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***INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES***

Mr. John Osborne
Chief Executive Officer
Lubbock Economic Development Alliance, Inc.
1500 Broadway, Suite 600
Lubbock, TX 79401

Dear Mr. Osborne:

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 Economic Development Grant Contracts with regard to job creation incentives only, for Osteogenics Biomedical, Inc. 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 use of the specified user listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Robinson Burdette Martin & Seright, L.L.P.
Lubbock, Texas
December 19, 2013

Lubbock Economic Development Alliance, Inc. Grant to Osteogenics Biomedical, Inc.

For the period from December 1, 2012 through November 30, 2013

Background:

The Lubbock City Council established the Lubbock Economic Development Alliance, Inc. (hereinafter referred to as LEDA) to stimulate and foster economic activity in Lubbock and the surrounding area. To this end, LEDA entered into a contract with Osteogenics Biomedical, Inc. (hereinafter referred to as Osteogenics) on February 28, 2011.

The general terms of the contract allow Osteogenics to receive incentives for Job Creation. Specifically, Osteogenics will receive Job Creation Incentives of \$42,000 for the creation and maintenance of eleven (11) new full-time jobs in Lubbock with an annual aggregate salary of \$444,000 within the period from December 1, 2010 through November 30, 2015. Osteogenics will earn Job Creation Incentives ranging from \$2,500 to \$10,000 for each job created according to LEDA's incentive sliding scale schedule. The earned incentives are to be paid out in five annual installments. Future installment payments are subject to reduction and/or forfeiture if Osteogenics does not maintain the jobs through the term of the contract.

Objective, Scope and Procedures Performed:

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

- Reviewed the pertinent contract.
- Obtained employee census information as of November 30, 2013 reflecting dates of hire, dates of termination (if applicable), total compensation for the four quarters listed below and full-time or part-time status.
- Reviewed quarterly compensation data provided from the corporate headquarters for the quarters ending 12-31-12, 3-31-13, 6-30-13, and 9-30-13 as well as October & November 2013 compensation data.
- Summarized wages reported from the corporate reports paid to the employees to calculate actual compensation levels.
- Confirmed that the required compensation levels were met by comparing extended pay rates to the latest paycheck stubs.
- Discussed questions and issues raised as a result of the above steps with Osteogenics personnel.
- Discussed contract interpretations with LEDA personnel.

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

Results and Conclusions:

Per our review of the above data:

- There were twenty-two (22) full-time and twenty-five (25) part-time employees working in Lubbock prior to the inception of this agreement.
- There were twenty-nine (29) full-time Lubbock employees and twenty-seven (27) part-time Lubbock employees as of November 30, 2011.
- There were twenty-eight (28) full-time Lubbock employees and twenty-nine (29) part-time Lubbock employees as of November 30, 2012.
- There were forty-one (41) full-time Lubbock employees and twenty-seven (27) part-time Lubbock employees as of November 30, 2013.
 - Based on the net increase of nineteen (19) full-time employees since the beginning of the contract period, Osteogenics earned incentives for eleven (11) new full-time positions, the maximum number provided for in the performance agreement.
 - Accordingly, we selected the eleven (11) highest paid employees for purposes of calculating the eligible incentives for the November 30, 2013 measurement period:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
7	\$ 10,000	\$ 70,000
1	\$ 7,500	\$ 7,500
2	\$ 5,000	\$ 10,000
1	\$ 4,000	\$ 4,000
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11		\$ 91,500
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Based on the above, Osteogenics is currently entitled to receive one-fifth (1/5) of the maximum third-year earned incentives of \$42,000, or \$8,400.