specific pillars. Those pillars are trust in identity. That is definitely at the foundation of what I have been talking about from the beginning, and once you have trust in identity, then you can have trust in data, and that trust in data begets trust in transactions, which is a very interesting part of this story because trust in transaction, that's where the internet of things is. We've all heard about the internet of things, the IoT. That is the digital world where there are ideas and things being exchanged, but right now, there is not as much activity out there because there are discussions about hacking, there are fears and there are concerns, and part of that starts with the fact that those things and ideas and services do not have trusted identities. We're going to fix that. We're actually in the process of developing a single platform that has identity at its core, and within this identity are digital identifiers that we call DIDs to provide that trust layer where all secure communications can take place to establish your identity and ensure verifiable credentials. The identity will be easily accessible on your mobile phone, and it has single sign-on features for facial recognition and biometrics, and with that users will also have access to a marketplace. Now, this is very similar to what Apple has created in their App Store. The Galaxy phone has one too. So, we have these app stores. We have access to a marketplace through the digital identity. We have created a toolkit where developers are working with, are able to engage with our platform and create services and applications that people who are using our identities can access, but if you think about a digital identity, you need a place to keep it, right? Just like today, our identity is typically our driver's license, and our place to keep it is in our physical wallet. Well, how about a digital wallet, which we are also creating, and within that digital wallet will be a digital ID. You can also keep your cryptocurrency, digital assets, and there is a secure key management system, and this collection of tools is what enables the individual to engage with businesses in secure digital transactions and actually transfer value in the digital world. We also offer custodial-managed keys through our vaults which preserve the user's full control over their assets, as well as hot and cold storage. Today we have five vaults, three in the United States, one in Sweden and one in Switzerland.

Lastly, I talked about IoT, so the ability to integrate things and devices into transactions in the digital world. People want to engage on the internet of things. We know that there is hesitancy to do so because of the lack of trusted identity, so we are focused on equipping things and devices with trusted identities to integrate them into digital transactions via our digital wallet, and just to give you an idea of where we are on development of these products and this single platform, this is a very, very, very high-level view of our roadmap (Agenda Item V). Along the left-hand side, you can see identity, marketplace, wallet, the things that I just discussed. Across the bottom is basically the rest of our calendar year going into early 2022. We are preparing to launch this platform sometime in 2022. But right now, this whole year we're really focused on inventing and innovating and building and proofs of concept, integrating, and I should have probably put "test" all over this slide because we are doing a lot of testing right now as we prepare for launch. But the thing I want to talk to you most about is really proofs of concept, because that's where we're working with other organizations, that's where we have a collaboration community. Some of these names might be familiar to you, and as you can see, they are also representative of the industries that I spoke about that we're focused on, because again, they have gone through or they are almost done with their heavy lift of their digital transformation. They're ready to start embracing and understanding how blockchain technology and artificial intelligence, automation and real-time analytics can help not only their internal processes but also help how they are engaging with their customers, their students, their patients and, of course, as we're working on these solutions with our POC companies. We are also looking at always maintaining a commitment to global standards and interoperability, and we have to admit we hope that our competitors are too. We know our competitor list is very wide and very deep, so this chart will show you over on the left-hand side, you can see Blockchains at the top of the list, and then below it is a handful of competitors that we are merely keeping an eye on, because as you can see as you look across the chart, the top is everything that I just discussed, and then a lot of them truthfully are honestly doing some things that we're already doing. But as you get further into the chart, you start to see that they're not as focused, and we truly believe that if you look at those last two columns and you see enterprise, everything is checked there, that goes back to the fact that they are very focused on the corporation. They are very focused on protecting the company. I also want to draw your attention to the middle of this chart. We say blockchain-based real world showcase. That is obviously why we're here today, but again, looking at the prosumer, we are very focused on the prosumer. We are the only ones who really are. We have that holistic view of what it is in the digital world and the value of identity. This is Blockchains. We hope that companies can let their customers know that it's time for them to be able to trust that their data is valuable and that their personal data is being protected. There's no need to rip and replace what we have to offer. We can integrate into existing identities that are there but they're not blockchain-enabled. We are dedicated to interoperability and global standards and empowering and protecting individuals in the digital world.

Thank you for your time and attention, and now I want to turn it over to Mr. Digesti, and he's going to go into a little more detail about what all this can possibly mean to Nevadans.

Matthew Digesti (Vice President, Regulatory Strategy and Affairs, Blockchains, Inc.):

Thank you, Ms. Basch. Chairwoman Benitez-Thompson and members of this Committee, thank you for the opportunity to discuss charting Nevada's future through the lens of what innovation zones mean for Nevada. My statement today is a personal one. My family has called Reno home since the early 1950s. I graduated from Reno High School in 1997, and for those who knew Reno back in the 1990s you knew that as a high school graduate you went to college out of state if you could, because Reno was a much different place back then. There was a real lack of opportunity. Gaming was on the decline, and mining or tourism were not careers that appealed to most high school students. Reno was struggling with its identity, which meant that if I wanted to change my career goals I needed to be where the action was, and for me, that was California. But Reno kept pulling at my consciousness. From a distance, I began helping tech startups with pro bono corporate work, and before I knew it, I could see that a new culture was beginning to percolate in the biggest little city. The seeds of a tech startup scene were being planted through the tireless work of people like Doug Erwin and Bryan McArdle at EDAWN (Economic Development Authority of Western Nevada). In 2009 I decided to move home, and my goal was simple. I wanted to help create a community where technology startups thrive so that when my children graduate from high school in Reno, the decision whether to stay in Nevada or to move to another state would be a difficult one because there would be so much opportunity for them here.

While Northern Nevada and the state as a whole has done a tremendous job of diversifying our economy, I think we all agree that more work must be done. Communities like Silicon Valley and Austin and Seattle, they've experienced transformational change when homegrown technology startups succeeded. The industries Nevada has diversified into over the last 10 years have created new good-paying jobs. The policies supporting our current diversification strategy have at least three structural issues that I believe will limit our success in the long term. First, a large percentage of our newly created jobs will eventually be automated. While advanced manufacturing, logistics and distribution have helped to diversify our economy, these industries will be largely automated over the long term. Second, a significant amount of wealth created by our diversification is being exported out of state to non-Nevadans who own the vast majority of the equity in the companies relocating to Nevada, leaving our residents reliant on wages. Third, our state could do more to expand access to technology startups for Nevadans who want a chance at owning a piece of a high-growth technology company. While we have made great strides in this area, we should continue to refine our policies to attract hundreds of these companies. Economic development is difficult, especially when trying to focus on long-term sustainable growth.

We spend a considerable amount of time and resources competing with other states for jobs, which is a really good thing, but we should also focus heavily on wealth creation opportunities for Nevadans. What do I mean by wealth creation? I mean opportunities to

own equity in a technology company that is either sold to another company or goes public through an initial public offering. If either of those two events occur, hundreds if not thousands of employees benefit financially as an owner of the company through stock options that they can exercise and sell. When Facebook went public, it instantly—over a thousand millionaire employees. Those employees went on to start their own companies or invest in local startups, creating a virtuous cycle of investment, opportunity and wealth creation for Silicon Valley residents. As a technology startup that grants stock options to its employees, Blockchains, Inc. strongly believes that Nevada should broaden its economic development policies to focus on creating an environment for the next Facebook to grow in our state. Opportunities such as these have indirect positive impacts on critical community assets such as education, public services, nonprofits, the arts and the virtuous cycle of funding more technology startups. It is here that we believe a sustainable rising tide will lift all boats.

So, what policies should we pursue that set Nevada apart as a destination for technology startups where Nevada residents actually own a piece of their company and, after a successful exit, reinvest in our communities? Innovation zones. We all see cities claiming to be the next Silicon Valley. They usually get one thing right and one thing wrong. What they usually get right is that they are hyper-focused on technology startups. What they usually get wrong is they try to copy and paste the magic of Silicon Valley instead of creating a local ecosystem that leverages their unique advantages. Nevada should not aim to become the next Silicon Valley. No one can replicate the ecosystem that made the valley successful because it is unique to them, but we can replicate the value proposition of Silicon Valley, a place unlike any other on earth where the key ingredients for success with an emerging technology are harnessed in a single location.

Now, our focus is not the internet. It is blockchain technology, and we have some key ingredients already in place, including our tax-friendly environment and our innovative state blockchain legislation, but many states are following this blueprint, including Wyoming, making Nevada's value proposition more of a commodity than a competitive advantage. We need a policy that sets us apart. We believe we have two distinct advantages that will make Nevada the global destination for blockchain technology and attract hundreds of emerging technology startups. The first is Blockchains, Inc.'s unparalleled infrastructure assets, and the second is an innovation zone focused on integrating blockchain technology into the physical and digital development of the innovation zone. First, Blockchains, Inc. has invested a significant amount of capital in assets that will support the development of a master plan smart community within the innovation zone, including the first full-stack technology platform built on blockchain. This platform will seamlessly integrate into the development and operation of the master plan smart community, along with powering the community residents' digital interactions, all of which would be a first in human history. Our platform will showcase to the world that communities can be built from the ground up, incorporating a technology that places the individual at the center of everything. Innovation zone residents will own and control their digital identities, engage in peer-to-peer renewable energy transactions, manage all

government interactions from a mobile phone, share in public infrastructure revenue, cast real-time votes on hyper-local community issues, pay taxes in real time, create passive income by monetizing assets, manage and control their medical records and engage in other use cases that we, frankly, cannot imagine as we sit here today.

Additionally, Blockchains, Inc. has invested in significant physical assets that will provide the infrastructure to support the software platform that we are building and deliver on all of these promises, assets such as land and water, five high-security vaults distributed globally to store the digital assets, a 700 MHz spectrum to power autonomous vehicle communications, a community bank in Las Vegas that will be the first full-service digital asset bank in the United States and serve as the regulated financial services provider to the platform that we are building and two digital identity companies that have been integrated into our company. We have also retained world-class consultants, attorneys, PhD behavioral economists from major universities and economic experts to supplement the talented employees we have hired to work at the company.

We have not stopped our investments there. Blockchains, Inc. has invested in our youth across the entire state by creating and sponsoring the Blockchain Education Initiative program bringing blockchain elective courses to Nevada high schools, an empowerment center in North Las Vegas to provide an onramp into the blockchain ecosystem for Las Vegas residents and supporting Senator Denis' dual-credit legislation signed by Governor Sisolak this last session to ensure that dual-credit courses, like the blockchain electives taken by high school students, easily transfer to Nevada higher education institutions. We strongly believe that investing in our residents and youth across the state through educational infrastructure is just as critical for Nevada's blockchain ecosystem as hiring Nevadans to work with us. Second, and just as important, we believe an innovation zone focused on the development and integration of blockchain technology into a master plan smart community will instantly make Nevada the global epicenter for blockchain and other emerging technology innovation. Just as Silicon Valley became the epicenter for internet technology in the 1990s, Nevada has a once-in-a-statehood opportunity to position itself as the preeminent physical location for a technology that will not only redefine the internet but will redefine how we build communities and engage with each other in those communities. However, there is one key difference between innovation zones and Silicon Valley. Imagine if Silicon Valley was built from the ground up, both from a government and land development perspective, with the internet as its core technology. Silicon Valley was successful in attracting the best and brightest, but had they built through an innovation zone, I honestly do not believe any of us can imagine the world-changing benefits that would've flowed from it. If Nevada embraces innovation zones, we will attract and retain the best blockchain entrepreneurs, software developers, educators, thought leaders, governance experts and land developers in the world. We will transform business, government, energy, health care, education, public services, development and community engagements in ways that will create unimaginable prosperities for Nevadans.

You might be thinking, how can he be sure about all of this? In 2016, I sat across the table from Senator Kieckhefer, and together we created the policy framework for SB (Senate Bill) 398, Nevada's first step into blockchain legislation. While the Senator and I mused at the time about what was possible, I think he would also admit that we did not anticipate catching lightning in a bottle, but we did. In a twist of fate that still feels all too surreal at times, my current employer, Blockchains, Inc., saw SB 398 in the news and decided to give Nevada a look for potentially locating its headquarters. I am walking proof that unique economic development policies can give a Nevadan the opportunity to work in a technology industry that he loves right here in the town where I grew up. I've been working hard since 2016 to show Nevadans that blockchain economic development can change the trajectory of the state forever. Since SB 398 passed in 2017, by my informal estimates, Nevada has seen close to a half billion dollars in direct blockchain investment in this state. In fact, Nevada now boasts a bitcoin mining company in Las Vegas with a \$1 billion-plus evaluation, a blockchain-based mortgage originator whose back office resides in Reno that was recently valued at over \$3 billion and a blockchain start up backed by a brand-new venture capitalist in Reno. I honestly believe we are on the edge of something incredible, and when my boys eventually graduate from high school, I'm willing to bet they will want to stay here in Nevada and be a part of it all. Thank you for your time and consideration, and with that, I would like to pass the discussion to Mr. Weiss.

Lee Weiss (Executive Vice President, Blockchains, Inc.):

Thank you, Matt. On behalf of the company, I want to thank all the Committee members for spending their time outside of the session to consider this legislation. We truly appreciate this commitment and are eager to engage with you all in the next several months. As this legislation is obviously a matter of first impression, we look forward to hearing your thoughts and ideas as this process goes forward.

So, let's begin by talking about why we're here. The centerpiece of our proposed innovation zone is a planned smart mixed-use community built from the ground up. The community will have homes, substantial outdoor green space, shops, restaurants and schools. This development will be like no other in the world, as blockchain technology, including the identity, custody and IoT applications our company's developing that you've heard about today, will be at its core. A natural first question to ask yourself is will this legislation give too much power to a tech company? Frankly, we get it. In today's climate, it can be hard to ascribe anything other than a bad motive to the actions of a tech company. As a lifelong member of the cynics and disbeliever society, I know for a fact that if I saw this from a distance, my first reaction would be, "Are you kidding me," but honestly, that is not what our company is about. For years, we have consistently told anyone who will listen that our company's mission is to empower individuals. Consistent with that goal, the smart community we envision will allow Nevada to showcase to the world how emerging technologies, including those that we are developing, can serve as great equalizers instead of concentrating power in large technology companies. To fulfill

this vision, we believe that the community must have significant autonomy, and that's one of the key features of the innovation zone legislation ([Agenda Item IV A-1](#)).

You're probably also asking, why does this project require new legislation? A development of this character and scope requires collaboration with forward-thinking real estate development professionals, like-minded technology partners and, of course, substantial capital. Blockchains isn't planning on doing this alone. Realistically, the necessary commitments from these key partners and investors can only be secured if we're able to convince them that the community will be able to attract sufficient residents and have long-term viability. Based on the innovative philosophy that underlies this project, it will be difficult and likely impossible to attract the necessary partners and investors unless there is clear buy-in from Nevada that there is a path to unique residential projects like this to have autonomous governments run by their residents as opposed to being under the control of existing county governments that serve more traditional communities. The draft innovation zone legislation provides this path.

When thinking about possible autonomy for innovation zones, it's helpful to begin with what the legislation does not seek. Critically, the legislation does not provide autonomy for Blockchains or any other innovation zone applicant. Instead, it provides an application process to allow for self-governed residential communities in innovation zones. That self-governance can begin as soon as there are 100 registered voters in the zone at the beginning of any year in which a general election is due to be held. The bill is also not providing the smart community with autonomy from Nevada law, regulations, judicial precedents or otherwise. Like any other municipal entity, the innovation zone must operate within the constraints of existing law. However, fitting an innovation zone community into an existing county is not reasonably feasible. As you know, for Nevada counties with under 100,000 residents, the governing body is a three- or five-person county commission, a citizen commission. Those individuals cannot reasonably devote the time to govern their existing county plus a new innovation zone with completely different infrastructure and goals. The aim of our project is to use blockchain and other technologies to create a new type of smart community, one that focuses on the individual. Part and parcel of that goal is to create and implement completely reimaged municipal and administrative systems, including a government with substantial direct individual participation. The innovation zone framework allows for this shift from traditional government to a diversified system of government in which all stakeholders can participate. To us, it seems clear that these two systems can't coexist. It would be inefficient and unfair for the residents of the innovation zone to be governed by commissioners who are also required to serve the significant different needs of an existing county, just like it would be inequitable for residents outside an innovation zone to be governed by the innovation zone supervisors.

Now, we of course know that innovation is not foreign to Nevada. Storey County alone has the Gigafactory and other large tech facilities. But this project isn't just about technology. It's not just about buildings. The innovation zone legislation allows for the

residents of the zone to implement new forms of governance that focus on collaboration and consistent direct resident participation. This will allow the community's residents to get the most out of emerging blockchain-based IoT technologies which, among many other use cases, allow smart communities to improve energy distribution, streamline waste management, decrease traffic and protect the environment. It is the community residents themselves which will decide how best to employ the community's resources to achieve goals like these and to swiftly and efficiently shift resources to new solutions if the current ones aren't working. Experimentation and flexibility like that simply are not possible without the type of autonomy set forth in the innovation zone bill.

Another key benefit of the autonomy provided to an innovation zone is the elimination of the need for the county in which the zone is situated to retrofit its current systems and/or invest in completely new systems. Sensors that will be deployed throughout the smart community will generate an extremely useful commodity in this day and age: data. The existence of this real-time data, which will be anonymized and available to the community for analysis, provides a unique opportunity to democratize and improve decision making and generally improve the quality of life for the community's residents. An innovation zone relying primarily on real-time data for decision making will by definition be more advanced technologically than the areas that surround it. Even if the county wanted to match the innovation zone in terms of technology and data generation and analysis, the costs would be prohibitive. The innovation zone structure ensures innovation without burdening existing local governments.

To illustrate that point, let's talk about a concrete example. A simple example of the incompatibility between county systems and potential innovation zones systems is tax collection. Blockchain technology allows for the collection of taxes in real time right when transactions are taking place. Implementation of such a new system in a smart community built from the ground up is relatively straightforward. In contrast, trying to use a new system like this in an existing county would require dismantling the existing tax collection systems and installing new technology. Assuming the county didn't want to go that route, the other potential option would be to operate two tax collection systems simultaneously. In either case, the county is expending substantial resources solely because of the incompatibility between traditional government and innovation zones. These resources could be put to much better use for the county's existing residents. There are many other examples that can illustrate how the path to autonomy in the innovation zone bill benefits both the zone and the county in which the zone is situated. They all rest on the same key points. The same governing body cannot efficiently and reflectively oversee the two different governance systems, nor can an existing county and a smart community built from the ground up reasonably share administrative systems.

To briefly recap, the primary goals of the smart community within an innovation zone are to rethink current systems, experiment with new technologies for governance and administrative functions, and allow for more direct individual participation in the decisions that impact the daily lives of the residents of the innovation zone. We at Blockchains

believe that realizing this vision requires autonomy and independence for the community from a county in which the innovation zone is located. We thank the Committee again and look forward to working with the Committee over the next several months regarding the quasi-county proposal in the innovation zone legislation. Also, we recognize that this is not something that you're all familiar with or that anyone has really dealt with in the past, so from an autonomy perspective, we are certain that you will have other thoughts and potential alternatives, and we look forward to working together and hearing your proposal. Thank you all again for your time and consideration.

Chair Benitez-Thompson:

Thank you so much. I think, Mr. Ernaut, that's every presenter that we had who is going to be available today. Did you have anyone else?

Mr. Ernaut:

From the Blockchains side of things, no. Maybe if you and I could just have a quick discussion on protocol as we get to the Q&A today? Would you like us to go through you, Chairwoman, and through you to the members or answer direct?

Chair Benitez-Thompson:

I think what we'll do is just let the members raise their hands and then I can go through them and then allow them to go directly to the speaker that they might have questions of. I do want to make sure that we're being transparent in one thing though that we've had. There have been a couple of folks mentioning a bill draft resolution, and so a policy, I guess, framework that's I would say a launching spot for this Committee's work, and I believe that has just been made public. So, Committee members, I believe that BDR is going to be posted to our Committee website ([Agenda Item IV A-1](#)). I don't think there is an expectation that everyone stop and read it right now. I think in future meetings going forward we'll have an opportunity to start working through the actual proposal. I think today is just the very high-level overview from Blockchains about what the basic vision is, goals that they hope to accomplish, and then as we heard from Ms. Basch, what blockchain is as well, and so I think if we could keep our questions to the high-level conversation that we've been having so far then that would be probably the best fit for the kinds of questions that we're going to ask right now. So, that being said, Committee members, do have questions for the presenters on the information that they've given us so far?

Senator Moises (Mo) Denis (Senatorial District No. 2):

Thank you, Madam Chair. I want to dig in a little bit more, and I know today's more high level, but the discussion that was just had about the incompatibility between an innovation

zone and a county how it's currently run, I'm trying to get my arms around that. Can you discuss that a little more, maybe give us some more specific examples?

Mr. Ernaut:

Thank you, Senator Denis. I think there is an important differentiation here as much as governance and operations as anything. The operations part becomes a little more common sense. From the standpoint of the information technologies, the computer technologies necessary to operate a smart community that we are designing in terms of, as Mr. Weiss talked about, in terms of tax collection, in energy usage, all different types of operations would cause the existing entity, the existing county, to have to either completely rebuild all of their systems to accommodate that, or as Mr. Weiss talked about, be in a position where there's two programs running simultaneously. Neither makes sense from that standpoint. The other part of this too from a governance standpoint is when we talk about innovation and we talk about innovation in terms of technology, whether it's blockchain technology, AI, nanotechnology, 3-D printing, any of the most affiliated technologies, we're also talking about reinventing the way that government works and operates for its citizens and how it provides services. It's completely rethinking all of that, and so the idea becomes that how everything operates in a smart community, whether that's the meat and potatoes of how you get back and forth to work, how you operate in your home and how you use energy, how you use water, how you shop and how the commerce operates within a smart community, are all completely and totally different than anything that you've seen today or any existing infrastructure in any county or city, and so building this from the ground up and all of the technology that would be necessary to just operationally run a smart city again would either be cost-prohibitive for a community or a county or city to change or create dramatic inefficiencies. So, just from the operational standpoint, it—through that path. As Mr. Weiss said too, look, we had to start somewhere, and so this was the product of probably 6 to 9 months of hard work with some of I think the most experienced public policy people in the state. So, we tried to think through all of these things, and why we landed on a county construct was really the product of a much longer discussion and as much throwing out some of the ideas that wouldn't work, and so that's where we started, but I think ultimately over the course of the next 5 to 6 months as this Committee deliberates, the flexibility or the thoughts of that form of government, the autonomy being essential but the form being flexible, but we can think through other ideas that may work better for you, may work better for the surrounding counties beginning with Storey. We are definitely willing to have that discussion and, quite frankly, believe that's what this Special Committee is about is to fully vet this and land in a place that makes sense for all of us. The county construct was the product of months of discussion. We made a lot of decisions around it, and as the Chairwoman talked about in the bill draft, and hopefully we'll do that next meeting and go through a more traditional section-by-section read, you'll see how this all works together, and those more specific operational questions will either be answered or brought to a head in the discussion. So I hope, Mr. Vice Chairman, that that began to answer your question.

Senator Denis:

It does, and that part I understand, but some of these—can you give a more specific example? I think the tax one would probably be an easy one. How is it that taxes are going to be different in an innovation zone? Is it because it's going to be collected through cryptocurrency, or is there something specific there? I'm just trying to get a grasp on—because these are all ideas, I get it, but there has to be some specific things that we can at least start to think about now as we're going through this process.

Mr. Weiss:

I think I can answer that one, Mr. Vice Chair, and you hit that a little with cryptocurrency. The taxes could be collected through a tokenized blockchain-based system, and again, they could be remitted to the taxing authority in real time. So, imagine exactly as a transaction occurs, whatever the tax component of that is—imagine a retail transaction. The retailer does not have to collect the money, then hold onto the money, create all the records and then eventually—let's use a sales tax example—remit that money to the State once a quarter. To be honest, I'm not entirely sure how that works, but I think it's once a quarter. This technology allows for a completely different system, and it would be difficult to imagine how an existing county could—they could either retrofit the whole county or just be two different systems, and that would obviously be costly in terms of time, administration, etc., and that's why we believe the solution involves having two different governmental systems.

Senator Denis:

That makes sense to me. That helps me understand a little better. At the same time, though, there is also additional things that the State—like specifically, and I'm using the tax one, but the State would also have to change how they collect taxes from this innovation zone also, right?

Mr. Weiss:

I think that's possible. I think there could also be middleware systems that could process the tokens and end up just remitting the cash for the same accounts that sales tax are remitted to now, so I think those tokens could be turned into cash before it got to the state level so there wouldn't be a need for the State to retrofit its own systems.

Senator Denis:

But if there is some kind of middleware solution here, you could probably have a similar one at the county level, but that's something that I want to hear as we go through how that wouldn't be a solution.

Mr. Ernaut:

Mr. Vice Chairman, I think there's also one issue that we probably need to discuss that has evolved over the course of the last 6 months particularly. One of the more compelling reasons for autonomy 6 months ago, a year ago and beyond, was the disagreement, civil disagreement, between Storey County and the innovation zone concept of actually permitting the number of homes, and as you might imagine, in any development there's a critical mass necessary for a development to actually make sense, and so we were very respectful of Storey County from the standpoint it's a very small county. This would more than triple the population of the county. It changes every demographic from voting across the board, but I do want to say this, that Storey County has been a very respectful partner in this discussion, albeit we may come from polar opposite points. Over the course of the last few weeks we've had discussions that have moved forward on this innovation zone and the compatibility with Storey County. I don't know where that goes. I don't know whether it ultimately lands in a place that makes sense for everyone involved, but I want everyone to know that those discussions are being had, and that's why we want to also be flexible on the form of the governance it takes, because there are certain things no matter what we agree on with the existing county that won't be compatible, and so those things have to be worked out. I think it's important to note that discussions are ongoing between Storey County and the innovation zone proponents.

Senator Denis:

Thank you, and I appreciate that. I'm just trying to, based on the discussion we just had, to try to throw some of this stuff out so that as we go along we can make sure we're answering those questions. Thank you, Madam Chair.

Assemblyman Philip (P.K.) O'Neill (Assembly District No. 40):

Thank you, Madam Chair, and actually I had two questions but Senator Denis really went into my main question on it. But the other one, you said the BDR will be released shortly? I just want to clarify that, what I can expect.

Chair Benitez-Thompson:

Thank you so much, Assemblyman O'Neill. I think during the course of—so this is the very first big, state public meeting where we're having a conversation about this proposal, and so while I think that Blockchains has been talking about the policy—and during session there was conversation about the concept. We didn't have a written bill draft resolution in front of us, but my understanding is that now there is one, and so now that it's been referenced I think it makes the most sense to make that public so that we can have a chance to read it ([Agenda Item IV A-1](#)). I think also with the understanding that, as members of the Select Committee in the Legislature, that we should probably consider it much like any other BDR, kind of a living proposal document that we can—it's up to us

to decide what pieces of this make the most sense, what pieces of this could work for us and work for Nevada, and so I think it makes the most sense at least for us to be able—and the public—to access that initial bill draft resolution, that initial proposal, so that we can have some concepts on it. I think as well at the next meeting it's going to make the most sense for us to have a walkthrough of that and start to get much more into the nitty-gritty of the language and start to better understand what is being proposed in that BDR to help move the conversation forward, but that is not something I think—and I see Mr. Fernley is with us. I think staff is working on getting that posted. I'm not sure if it's on our materials page right now or if it's about to be presently.

Bryan Fernley (Legislative Counsel, Legal Division, Legislative Counsel Bureau):

It is currently on the meeting page for this meeting ([Agenda Item IV A-1](#)). We can also email the draft to the Committee members. But it is on the meeting website and we will email a copy to the members as well.

Chair Benitez-Thompson:

I appreciate that. That's going to be helpful. Thank you so much.

Assemblyman O'Neill:

Madam Chair, I appreciate that, because I really want to read this because I think it will be a much better discussion once we see this policy. Maybe we should call it a policy paper instead of a BDR, but that will help, and I appreciate Senator Denis' questioning. He actually took everything that I had to say for now, so thank you, Vice Chair and Madam Chair, for the time.

Assemblyman Watts:

Thank you very much, Madam Chair, and thank you all for the presentation ([Agenda Item V](#)). It was very enlightening and helpful to see the additional details on the projects that Blockchains is working on. I think that was helpful. I guess there are a few things that have come up in the conversation so far. It sounds like some of them, I think, will be covered in future meetings, so I don't want to necessarily go down that path right now. I would like to just follow up. I think this is one higher-level question just to put a little bit more of a point on some of the questions that the Vice Chair was asking. You discussed that initially you looked through a few different options and concepts before bringing forward this initial proposal, and so I was just wondering if you could speak to why the creation of a city government was not the direction that you decided to go in with the initial proposal.

Mr. Ernaut:

Thank you. When we began this discussion in looking for pertinent examples of what form of government that we wanted to most emulate, we first began with examples, like the City of Industry, the City of Commerce, that you may be familiar with in California. Why? Because they were special-purpose municipalities that focused—City of Industry obviously on industrial development and such, so there was a lot of similarities given the fact that this entity has a special purpose. It's not like any other city, nor does it have the same sort of mission statement as any other city would have. We looked through the city construct and the first thing that gave us a lot of great information from the standpoint of the special-purpose part of this, and you'll see when you get to the bill draft that there is a section of the bill draft that discussed what those special purposes are and what the focus of this city is, but the bottom line was it was still obviously underneath a county, and so while it solved some problems, it didn't solve the predicate problem, which was that a county having that jurisdiction over this entity created either operational conflicts or governance conflicts that weren't conducive to the development of this innovation zone, so we looked at a number of other constructs. We looked at independent cities that aren't part of a county. There's Baltimore and St. Louis. There's probably 15 or so in the State of Virginia, oddly enough, and then of course our own Carson City, which is a unique structure unto itself. All of those again I think gave us great reference but weren't the exact right model. The closest model that we found was actually the Reedy Creek Special District that created Disney World. There is a rather interesting prospectus on that that was done through the Florida State Law School. I really encourage that you read it, and although a lot of the things in there weren't relevant to this because it was obviously done in the '50s—like one was only landowners could vote, and of course we throw that out just from the standpoint of reality and how the world has evolved since the '50s. But the point of why Disney World needed its own autonomy in which to build the special-purpose entity I think still has the same value and relevance to this. So, as we go through the bill draft I think you'll start to see all of those elements and why it is important that we do have that autonomy, but also the limitations of that autonomy. Again, we've talked about the fact that it doesn't have autonomy from existing statute or any existing regulation. The supervisory board itself is arm's length from the company and is independent from the company, so I think part of that—a lot of the answers will come as we just go through the bill draft and you realize as much again as what it isn't as what it is. I think that the answer of the autonomy begins to make itself, hopefully, along the way.

Assemblyman Watts:

Thank you for that. I appreciate that, and I think that's just in general a topic that we will continue to revisit in future meetings, and I think I understand. It sounds like one of the points is that there were these operational or governance conflicts that you foresaw under the current system, and so this would streamline by getting rid of the conflicts at the county level, although as the Vice Chair noted, there could still be some operational and other barriers between this community and the state government that would have to be dealt

with as well, and so I think ultimately it's trying to find additional efficiencies in how this community could fit in within the existing frameworks of our state. I think that point is something that we're going to continue to talk about through this. I guess the other piece that I just wanted to ask particularly the folks at Blockchains about is just if you could provide a little bit of additional detail on some of the use cases for either specifically blockchain technology or smart technology in this community. One particular question I have is you talk a lot about trust and the pro-consumer focus, and I think my understanding is that it's the transparency of this technology that lends itself to that, but that that can also potentially pose issues in certain use cases with privacy. I saw that some of the initial areas that are being focused on include health care, where privacy can be an issue, so I was wondering, could you just (a) discuss some of the other use cases that you're looking at within this community, and (b) how do you balance trust and transparency with privacy as you're looking to expand the usage of this technology?

Mr. Weiss:

Sure. As an initial matter, I think as we get further in this process we're going to get more granular with what we expect to be able to accomplish with the smart city, what life is going to potentially look like for the residents and what applications we're working on and what we see out there in the blockchain world, because again, we can't do all of this ourselves. We view this as a collaborative process, but on some of the trust and privacy issues, Matt Digesti, I think you can really speak well to those, so if you would provide some color on that, I think that would be really helpful.

Mr. Digesti:

Sure, Mr. Weiss, and thank you. I think the trust and the privacy issue go hand in hand, and it's critical. This technology provides a particular type of trust that is very compelling when it comes to privacy issues, and I'll actually use a real-life example in Nevada. Going back to my point that thoughtful legislation has attracted blockchain companies to the state, there was one blockchain company that relocated here from Austin, Texas called Titan Seal you may be aware of, and they started a pilot program with the Washoe County Recorder's Office to record digital marriage certificates on a public blockchain. In their case, it was Ethereum, and the pilot was wildly successful. To give you some figures, the Washoe County Recorder, who I discussed this at length with, told me that when a customer came in, they had a choice to do the digital version of the marriage certificate using public blockchain technology or they could do the traditional method where you get the paper and the embossment and it takes about a week for it to come in the mail, just really slow and inefficient. The fees set for marriage certificates are actually statutory, and I don't recall exactly what the number was, but they had done enough of the pilot program, a couple hundred, where the Washoe County Recorder's Office could compare the cost savings for the blockchain-based version of the marriage certificate versus the traditional paper-based version, and what they found is the Washoe County Recorder's Office was experiencing anywhere from a 27 percent to a 30 percent cost savings using blockchain

technology. They had to run parallel systems to do it, but they were able to charge the same price because it's statutorily set, which was huge for their office. So, rather than going to the Legislature and asking that they increase the fees and Nevada residents pay more, they were able to get what was a de facto budget increase by offering them a blockchain-based solution that cost dramatically less, and I use that example because I want to highlight that this is not something that's just out in the wild and we talk about this vision. These are real things happening for Nevadan residents today. The pilot was so successful that Clark County also incorporated the technology, along with Elko County, and those are the three counties in the state that have chosen to use this technology and participate and experience these dramatic cost savings. Nevada, I would argue from a marriage certificate standpoint, is the most technologically advanced state in the entire country, which I think is exciting and just goes to show that this stuff works.

But to circle back to your question about privacy—and I used the marriage certificate example on purpose. A marriage certificate has personally identifiable information on it, and when you hear, “Well, we’re storing your marriage certificate on a public blockchain, isn’t that so transparent that other people can see, look up your name and look up your address and find out where I live in, and that scares me.” That is not true. Through what we call encryption algorithms, which, not to get too technical, the software actually takes a digital scan of your marriage certificate through the County Recorder’s Office so it’s private. It runs that digital version of the document through a software algorithm, through a two-way encryption algorithm, and once it goes through the algorithm, what comes out is a string of random characters and letters that is the unique fingerprint for that particular marriage certificate. Only the Washoe County Recorder’s Office has that information. That information is not publicly known on the marriage certificate side of the details. What is publicly known and what is recorded on the public blockchain is that 64-character string of random numbers and characters that again is the unique fingerprint for that particular marriage certificate, and so that string of characters is what actually gets recorded on the blockchain that is publicly visible, but nobody can take that information and reverse engineer it to find out exactly what that marriage certificate says. Only the Washoe County Recorder’s Office has the ability to do that, and other government agencies, if they chose to plug into the system, they could themselves be given access through proper controls and verify that information using the same technology if they wanted to verify that marriage certificate itself. So, with health care, with energy, with financial services, with any highly regulated industry that privacy is paramount, or even by consumer choice, if they want to opt into a particular system, this technology can be designed in a way that protects that privacy. That information is not publicly available, and we’re big believers in privacy, and that’s why this technology, we believe, is so powerful.

Assemblyman Watts:

Thank you. I appreciate that, and I look forward to—I think, Mr. Weiss, you mentioned that you are still developing some of those additional details about what the operation

would look like and some of the additional use cases, and thank you for that, and we look forward to receiving that. Those are all the questions I had, Madam Chair. Thank you.

Assemblyman O'Neill:

I appreciate you coming back to me, Chair. I started to understand this, and now I'm confused again, so I apologize. Assemblyman Watts, that was a great question. So, if the blockchain technology is able to work within Washoe County and their marriage licenses and some other areas, why can't the technology work within Storey County? If I understand correctly, Washoe didn't have to change their entire operation. It was a pilot, it worked great, so what I'm hearing is that—why wouldn't it work with all the other systems within particularly Storey County now?

Mr. Weiss:

I think what we're talking about there is sort of a one-off example that shows the power of the technology for a particular discrete function. Again, marriage certificates are relatively centralized. You go to one office to fill out the paperwork, so that I think was just a relatively simple software change. I also don't know the details of the contract, but what we're talking about in our community is much more than just changing a few administrative systems, and again, we'll get into more detail as we go down the road, particularly in the next session where I believe we have the opportunity to present again. We're going to focus more on daily life in the city, but we're talking about the potential for residents to directly trade energy with each other by storing it by the use of solar panels and batteries, potentially a community that has nothing other than autonomous vehicles where if you would try to arrive at the community in anything other than an autonomous vehicle, you'd have to leave your own personal vehicle outside the community. Most importantly, and I mentioned this briefly and we'll go into more detail about it the next time, a smart community is founded on these data sensors. There will be hundreds of thousands, if not millions, of sensors that are constantly collecting data, and the availability of that data will allow for much more nimble decision making, and the concept we envision through the technologies that are available that the residents of the community would be able to play a more direct role in that decision making, that they'd have the access to the data to be able to make those decisions more quickly. So, I completely understand exactly where your question is coming from, Assemblyman O'Neill. I thought the same thing. I had a feeling someone would ask that as that was developing, but I think if you are a little patient and let us talk a little bit more about the specifics of the city, you'll come to understand that this is a little more than just changing a couple of administrative systems.

Assemblyman O'Neill:

I appreciate that. I'll give you all the patience you want, but you've got to understand one thing. I just printed out that policy statement, because I still read in—and I ran out of paper.

So, I'll give you the patience and the time, and I appreciate the time, Chair, for allowing me to bring up a second question.

Chair Benitez-Thompson:

I appreciate that. Additional questions of the Blockchains folks at this time? I don't think I see any, but of course we've got quite a few more meetings in front of us where I think we'll be circling back to lots of these different finer points as we start talking about them in a more nuanced way. Thank you so much, Mr. Ernaut. I appreciate your time and the presenters you brought. At this time, I think we have in item VI is the economic impact of innovation zones, and I think we have a presentation here from Jeremy Aguero of Applied Analysis.

Jeremy Aguero (Principal Analyst, Applied Analysis):

Thank you, Chair Benitez-Thompson. I was asked today to provide—actually, I was asked over a year ago to start to take a look at the opportunity zone concept that's been provided to the Committee today and try to craft some of the economics behind some of that. What does it mean in terms of jobs and wages and salaries? What does it mean in terms of fiscal impact, in terms of the tax collection and tax implications? How does all of that play out?

The analysis that we did has four key component parts (Agenda Item VI). So much of that has been covered by Ms. Basch and Mr. Digesti, as well as Mr. Weiss and certainly Mr. Ernaut in terms of their preliminary comments. I don't intend to go back through that, but I will just share a little bit about the analysis that we did and provide some of the preliminary implications and the results of that analysis. First and foremost is the investment overview and the vision for Nevada. Again, so much of that has been covered. You've talked about Painted Rock and the innovation park and what it means and what they're thinking about in terms of development, and there's no doubt this is nothing more than a rendering, a conceptual idea of what it might look like. In going through that exercise, much of the analysis was predicated, as Mr. Digesti brought up, on other markets that have attempted to either position themselves or develop as innovative or smart cities. We looked at four of them and looked at their profile in terms of what their employment base looked like, what their industrial base looked like, all of those type of things, what they looked like as they developed and what they look like still today. However, there is only one, at least that I'm aware of, only one smart city that was built from the ground up. This is a picture of that smart city, Songdo in South Korea, and it was designed, built, developed as a smart city from the ground up. I'd encourage you to take a look at some of the innovation that goes on here.

Some of the questions that came up, one from Senator Denis about what are tangible examples. Well, tangible examples happen all over the place in Songdo. There is no trash pickup, for example. No such thing as trash pickup. In Songdo, each residential unit

simply has a mechanism where trash is collected and sent directly to a place where it can be recycled. The development activity looks different, the physical footprint looks different beyond just the technology that's advanced. In a way, the technology, the footprint, actually physically looks different in terms of the types of buildings that are constructed. So, 40 percent of all the—buildings in all of Korea are within this relatively small footprint that is the Songdo community. The only reason that I bring this up is because when we're looking at the implications of an economic investment and we're looking at the implications of building what is contemplated here—Mr. Ernaut talked about having 35,000 residents. We're talking about 11 million square feet of commercial space, we're talking about 22 million square feet of industrial space, all being built out, but all being built out differently. I think the way that Mr. Digesti talked about it in terms of doing things a different way is reflected here, and that's what we're really trying to measure. But at its most basic, we're talking about the development of a community, a physical footprint that is the manifestation of what needs to be built. I think the way that Ms. Basch brought it up in terms of how it's going to look and what it's going to take and maybe creating a showcase, if you will, for Blockchains' technology is obviously the driving force here, but underneath all that you have residential development, you have commercial development, you have the development of open spaces like parks and the like.

If we look at the economic impacts associated with that type of investment, we're talking about economic impacts most significantly. When we think about economic impacts, we think about the impacts, direct impacts and indirect impacts and social impacts and induced impacts, those type of things, so I just want to take one moment to talk about the implications of that. We're talking about economic impacts. These are the impacts on total revenue, sometimes thought of as total output. All the business receipts that happen in the State of Nevada within this industry are thought about in terms of economic output. Sometimes we think about it in terms of gross state product. We're talking about wages and salaries paid to families, working families, in the State of Nevada. This does not include any of that activity that happens outside of the borders of the state. Then, we're talking about employment impacts, jobs created in Nevada. The direct impacts are those that are directly related to the development of the project itself. The indirect impacts are those that result from supplier purchases. Obviously, if they're going to build something of this magnitude or have suppliers come in and provide this new technology or test it and incubate it within the State of Nevada or within the smart city construct, there's going to be a fair amount of goods and services that they purchase from other businesses in the State of Nevada. Finally, you've got induced impacts. As I'm going to show you in a moment, there's a substantial amount of wages and salaries that are paid. Those folks go back to various communities, they spend that money in grocery stores, doctors' offices and movie theaters, whatever, and wherever they spend that money, that then creates additional jobs throughout our community, the sum of all those being the total impacts.

When we look at those impacts, we really break them into two major component parts. The first is the development activity itself. What does that look like? Not the operations of the smart city, but merely the construction of the city itself. It's very conservatively

estimated at about \$9 billion. The indirect and induced impacts bring that total up to more than \$16.4 billion of direct investment in the State of Nevada to build this smart city as it's currently contemplated. In terms of direct wages, roughly half of all of those dollars spent if we translate it into wages and salaries paid to Nevada workers, about \$7.2 billion in total. When we think about that in terms of jobs, we look at it in terms of job years of employment. So, one person employed for one year, because by its very nature construction-related activity is a temporary activity. The direct impact in terms of what Blockchains will invest and develop is almost 80,000 jobs, with a total employment when the indirect and induced employment are included of about 125,000 employees within the State of Nevada. Now, beyond that we have recurring economic impacts. Again, very conservatively estimated we're looking at the average annual economic implications during the early years of operations of the smart city. Obviously these numbers will be substantially lower, and when the smart city is fully built out over its roughly 75-year timeframe, obviously these numbers will be much higher. That having been said, if we look at the average annual estimate or traditional output of the type of uses that will be built in the smart city, we're talking about \$2.2 billion worth of direct output each and every year, or \$4.6 billion of output when we include those indirect and those induced impacts for the State of Nevada. Again, about half of that will be translated into wages and salaries to Nevada working families, and now in terms of employment we're not talking about one-time jobs, we're talking about permanent jobs. On average over that entire development timeframe, about 25,500 jobs direct and a little over 40,000 jobs total in the State of Nevada, either directly or indirectly related to this project.

The fiscal impacts have had a fair amount of conversation. I realize, Madam Chair, you're going to spend a lot of time talking about this. I'm just going to touch on it for a moment, but I think a couple of things are important to reiterate. As the Governor's Office said at the outset, the idea of this is to create a smart city without incentives and where all of the taxes that would otherwise—to state governments or special districts would continue to do exactly that. Within a Nevada innovation zone as contemplated, the fiscal implications of the individual taxpayer, they will pay every tax that every business pays anywhere in the State of Nevada. It is an autonomously operated government that has every responsibility not only to collect every tax that exists in the State of Nevada but to provide every service that is necessary to be provided to the citizens that are living within that innovation zone. To be clear, if there is a tax that is paid by businesses or paid by individuals that goes to fund state services, it goes to fund school districts, those dollars have to continue to be collected, have to be directed to those purposes, and for the ones that go to the State, oftentimes deposited directly into the General Fund. There are no incentives, there are no discounts, there are no abatements associated, but rather there is a responsibility to generate or to provide all of the services and an obligation under the legislation that you all are contemplating to essentially bear the burden of an additional industry-specific tax that will not only be utilized within the innovation zone but provided throughout the State of Nevada, and I realize there'll be more that gets discussed relative to that. There's been a lot of conversation about the concept of a stablecoin cryptocurrency and its fiscal implications.

I'm very glad that Ms. Basch spent so much time talking about blockchain technology, because while blockchain technology is necessary for a cryptocurrency, cryptocurrency is not the only thing by a longshot that blockchain is ultimately utilized for. One of the ones that I like to point to is IBM's Food Trust blockchain. We think about the importance of our food supply here in the United States. IBM is utilizing the blockchain today to essentially join the ecosystem of producers and suppliers and manufacturers. So, wherever my food originated from, I can tell where that ultimately is on the shelves of my grocery store, and so when we have an outbreak or some type of foodborne illness or some challenge with our food supply, those that are participating in this can react immediately, saving lives, essentially creating increased efficiency in making sure that those connections are made as efficiently as possible. These are things that would not even be possible without the blockchain, and we think about so many of them, so many of the things that we do every single day: banking, finance, ID management. I love Mr. Digesti's example of marriage records and those type of things, and I really like, Ms. Basch, because I had not seen it previously, the concept of everything that goes into blockchain in terms of creating almost an individualized ecosystem for purposes of all of those type of transactions. Blockchain is one technology. It has many uses. Cryptocurrency is one of those. I certainly hope that that can be developed, because of those transactions that would take place would not only be stable—and obviously we know that digital currencies are rapidly developing around the globe, and certainly in the United States. The concept would be to create a stablecoin cryptocurrency in the State of Nevada, test it, develop it, roll it out through a series of phases. The first of those phases, as shown here, would be for verticals, specific industries where the utilization of a digital currency is frankly ripe or very appropriate. Two of those that come to mind are TNCs (transportation network companies), where obviously no cash transactions can take place, and marijuana industries, cannabis industries, which have a difficult time still today utilizing the traditional banking system. Utilizing that technology, creating that incubation for businesses that will develop, like IBM, utilizing their own blockchain technology, the ability to test it in the State of Nevada.

The second piece, then rolling that out to more industries. Our state's gross domestic product is \$178 billion overall, and I'm not here to suggest to you for even one moment that all of those transactions would somehow be subject to a cryptocurrency stablecoin or any other type of digital currency. Of course that isn't the case, but just like the internet has permeated almost everything that we do, we're going to be looking back 20 years from now and looking at how the blockchain changes everything that we do. Having that develop and expand Nevada I think is very important, and finally expanding it well beyond. A lot of transactions happen all over the globe. A small percentage of that and the ability for the State of Nevada to benefit on an industry-specific tax that would be transaction-based where those transactions are based in the State of Nevada would ultimately provide a substantial opportunity.

Madam Chair, I appreciate the opportunity to be here today. I'm thankful for the Committee's work on what I think is a very important matter. I apologize—I am more than

happy to answer any questions, however I have an obligation that I cannot move at 11 a.m. today so I have to be very brief in my responses.

Chair Benitez-Thompson:

Thank you so much, Mr. Aguero, and knowing that you've got a short time before you've got to move on to your next obligation, we have the PowerPoint that you've given to us (Agenda Item VI). I imagine members have questions about it, but I think what we might do is—because we're probably going to have bigger discussions about economic impacts, and save our questions for that time, because I know we'll want to probably dive down into some of those slides and have questions about timeframe, when things are realized and those kinds of things. So, we will thank you for your presentation right now. We've got it out there and in public and all members have it, and then when we get back to bigger conversations about economic impacts to the state, we'll be sure to bring you back and have you available to members.

Mr. Aguero:

Thank you, Chair.

Chair Benitez-Thompson:

Thank you so much. Let's go ahead then and move into item VII, potential job creation and the formation of innovation zones, and I believe we have Mr. Thompson and Mr. Benner with us.

Danny Thompson (Operating Engineers, Local 3):

Thank you, Madam Chair. I'm here today representing the Operating Engineers Local 3 and Local 12 to speak in support of the creation of innovation zones in Nevada. During the legislative session when these zones were talked about, the first thing I heard people say was, "Well, this is a company town," and I think all of you who know me know that I have dedicated my life, my career, to representing working people, and I can tell you that this is not a company town. In fact, it is exactly the opposite of a company town, and I think as we move forward in these presentations and the Committee does its work, you're going to see that it's not. Whoever came up with the name innovation zones couldn't have been more accurate in that the opportunity before us is truly innovative. Nevada has always had a need to be able to diversify its economy, always wanted to be on the cutting edge of technologies that present opportunities to us, and I think that's exactly what you have before you today. Blockchain technology is the future. There's no question about that, and I think with this Committee, you have an opportunity to think outside of the box and take the opportunity and turn it into the first-in-the-nation smart city that will create millions of man-hours of work, thousands of jobs and the opportunity for Nevada to be the leader in the nation.

When you listen to the presentations and you talk about the opportunity of creating \$16 billion worth of development and \$7 billion of wages and employing 124,000 people, that seems like it could be pie in the sky, but I would like to take you back in history a little bit, because I remember thinking the same thing of another issue, another problem that Nevada had to solve, and that was in the early 1990s in Clark County where the county is 90 percent dependent on Lake Mead for its water. That's still true today. Only 10 percent of the water comes from other sources pumping and other tributaries. Ninety percent of the water comes from Lake Mead. During that period of time, there was only one way to get water out of the lake, and they called it a straw. It was a single pipe in the lake that was then pumped over the River Mountains to Clark County, which supplied all the water to the hotels, our number one industry—which, in fact, the Las Vegas Strip represented about 50 percent of the income to the state. It was realized that one well-placed lightning strike or one act of terrorism could have prevented water from flowing into the entire county. Something had to be done, and the something that needed to be done was huge, so the Southern Nevada Water Authority put together a group of business leaders and labor leaders who went to the Legislature and asked for the authority to raise the sales tax by a quarter cent. At the time, that project was the largest—would have been—is the largest public works job done in the history of the State of Nevada. It required the Legislature to act, and they did, and I can tell you today, 30 years later, that act is still paying off. We went from a system that had a single straw in the lake to adding multiple straws tunneling through the River Mountains with tunnels instead of pipes, improving and redoing the entire lateral system of piping in Clark County, improving the wastewater system so that the water could be recaptured. Currently, Clark County recycles all of its indoor-use water. I don't think there's any place in the nation that does that, and that's the way we survive. We get 300,000 acre-feet a year, and we're able to take the water out, treat it and put it back, which makes us unique in the West. In fact, right now, if the lake continues to decline, which the drought is making happen, that act by the Legislature allowed us—then when those pumps weren't able to take the water, we then installed a drain in the Colorado River, and you all know about that because you were a part of that, and now we have a drain in the deepest part of the river so that even if Hoover Dam stops working and the lake is yielded to what they call dead pool status where nothing is going to move there, we could still withdraw our allocation from Lake Mead. Like I said, that didn't just happen by accident. That was an act of the Legislature. That single job has created millions, literally millions, of man-hours of work. Hundreds of thousands of people worked on that job, and today with the advent of—and again, another legislative act that allowed us to build the stadium in Clark County. We have a world-class stadium. As a result of that, they built a practice stadium in West Henderson. That West Henderson development needed lateral piping, which is being paid for by that original quarter-cent sales tax to fund that. You wouldn't recognize West Henderson. That's where I live in Henderson. I will tell you that 2 years ago it was all desert, and now there's houses, there's buildings, there's homes, there's apartments and there's a practice stadium for the Raiders. None of that would have happened had we not taken that bold act, and I daresay that given the drought, Las Vegas would be a completely different place if our legislative leaders hadn't had the forethought to make that happen.

So today, I think that's exactly what we have in front of us, and I can tell you that historically when you look at something like this and you say, "That just sounds like pie in the sky," it doesn't necessarily mean that it is, because historically it's happened before, and the great thing about this is that you're not going to have to have a quarter cent sales tax increase or you're not going to have to allocate room taxes to pay for a stadium or a water system. This is something that can be done with private investment and benefit the state, because the state will benefit from the revenue that is generated not only by creating jobs and creating new taxpayers, but creating good jobs, because there's a difference. John Kennedy said the best form of welfare is a good-paying job. There's a difference between creating a bunch of jobs that then their employees end up on Medicaid, and I think you all know all too well what that means, because then they come to you to solve their health care problems, and the net effect of that is a zero loss when you create low-paying jobs. These are high-paying jobs. These are good jobs with benefits for people who can afford to live and pay for their own health care.

I think this is an exciting time and I think this is an exciting opportunity, not only for Nevada but for the nation, because truly the creation of a smart city based on blockchain technology, which is the future, will set us apart from everyone else, and so I want to thank you, Madam Chair, for the opportunity to speak today. I want to thank the Governor for bringing forward this important issue, and I want to thank Blockchains for picking Nevada as the place where they want to make this investment and let us have this opportunity to do that, and so I would urge you on behalf of the Operating Engineers Local 3 and 12 to allow this to happen. With that, Madam Chair, I would like to turn it over to Rob Benner with the Northern Nevada Building Trade so he can discuss with you what the local impacts could be. Thank you.

Rob Benner (Building and Construction Trades Council of Northern Nevada):

Good morning, Madam Chair. Thank you. Before this legislative session, we were approached by Blockchains, LLC to enter into a cooperative development and labor agreement. We were happy to do so. We see the value of this project. This project is going to help the health of the construction industry here in Nevada, and I'll tell you why. This cooperative agreement guarantees that these construction jobs that will be out there in Painted Rock city will be union jobs. The city, the entire city, will be built union, infrastructure, all the way out, but also I'd like to point out that Blockchains also wanted to make sure that small business also had an opportunity to prosper from this development, and we also have language in there to make sure that we do not leave out Nevada's small businesses for this project. So, they will also benefit.

When we're talking jobs in the building trades, we are talking transformative jobs. These jobs lift people out of poverty and put them in the middle class. When a disadvantaged or displaced worker enters into one of our apprenticeship programs, they instantly become a middle-class participant because of the wages we pay and the benefits we have, and this will provide thousands of opportunities for those workers here in the state that have

been displaced by this pandemic, and also opportunities for the kids that are graduating from our local schools. This project, not only is it going to benefit Northern Nevada. The size of this project will also benefit Southern Nevada as well. We saw this with Tesla. Tesla was a very large project. At the peak, I think we had over 6,000 construction workers on it. We did not have 6,000 construction workers here in Northern Nevada, especially after the great recession—actually, great depression that we saw in Nevada. We also put many Southern Nevada construction workers to work as well. So, this project isn't just going to affect the construction industry here in Northern Nevada. It's going to affect the construction industry in the whole state.

A project this size will help us also overcome the retirement tsunami that we are about to see in the next coming years. I think it's pretty well known that in construction, the average age of a construction worker is late-forties, and most construction workers retire in their mid-fifties, so we are looking at potential issues when it comes to this wave of retirees coming here, so a project like this will make sure that we can ensure the health of the construction industry in the future. I know a lot of people are saying out there, "Well, isn't construction booming right now here in Northern Nevada," or "Why do we need more development? Why do we need more construction jobs? Don't we have enough as it is?" This project isn't exactly going to put a shovel in the ground tomorrow. We are right in the middle of the legislative process currently to try to come up with a BDR or something to propose at the next legislative session, and that potentially is 2023, and if this is approved, if this project is approved, we're looking at probably another, say, 2 to 3 years past that to get this approved. This is about the future of construction, and also when we go back, if you went back and asked the construction industry in 2006 what the construction outlook was here in Nevada, everybody would say it's great, no problems. Then 2008 happened, and we lost—at the time, at Nevada's peak we had about 150,000 construction workers here in Nevada. At its low point, we hit 50,000. We lost two-thirds of our construction workforce, and believe it or not, even though everybody says, "Hey, we're booming. There's construction everywhere," Nevada is currently at about 90,000. We still haven't recovered the construction jobs we lost from the 2008 recession, or as we look at it in construction, the depression we saw here in Nevada.

With that, we are really looking at this project in the future. We think that the potential here for the state—it will create long-term jobs, it will help us get past some of the issues here in the construction industry when we look at retirement. This will provide thousands of opportunities for our youth, displaced workers, disadvantaged workers, to enter into free, registered apprenticeship programs where they come out and are automatically entered into the middle class with the wages they're going to make. So with that, we thank Blockchains and we thank the Legislature for forming this Committee and letting us discuss this and move this forward.

Chair Benitez-Thompson:

Thank you so much. We appreciate that. Any questions for Mr. Thompson or Mr. Benner at this point from Committee members? I don't believe I see any. I want to thank you so much for your time. I want to just circle back on item VI. I know that Mr. Aguero had a time conflict so he had to leave us quickly, but I think, Mr. Ernaut, did you have something that you wanted to make sure that you were adding to that?

Mr. Ernaut:

Thank you, Madam Chairwoman. Actually, I just wanted to make a summation statement just for a moment. Having the unique experience of having sat in the Legislature myself and having seen a lot of presentations and different policy ideas, I think I have a unique perspective of how people absorb this. I understand, I believe, where most of you are. This is a really exciting, transformative idea, but do you really need your own county? That's the part that probably is giving everybody from Member O'Neill and Member Watts, the Vice Chairman some trepidation over this issue, and yeah, we've talked about the incompatibility of the operations and such, but I think there's a more seminal issue here that I'd like to leave everybody with, and that is its very existence. Now that we've talked through what this means to the state, whether it's \$4.5 billion of tax revenue, 125,000 jobs, a smart city unique in its kind of 35,000 people, a development center of over 20 million square feet of development, you can understand that this is an unprecedented development and somebody has to permit it. Somebody has to say yes, and so the idea of this is weighing in your minds of does the reward outweigh the risk or does it validate the risk of having actually the State say yes rather than leaving it to a local government. That's going to be a conversation that we're going to have throughout the next 4 months. We look forward to having that conversation and continuing that conversation with Storey County and all of the other counties so we make sure that they understand that we want to make this compatible with all the surrounding counties. We don't want to make this onerous on Storey County. We want to make Storey County whole. We are flexible in discussing the form of that government, but ultimately, Assemblyman O'Neill and Vice Chairman Denis, Assemblyman Watts, your questions are very valid, but I want to leave you with this. If this is truly transformative, if this truly positions Nevada as the global leader in the most important emerging technology of our time, somebody has to say yes. Somebody has to say, "We support this. We permit this. We're going to allow this to be built," and that is going to be a seminal question that this Committee will debate and vet and maybe even argue over for the next 4 or 5 months, and we look forward to being part of that discussion. Madam Chairwoman, thank you for indulging us and having us today in this Special Committee, and we look forward to this discussion going forward.

Chair Benitez-Thompson:

Absolutely, and thank you for that. Along that same line, I'll just say I think that we've got 4 more months for this Select Committee to meet, we've got five more meetings in front of us, and so we will be talking a lot. I think the goal of today's first meeting was to get the idea out there, get it in public. There's been a lot circulating out there, but this is the first time that we as a state are having a public conversation about this, so it was important to get the idea out there in a bigger public format, to make sure we got the BDR posted and language posted in a bigger public format and that we started a very transparent, open dialogue, because there have been, as I think has been mentioned by different presenters throughout this, lots of conversations happening, lots of dialogue happening, but none of it brought to this level where we're able to look at everything comprehensively.

I think of special note that I'm interested in is, for the past decade, Nevada has been committed to economic development, and it's fit a certain template. It's fit a certain type of way. We read our NRS and we have a cookie-cutter structure we've been using, so I think that in some ways it makes sense to argue and talk about economic development and the new face for Nevada. What is going to be the next step and the next direction for us within economic development? But I think what's of interest to me is a different set of ethos, and some of those I see talked about within this type of conversation and the ethos where there's no abatements, that it's a reciprocal relationship between the state and a business entity where the state isn't having to give up revenue, so I think that that's important. Also, the conversation around impacts and impact offsets, because every time we've been talking about economic development in a vacuum. As long as you can get the jobs here and get people there, then everything else is fine, and we know from the past decade that that's not true, that you have to talk about quality of life, you talk about housing, you have to talk about education, you have to talk about infrastructure. You have to talk about all of that, so whether or not a blockchain and an innovation zone company is going to set up in Storey County under a county commission, under a city government, under a special use district, the idea that there's going to be 35,000 more people living out in the deserts begs the question of impacts, and I think that it's important that those conversations happen at the front rather than down the road once you've got a pressing problem with water, once you have a pressing problem with infrastructure, and that all of that ought to be considered upfront. So, those kind of ethos within the conversation of economic development I think are what are the most fascinating to me within the concept of this proposal that we'll be exploring.

So with that being said, anyone else, I guess, since we let Mr. Ernaut kind of—we don't have an agenda item for pontificating, but any other members? I kind of stated I guess what I would like to see as some of my goals moving forward and conversations and topics moving forward. We obviously have the guidelines from the resolution, but would any other members like to add anything that's of particular interest or top of mind or as we move forward?

Senator Roberta Lange (Senatorial District No. 7):

Thank you. I appreciate what you just said. I agree with you. I think those topics are all important. We've talked a lot about the impacts and the benefits to the state. I really want to—this is going to be in Storey County and I'd really like to talk about the benefits and the positives and the negatives to Storey County as we move forward with this proposal.

Senator Denis:

Thank you, Madam Chair. I think I addressed this earlier, but I just want to make sure I'm clear. When it comes to the blockchain technology side of this, that's a huge thing, and I understand that. At the end of the day, I don't know about anybody else, but that technology is huge and being at the forefront of that is important. What I want to get to is how does having an innovation zone buy into that, as well as how it works and all of the other things that we've talked about. So I think that that's important, because it really is. It is a transformative technology that's the future, and if we can as a state be able to become a leader in that, I think that's important if we want to diversify our economy. But at the end of the day, I still need to, when we get to the end of all this, understand how having an innovation zone does that. Thank you.

Senator James Settelmeyer (Senatorial District No. 17):

I would love to have in the next meeting the opportunity to have more interaction with some of the individuals that are affected by this, such as Storey County, the county that I represent, so we could have the discussion. It was brought up, who is going to permit this? Well, have they even applied for a permit yet? Have they been given the permit application and not returned it back? What's the process? So in that respect, I'd appreciate some more time on that subject. Thank you, Madam Chair.

Chair Benitez-Thompson:

I think you're right. I think that makes absolutely a lot of sense.

Assemblyman Watts:

Thank you, Madam Chair. I think I've spoke to some of them, and I actually agree with a lot of the points that you brought up, as well as the Vice Chair. I think that—and even to some of the framing of the issue that Mr. Ernaut provided. I know that Blockchains in particular announced their intent and interest in developing this community some time ago prior to the innovation zone concept being brought forward, so I think really being able to dig into what does this look like and then what is actually needed in terms of policy to facilitate that? To the points brought up by the Chair, what are the potential impacts of that, and making sure that we're considering those and balancing the resource questions

and then any other impacts in figuring out what policy changes may need to occur in order to facilitate this sort of smart community development in the state.

Assemblyman O'Neill:

Thank you, Madam Chair. I'm just going to summarize. I agree. It sounds like an exciting opportunity for the state as a whole, the economic impact. There's a lot of good points to it, but I will use the old quotation the devil is in the details, and that's where we need to go. As Senator Settelmeyer, I'd like to hear from the opposition, for lack of a better term, Storey County, from Pyramid Lake, some of those issues that they may have with the surrounding counties, NACO in general, so I look forward to hearing more of the details so we can actually vet this out properly and present it to the state. Thank you, Madam Chair, for allowing me to talk.

Chair Benitez-Thompson:

Absolutely. Okay, with that being said, I will move into agenda item VIII, which is public comment. We're going to offer a second period of public comment. If there's anyone wishing to provide comment, please call the number that is indicated on the agenda and you will be informed by staff of our Broadcast and Production Services when you've been connected and when it is your turn to speak. Again, comments will be limited to two minutes per person and you may submit any additional comments in writing to be included for the record. I'm going to turn this now over to our BPS staff to queue those calls in and they will inform you when it is your turn to speak.

Ms. Walker:

Thank you, Madam Chairman and members of the Committee. I was interested in Mr. Ernaut's comment that the closest model of the innovation zone is the Reedy Creek Improvement District, which is controlled by the Walt Disney World. Over the past 3 months, I have researched this district. I have provided written comments to the Committee which includes a synopsis of what the Walt Disney World governance model is all about ([Agenda Item II A](#)), and I do not believe that it is even close to being the same as what Blockchains, LLC is proposing. If you look at section 16, paragraph 1 of the proposed BDR, it gives the innovation zone the power and authority of the county government. However, the Reedy Creek Improvement District is a general improvement district. It's not a county. When the Florida Legislature in 1967 created the Reedy Creek Improvement District, they did so with Reedy Creek still being within the two existing counties of Orange and Osceola Counties. Blockchains, LLC's land is equal to roughly 40 percent of Storey County's land. What this proposed BDR does is secede 40 percent of land from Storey County and puts it into the new innovation zone county. It completely dissects Storey County. This proposal gives far and away more authority than Disney ever received or ever sought. Disney actually decided not to go with the county power and instead went for the Reedy Creek Improvement District, which is basically a GID with

a special purpose, and isn't that what Blockchains was stating they wanted, a government with a special purpose? Well, a county is not a special purpose government. Reedy Creek property owners and city residences pay county property taxes and county sales tax to their respective counties where they are located, but Blockchains, LLC's proposal in section 38, the county sales tax through the consolidated tax is allocated back to the innovation zone or the Blockchains-controlled county, which I believe would probably be spent on development costs which should be borne by Blockchains, not taken away from the existing county taxpayers in Storey County. Blockchains, LLC's proposal will provide more power and authority than any other entity, including the Walt Disney's Reedy Creek Improvement District. If Walt Disney can work within the jurisdictions of two counties, why can't Blockchains, LLC work within one county, Storey County, known as the most business-friendly, innovative-friendly county not only in the state but in the country? I look forward to presenting further information to the Committee. Thank you very much.

Mr. Osborne:

I'd like to just summarize our August 11 letter that we submitted (Agenda Item II C). We believe it demonstrates that Storey County supports all of the things being discussed today within the framework that already is in place. That includes technology, the sandbox exercises where amazing minds can develop new things, and even the smart city that's being proposed as Painted Rock. The timeline that's attached to that is very important. It highlights a couple things, including but not limited to, in 2000 we provided a development agreement at the Tahoe-Reno Industrial Center that freezes regulations, fees and decisions for 50 years, and that kind of development agreement could be applied elsewhere. In 2006, the Painted Rock—development of roughly 3,600 homes was approved by the planning commission and by the county commission. In 2016, the master plan was completely rewritten to support and have emphasis on large-scale residential development at Painted Rock, including mixed-use, urban type of environment, and in 2015, the Storey County School District supported a master plan having a magnet school at Painted Rock supporting technology, and not just for Storey County kids, but for kids throughout the northern region, including Washoe, Reno, Sparks and otherwise. In 2018, we completely rewrote our subdivision ordinances to accommodate Painted Rock, and in 2021 repeated letters to the Governor, the Legislature and others, testimony to the Legislature and other engagements. Again, support, support, support technology, this "sandbox environment," the smart city and these other things at Painted Rock. Repeated evidence upholds these truths, that separation of government is not necessary. Today, we suggest that Blockchains and others submit an application to build their project within existing framework. Thank you.

Russ James (President, Northern Nevada Building and Construction Trades Council):

Good morning, Madam Chair and members of the Committee. I am the President of the Northern Nevada Building and Construction Trades Council, representing 5,000

construction workers and their families. We are in support of allowing this innovative zone legislation to proceed. Nevada has a unique opportunity to be at the forefront of a technology that could transform our state and diversify our economy, which is heavily reliant on gaming. While Nevada has been diversifying its economy in recent years, we have not had an opportunity such as this. The innovation zone could potentially provide good-paying construction jobs for 10-plus years and could provide an entirely new tech industry in Nevada, which could create high-paying jobs for our area for years to come. High-paying tech jobs will provide opportunities for our best and brightest students to be able to live and work in Northern Nevada. I believe the benefits to the State of Nevada far outweigh the risks. The Northern Nevada Building and Construction Trades Council stands in favor of the innovation zones concept and good-paying jobs. Madam Chair, thank for your time this morning.

Scott Fullerton (Operating Engineers, Local 3):

Thank you, Madam Chair. We are in support of the innovation zone legislation. We believe that this new community will provide good-paying jobs for years to come, and not only good-paying jobs just on the infrastructure but even in the construction of the local convenience store. When I say good-paying jobs, these are not only good-paying jobs with the wages that they can spend in their communities, but these are jobs that provide health care for the individuals that perform those duties, as well as the long-term benefits and good retirement plans, and we believe this is a benefit for the working women and men here in Northern Nevada. Not only that, their plan is to make sure that the development of future construction workers or the workers in these areas are developed through the apprenticeship programs, and we believe that this is a long-term benefit for not only the county that it's going to be based in but also the bedroom communities, the Washoe County, the Lyon County and the other counties that will benefit from that as well. Again, Madam Chair, I thank you for your time.

Mr. Adler:

I'm representing Pyramid Lake Paiute Tribe as their representative from SSGR, Silver State Government Relations. I wanted to have a quick moment here from a top-down view. Pyramid Lake appreciates the introduction to this new bill draft and some of the material presented today, but similarly upon first review much of this language does seem similar to the language first introduced at the Nevada State Legislature. So, with that, Pyramid Lake in its previous concerns around innovation zones and the impact it could have in the region, specifically the Truckee River Basin, holds to where they were previously today, that innovation zones seem to have little regard for the natural resources required for the proposed development and little regard for the impact on the regional governments and what 30,000 homes would do for the region, so we would ask that as SCR 11 put forward that all tribal governments and regard for natural resources be included on all meetings going forward as this Committee proceeds. Thank you very much and we thank you for your time.

Ms. Whalen:

I just wanted to state that the information presented today is interesting and I think it warrants careful vetting by the Committee and also response from the stakeholders. TRIGID looks forward to that opportunity in the upcoming meetings. For example, the BDR posted today contains the same language that generated the concerns that we listed in the letter submitted for public comment earlier in this meeting (Agenda Item II B). Thank you.

Greg Hardeman (Representative, International Union of Elevator Constructors):

I'm calling in to support the innovation zone and stand with the Northern Nevada Building Trades. I represent the International Union of Elevator Constructors, and we represent the elevator constructors that build, install and maintain the elevators in Northwestern Nevada, and we support this. Thank you.

Clay Mitchell (Storey County Commissioner):

Thank you, Chair Benitez-Thompson and Committee. I'm grateful that you're willing to take the time to consider this issue, and as well for those on the Committee who have asked that we be included in a meaningful way in the discussion. I've listened intently to the presentations today as I have with previous presentations on this proposal. I approach you today not as characterized by Mr. Ernaut, not full of fear or intimidated by big ideas. I approach you with a healthy understanding of the concepts and technology being discussed and with a clear-eyed and thoughtful approach to those things. I want to be absolutely clear. Storey County is not opposed to this development. We are simply concerned about the separate governance piece. In fact, I'm quite excited about the opportunity that's presented here. It leaves me wondering why haven't the specifics of this idea been presented to the host county first. Why have we not seen the details of this master plan community, which sounds wonderful? We're well equipped and positioned to help vet and flesh out these lofty ideas, and I look forward to detailing some of the innovative structures and agreements that we've already employed within Storey County under existing structures. Our position remains, as my County Manager has stated, that separatist governance is not the constraint in pursuing this development, that it is not necessary and that we are willing and able to handle this project. Apparently this idea was discussed for 6 to 9 months with no direct impact from the county prior to being presented. We remain open to discussing creative structures and agreements to provide leeway to Blockchains to allow them to innovate. I feel confident that if meaningful conversation about the perceived conflicts happens with the county, it would disabuse the proponents of this project of some of their preconceived notions and assumptions about the viability of working with us. I mention that because there are acute risks inherent with proposed governmental autonomy. Statute and case law around cities and counties and how they interrelate and how they relate to the state are well understood and settled in our state. I would strongly encourage this Committee to delve into the implications of

creating a new and untested political subdivision. Doing so is virtually guaranteed to produce unintended consequences which suggest, as the Vice Chair suggested, that we should be absolutely sure that the aims and benefits of this proposal can't be accomplished through existing structures before pursuing a new structure, and I would submit that that assertion has not yet been proven. I look forward to delving into the claims that have been made and providing some ideas and options that would facilitate this project and the impact discussion that the Chair has asked for. It's crucial and we look forward to it. Thank you.

Skip Daly (Representative, Laborers' Union, Local 169):

I'm here representing the Laborers' Union, Local 169 here in Northern Nevada, and I wanted to enter in support for the innovation zones and look forward to the discussion that we're having. I wanted to thank the Chair for getting the proposed BDR up so people can read it, and I plan to do so, but in my previous interactions with the proposers, any concerns that had come up and various things, they've been very open and responsive to addressing those issues. I understand and support the geopolitical concerns on the city versus the county and support the direction that they're headed with the separate governmental structure, partly based on history with Storey County and their reluctance to build any residential, but I do believe that this innovation zone can be huge, transformational, and I know a lot of people have said that. I don't want to put too much emphasis on that, but for decades to come I think will impact Northern Nevada in a positive way, in ways that we can't even think of yet. I know when we dedicated to the new road there between I-80 and out into Lyon County, the Infinity Highway, it was in contemplation of various things just like this and the innovation zone. So, we're in support. The details matter and need to be vetted by this Committee. I have complete confidence that you guys can do a thorough job of that. Thank you. Thank you for your time.

Broadcast and Production Services Staff:

Chair and Committee, there are currently no more callers in the queue to provide public comment.

Chair Benitez-Thompson:

Thank you, everyone. Thank you for everyone who provided public comment. We've got a lot of work in front of us over the next few months, and I appreciate the input from all the Committee members as to different types of subject matter and topics that they want to make sure that we're really covering and delving into. So, now that we've moved through all of our agenda items, we have no further business before us. We will be in touch about when the next Committee is, and then we'll have our next agenda. Obviously we've got lots of things to cover between here and there, but for the purposes of today's meeting, we are adjourned at 11:44 a.m.

RESPECTFULLY SUBMITTED:

Jordan Haas, Secretary

APPROVED BY:

Assemblywoman Benitez-Thompson, Chair

Date: _____

Agenda Item	Witness/Agency	Description
Agenda Item II A	Mary Walker, Representative, Storey County	Public Comment
Agenda Item II B	Shari Whalen, General Manager, TRI General Improvement District	Public Comment
Agenda Item II C	Austin Osborne, Storey County Manager	Public Comment
Agenda Item II D	Janet Davis, Chairwoman, Pyramid Lake Paiute Tribe	Public Comment
Agenda Item II E	Austin Krehbiel	Public Comment
Agenda Item II F	Travis Sanderson	Public Comment
Agenda Item II G	Zach Westbrook	Public Comment
Agenda Item II H	Justin Nayak	Public Comment
Agenda Item II I	Mike Young	Public Comment
Agenda Item IV A-1		BDR 22-1109
Agenda Item IV A-2		Senate Concurrent Resolution No. 11
Agenda Item V	Blockchains, Inc.	Overview Presentation
Agenda Item VI	Jeremy Aguero, Applied Analysis	Presentation on the Economic Impact of Innovation Zones