

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH SUNGOLD FOODS, INC.

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING FEBRUARY 1, 2016 AND ENDING JANUARY 31, 2017

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

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 Sungold Foods, 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 L.L.P.

Certified Public Accountants

Lubbock, Texas

April 4, 2017

**LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
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FOR THE PERIOD BEGINNING FEBRUARY 1, 2016 AND ENDING JANUARY 31, 2017**

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 Sungold Foods, Inc. (hereinafter referred to as “the Company”) on January 23, 2012.

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 \$317,000 for the creation and maintenance of one-hundred five (105) new full-time jobs from February 1, 2012 through January 31, 2017. The Company will earn incentives ranging from \$2,500 to \$10,000 for each job created according to an annual compensation schedule, and these incentives will be earned in one-fifth (1/5) increments as of each annual measurement date.

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 January 31, 2016.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending March 31, 2016 through December 31, 2016 and payroll register run for the period February 1, 2016 through January 31, 2017.
- 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.

Results and Conclusions:

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

- The Company had zero (0) full-time Lubbock employees as of February 1, 2012 (baseline).
- The Company had thirty-seven (37) full-time Lubbock employees as of January 31, 2013.
- The Company had thirty-five (35) full-time Lubbock employees as of January 31, 2014.
- The Company had twenty-seven (27) full-time Lubbock employees as of January 31, 2015.
- The Company had twenty-eight (28) full-time Lubbock employees as of January 31, 2016.
- The Company had twenty-seven (27) full-time Lubbock employees as of January 31, 2017

Based on the net increase of twenty-seven (27) full-time employees since the beginning of the contract period, the Company created and maintained twenty-four (24) full time positions eligible for incentives.

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The following employees met the specific compensation requirements for the various levels of incentives:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
1	\$ 10,000.00	\$ 10,000.00
3	\$ 7,500.00	\$ 22,500.00
2	\$ 5,000.00	\$ 10,000.00
2	\$ 4,000.00	\$ 8,000.00
10	\$ 3,000.00	\$ 30,000.00
6	\$ 2,500.00	\$ 15,000.00
<u>24</u>		<u>\$ 95,500.00</u>

Based on the above, the Company is currently entitled to receive one-fifth (1/5) of the fifth-year earned incentives of \$95,500, or \$19,100.

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