LUBBOCK ECONOMIC DEVELOPMENT ALLIANCE

PERFORMANCE AGREEMENT WITH TYLER TECHNOLOGIES, INC.

AGREED-UPON PROCEDURES REPORT

FOR THE PERIOD BEGINNING JANUARY 1, 2015 AND ENDING DECEMBER 31, 2015

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TABLE OF CONTENTS

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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 Tyler Technologies, 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 11, 2016

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 Tyler Technologies, Inc. (hereinafter referred to as Tyler) on June 15, 2009.

The general terms of the contract allow Tyler to receive incentives for Job Creation. Specifically, Tyler will receive Job Creation Incentives up to $489,000 for the creation and maintenance of one hundred seven (107) new full-time jobs in Lubbock with an annual aggregate salary of $5,004,500 within the period from January 1, 2009 through December 31, 2015. Tyler will earn Job Creation Incentives ranging from $2,500 to $10,000 for each job created according to LEDA's incentive sliding scale schedule. The earned incentives are to be paid out over seven years. Tyler will be paid one-fifth (1/5) of total incentives earned for each of the seven measurement periods. The sixth-year measurement period will use December 31, 2009 as the baseline and the seventh-year measurement period will use December 31, 2010 as the baseline to calculate the net increase of jobs added for purposes of calculating the incentive.

Objective, Scope and Procedures Performed:

Our objective was to determine if Tyler 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 December 31, 2015.
- Obtained the Texas Workforce Commissions (TWC) reports for quarters ending March 31, 2015 through December 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.

Results and Conclusions:

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

- Tyler had one hundred eighty (180) full-time and five (5) part-time Lubbock employees as of December 31, 2008. (original baseline)
- Tyler had one hundred ninety-one (191) full-time and ten (10) part-time Lubbock employees as of December 31, 2009. (baseline for sixth measurement period)

- Tyler had one hundred ninety-one (191) full-time and four (4) part-time Lubbock employees as of December 31, 2010. (baseline for seventh measurement period)
- Tyler had two hundred three (203) full-time and four (4) part-time Lubbock employees as of December 31, 2011.
- Tyler had two hundred four (204) full-time and four (4) part-time Lubbock employees as of December 31, 2012.
- Tyler had two hundred four (204) full-time and five (5) part-time Lubbock employees as of December 31, 2013.
- Tyler had two hundred twelve (212) full-time and three (3) part-time Lubbock employees as of December 31, 2014.
- Tyler had two hundred seventeen (217) full-time and five (5) part-time Lubbock employees as of December 31, 2015.

Of the net increase of twenty-six (26) full-time employees from the 2010 baseline, the following met the compensation requirements based on the sliding scale for incentives:

Number of Employees	Incentive per Employee	Total Incentive
9	$ 10,000.00	$ 90,000.00
14	$ 7,500.00	$ 105,000.00
3	$ 5,000.00	$ 15,000.00
26		$ 210,000.00

Based on the above, Tyler is currently entitled to receive one-fifth (1/5) of the total seventh-year earned incentives of $210,000, or $42,000.

For the sixth-year measurement period ending December 31, 2014, Tyler was paid $50,000 based on a net increase of thirty-two (32) full-time employees that had been added since the original baseline measurement period. Tyler should have only been paid $37,500 based on a net increase of twenty-one (21) full-time employees that were added subsequent to the 2009 measurement period.

Tyler is entitled to receive a final payment of $29,500, which is the seventh-year earned incentive of $42,000 less the overpayment of $12,500 from the sixth-year earned incentive.