

**LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
PERFORMANCE AGREEMENT WITH OSTEOGENICS BIOMEDICAL, INC.**

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING DECEMBER 1, 2014 AND ENDING NOVEMBER 30, 2015

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
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AGREED-UPON PROCEDURES
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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 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 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

April 5, 2016

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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 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 can receive total 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, maxed at a total of \$8,200 per year based on one-fifth (1/5) of their total five year Job Creation Incentive of \$42,000. 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.
- Reviewed employee census data indicating names, dates of hire, dates of termination, work locations and compensation as of November 30, 2015.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending December 31, 2014 through September 30, 2015, and a payroll register run from December 1, 2014 through November 30, 2015.
- Reviewed wages reported on the TWC and payroll reports to verify annual compensation levels and to corroborate dates of hire and/or termination.

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:

- There were twenty-two (22) full-time and twenty-five (25) part-time employees working in Lubbock prior to the inception of this agreement.

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- 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.
- There were forty (40) full-time Lubbock employees and twenty-five (25) part-time Lubbock employees as of November 30, 2014.
- There were forty-eight (48) full-time Lubbock employees and twenty-one (21) part-time Lubbock employees as of November 31, 2015.

Based on the net increase of twenty-six (26) full-time employees since the beginning of the contract period, Osteogenics earned incentives for eleven (11) 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, 2015 measurement period:

<u>Number of Employees</u>	<u>Incentive per Employee</u>	<u>Total Incentive</u>
11	\$ 10,000.00	\$ 110,000.00

Based on the above, Osteogenics is currently entitled to receive one-fifth (1/5) of the maximum fifth-year earned incentives of \$42,000, or \$8,400.