

LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH HOVERSTATE 2.0, INC.

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING APRIL 1, 2019 AND ENDING MARCH 31, 2020

**LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE
PERFORMANCE AGREEMENT WITH HOVERSTATE 2.0, INC.
AGREED-UPON PROCEDURES
FOR THE PERIOD BEGINNING APRIL 1, 2019 AND ENDING MARCH 31, 2020**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Accountant's Report	1
Procedures and Results	2

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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 Hoverstate 2.0, 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

May 19, 2020

**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) for the purpose of creating and retaining positions and encouraging new businesses to be established in Lubbock, Texas, to stimulate business and commercial activities. To this end, LEDA entered into a contract with Hoverstate 2.0, Inc. (hereinafter referred to as "the Company") on July 1, 2017.

The agreement provides that the Company lease a facility located in Lubbock, Texas. The Company will also establish and maintain a baseline employment level through the term of the agreement and create and maintain 50 new primary jobs over the five year measurement period beginning on March 31, 2017 and ending on March 31, 2023. The incentive payout per job will be \$2,500 and will be paid at one-fifth (1/5) of each years incentive.

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 March 31, 2020.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending during the period April 1, 2019 through March 31, 2020.
- Reviewed the TWC 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:

- The Company had zero (0) full-time Lubbock employees as of March 31, 2018 (baseline).
- The Company had eight (8) full-time Lubbock employees as of March 31, 2019.
- The Company had fourteen (14) full-time Lubbock employees as of March 31, 2020.

Based on the above information, the Company attained its target annual job position for year two a total of fourteen (14) employees. The Company is currently entitled to receive one-fifth (1/5) of the second-year earned incentives of \$35,000, or \$7,000.

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