

**Robinson
Burdette
Martin &
Seright, L.L.P.**

a professional services firm of
certified public accountants

9816 Slide Rd.
Suite 301
Lubbock, Texas 79424

telephone (806) 744-3333
fax (806) 747-2106
www.rbmsllp.com

***INDEPENDENT ACCOUNTANT'S 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 Ozark Automotive Distributors, 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
February 13, 2015

**Lubbock Economic Development Alliance, Inc. Agreement with
Ozark Automotive Distributors, Inc.
For the period from August 1, 2013 through July 31, 2014**

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 performance agreement with Ozark Automotive Distributors, Inc. (hereinafter referred to as Ozark) on August 2, 2007.

The terms of the agreement provide incentives to Ozark for the creation of new jobs. The general terms of the agreement allow Ozark to receive up to \$1,046,500 for the creation of three hundred ninety-five (395) new full-time jobs in the Lubbock area. More specifically, Ozark will earn incentives ranging from \$2,500 to \$10,000 for each job created according to LEDA's Sliding Scale over a three year period ending August 1, 2011 and maintained through August 1, 2015. Ozark must create one hundred (100) jobs by July 31, 2009; one hundred twenty-five (125) additional jobs by August 1, 2010; and another one hundred seventy (170) jobs by August 1, 2011. The earned incentives will be paid out in one-fifth (1/5) increments as of each annual measurement date through August 1, 2015.

Objective, Scope and Procedures Performed:

Our objective was to determine if Ozark 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 7-31-14 (measurement date).
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending 9-30-13 through 6-30-14, and the payroll report for the month of July 2014.
- Reviewed wages reported on the TWC reports to verify annual compensation levels and to corroborate dates of hire and/or termination.
- Discussed questions and issues raised as a result of the above steps with Ozark personnel.
- Discussed agreement 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:

- Ozark did not have any Lubbock employees as of February 1, 2008.
- Ozark had one hundred fifty-one (151) full-time Lubbock employees and five (5) part-time Lubbock employees as of July 31, 2009.
- Ozark had one hundred fifty-six (156) full-time Lubbock employees and no part-time Lubbock employees as of July 31, 2010.
- Ozark had one hundred sixty-four (164) full-time Lubbock employees and no part-time Lubbock employees as of July 31, 2011.
- Ozark had one hundred sixty-two (162) full-time Lubbock employees and three (3) part-time Lubbock employees as of July 31, 2012.
- Ozark had one hundred fifty-two (152) full-time Lubbock employees and twenty-five (25) part-time Lubbock employees as of July 31, 2013.
- Ozark had one hundred sixty-six (166) full-time Lubbock employees and four (4) full-time Lubbock employees as of July 31, 2014. These one hundred sixty-six employees had total compensation of \$5,461,266 for the twelve months ended July 31, 2014.
 - Of the net increase of one hundred sixty-six (166) full-time positions in Lubbock, fifty-nine (59) were created during the first measurement period ending 7-31-09 and maintained through the sixth measurement period ending 7-31-14.
 - Of the net increase of one hundred sixty-six (166) full-time positions in Lubbock, seventeen (18) were created during the second measurement period ending 7-31-10 and maintained through the sixth measurement period ending 7-31-14. The following met the specific compensation requirements for the various levels of incentives for the second measurement period (7-31-10):

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
1	\$ 10,000	\$ 10,000
1	\$ 7,500	\$ 7,500
1	\$ 5,000	\$ 5,000
1	\$ 4,000	\$ 4,000
7	\$ 3,000	\$ 21,000
5	\$ 2,500	\$ 12,500
-----		-----
16		\$ 60,000
=====		=====

- Of the net increase of one hundred sixty-six (166) full-time positions in Lubbock, seventeen (17) were created during the third measurement period ending 7-31-11 and maintained through the sixth measurement period ending 7-31-14. The following met the specific compensation requirements for the various levels of incentives for the third measurement period (7-31-11):

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
2	\$ 5,000	\$ 10,000
1	\$ 4,000	\$ 4,000
9	\$ 3,000	\$ 27,000
5	\$ 2,500	\$ 12,500
-----		-----
17		\$ 53,500
=====		=====

- Of the net increase of one hundred sixty-six (166) full-time positions in Lubbock, thirteen (13) were created during the fourth measurement period ending 7-31-12 and maintained through the sixth measurement period ending 7-31-14. The following met the specific compensation requirements for the various levels of incentives and are being utilized to help Ozark increase their incentive for prior years:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
1	\$ 5,000	\$ 5,000
1	\$ 3,000	\$ 3,000
8	\$ 2,500	\$ 20,000
-----		-----
10		\$ 28,000
=====		=====

- Of the net increase of one hundred sixty-six (166) full-time positions in Lubbock, thirteen (13) were created during the fifth measurement period ending 7-31-13 and maintained through the sixth measurement period ending 7-31-14. The following met the specific compensation requirements for the various levels of incentives and are being utilized to help Ozark increase their incentive for prior years:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
4	\$ 3,000	\$ 12,000
4	\$ 2,500	\$ 10,000
-----		-----
8		\$ 22,000
=====		=====

- Of the net increase of one hundred sixty-six (166) full-time positions in Lubbock, forty-seven (46) were created during the sixth measurement period ending 7-31-14. The following met the specific compensation requirements for the various levels of incentives and are being utilized to help Ozark increase their incentive for prior years:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
2	\$ 4,000	\$ 8,000
4	\$ 3,000	\$ 12,000
2	\$ 2,500	\$ 5,000
-----		-----
8		\$ 25,000
=====		=====

Based on the above, Ozark is currently entitled to receive the fifth of five installments of total second-year incentives of \$60,000, or \$12,000; the fourth of five installments of total third-year incentives of \$53,500, or \$10,700, and the third of five installments of total fourth-year incentives of \$28,000, or \$5,600. Since the maximum sixth-year incentive of \$209,300 has not been earned, new full-time employees hired during years five and six of the incentive agreement have been included; the total incentive for these employees is \$47,000, the first installment for which would be \$9,400. Thus, the total due to Ozark as of July 31, 2014 is \$37,700.