

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH NATIONAL PUMP COMPANY

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING SEPTEMBER 1, 2015 AND ENDING AUGUST 31, 2016

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
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Independent Accountant's Report

To the Board of Directors and
Management of
Lubbock Economic Development Alliance

We have performed the procedures enumerated in the attached supplement, which were agreed to by you, the specified user, solely to assist you with respect to determining the amounts payable pursuant to the Performance Agreement with regard to job creation incentives only, for National Pump Company. This agreed upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the findings as a result thereof, are enumerated in the attached supplement which is an integral part of this report.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

September 22, 2016

**LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
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FOR THE PERIOD BEGINNING SEPTEMBER 1, 2015 AND ENDING AUGUST 31, 2016**

Procedures and Results

Background:

The Lubbock City Council established the Lubbock Economic Development Alliance, Inc. (hereinafter referred to as LEDA) for the purpose of creating and retaining positions and encouraging new businesses to be established in Lubbock, Texas, to stimulate business and commercial activities. To this end, LEDA entered into a contract with National Pump Company (hereinafter referred to as “the Company”) on August 20, 2014.

The agreement provides that LEDA grant the Company a potential capital incentive of \$113,500 which is payable in one installment once the Company provides written confirmation that all utility construction activities have been completed and paid for by the Company. LEDA paid the sum of \$113,500 to the Company on January 23, 2015. The Company agrees to establish and maintain the baseline employment level through the term of the agreement and create and maintain 32 new primary jobs over the four year measurement period beginning on September 1, 2014 and ending on August 31, 2018. The job creation over the four year period is projected as follows: Year 1 – 10 jobs; Year 2 – 8 jobs; Year 3 – 9 jobs; Year 4 – 5 jobs for a total of 32 primary jobs. The target annual compensation for the 32 new primary jobs is as follows:

- (1) Year One: \$359,800.00 in the aggregate
- (2) Year Two: \$234,760.00 in the aggregate
- (3) Year Three: \$362,200.00 in the aggregate
- (4) Year Four: \$156,000.00 in the aggregate

Objective, Scope and Procedures Performed:

Our objective was to determine if the Company met the job creation and target compensation requirements of their agreement with LEDA. A summary of the procedures used is as follows:

- Reviewed the pertinent contract.
- Reviewed employee census data indicating names, dates of hire, dates of termination, work locations and compensation as of August 31, 2016.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending September 30, 2015 through June 30, 2016 and payroll register run for the period September 1, 2015 through August 31, 2016.
- Reviewed wages reported on the TWC and payroll reports to verify annual compensation levels and to corroborate dates of hire and/or termination while comparing to employee census.

Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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Results and Conclusions:

Per our review of the above data and prior year agreed-upon procedure reports:

- The Company had eighty-one (81) full-time Lubbock employees as of September 1, 2014 (baseline).
- The Company had sixty-four (64) full-time Lubbock employees as of August 31, 2015.
 - The target of maintaining the baseline of eighty-one (81) full-time Lubbock employees in year one was not met.
 - The target annual compensation of \$359,800 for new hires in year one was not met.
- The Company had fifty-five (55) full-time Lubbock employees as of August 31, 2016.
 - The target of maintaining the baseline of eighty-one (81) full-time Lubbock employees in year two was not met.
 - The target annual compensation of \$234,760 for new hires in year two was not met.

Based on the above information, the Company did not meet its target annual compensation or attain its target job positions for year two.

LEDA has the option to give written notice of such default to the Company and reserves the right to demand the sum of \$3,546.88 for each job not timely created in year two, which amounts to \$28,375.04.

Based on procedures performed, there were no questions or issues raised that needed to be discussed with the Company.