

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH ARMTECH INSURANCE SERVICES, INC.

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 ARMtech Insurance Services, 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 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

October 4, 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) to promote local economic development and stimulate business and commercial activity in Lubbock and the surrounding area. To this end, LEDA entered into a contract with ARMtech Insurance Services, Inc. (hereinafter referred to as "the Company") on August 15, 2011.

The terms of the agreement provide incentives to the Company for the creation of new jobs. The general terms of the agreement allow the Company to receive up to \$84,000 for the creation and maintenance of twenty-four (24) new full-time jobs from September 1, 2011 through August 31, 2016. The Company will earn incentives ranging from \$2,500 to \$10,000 for each job created according to LEDA's sliding scale. The earned incentives will be earned in one-fifth (1/5) increments as of each annual measurement date.

Should Recipient fail to meet its Target Job Positions or Target Annual Compensation during any year or years, but ultimately meet its overall Target Job Positions or Target Annual Compensation, LEDA shall, at its discretion, have the right to allow recapture of forfeited incentives. Similarly, should Recipient exceed its Target Job Positions or Target Annual Compensation during any year or years, LEDA shall, at its discretion have the right to allow incentives to be paid at one-fifth of the current year Target Annual Compensation whether or not it exceeds one-fifth of the maximum amount approved by the Board, as long as total incentives paid over the life of the agreement do not exceed the maximum amount approved by the Board.

Objective, Scope and Procedures Performed:

Our objective was to determine if the Company met the job creation 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 ninety-seven (97) full-time Lubbock employees as of September 1, 2011 (baseline).
- The Company had one hundred seven (107) full-time Lubbock employees as of August 31, 2012.
- The Company had one hundred ten (110) full-time Lubbock employees as of August 31, 2013.
- The Company had one hundred sixteen (116) full-time Lubbock employees as of August 31, 2014.
- The Company had one hundred eighteen (118) full-time Lubbock employees as of August 31, 2015.
- The Company had one hundred eight (108) full-time Lubbock employees as of August 31, 2016.

Of the net increase of eleven (11) full-time Lubbock positions, the following met the specific compensation requirements for the various levels of incentives based on LEDA's sliding scale:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
5	\$ 10,000.00	\$ 50,000.00
4	\$ 7,500.00	\$ 30,000.00
2	\$ 5,000.00	\$ 10,000.00
<u>11</u>		<u>\$ 90,000.00</u>

Based on the above, the Company is currently entitled to receive one-fifth (1/5) of the fifth-year earned incentives of \$90,000, or \$18,000, which falls within the maximum amount approved by the Board.

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