

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH OZARK AUTOMOTIVE DISTRIBUTORS, INC.

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING AUGUST 1, 2014 AND ENDING JULY 31, 2015

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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 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 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

March 31, 2016

**LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
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Procedures and Results

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 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 July 31, 2015.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending September 30, 2014 through June 30, 2015, and a payroll register for the period August 1, 2014 through July 31, 2015.
- Reviewed wages reported on the TWC 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:

- Ozark did not have any Lubbock employees as of August 1, 2008 (original baseline).
- Ozark had one hundred fifty-one (151) full-time Lubbock employees as of July 31, 2009.
- Ozark had one hundred fifty-six (156) full-time Lubbock employees as of July 31, 2010 (final baseline).
- Ozark had one hundred sixty-four (164) full-time Lubbock employees as of July 31, 2011.
- Ozark had one hundred sixty-two (162) full-time Lubbock employees as of July 31, 2012.
- Ozark had one hundred fifty-two (152) full-time Lubbock employees as of July 31, 2013.
- Ozark had one hundred sixty-six (166) full-time Lubbock employees as of July 31, 2014.
- Ozark had two hundred twenty-seven (227) full-time Lubbock employees as of July 31, 2015.

Based on the net increase of seventy-one (71) full-time employees since the final baseline measurement, the following employees met the specific levels of compensation for purposes of calculating the total incentive for the period July 31, 2015:

August 1, 2010 - July 31, 2015		
Number of Employees	Incentive per Employee	Total Incentive
2	\$ 7,500.00	\$ 15,000.00
3	\$ 5,000.00	\$ 15,000.00
4	\$ 4,000.00	\$ 16,000.00
31	\$ 3,000.00	\$ 93,000.00
31	\$ 2,500.00	\$ 77,500.00
71		\$ 216,500.00

Accordingly, Ozark is currently entitled to receive one-fifth (1/5) of the final measurement earned incentive of \$216,500, or \$43,300.

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