



Board Binder Open Session

May 2, 2022

Agenda



**MIDLAND DEVELOPMENT CORPORATION AS AUTHORIZED BY CHAPTER 504 OF THE TEXAS
LOCAL GOVERNMENT CODE**

NOTICE OF PUBLIC MEETING

In accordance with Chapter 551, Texas Government Code, as amended, notice is hereby given to the public that the Board of Directors of the Midland Development Corporation will meet in regular session, open to the public, in the Midland Chamber of Commerce board room, 303 West Wall Street, Suite 200, Midland, Texas, at 10:00 a.m. on May 2, 2022. A quorum of the Board of Directors of the Midland Development Corporation intends to be physically present at the aforementioned location.

Videoconference Information

Join Zoom Webinar

<https://us02web.zoom.us/j/88673693619?pwd=ZHpuVHQ4TDFUZXZlHQkduVWFBbDJQUT09>

Passcode: 625916

Or join by phone:

Dial (for higher quality, dial a number based on your current location):

US: +1 346 248 7799 or +1 669 900 9128 or +1 253 215 8782 or +1 301 715 8592 or +1 312 626
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Webinar ID: 886 7369 3619

Passcode: 625916

International numbers available: <https://us02web.zoom.us/j/88673693619?pwd=ZHpuVHQ4TDFUZXZlHQkduVWFBbDJQUT09>

At such meeting, the Board of Directors may discuss, consider, and take action on any of the following items:

1. Call meeting to order.
2. Motion approving the minutes of the April 4, 2022, meeting of the Midland Development Corporation.
3. Receive and discuss the Independent Auditors' Report and the Basic Financial Statements for the Fiscal Year 2020-2021 presented by Christy Weakland, Director of Finance for the City of Midland.
4. Resolution authorizing the execution of a second amendment to that certain Economic Development Agreement between the Midland Development Corporation and Kepler Aerospace, Ltd.
5. Presentation on the March 2022 monthly expenses and economic development activity report from the Midland Development Corporation Executive Director and staff.
6. Pursuant to Texas Government Code §551.101, the Board of Directors will hold an Executive Session, which is closed to the public to discuss the following matters as permitted under the following Texas Government Code Sections:

a. Section 551.072 Deliberation Regarding Real Property

- i. Discuss the sale, exchange, lease or value of real property described as Lots 5 and 6, Block 35, Original Town of Midland, an addition to the City of Midland, Midland County, Texas.
- ii. Discuss the sale, exchange, lease or value of real property described as Lots 1A and 9-12, Block 35, Original Town of Midland, an addition to the City of Midland, Midland County, Texas.

b. Section 551.087 Deliberation Regarding Economic Development Negotiations

- i. Discuss business prospects that the Midland Development Corporation seeks to have, locate, stay, or expand in or near the City of Midland, Texas, and discuss possible incentives, and discuss contract compliance on the part of businesses.

Posted this 29th day of April 2022.

Amy M. Turner
City Secretary

April 4th Minutes

MIDLAND DEVELOPMENT CORPORATION

MINUTES

April 04, 2022

The Board of Directors of the Midland Development Corporation convened in regular session at the Midland Chamber of Commerce board room, 303 West Wall Street, Suite 200, Midland, Texas, at 10:00 a.m. on April 04, 2022.

Board Members present: Chairman Stephen Lowery, Director Berry Simpson, Director Jill Pennington, Director Lourcey Sams, Director Chase Gardaphe, and Lucy Sisniega

Board Members absent: Director Brad Bullock

Staff Members present: Assistant City Manager Tina Jauz, City Attorney Nicholas Toulet-Crump, and Deputy City Secretary Vanessa White

Council Member(s) present: Council Member Lori Blong

MDC Staff Members present: Executive Director Sara Harris, Marketing and Administrative Coordinator Kendall Gray, and Business Retention & Expansion Coordinator Sammi Steel

1. Call meeting to order.

Chairman Lowery called the meeting to order at 10:00 am

2. Introduction of new Midland Development Corporation director Lucy Sisniega.

Chairman Lowery introduced the new Midland Development Corporation Director Lucy Sisniega.

3. Presentation from the University of Texas Permian Basin regarding the Incubator/Makerspace program at UTPB's Midland campus.

The Executive Director of the Office of Innovation & Commercialization of UTPB, Brian Shedd gave a presentation regarding the Incubator/Makerspace program at UTPB's Midland campus.

4. Motion approving the minutes of the March 7, 2022 meeting of the Midland Development Corporation.

Director Pennington moved to approve the minutes of the March 7, 2022 meeting of the Midland Development Corporation; seconded by Director Simpson. The motion carried by the following vote: AYE: Lowery, Gardaphe, Sams and Sisniega. NAY: None. ABSTAIN: None. ABSENT: Bullock.

5. Resolution authorizing the execution of an amendment to that certain Incubator and Makerspace Grant Agreement between the Midland Development Corporation and the University of Texas of the Permian Basin .

Director Simpson moved to approve Resolution ED-404 authorizing the execution of an amendment to that certain Incubator and Makerspace Grant Agreement between the Midland Development Corporation and the University of Texas of the Permian Basin; seconded by Director Gardaphe. The motion carried by the following vote: AYE: Lowery, Pennington, Sams, and Sisniega. NAY: None. ABSTAIN: None. ABSENT: Bullock.

6. Resolution authorizing payment in the amount of \$117,051.79 to the University of Texas of the Permian Basin pursuant to that certain incubator and makerspace grant agreement between the Midland Development Corporation and the University of Texas of the Permian Basin.

Director Simpson moved to approve Resolution ED-405 authorizing payment in the amount of \$117,051.79 to the University of Texas of the Permian Basin pursuant to that certain incubator and makerspace grant agreement between the Midland Development Corporation and the University of Texas of the Permian Basin.; seconded by Director Sams. The motion carried by the following vote: AYE: Lowery, Pennington, Gardaphe and Sisniega. NAY: None. ABSTAIN: None. ABSENT: Bullock.

7. Resolution ratifying the Chairman of the Midland Development Corporation's execution of an amendment to that certain purchase and sale agreement between the Midland Development Corporation and the Estate of J.L. Davis for the purchase of certain real property described as Lots 1A and 9-12, Block 35, Original Town of Midland, City of Midland, Midland County, Texas.

Director Sams moved to approve Resolution ED-406 ratifying the Chairman of the Midland Development Corporation's execution of an amendment to that certain purchase and sale agreement between the Midland Development Corporation and the Estate of J.L. Davis for the purchase of certain real property described as Lots 1A and 9-12, Block 35, Original Town of Midland, City of Midland, Midland County, Texas.; seconded by Director Gardpape. The motion carried by the following vote: AYE: Lowery, Pennington, Simpson and Sisniega. NAY: None. ABSTAIN: None. ABSENT: Bullock.

8. Resolution authorizing the execution of a consulting services agreement with Strong Environmental Services, LLC, in the amount of \$8,727.50 for services related to the purchase of certain real property described as Lots 1A and 9-12, Block 35, Original Town of Midland, City of Midland, Midland County, Texas; and authorizing payment for said agreement.

Director Pennington moved to approve Resolution ED-407 authorizing the execution of a consulting services agreement with Strong Environmental Services, LLC, in the amount of \$8,727.50 for services related to the purchase of certain real property described as Lots 1A and 9-12, Block 35, Original Town of Midland, City of Midland, Midland County, Texas; and authorizing payment for said agreement.; seconded by Director Gardaphe. The motion carried by the following vote: AYE: Lowery, Sams, Simpson and Sisniega. NAY: None. ABSTAIN: None. ABSENT: Bullock.

9. Resolution authorizing signatories on Midland Development Corporation bank accounts.

Director Pennington moved to approve Resolution ED-408 authorizing signatories on Midland Development Corporation bank accounts; seconded by Director Gardaphe. The motion carried by the following vote: AYE: Lowery, Sams, Simpson and Sisniega. NAY: None. ABSTAIN: None. ABSENT: Bullock.

10. Presentation on the March 2022 monthly expenses and economic development activity report from the Midland Development Corporation Executive Director and staff.

MDC Executive Director, Sara Harris reported a 25% sales tax increase year-over-year compared to prior period. Sara Harris reported that fiscal year revenue was 34% above budget and there were no notable disbursements on the income statement.

Board recessed into executive session at 11:00 a.m.

11. Pursuant to Texas Government Code §551.101, the Board of Directors will hold an Executive Session, which is closed to the public to discuss the following matters as permitted under the following Texas Government Code Sections:

- a. Section 551.087 Deliberation Regarding Economic Development Negotiations

1. Discuss business prospects that the Midland Development Corporation seeks to have, locate, stay, or expand in or near the City of Midland, Texas, and discuss possible incentives, and discuss contract compliance on the part of businesses.

Board reconvened into open session at 11:59 a.m.

All the business at hand having been completed, Chairman Lowery adjourned the meeting at 11:59 a.m.

Respectfully submitted,

Vanessa White, Deputy City Secretary

PASSED AND APPROVED the 2nd Day of May 2022.

Jill Pennington, Secretary

Fiscal Year 2021 Audit



Midland Development Corporation

A Type-A Corporation and Component Unit
of the City of Midland, Texas

Independent Auditor's Report & Financial
Statements

September 30, 2021



Midland Development Corporation
A Component Unit of the City of Midland, Texas
September 30, 2021

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Independent Auditor's Report

Board of Directors
The Midland Development Corporation
Midland, Texas

We have audited the accompanying financial statements of the governmental activities and the major fund of the Midland Development Corporation (MDC), a component unit of the City of Midland, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise MDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Midland Development Corporation as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Dallas, Texas
March 11, 2022

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

As management of the Midland Development Corporation (MDC), we offer readers of the MDC financial statements this narrative overview and analysis of the financial activities of the MDC for the fiscal year ended September 30, 2021.

Financial Highlights

The net position of the MDC was \$47.1 million at September 30, 2021, an increase of \$100,000 from net position as of September 30, 2020 of \$47 million.

At September 30, 2021, amounts restricted for economic development incentives in the general fund decreased from \$26.6 million at September 30, 2020 to \$25.0 million at September 30, 2021.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the MDC's basic financial statements. The MDC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The statement of net position presents information on all of the MDC's assets and liabilities, with the difference between the two reported as net position. Over time, increases, or decreases in net position may serve as a useful indicator of whether the financial position of the MDC is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements display functions of the MDC that are principally supported by sales taxes. The governmental activities of the MDC include general government and economic development only.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of the MDC is a governmental fund.

Governmental Fund

A governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of a governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The financial statements presented for the MDC are the same at the government-wide and fund levels, with the exception of compensated absences, capital lease obligations, and capital assets, because the nature of the assets, liabilities, revenues, and expenses that were reported at the government-wide level were such that they also met the criteria for reporting at the fund level.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the MDC's annual budget. The MDC adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At September 30, 2021, assets exceeded liabilities by \$47.1 million, an increase of \$119,000 from the September 30, 2020, amount of \$47 million. Additionally, in fiscal year 2021, the MDC had a \$627,000 decrease in total assets.

MDC's Net Position

	Governmental Activities	
	2021	2020
Current and other assets	\$ 25,695,808	\$ 27,828,258
Capital assets	<u>22,040,414</u>	<u>20,535,296</u>
Total assets	<u>47,736,222</u>	<u>48,363,554</u>
Accounts and retainage payable	514,899	1,188,106
Noncurrent liabilities	<u>134,054</u>	<u>207,671</u>
Total liabilities	<u>648,953</u>	<u>1,395,777</u>
Net investment in capital assets	21,947,057	20,305,158
Restricted for economic development	<u>25,140,212</u>	<u>26,662,619</u>
Total net position	<u>\$ 47,087,269</u>	<u>\$ 46,967,777</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

MDC's Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 976,647	\$ 1,073,373
Operating grants and contributions	-	86,539
Capital grants	-	16,502
General revenues		
Sales taxes	11,608,808	12,671,555
Investment earnings	17,035	207,618
Miscellaneous	6,620	8,805
Total revenues	<u>12,609,110</u>	<u>14,064,392</u>
Expenses		
General government	1,369,786	1,716,616
Economic development	11,119,832	21,880,543
Total expenses	<u>12,489,618</u>	<u>23,597,159</u>
Increase (Decrease) in Net Position	119,492	(9,532,767)
Net Position – October 1	<u>46,967,777</u>	<u>56,500,544</u>
Net Position – September 30	<u>\$ 47,087,269</u>	<u>\$ 46,967,777</u>

The MDC's general revenues for governmental activities provided \$11.6 million in fiscal year 2021 as compared to \$12.9 million in fiscal year 2020. This decrease is primarily attributable to a decrease in sales tax resulting from a downturn in the local economy due to lower oil prices, decreased oil and gas activity, and decreased consumer spending during the Covid-19 pandemic. The revenues were used to pay for expenses associated with general government and economic development activities of \$12.5 million in fiscal year 2021, compared to \$23.6 million in fiscal year 2020. Governmental activities are not self-supporting and are paid for through general revenues.

The most significant expense items of the MDC governmental activities are those associated with economic development activities of \$11.1 million, during the year ended September 30, 2021. Economic development activities decreased by \$10.8 million in fiscal year 2021 due to fewer prior year commitments coming due, and fewer opportunities for economic development activity during the Covid-19 pandemic.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Financial Analysis of the Governmental Fund

As noted earlier, the MDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the MDC's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the MDC's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund and the only fund of the MDC. Total fund balance decreased \$1.5 million from 2020 to 2021 primarily due to a decline in sales tax revenue which was offset by a decrease in economic development activities and rental revenue not included in the annual budget. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 179 percent of total general fund expenditures. \$25.0 million of the fund balance is restricted for economic development.

General Fund Budgetary Highlights

Actual revenues for fiscal year 2021 exceeded the final budget amount by \$3.6 million. This is primarily due to sales tax income being \$2.6 million higher than budgeted.

Differences between the final budget and actual expenditures resulted in MDC expenditures being \$8.6 million under budget for fiscal year 2021. The major sources of this variance are direct business incentives provided by the MDC, which were under budget by \$8.6 million and general government expenses being \$600,000 under budget. However, Capital Outlay was over budget by \$556,000.

There were no budgetary adjustments during fiscal year 2021.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Management’s Discussion and Analysis (Unaudited)
Year Ended September 30, 2021

Capital Assets

MDC’s investment in capital assets for its governmental type activities as of September 30, 2021, amounts to \$22 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. Major additions to capital assets in fiscal year 2021 include various improvements and buildings.

	Governmental Activities	
	2021	2020
Land	\$ 4,940,640	\$ 4,919,828
Buildings	12,265,038	11,704,128
Improvements other than buildings	2,397,276	1,565,730
Machinery and equipment	93,268	112,640
Infrastructure	1,065,372	1,118,949
Construction in progress	1,278,820	1,114,021
Total capital assets, net	\$ 22,040,414	\$ 20,535,296

Debt

The MDC has a Commercial Hangar Lease Agreement with the City of Midland for economic development purposes and to provide aviation services as permitted within the agreement. This agreement qualifies as a capital lease for accounting purposes. More detailed information about the lease may be found in the notes to the basic financial statements under *Note 7*.

Economic Factors and Next Year’s Budgets and Rates

The budgetary process for fiscal year 2022 focused on the allocation of resources to economic development activities and contractual payments for administration of the MDC. The budget presented for MDC operations for the 2021-2022 fiscal year totals \$21.1 million.

The fiscal year 2022 operating budget is supported by combined revenues of \$10.9 million. The major source of this revenue is sales taxes of \$10 million.

The revenue budget for the 2021-2022 fiscal year is expected to fall short of expenditures by \$10.1 million.

Request for Information

This financial report is designed to provide a general overview of the MDC’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, MDC, 300 N. Loraine, Midland, TX 79702-1152.

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Statement of Net Position
September 30, 2021

Assets

Cash and cash equivalents	\$ 23,290,284
Sales tax receivable	2,127,698
Miscellaneous receivable	60,000
Prepayments	211,247
Notes receivable	6,579
Capital assets (net of accumulated depreciation)	<u>22,040,414</u>
Total assets	<u><u>\$ 47,736,222</u></u>

Liabilities and Net Position

Liabilities

Accounts payable	\$ 514,899
Noncurrent liabilities	
Due within one year	93,931
Due in more than one year	<u>40,123</u>
Total liabilities	<u>648,953</u>

Net Position

Net investment in capital assets	21,947,057
Restricted for economic development	<u>25,140,212</u>
Total net position	<u>47,087,269</u>
Total liabilities net position	<u><u>\$ 47,736,222</u></u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Statement of Activities
Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 1,369,786	\$ -	\$ -	\$ -	\$ (1,369,786)
Economic development	11,119,832	976,647	-	-	(10,143,185)
Total governmental activities	<u>\$ 12,489,618</u>	<u>\$ 976,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(11,512,971)</u>
General Revenues					
Sales taxes					11,608,808
Investment earnings					17,035
Miscellaneous					6,620
Total general revenues					<u>11,632,463</u>
Change in net position					119,492
Net Position – Beginning					<u>46,967,777</u>
Net Position – Ending					<u>\$ 47,087,269</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Balance Sheet – General Fund
September 30, 2021

Assets

Cash and cash equivalents	\$ 23,290,284
Sales tax receivable	2,127,698
Miscellaneous receivable	60,000
Prepayments	211,247
Notes receivable	6,579
	<hr/>
Total assets	<u>\$ 25,695,808</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	<u>\$ 514,899</u>
Total liabilities	<hr/> 514,899

Fund Balance

Nonspendable	
Prepayments	211,247
Restricted	
Economic development	<u>24,969,662</u>
Total fund balance	<hr/> 25,180,909
Total liabilities and fund balance	<u>\$ 25,695,808</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2021

Fund balance of governmental fund	\$ 25,180,909
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	22,040,414
Long-term liabilities, including capital lease obligations and compensated absences, are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(134,054)</u>
Net position of governmental activities	<u>\$ 47,087,269</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance –
General Fund
Year Ended September 30, 2021

Revenues		
Sales taxes	\$	11,608,808
Interest income		17,035
Rentals		976,647
Other		<u>6,620</u>
Total revenues		<u>12,609,110</u>
Expenditures		
General government		
Administration		914,689
Economic development		11,119,832
Capital outlay		1,956,632
Debt service		
Capital lease		70,605
Interest		<u>6,595</u>
Total expenditures		<u>14,068,353</u>
Net change in fund balance		(1,459,243)
Fund Balance, Beginning		<u>26,640,152</u>
Fund Balance, End	\$	<u><u>25,180,909</u></u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Year Ended September 30, 2021

Net change in fund balance – governmental fund	\$	(1,459,243)
<p>Amounts reported for <i>governmental activities</i> in the the statement of activities are different because</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		1,505,118
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		70,605
Current year changes in long-term liabilities for compensated absences required the use of current financial resources; but they are not reported as expenses in the statement of activities.		<u>3,012</u>
Change in net position of governmental activities	\$	<u><u>119,492</u></u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Midland Development Corporation (MDC), a component unit of the City of Midland, Texas (City), is a legally separate nonprofit corporation organized under the *Texas Development Corporation Act of 1979*, Article 5190.6 Vernon's Texas Revised Civil Statutes Annotated as amended and governed by Section 4A of the Act. The MDC was incorporated in February 2002. The purpose of the MDC is to:

1. Keep existing jobs in Midland;
2. Keep existing businesses in Midland;
3. Foster the expansion of businesses currently located in Midland;
4. Attract new industry and businesses to Midland;
5. Provide long-term employment opportunities for Midlanders;
6. Promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment;
7. Promote and encourage employment and the public welfare of, for, and on behalf of the City;
8. Promote areas of the City with a large number of substandard, deteriorated, or deteriorating structures, which impairs the sound growth of the City or constitutes an economic and social liability;
9. Develop areas of the City that should be developed in order to meet the development objectives of the City; and
10. Consider the impact on any local business before providing an incentive to any corporation or entity. The financial reporting entity presented in the accompanying financial statements of the MDC includes the primary corporate entity, the Midland Development Corporation. The MDC has no component units.

The accounting policies of the MDC, as reflected in the accompanying financial statements, conform to U.S. generally accepted accounting principles for local government units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted body for promulgating governmental accounting and reporting principles.

Midland Development Corporation A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2021

The entirety of the MDC Board is appointed by the City Council and the City can impose its will upon the MDC. Additionally, the City Council and the MDC Boards are not substantively the same and the MDC does not provide services entirely or almost entirely to the City. Therefore, MDC is a discretely presented component unit of the City. The MDC began operations on February 1, 2002.

Basic Financial Statements

The basic financial statements are presented at two basic levels:

1. The government-wide level, where all statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements present all assets, liabilities, revenues, expenses, and gains and losses of the MDC as governmental activities.
2. The fund level, where governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Government-wide and Fund Financial Statements

As previously discussed, the basic financial statements of the MDC are presented at two basic levels, the government-wide level and the fund level. These statements focus on the MDC as a whole at the government-wide level and on the major fund at the fund level. Government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all activities of the MDC. There is no interfund activity in the MDC financial statements. Governmental activities, which are normally supported by taxes, are the only reported activities.

The government-wide statement of net position reports all financial and capital resources of the MDC and is presented in “assets less liabilities equals net position” format. Assets and liabilities are presented in relative order of liquidity with liabilities that have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the MDC’s functions on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or other sources that reduce the net cost of the function to be financed from general government revenues. Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function, and 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings, and nonspecific grants are not included as program revenues but are reported as general revenues that normally cover the net cost of a function.

Midland Development Corporation A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2021

Fund level financial statements are presented for the governmental fund, with a focus on the major fund. A major fund is a fund meeting certain specific asset, liability, revenue, or expenditure criteria relative to all funds of that type. The only major fund used by the MDC is the General Fund which is the only operating fund of the MDC. This fund accounts for the economic development activities of the MDC: collection of sales tax revenues and expenses associated with marketing and promotion of Midland.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, *i.e.*, both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Expenditures are generally recorded when a fund liability is incurred. Governmental fund revenues, which have been accrued based upon the susceptible to accrual concept, are sales taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity in Cash and Investments

The City pools a portion of the resources of its various funds and component units, including MDC, to facilitate the management of cash and enhance investment earnings. Records are maintained that reflect each fund or component unit’s equity in the pooled investments.

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2021

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include any cash on hand, demand deposits, and any highly liquid investments that have an original maturity of three months or less from date of purchase. Investments in Texas Local Government Investment Pool (TexPool), TexStar, and Texas Class are considered cash equivalents as the amounts are available on demand. Investments, other than investments in TexPool, TexStar, Texas CLASS are recorded at fair value based upon verifiable market prices.

Notes Receivable

MDC provides loans to new and expanding businesses that meet certain qualifications aligned with MDC's purpose. In some instances, the loans are given in the form of forgivable loans and are forgiven if all requirements are met.

Capital Assets

Capital assets are defined as a purchase or other acquisition of land, equipment, facilities, or other similar assets or the cost of construction of such asset the cost of which is in excess of \$5,000 and has a useful life of more than one year. These assets include property, plant, equipment, and all other tangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost. Contributed assets are recorded at acquisition value at the time of donation.

Major outlays for capital assets and improvements are capitalized as capital projects are completed. Depreciable capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Classification	Years
Buildings	40
Improvements other than buildings	20
Machinery and equipment	6
Infrastructure	50

Compensated Absences

The MDC's employees earn paid time off, which may either be taken or accumulated, subject to a specified maximum, until paid upon retirement or termination. The MDC has accrued paid time off using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments based on the criteria set forth in GASB Statement No. 16. The liability has been accrued in the government-wide statements. A liability for those amounts is recorded in the governmental fund only if the liability has matured as a result of employee resignations or retirements.

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2021

Net Position

Net position of the MDC is classified in two components on its statements of net position.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the MDC.

Nature and Purpose of Classifications of Fund Balances

Governmental funds fund balances classified as restricted can only be used for specific purposes pursuant to constraints imposed by state law for Type A development corporations. Fund balances classified as nonspendable include amounts that cannot be spent because they are not in a spendable form.

Net Position/Fund Balance Flow Assumption

It is the MDC's policy to consider restricted net position/fund balances to have been depleted before unrestricted net position/fund balances is applied.

Note 2: Deposits, Investments, and Investment Income

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank's failure, the MDC's deposits may not be returned to it. As of September 30, 2021, the MDC's bank balance not held with the City's pooled cash was \$195,423 and was fully insured as of September 30, 2021. The remainder of MDC deposits, which are combined with the City's deposits, were fully insured or collateralized as of September 30, 2021. The carrying amount of the total deposits as of September 30, 2021, was \$2,543,595.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2021

Investments

The MDC's investment policies are governed by State statutes. The MDC is governed by the City's investment policies which further limit State statutes such that eligible investments include the following:

Obligations of the United States or its Agencies and Instrumentalities

1. United States of America Treasury securities
2. Farmers Home Administration (FmHA) obligations backed by the full faith and credit of the United States
3. Federal Home Loan Bank (FHLBs) bonds
4. Federal National Mortgage Association (Fannie Mae or FNMA) notes and debentures
5. Farm Credit System Obligations
6. Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC) obligations, *i.e.*, discount notes or debentures.

Direct Obligations of the State of Texas or its Agencies

Texas State, City, County, or School District General Obligation Bonds with a remaining maturity of 10 years or less having been rated as to investment quality by Moody's or Standard and Poor's (nationally recognized investment rating firms) and having received a rating of no less than "A" or its equivalent.

Certificates of Deposit Issued by State and National Banks Domiciled in this State

Certificates of deposit issued by state and national banks domiciled in this state that are: (1) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (2) secured by obligations that are described in V.T.C.A., Local Government Code Sections 105.001 et seq.

Fully Collateralized Repurchase Agreements Having a Defined Termination Date

Fully collateralized direct repurchase agreements and reverse repurchase agreements with a defined termination date of no more than 90 days from the date such investment is purchased, secured by obligations of the United States or its agencies and instrumentalities with a market value of not less than the amount of the funds disbursed and held by a custodian for the MDC.

Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. Money received under the terms of a reverse repurchase agreement shall be used to acquire additional eligible investments whose maturity does not exceed the expiration date of the reverse repurchase agreement.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2021

Money Market Funds

Money market funds fully authorized by State statute of both public and private sponsorship.

Other Securities or Obligations Approved by the City Council

Other such securities or obligations as authorized by State statute and approved by the City Council.

Investment Pools

The MDC invests in three governmental pools: TexPool, TexStar, and Texas Class of which were created under the *Interlocal Cooperation Act*, Texas Government Code Ann. Ch. 791 and the Texas Government Code Ann. Ch. 2256.

The Texas Treasury Safekeeping Trust Company is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the *Public Funds Investment Act*, Texas Government Code Ann. Ch. 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a five-member advisory board. Texas CLASS was created specifically for the use of Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. The program is designed to meet the needs of Texas public sector investors. It purchases securities that are legally permissible under state statute and available for investment by Texas counties, cities, school districts, municipal utility districts, college districts, and other public agencies. TexPool, TexStar, and Texas Class are all rated AAAM by Standard & Poor's.

Certain external investment pools and pool participants have an option to measure these investment pools at amortized cost rather than fair value if certain criteria are met. TexPool, with a balance of \$11,089,428, has opted to report at amortized cost, while TexStar, with a balance of \$8,723,419 and Texas Class, with a balance of \$933,842 measures their investments at net asset value (NAV).

Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted average daily cash and investment balances.

Investments other than investments in TexPool, TexStar, and TexClass are valued based upon quotes obtained from Interactive Data Pricing and Reference Data (IDC). As of September 30, 2021, MDC had no investments other than TexPool, TexStar, and TexClass.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2021

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits final stated maturities to ten years maximum with no more than 30 percent exceeding seven years and dollar weighted average portfolio maturity not to exceed five years in the investments listed above. The investment pools are presented as an investment with a maturity of less than one year because the average maturity of the pools is less than one year.

Note 3: Receivables

The receivables as of September 30, 2021, for the MDC include sales tax receivables of \$2,127,698 due from the State of Texas.

MDC provides funds to other entities in which requirements, contained within agreements between the MDC and recipients, are to be met or funds are required to be returned to the MDC. Receivables are recorded until requirements are met. At the time requirements are met, MDC reduces its receivables and recognizes economic development expenses. Notes receivable of \$6,579 at September 30, 2021, are economic development agreements with an external entity.

Note 4: Capital Assets

Capital assets activity for the year ended September 30, 2021:

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Ending Balance
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 4,919,828	\$ 20,812	\$ -	\$ -	\$ 4,940,640
Construction in progress	1,114,021	866,211	-	(701,412)	1,278,820
Total capital assets, not being depreciated	6,033,849	887,023	-	(701,412)	6,219,460
Capital assets, being depreciated					
Buildings	13,149,565	915,352	-	-	14,064,917
Improvements other than buildings	1,744,365	154,257	-	701,412	2,600,034
Machinery and equipment	162,581	-	-	-	162,581
Infrastructure	1,362,237	-	-	-	1,362,237
Total capital assets, being depreciated	16,418,748	1,069,609	-	701,412	18,189,769
Less accumulated depreciation for					
Buildings	(1,445,437)	(354,442)	-	-	(1,799,879)
Improvements other than buildings	(178,635)	(24,123)	-	-	(202,758)
Machinery and equipment	(49,941)	(19,372)	-	-	(69,313)
Infrastructure	(243,288)	(53,577)	-	-	(296,865)
Total accumulated depreciation	(1,917,301)	(451,514)	-	-	(2,368,815)
Total capital assets, being depreciated, net	14,501,447	618,095	-	701,412	15,820,954
Governmental activities capital assets, net	\$ 20,535,296	\$ 1,505,118	\$ -	\$ -	\$ 22,040,414

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Notes to Financial Statements
September 30, 2021

Depreciation expense of \$451,514 was charged to the economic development function/program of the governmental activities.

Note 5: Employee Benefit Plan

The MDC participates in a multiple-employer defined contribution salary deferral plan created in accordance with Internal Revenue Code Section 401(k). The plan is administered by the American Chamber of Commerce Executives Profit Sharing Plan. Active participants must be at least 21 years of age with a minimum of one year of eligibility service. The MDC contributes 9 percent of each eligible employee's total annual compensation to the plan. Employees may also make elective deferral contributions up to specified limits of their total compensation each year. The MDC will match those contributions up to a maximum of 3 percent of each participant's total annual compensation. The MDC contributed a total of \$25,258 to the plan during fiscal year 2021.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in MDC contributions at 25 percent after one year of eligible service, 50 percent after two years, 75 percent after three years, and 100 percent after four years of eligible. Nonvested MDC contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. There were no forfeitures during 2021.

Note 6: Long-term Obligations

The following is a summary of long-term obligation transactions for the MDC for the year ended September 30, 2021:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 43,709	\$ 37,962	\$ (40,974)	\$ 40,697	\$ 28,081
Capital lease	163,962	-	(70,605)	93,357	65,850
Governmental activities long-term liabilities	<u>\$ 207,671</u>	<u>\$ 37,962</u>	<u>\$ (111,579)</u>	<u>\$ 134,054</u>	<u>\$ 93,931</u>

Note 7: Capital Lease Liabilities

The MDC has a Commercial Hangar Lease Agreement with the City of Midland for economic development purposes and to provide aviation services as permitted within the agreement. This agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

Midland Development Corporation
A Component Unit of the City of Midland, Texas

Notes to Financial Statements

September 30, 2021

A summary of assets acquired through capital lease is as follows:

Buildings	\$	429,994
Less: Accumulated depreciation		(366,636)
		63,358
	\$	63,358

Future minimum lease obligations and the net present value of these payments as of September 30, 2021, were as follows:

Fiscal Year Ending September 30,		
2022	\$	77,199
2023		19,300
Total minimum lease payments		96,499
Less interest at 5.00%		(3,142)
		93,357

A portion of the leased space is subleased under two leases expiring over the next 13 to 14 years. Current year income for these leases was \$976,647. Per the terms of sublease agreements, MDC will rebate or abate a portion of the sublessee's rent for the first three to five years of the lease if they meet certain conditions related to economic development. For the year ended September 30, 2021, \$1,072,185 was rebated or abated.

Minimum future rentals receivable, prior to rebates or abatements, under operating subleases at September 30, 2021, were as follows:

Fiscal Year Ending September 30,		
2022	\$	1,363,550
2023		1,363,550
2024		1,363,550
2025		1,363,550
2026		1,363,550
2027-2031		6,817,748
2032-2035		2,702,380
		16,337,878

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2021

Note 8: Risk Management

The MDC is exposed to various risks of loss related to torts. For the purposes of the *Texas Tort Claims Act* (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), the MDC is a governmental unit and its actions are governmental functions and, therefore, are limited by governmental immunity. As of September 30, 2021, there were no claims outstanding. There has been no significant reduction in coverage from 2020 to 2021; nor have settlement amounts exceeded coverage for each of the past three years.

Note 9: Commitments and Contingencies

Litigation

No legal action arose in the ordinary course of the MDC's business during the fiscal year ended September 30, 2021.

Commitments

At September 30, 2021, the MDC had contracts for economic development commitments of \$15,015,125.

Note 10: Related Party Transactions

A majority of the MDC board is appointed by the City and the City can impose its will upon MDC. Accordingly, MDC is a discretely presented component unit of the City.

The City allocates to the MDC an indirect cost percentage of administrative services for the MDC but paid through the City along with other indirect costs deemed necessary for operations. During the fiscal year ended September 30, 2021, the City's was reimbursed \$390,685 for these services.

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Financial Statements
September 30, 2021

Note 11: Future Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued its Statement No. 87 (GASB 87), *Leases*. This new Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. GASB 87 includes the accounting guidance for both lessees and lessors. The MDC expects to first apply GASB 87 during the year ending September 30, 2022, using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The impact of applying the Statement has not been determined.

The GASB also issued its Statement No. 96 (GASB 96), *Subscription-Based Information Technology Agreements*. This new statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement will become effective for MDC's fiscal year ending September 30, 2023. The impact of applying the Statement has not been determined.

Required Supplementary Information

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
Year Ended September 30, 2021

	Original / Final Budget	Actual	Variance
Revenues			
Sales taxes	\$ 9,000,000	\$ 11,608,808	\$ 2,608,808
Interest income	-	17,035	17,035
Rentals	-	976,647	976,647
Other	-	6,620	6,620
	<u>9,000,000</u>	<u>12,609,110</u>	<u>3,609,110</u>
Expenditures			
General government	1,526,867	914,689	612,178
Economic development	19,657,948	11,119,832	8,538,116
Capital outlay	1,400,000	1,956,632	(556,632)
Debt service	72,000	77,200	(5,200)
	<u>22,656,815</u>	<u>14,068,353</u>	<u>8,588,462</u>
Deficiencies of revenues under expenditures	<u>(13,656,815)</u>	<u>(1,459,243)</u>	<u>12,197,572</u>
Net change in fund balance	(13,656,815)	(1,459,243)	12,197,572
Fund Balance, Beginning	<u>26,640,152</u>	<u>26,640,152</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 12,983,337</u>	<u>\$ 25,180,909</u>	<u>\$ 12,197,572</u>

Midland Development Corporation
A Component Unit of the City of Midland, Texas
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
Year Ended September 30, 2021

Notes to Schedule:

The annual budget is legally adopted by the MDC Board and approved by the City Council of the City of Midland (City) on a basis consistent with U.S. generally accepted accounting principles.

The MDC Board follows these procedures in establishing the budget reflected for the MDC:

1. At least sixty (60) days prior to October 1 of each year, the MDC Board, with the assistance of the MDC Treasurer, prepares and adopts a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and other such budgetary information as required by the City Council for approval and adoption.
2. The proposed budget is then submitted to the City Council for approval and is considered adopted upon formal approval by the City Council.
3. Expenditures may not exceed the appropriation for the adopted annual operating budget.
4. Supplemental appropriations during the year must be approved and adopted by the MDC Board and the City Council through passage of resolution.

Kepler Aerospace
Economic
Development
Agreement
Second
Amendment

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE EXECUTION OF A SECOND AMENDMENT TO THAT CERTAIN ECONOMIC DEVELOPMENT AGREEMENT BETWEEN THE MIDLAND DEVELOPMENT CORPORATION AND KEPLER AEROSPACE, LTD.

WHEREAS, the Board of Directors finds it to be in the public interest to authorize the execution of a second amendment to that certain Economic Development Agreement with Kepler Aerospace, Ltd.;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MIDLAND DEVELOPMENT CORPORATION:

SECTION ONE. That the Chairman and Secretary are hereby authorized and directed to execute and attest, respectively, on behalf of the Midland Development Corporation, a second amendment to that certain Economic Development Agreement with Kepler Aerospace, Ltd. Said amendment being in a form substantially similar to that of Exhibit A, which is attached hereto and incorporated herein for all purposes.

SECTION TWO. That said amendment shall not become effective until approved by the Midland City Council.

On motion of Director _____, seconded by Director _____, the above and foregoing resolution was adopted by the Board of Directors of the Midland Development Corporation at a regular meeting on the _____ day of _____, A.D., 2022, by the following vote:

Directors voting "AYE":

Directors voting "NAY":

STEPHEN LOWERY,
Chairman of the Midland
Development Corporation

ATTEST:

JILL PENNINGTON,
Secretary of the Midland
Development Corporation

APPROVED AS TO FORM ONLY:

JOHN OHNEMILLER,
Attorney for the Midland
Development Corporation

SECOND AMENDMENT TO THE ECONOMIC DEVELOPMENT AGREEMENT
BETWEEN
THE MIDLAND DEVELOPMENT CORPORATION
AND
KEPLER AEROSPACE, LTD.

THIS SECOND AMENDMENT is made and effective May 25, 2022, by and between the Midland Development Corporation (“MDC” or “Landlord”), a Type A corporation existing under the authority of Chapter 504 of the Texas Local Government Code, and Kepler Aerospace, Ltd., a Delaware corporation licensed to do business in the state of Texas (“Company”).

WHEREAS, MDC and Company entered into that certain Economic Development Agreement dated January 29, 2020 (the “Agreement”), which was approved by the Midland Development Corporation Board of Directors and the Midland City Council; and

WHEREAS, MDC and Company executed an amendment to the Agreement, effective as of May 26, 2021 (the “First Amendment”), which was approved by the Midland Development Corporation Board of Directors and the Midland City Council; and

WHEREAS, the Agreement, inclusive of the First Amendment, has been in full force and effect since its effective date and has not been allowed to lapse; and

WHEREAS, Company and MDC desire to make certain amendments to the Agreement as set forth below;

WITNESSETH:

For and in consideration of the execution of this Second Amendment and the mutual promises and covenants of the parties hereto, it is mutually promised, understood and agreed as follows:

- 1) Section III.A of the Agreement is hereby deleted in its entirety and replaced with the following:
 - A. **Personal Property and Inventory Investment Obligation.** Company or its Affiliates shall invest in and maintain cumulative Personal Property and quarter-end Inventory balances (collectively referred to herein as the “*Personal Property and Inventory*”) at the Property in accordance with the following schedule and as of the following measurement dates:
 1. Personal Property and Inventory of \$40,000,000.00 as of January 1, 2023.
 2. Personal Property and Inventory of \$80,000,000.00 as of January 1, 2024.
 3. Personal Property and Inventory of \$120,000,000.00 as of January 1, 2025.

Exhibit A

The Personal Property and Inventory at the Property shall be evidenced by tax statements issued by the Midland Central Appraisal District, which shall be provided to MDC no later than October 1 of each year during the term of this Agreement. The value of the Personal Property and Inventory shall be determined in accordance with the tax statements issued by the Midland Central Appraisal District. Company shall maintain its investment in the Personal Property and Inventory for the duration of the term of this Agreement.

- 2) Section III.B of the Agreement is hereby deleted in its entirety and replaced with the following:

B. Full-Time Jobs and Payroll Obligations. Company shall create and maintain new Full-Time Jobs and Annual Payroll in accordance with the following schedule:

1. Twelve (12) Full-Time Jobs with an Annual Payroll of \$1,010,000.00 as of January 1, 2022.
2. Twenty-One (21) Full-Time Jobs with an Annual Payroll of \$1,850,000.00 as of January 1, 2024.
3. Twenty-Eight (28) Full-Time Jobs with an Annual Payroll of \$2,430,000.00 as of January 1, 2025.

Company shall maintain said Full-Time Jobs and Payroll for the duration of the term of this Agreement.

- 3) Section III.E of the Agreement is hereby deleted in its entirety and replaced with the following:

E. Company's Earned Rental Option. If by January 1, 2025, Company certifies to MDC, in accordance with Section IX.B below, that Company has invested at least (i) \$150,000,000.00 in Personal Property and Inventory or other tangible assets at the Property and (ii) created and maintained Forty (40) new Full-Time Jobs at the Property, then Company shall be entitled to an additional Three (3) years' worth of rent abatement (the "*Rental Option*"), as provided for in the Sublease described herein. The Rental Option and Company's exercise thereof shall be subject to the terms and conditions of this Agreement and the Sublease.

- 4) Article VII of the Agreement is hereby deleted in its entirety and replaced with the following:

VII. Term

Upon execution by all of the parties, this Agreement becomes effective on the Effective Date and shall terminate on January 31, 2025, or when terminated by mutual agreement of the parties, or when terminated as set forth in Section X.E. Notwithstanding any contrary provision contained herein, in the event that Company exercises the Rental Option in accordance with Section III.E., the Agreement shall terminate upon the conclusion of the second three (3) year term during which Company's rent is abated.

- 5) The Agreement, inclusive of this Second Amendment, is hereby ratified and affirmed by Company and MDC, and the Agreement shall in all respects remain in full force and effect in accordance with its provisions and as amended above.

[Signature Pages Follow]

EXECUTED by the duly authorized officials as of the day and year first above written.

MIDLAND
DEVELOPMENT CORPORATION

Stephen Lowery, Chairman

ATTEST:

Jill Pennington, Secretary

KEPLER AEROSPACE, LTD.

Brent Nelson, Director and Founder

THE STATE OF _____ §

§

COUNTY OF _____ §

BEFORE ME, _____, a notary public, on this day personally appeared Brent Nelson, Director and Founder of Kepler Aerospace, Ltd., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of said Company for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS _____ day of _____, A.D., 2022.

Notary Public, in and for
the State of _____

**AMENDMENT TO THE ECONOMIC DEVELOPMENT AGREEMENT
BETWEEN THE MIDLAND DEVELOPMENT CORPORATION
AND KEPLER AEROSPACE, LTD.**

THIS AMENDMENT is made and effective May 26, 2021, by and between the Midland Development Corporation (“MDC” or “Landlord”), a Type A corporation existing under the authority of Chapter 504 of the Texas Local Government Code, and Kepler Aerospace, Ltd., a Delaware corporation licensed to do business in the state of Texas (“Company”).

WHEREAS, MDC and Company entered into that certain Economic Development Agreement dated January 29, 2020 (the “Agreement”), which was approved by the Midland Development Corporation Board of Directors and the Midland City Council; and

WHEREAS, the Agreement has been in full force and effect since its effective date and has not been allowed to lapse; and

WHEREAS, Company and MDC desire to make certain amendments to the Agreement as set forth below;

WITNESSETH:

For and in consideration of the execution of this Amendment and the mutual promises and covenants of the parties hereto, it is mutually promised, understood and agreed as follows:

1) Section III.A of the Agreement is hereby deleted in its entirety and replaced with the following:

A. **Personal Property and Inventory Investment Obligation.** Company or its Affiliates shall invest in and maintain cumulative Personal Property and quarter-end Inventory balances (collectively referred to herein as the “*Personal Property and Inventory*”) at the Property in accordance with the following schedule and as of the following measurement dates:

1. Personal Property and Inventory of \$40,000,000.00 as of January 1, 2022.
2. Personal Property and Inventory of \$80,000,000.00 as of January 1, 2023.
3. Personal Property and Inventory of \$120,000,000.00 as of January 1, 2024.

The Personal Property and Inventory at the Property shall be evidenced by tax statements issued by the Midland Central Appraisal District, which shall be provided to MDC no later than October 1 of each year during the term of this Agreement. The value of the Personal Property and Inventory shall be determined in accordance with the tax statements issued by the Midland Central Appraisal District. Company shall maintain its investment in the Personal Property and Inventory for the duration of the term of this Agreement.

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2) Section III.B of the Agreement is hereby deleted in its entirety and replaced with the following:

B. Full-Time Jobs and Payroll Obligations. Company shall create and maintain new Full-Time Jobs and Annual Payroll in accordance with the following schedule:

1. Twelve (12) Full-Time Jobs with an Annual Payroll of \$1,010,000.00 as of January 1, 2022.
2. Twenty-One (21) Full-Time Jobs with an Annual Payroll of \$1,850,000.00 as of January 1, 2023.
3. Twenty-Eight (28) Full-Time Jobs with an Annual Payroll of \$2,430,000.00 as of January 1, 2024.

Company shall maintain said Full-Time Jobs and Payroll for the duration of the term of this Agreement.

3) Section III.E of the Agreement is hereby deleted in its entirety and replaced with the following:

E. Company's Earned Rental Option. If by January 1, 2024, Company certifies to MDC, in accordance with Section IX.B below, that Company has invested at least (i) \$150,000,000.00 in Personal Property and Inventory or other tangible assets at the Property and (ii) created and maintained Forty (40) new Full-Time Jobs at the Property, then Company shall be entitled to an additional Three (3) years' worth of rent abatement (the "*Rental Option*"), as provided for in the Sublease described herein. The Rental Option and Company's exercise thereof shall be subject to the terms and conditions of this Agreement and the Sublease.

4) Article VII of the Agreement is hereby deleted in its entirety and replaced with the following:

VII. Term

Upon execution by all of the parties, this Agreement becomes effective on the Effective Date and shall terminate on January 31, 2024, or when terminated by mutual agreement of the parties, or when terminated as set forth in Section X.E. Notwithstanding any contrary provision contained herein, in the event that Company exercises the Rental Option in accordance with Section III.E, the Agreement shall terminate upon the conclusion of the second three (3) year term during which Company's rent is abated.



- 5) The Agreement, inclusive of this Amendment, is hereby ratified and affirmed by Company and MDC, and the Agreement shall in all respects remain in full force and effect in accordance with its provisions and as amended above.

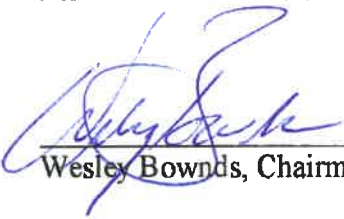
[Signature Pages Follow]



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EXECUTED by the duly authorized officials as of the day and year first above written.

MIDLAND
DEVELOPMENT CORPORATION



Wesley Bownds, Chairman

ATTEST:



Berry Simpson, Secretary



KEPLER AEROSPACE, LTD.



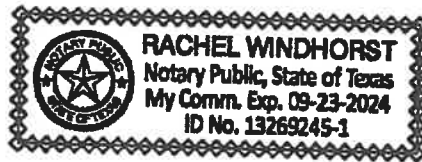
Brent Nelson, Director and Founder

THE STATE OF Texas §
 Midland §
COUNTY OF ~~Ector~~ pan §

BEFORE ME, Rachel Windhorst, a notary public, on this day personally appeared Brent Nelson, Director and Founder of Kepler Aerospace, Ltd., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of said Company for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 28th day of April, A.D., 2021.

Rachel Windhorst
Notary Public, in and for
the State of Texas



ECONOMIC DEVELOPMENT AGREEMENT

THIS AGREEMENT is entered into by and between the MIDLAND DEVELOPMENT CORPORATION (“MDC”), a Type A corporation pursuant to Chapter 504 of the Texas Local Government Code, as amended, and KEPLER AEROSPACE LTD., a Delaware corporation licensed to do business in Texas (“Company”).

I. Recitals

- A. Company is currently headquartered in Cape Canaveral, Florida, and is in the business of upgrading and reengineering proven advanced aviation technologies to develop viable satellite delivery systems.
- B. MDC currently leases from the City certain land described as a portion of Lot 1A, Block 13, Industrial Park Regional Air Terminal, Unit 12, Midland, Midland County, Texas.
- C. MDC has constructed certain improvements at the Property that consist of office space and a hangar facility; and
- D. MDC and Company desire to set forth the terms and conditions upon which incentives will be provided to Company as consideration for Company’s (i) relocation to the Property (as defined herein), (ii) creation and retention of primary jobs and payroll, and (iii) Company’s personal property investment to be located at the Property.
- E. MDC will sublease the Property and lease the office and hangar facility located at the Property to Company, at which Company plans to establish its headquarters.
- F. Company will exercise its best commercially reasonable efforts to employ Midland residents and to advertise the availability of job openings in Midland, Texas. Additionally, when it is not possible to hire city of Midland residents, Company will exercise its best commercially reasonable efforts to recruit new residents to live within the city limits of Midland, Texas, and to advertise the availability of job openings in the city limits of Midland, Texas.
- G. Company anticipates relocating existing and creating and maintaining twenty-eight (28) Full-Time Jobs (as defined herein) at the Property by January 1, 2023, resulting in a total Annual Payroll (as defined herein) of not less than \$2,430,000.00 for the annual period then ended.
- H. In addition to relocating existing and creating said Full-Time Jobs, Company anticipates that it will provide for at least \$120,000,000.00 personal property and inventory investment at the Property.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MDC and Company hereby agree as follows:

II. Definitions

When used in this Agreement, capitalized terms not otherwise defined shall have the meanings set forth below:

- A. *"Affiliate"* Affiliate shall mean any entity controlling, controlled by, or under common control with Kepler Aerospace Ltd.
- B. *"Annual Payroll"* means payments made by Company to individuals employed by Company in a Full-Time Job, including base pay, paid vacation, paid sick leave or bonuses, and benefits such as 401(k) programs, associated matching payments, and health insurance pursuant to Company' policies or practices, over any twelve-month period that begins on October 1 of every year during the term of this Agreement and ends on September 30 of every following year. Such payments shall only qualify as Annual Payroll for the purposes set forth in this Agreement if the payments are actually disbursed and made during the relevant twelve-month period and the term of this Agreement. Annual Payroll shall be calculated by summing such disbursements during the relevant twelve-month period in which the disbursements are made.
- C. *"Business"* means Company' commercial operations on the Property relating to Company's corporate headquarters.
- D. *"Business Day"* Business Day shall mean each day, Monday through Friday, except to the extent any day is a holiday recognized by the Federal government of the United States or a state holiday recognized by the State of Texas.
- E. *"Effective Date"* means January 29, 2020.
- F. *"Full-Time Job"* means a position of employment that requires an individual (i) work 1,820 hours per year, including allowance for vacation, sick leave, earned time off, or other of Company' policies and practices and (ii) spend a substantial amount of his or her time performing job duties at the Business on the Property.
- G. *"Personal Property and Inventory"* means permanent personal property and inventory purchased by and/or caused to be made by Company on the Property that appear on a tax statement of the Midland Central Appraisal District.
- H. *"Property"* means that certain portion of Lot 1A, Block 13, Industrial Park Regional Air Terminal, Unit 12, Midland, Midland County, Texas, more particularly shown on Exhibit A attached hereto and incorporated herein for all purposes. For the purposes of this

Agreement, “*Property*” shall also include all improvements constructed by MDC on said real property, including the office space and hangar facility.

**III.
Obligations of the Company**

A. Personal Property and Inventory Investment Obligation. Company or its Affiliates shall invest in and maintain cumulative Personal Property and quarter-end Inventory balances (collectively referred to herein as the “*Personal Property and Inventory*”) at the Property in accordance with the following schedule and as of the following measurement dates:

1. Personal Property and Inventory of \$40,000,000.00 as of January 1, 2021.
2. Personal Property and Inventory of \$80,000,000.00 as of January 1, 2022.
3. Personal Property and Inventory of \$120,000,000.00 as of January 1, 2023.

The Personal Property and Inventory at the Property shall be evidenced by tax statements issued by the Midland Central Appraisal District, which shall be provided to MDC no later than October 1 of each year during the term of this Agreement. The value of the Personal Property and Inventory shall be determined in accordance with the tax statements issued by the Midland Central Appraisal District. Company shall maintain its investment in the Personal Property and Inventory for the duration of the term of this Agreement.

B. Full-Time Jobs and Payroll Obligations. Company shall create and maintain new Full-Time Jobs and Annual Payroll in accordance with the following schedule:

1. Twelve (12) Full-Time Jobs with an Annual Payroll of \$1,010,000.00 as of January 1, 2021.
2. Twenty-One (21) Full-Time Jobs with an Annual Payroll of \$1,850,000.00 as of January 1, 2022.
3. Twenty-Eight (28) Full-Time Jobs with an Annual Payroll of \$2,430,000.00 as of January 1, 2023.

Company shall maintain said Full-Time Jobs and Payroll for the duration of the term of this Agreement.

C. Quarterly Compliance Certifications. Beginning for the quarter ending March 31, 2020, and for every quarter thereafter during the term of this Agreement, Company shall certify to MDC, as described in Section IX.B below, the following:

1. The total Annual Payroll as of the last day of the preceding quarter; and

2. The total amount of Personal Property and Inventory investment made at the Property as of the last day of the preceding quarter.

With respect to the Personal Property and Inventory compliance certifications, Company shall describe or list the Personal Property and Inventory and provide certification as to the cost of such Personal Property and Inventory. Said quarterly compliance certifications shall be due to MDC no later than forty-five (45) days following the end of each quarter.

D. Annual Compliance Certifications. Beginning for the time period spanning January 29, 2020, to December 31, 2020, and every subsequent calendar year thereafter (hereinafter referred to as a “*Compliance Year*”) during the term of this Agreement, Company shall submit a compliance certification (“*Annual Certification*”) to MDC, as described in Section IX.B below, the following:

1. The total Annual Payroll for the Compliance Year; and
2. The total amount of Personal Property and Inventory investment made at the Property.

Every Annual Certification shall also be accompanied by a separate certification completed by a duly-licensed accountant stipulating that (i) the information contained in the Annual Certification is true and correct and (ii) the information contained in the Annual Certification was derived using Generally Accepted Accounting Principles. Company shall submit every Annual Certification within sixty (60) days from the end of every Compliance Year.

E. Company’s Earned Rental Option. If by January 1, 2023, Company certifies to MDC, in accordance with Section IX.B below, that Company has invested at least (i) \$150,000,000.00 in Personal Property and Inventory or other tangible assets at the Property and (ii) created and maintained Forty (40) new Full-Time Jobs at the Property, then Company shall be entitled to an additional Three (3) years’ worth of rent abatement (the “*Rental Option*”), as provided for in the Sublease described herein. The Rental Option and Company’s exercise thereof shall be subject to the terms and conditions of this Agreement and the Sublease.

IV. Obligation of the MDC

MDC agrees to sublease the Property to Company for the purpose of Company conducting its Business thereon and in accordance with the terms and conditions of the Commercial Hangar Sublease Agreement (the “*Sublease*”), which is attached hereto as Exhibit B and incorporated herein for all purposes. MDC’s sublease of the Property to Company shall be conditioned on Company’s use of the Property for the purpose of upgrading and reengineering proven advanced aviation technologies to develop viable satellite delivery systems.

V.
MDC's Remedies Upon Default

The parties agree that in the event of Company's default of this Agreement, MDC shall be entitled, in addition to any other remedy to which it may be entitled at law or in equity, to those remedies specifically provided for and enumerated in the Sublease. MDC shall have all rights and remedies set forth in the Sublease and all rights and remedies that MDC has by law.

VI.
Cure Period

In lieu of exercising the right and remedies referenced in Article V after MDC gives Company written notice of its default as set forth in this Agreement, MDC may, in its sole and absolute discretion, elect to allow Company a period not less than thirty (30) day, but not to exceed sixty (60) days to cure any such default. Any such election by MDC to allow Company to cure such a default shall in no way be construed as, or shall operate as, a waiver of any of MDC's rights contained in this Agreement or the Sublease.

VII.
Term

Upon execution by all of the parties, this Agreement becomes effective on the Effective Date and shall terminate on January 31, 2023, or when terminated by mutual agreement of the parties, or when terminated as set forth in Section X.E. Notwithstanding any contrary provision contained herein, in the event that Company exercises the Rental Option in accordance with Section III.E, the Agreement shall terminate upon the conclusion of the second three (3) year term during which Company's rent is abated.

VIII.
Applicable Statutes, Rules, and Regulations

The parties acknowledge that the Property and its owner, the City of Midland, are subject to the Airport and Airway Improvement Act of 1982, as amended and recodified at 49 U.S.C. 47107(a)(1), as well as the Federal Aviation Administration's Airport Improvement Program. The parties further acknowledge that the City of Midland is generally required to make the Property available to users that participate in aeronautical activities and that the City of Midland is prohibited from causing or permitting any activity that would interfere with use of the Property for aeronautical purposes. MDC has fully and completely disclosed the requirements referenced herein to Company. Company has satisfied itself of said requirements and warrants that it is entering into this Agreement subject to said requirements. MDC has made no warranty or representation that Company's intended use of the Property will be compliant with the requirements referenced in this Article. Company hereby represents and warrants that its use of the Property complies with said requirement.

Notwithstanding any other provision contained in this Agreement, the parties agree that if the Federal Aviation Administration (the "FAA") determines that Company's use or occupation of

the Property does not comply with the requirements of 49 U.S.C. 47107(a)(1), the FAA's Airport Improvement Program, or any other applicable statute, rule, or regulation, that upon either party's notice of such determination, this Agreement shall automatically terminate in its entirety and be of no further force or effect. Said automatic termination shall occur without penalty to either party, except as provided for below. In the event of such automatic termination, the parties shall be fully discharged of any and all obligations due hereunder.

Company acknowledges that this Agreement is made subject to the above-referenced statutes, rules, and regulations. MDC has not provided Company with any warranties as to the Property and the applicable statutes, rules, or regulations referenced herein. Company acknowledges that MDC has not warranted (i) the Property for any particular use, or (ii) Company's quiet enjoyment of the Property with regards to the provisions contained in this Article. Company acknowledges that the FAA may determine that Company's possession of the Property does not constitute an aeronautical purpose. Company agrees to hold MDC and the City of Midland harmless in the event that the FAA makes such a determination.

Notwithstanding any other provision contained in this Agreement, if Company creates any condition that does not conform to the purpose of establishing Company's headquarters, network operations center, manufacturing operations, and satellite antenna farm on the Property and said condition causes the FAA to determine that Company's use or occupation of the Property does not comply with the requirements of 49 U.S.C. 47107(a)(1), the FAA's Airport Improvement Program, or any other applicable statute, rule, or regulation, and Company has exercised all reasonable administrative efforts to appeal said determination by the FAA, then this Agreement shall terminate and all rent payments contemplated by the Sublease shall, at MDC's option, thereupon immediately become due and payable to MDC. Company shall be obligated for such accelerated rent regardless of which, if any, remedies otherwise provided in this Agreement, the Sublease, or by law MDC elects to pursue.

IX. Special Conditions

- A. **No Financial Commitment.** Notwithstanding any other provision hereof that may be interpreted otherwise, MDC's obligations due hereunder shall not consist of any financial commitment or payments whatsoever. MDC's only obligation under this Agreement is encompassed in Article IV and Company agrees that MDC shall not provide any financial consideration to Company under this Agreement.
- B. **Certifications.** Company agrees to the following certification requirements:
1. As to the certifications required in Section III.B and Section III.C.1, Company shall provide reasonable evidence or supporting documentation. Documentation for employment numbers may be in the form of Texas Workforce Commission Employer Quarterly Reports, or certified employee rosters that show the hours worked and positions filled, or such other reports as may be agreed upon by MDC and Company. Upon request, MDC may review Company's Texas Workforce Commission Employer Quarterly Reports in Midland, Texas, but may not copy or retain a copy of said reports.

2. Company shall allow MDC reasonable access to the Property, subject to any applicable security clearances imposed by the United States Government, for purposes of determining Company's compliance with the employment certifications given by Company, provided that such access shall be (i) with prior written notice; (ii) accompanied by representatives of Company; and (iii) during normal business hours.
 3. When requested in writing by MDC to do so, Company will provide a notarized statement in a form acceptable to MDC that, to Company's knowledge, Company is in compliance with each applicable material term of this Agreement.
 4. All certifications required under this Agreement shall be signed and sworn to by Company's chief executive officer and chief financial officer before a notary and shall contain an appropriate jurat and a statement that the information contained in the certification is true and correct.
 5. Company shall maintain, during the term of this Agreement and for a period of three (3) years following expiration of the term, all records necessary to confirm that the Company is capable of meeting its obligations under this Agreement and that the Company has met its obligations under this Agreement relating to Annual Payroll and Personal Property and Inventory, including such records maintained by a parent Company, affiliates, subsidiaries or other related parties, and including (as appropriate): (i) all payroll records and daily time sheets and other records of personnel utilization on work activities at the Property (including records on an hourly basis for personnel); (ii) invoices for materials and equipment; (iii) drawings, specifications, schedules, instructions, receipts; and (iv) agreements, subcontracts and purchase orders relating to the Personal Property and Inventory, Personal Property, and Inventory Investments. Upon reasonable advance-written notice, Company shall, subject to confidentiality and privacy obligations, make all such documents available to MDC for inspection, audit and copying, regardless of whether a dispute is then pending between the parties. Access shall be provided to MDC and/or the accounting firm designated by MDC, in its sole and absolute discretion, to perform such review during normal business hours in an adequate work space. Upon receipt of a written request made by MDC, Company shall reimburse all reasonable costs incurred by MDC relating to the inspection, audit and copying of said documents.
- C. **Covenants.** Company makes the following covenants to MDC and agrees that in the event of failure of Company to comply with such covenants, the breach of any one of which shall constitute an event of default, MDC may terminate this Agreement, at its sole and absolute discretion:
1. Company is a legal entity duly organized, validly existing and in good standing and is duly authorized to do business in the State of Texas.
 2. The execution of this Agreement has been duly authorized by Company's board of directors or other governing body, or by officers empowered to execute such

agreements and bind Company, and is not in contravention of the provisions of Company's articles of incorporation or bylaws, or of any agreement or instrument to which Company is a party to or by which they may be bound, the breach of which would have a material, adverse effect on Company and its operations.

3. There are no bankruptcy proceedings currently pending by or against Company.
4. None of Company's assets are subject to any material lien, security interest or other encumbrance, except as reflected in writing and furnished to MDC prior to the Effective Date.
5. No certificate or statement delivered or to be delivered by Company to MDC under this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or fails to state any material fact necessary to keep the statements contained therein from being misleading in any material respect by reason of any omission.

D. Suspension. MDC, under the following circumstances and at its sole discretion, may terminate this Agreement:

1. The insolvency of Company. "Insolvency" shall have the meaning set forth in federal bankruptcy law.
2. The appointment of a receiver of Company, or of all or any substantial part of their property, and the failure of such receiver to be discharged within sixty (60) days thereafter.
3. The adjudication of Company as bankrupt, the filing by Company of a petition to be adjudged bankrupt, or a petition or answer seeking reorganization or admitting the material allegations of a petition filed against Company in any bankruptcy or reorganization proceeding.

E. Additional Covenants. If Company should fail to comply with any of the following provisions, and such failure continues for sixty (60) days following written notice to Company (each, an event of default), MDC may terminate this Agreement.

1. Company, or any affiliate of, or successor to Company, shall continue its fulltime commercial operations in accordance with Company's obligations set forth in this Agreement on the Property at all times during the period of this Agreement.
2. Company shall pay, or cause to be paid, before delinquent all ad valorem taxes assessed against the Property, any capital improvements, and Personal Property and Inventory owed to the taxing authorities having jurisdiction, as may be set forth in the Sublease. In addition, Company shall pay before delinquent all employment, income, franchise and all other taxes to all local, state and federal entities.

3. Company shall, on a yearly basis during the term of this Agreement, provide MDC with tax certificates from Midland Central Appraisal District demonstrating that all taxes on the Property, any capital improvements, and Personal Property and Inventory have been paid in full to the current tax year.
 4. Company shall obtain and maintain all necessary rights, licenses, and permits to carry on its business.
 5. Company agrees that, as to all of the programs and activities arising out of this Agreement, it shall comply in all material respects with all Civil Rights Acts and specifically will not discriminate against any person on the basis of race, color, national origin, religion, age, sex or by reason of being disabled.
 6. Company agrees that it shall comply with Texas Government Code Section 2264.001 *et seq.*, as amended.
- F. **Interpretation of Terms & Obligations.** The parties acknowledge and agree that the canon of construction that “any ambiguities are to be construed against the drafter” shall not be employed in the interpretation of this Agreement. Notwithstanding any other provision contained herein to the contrary, the parties agree that in the event that there is a dispute regarding whether a particular item falls within the definition of Full-Time Jobs, Annual Payroll or Personal Property and Inventory, the MDC shall make such determination in its sole and absolute discretion and such determination shall be final and binding on Company.

X. General Terms

- A. **Entire Agreement.** This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written, previous and contemporary agreements, excluding the Sublease, between the parties relating to matters in this Agreement; and except as otherwise provided herein, this Agreement cannot be modified or amended without a written agreement of the parties.
- B. **Legal Relationships.** The parties are not, and shall not be considered as, joint venturers, partners, or agents of each other and no party shall have the power to bind or obligate another, except as set forth in this Agreement. The parties agree not to represent to anyone that they are agents of one another or have any authority to act on behalf of one another. It is mutually understood and agreed that nothing in this Agreement is intended or shall be construed as in any way creating or establishing any partnership, joint venture, or agency between MDC and Company. Further, it is specifically understood and agreed that nothing in this Agreement is intended or shall be construed as creating a community of pecuniary interest or an equal right of control that would give rise to vicarious liability.
- C. **No Third-Party Beneficiary.** The parties’ approval of the Agreement does not create a third-party beneficiary. There is no third-party beneficiary to this Agreement. No person

or entity that is not a party to this Agreement shall have any third-party beneficiary or other rights hereunder.

- D. **Independent Contractor.** It is expressly understood and agreed that Company shall perform all work and services described herein as an independent contractor and not as an officer, agent, servant or employee of MDC; that Company shall have exclusive control of and the exclusive right to control the details of the services and work performed hereunder, and all persons performing the same; and shall be solely responsible for the acts and omissions of its officers, agents, employees, contractors and subcontractors; that the doctrine of *respondeat superior* shall not apply as between MDC and Company, its officers, agents, employees, contractors and subcontractors; and that nothing herein shall be construed as creating a partnership or joint enterprise between MDC and Company. No person performing any of the work and services described hereunder shall be considered an officer, agent, servant or employee of MDC. Company shall be independent contractors under this Agreement and shall assume all of the rights, obligations and liabilities applicable to it as such independent contractors hereunder. MDC does not have the power to direct the order in which the work is done. MDC shall not have the right to control the means, methods or details of Company's work. Company shall assume exclusive responsibility for the work. Company is entirely free to do the work in its own way.
- E. **Termination.** This Agreement may be terminated by mutual agreement of the parties or by any party upon the failure of another party to fulfill an obligation as set forth herein if the default is not cured within sixty (60) days after written notice from the other party reasonably specifying such breach, or such longer period as may be reasonably necessary so long as such party has commenced the cure within such thirty (30) day period, and thereafter is diligently pursuing such cure. This Agreement may also be terminated as specifically provided for in Article VIII herein. A termination of this Agreement shall terminate the Sublease. A termination of the Sublease shall terminate this Agreement. A termination of this Agreement without liability to either party shall terminate the Sublease without liability to either party. A termination of the Sublease without liability to either party shall terminate this Agreement without liability to either party. Uncured defaults under either this Agreement or the Sublease shall be deemed uncured defaults of the other agreement, and contractual and legal termination procedures shall apply to both this Agreement and the Sublease.
- F. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of the Agreement, and of the signature pages, by facsimile or electronic transmission shall constitute effective execution and delivery of this Agreement as to the Parties and may be used in lieu of the original Agreement for all purposes. Signatures of the Parties transmitted by facsimile or electronic mail (i.e., .pdf format) shall be deemed to be original signatures for any purpose(s) whatsoever.
- G. **Governing Law & Venue.** . The laws of the State of Texas shall govern, construe and enforce all the rights and duties of the parties, including but not limited to tort claims and

any and all contractual claims or disputes, arising from or relating in any way to the subject matter of this Agreement, without regard to conflict of laws and rules that would direct application of the laws of another jurisdiction. All performance and payments made pursuant to this Agreement shall be deemed to have occurred in Midland County, Texas. All payments under this Agreement are deemed to have taken place in Midland County, Texas. The sole, exclusive, and mandatory venue for any claims, suits, disputes or any other action arising from, relating to or concerning in any way this Agreement or the performance of this Agreement shall be in Midland County, Texas. The obligations and undertakings of each of the parties to this Agreement shall be deemed to have occurred in Midland County, Texas.

- H. **Legal Construction.** In case one or more of the provisions contained in this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.
- I. **Law.** This Agreement is subject to all applicable municipal, county, state and federal laws, regulations, orders and rules and Company agrees that it will comply in all material respects with all such applicable laws, regulations, orders and rules of the State of Texas and other such governmental agencies. As used in this Agreement, the phrase “applicable law” is deemed to include the foregoing.
- J. **Assignment.** This Agreement shall be binding upon the parties hereto and their successors and assigns. This Agreement may not be assigned by a party without the prior written consent of the other party.

XI.

Miscellaneous

- A. **Certification Regarding Undocumented Workers:** Company certifies that it and its Affiliates do not and will not knowingly employ an Undocumented Worker, as defined below, during the term of this Agreement, “Undocumented Worker” shall mean an individual who, at any time during employment, is not (i) lawfully admitted for permanent residence to the United States or (ii) otherwise authorized under applicable law to be employed, on any basis or under any program in the United States. Company shall immediately notify MDC if (i) Company becomes aware of it or its Affiliate employs or has employed an Undocumented Worker, (ii) Company becomes aware or receives notice that it or its Affiliated is alleged to have employed an Undocumented Worker, or (iii) Company or its Affiliate is convicted of a violation under the following paragraph.

If during the term of this Agreement, Company or any of its Affiliates knowingly employ any Undocumented Worker and is convicted of a violation under 8 U.S.C. § 1324a(f), Company shall forfeit its claim to any incentives owed to it by MDC under this Agreement and MDC shall be fully and completely discharged from any and all obligations due hereunder.

B. Severability. If any provision of this Agreement is held invalid or otherwise unenforceable by any court of competent jurisdiction, the remaining provisions of the Agreement will remain in full force and effect. Any provision of this Agreement held invalid or otherwise unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

C. Notices. All notices permitted or required hereunder shall be in writing, signed by the party giving such notice and delivered either (i) personally; (ii) by certified mail, return receipt requested, postage prepaid addressed to the party at the address listed below; (iii) delivered by a nationally recognized courier service; or (iv) via email or fax, provided that concurrent notice is delivered by any other approved method of delivery outlined in subsections (i) – (iii) above. Notices under this paragraph will be deemed effective if sent to the party or person identified below:

If to MDC:

Midland Development Corp.
Attn: MDC Chairman
Attn: Executive Director
200 N. Loraine St., Suite 610
Midland, Texas 79701

If to Company:

Kepler Aerospace Ltd.
Attn: Brent Nelson
Director and Founder
401 North Carroll Avenue, Suite 192
Southlake, Texas 76092

With Copy To:

City Attorney's Office
City Hall
300 Loraine St., Suite 320
Midland, Texas 79701

D. Paragraph Headings. The paragraph headings inserted in this Agreement are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Agreement or any provisions hereof, or in any way affect the interpretation of this Agreement.

E. Binding Effect. This Agreement shall inure to the benefit of, and shall be legally binding upon, the Parties hereto and their respective heirs, successors, assigns and legal representatives.

F. Findings Incorporated. The recitals are hereby incorporated into the body of this Agreement for all rights and purposes, and shall be considered part of the mutual covenants, consideration and promises that bind the parties in the same manner as the material terms and provisions hereof.

G. Waiver of Attorney Fees. BY EXECUTING THIS AGREEMENT, COMPANY AGREES TO WAIVE AND DOES HEREBY WAIVE ANY CLAIM IT HAS OR

BN

MAY HAVE IN THE FUTURE AGAINST MDC REGARDING THE AWARD OF ATTORNEY FEES THAT IS IN ANY WAY RELATED TO THIS AGREEMENT, OR THE CONSTRUCTION, INTERPRETATION OR BREACH OF THIS AGREEMENT. COMPANY AGREES THAT IF COMPANY BRINGS OR COMMENCES ANY LEGAL ACTION OR PROCEEDING RELATED TO THIS AGREEMENT, THE CONSTRUCTION, INTERPRETATION, VALIDITY OR BREACH OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO ANY ACTION PURSUANT TO THE PROVISIONS OF THE TEXAS UNIFORM DECLARATORY JUDGMENTS ACT (TEXAS CIVIL PRACTICE AND REMEDIES CODE SECTION 37.001, ET SEQ., AS AMENDED), THAT COMPANY AGREES TO (i) WAIVE AND RELINQUISH ANY AND ALL RIGHTS TO THE RECOVERY OF ATTORNEY FEES TO WHICH IT MIGHT OTHERWISE BE ENTITLED AND (ii) ASSUME COMPLETE FINANCIAL RESPONSIBILITY FOR AND PAY ALL ATTORNEY FEES AND ASSOCIATED COSTS INCURRED IN GOOD FAITH BY MDC IN MDC'S CONTESTING OF THE LEGAL ACTION OR PROCEEDING BROUGHT BY COMPANY.

COMPANY AGREES THAT THIS IS THE VOLUNTARY AND INTENTIONAL RELINQUISHMENT AND ABANDONMENT OF A PRESENTLY EXISTING KNOWN RIGHT AND THE ASSUMPTION OF A FUTURE OBLIGATION IN THE EVENT THAT LESSEE BRINGS OR COMMENCES ANY LEGAL ACTION OR PROCEEDING AGAINST MDC RELATED TO THIS AGREEMENT, THE CONSTRUCTION, INTERPRETATION, VALIDITY OR BREACH OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO ANY ACTION PURSUANT TO THE PROVISIONS OF THE TEXAS UNIFORM DECLARATORY JUDGMENTS ACT (TEXAS CIVIL PRACTICE AND REMEDIES CODE SECTION 37.001, ET SEQ., AS AMENDMED). COMPANY ACKNOWLEDGES THAT COMPANY UNDERSTANDS ALL TERMS AND CONDITIONS OF THE AGREEMENT. COMPANY FURTHER ACKNOWLEDGES AND AGREES THAT THERE WAS AND IS NO DISPARITY OF BARGAINING POWER BETWEEN COMPANY AND MDC. THIS SECTION SHALL NOT BE CONSTRUED OR INTERPRETED AS A WAIVER OF GOVERNMENTAL IMMUNITY.

COMPANY IS RELYING ON ITS OWN JUDGMENT. COMPANY ACKNOWLEDGES THAT COMPANY HAD THE OPPORTUNITY TO DISCUSS THIS AGREEMENT WITH LEGAL COUNSEL PRIOR TO ITS EXECUTION.

- H. Amendment.** This Agreement may only be amended by written instrument executed by both parties expressly stating the intention to amend this Agreement. No amendment shall be effective unless approved by a resolution duly passed by the MDC Board of Directors.
- I. Release.** COMPANY HEREBY RELEASES, ACQUITS, RELINQUISHES AND FOREVER DISCHARGES MDC, MDC'S BOARD MEMBERS, ATTORNEYS, EMPLOYEES, AND OFFICERS, FROM ANY AND ALL DEMANDS CLAIMS, DAMAGES, OR CAUSES OF ACTION OF ANY KIND WHATSOEVER THAT COMPANY HAS OR MIGHT HAVE IN THE FUTURE, INCLUDING BUT NOT

LIMITED TO BREACH OF CONTRACT, QUANTUM MERUIT, CLAIMS UNDER THE DUE PROCESS AND TAKINGS CLAUSES OF THE TEXAS AND UNITED STATES CONSTITUTIONS, TORT CLAIMS, MDC'S NEGLIGENCE, OR RELATING TO ANY FAA RULE OR REGULATION AND THE ENFORCEMENT OF THE SAME.

- J. Consideration.** MDC and Company hereby agree and acknowledge that this Agreement is supported by good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties.
- K. Governmental Immunity.** By executing this Agreement, MDC is not waiving its right of governmental immunity. MDC is not granting consent to be sued by legislative resolution or action. **THERE IS NO WAIVER OF GOVERNMENTAL IMMUNITY.**
- L. Governmental Function.** MDC AND COMPANY HEREBY ACKNOWLEDGE AND AGREE THAT THE ENTIRETY OF MDC'S PERFORMANCE AND OBLIGATIONS UNDER THIS AGREEMENT ARE GOVERNMENTAL FUNCTIONS. BY ENTERING INTO THIS AGREEMENT, COMPANY RELEASES MDC FROM ANY PRESENT OR FUTURE CLAIMS ASSERTING MDC'S PERFORMANCE AND OBLIGATIONS UNDER THIS AGREEMENT ARE NOT GOVERNMENTAL FUNCTIONS. MDC AND COMPANY ACKNOWLEDGE AND AGREE THAT THIS AGREEMENT IS IN THE PUBLIC INTEREST AND SERVES A PUBLIC PURPOSE OF THE STATE OF TEXAS AND CITY OF MIDLAND IN PROMOTING THE WELFARE OF THE GENERAL PUBLIC ECONOMICALLY BY SECURING AND RETAINING BUSINESS ENTERPRISES AND AS A RESULT OF MAINTAINING A HIGHER LEVEL OF EMPLOYMENT, ECONOMIC ACTIVITY, AND STABILITY.
- M. No Disparity of Bargaining Position.** MDC and Company agree that there was no disparity of bargaining power between the parties in the negotiation and execution of this Agreement. MDC and Company acknowledge and agree that they were represented by legal counsel. MDC and Company acknowledge and agree that they read and understood the entire Agreement prior to its execution. MDC and Company acknowledge and agree that there were numerous compromises and concessions made by the parties resulting in the agreed-upon terms of this Agreement.
- N. Notice of Alleged Breach; Statutory Prerequisites.** As a condition precedent to filing suit for alleged damages incurred by an alleged breach of an express or implied provision of this Agreement, Company or its legal representatives shall give the MDC Chairman notice in writing (consisting of one original and two copies of notice attached to a copy of this Agreement) of such damages, duly verified, within one hundred twenty (120) days after the same has been sustained. The discovery rule does not apply to the giving of this notice. The notice shall include when, where and how the damages occurred, the apparent extent thereof, the amount of damages sustained, the amount for which Company will settle, the physical and mailing addresses of Company at the time and date the claim was presented and the physical and mailing addresses of Company for the six (6) months

immediately preceding the occurrence of such damages, and the names and addresses of the witnesses upon whom Company relies to establish its claims. Failure to so notify the MDC Chairman within the time and manner provided herein shall exonerate, excuse and except MDC from any liability whatsoever. MDC is under no obligation to provide notice to Company that Company's notice is insufficient. MDC reserves the right to request reasonable additional information regarding the claim. Said additional information shall be supplied within thirty (30) days after receipt of notice.

The statutory prerequisites outlined herein constitute jurisdictional requirements pursuant to Texas law. Notwithstanding any other provision, Company's failure to comply with the requirements herein shall perpetually bar Company's claim for damages regardless if MDC has actual or constructive notice or knowledge of said claim or alleged damages. Company agrees that the requirements of this Section are reasonable.

- O. Approval Required.** This Agreement shall not become effective until approved by a resolution of the Midland City Council.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. TIME IS OF THE ESSENCE WITH REGARDS TO ALL DEADLINES IN THIS AGREEMENT.

REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES TO FOLLOW

A long, thin diagonal line starts from the left side of the page and extends towards the bottom right corner. At the end of this line, the letters 'BN' are handwritten in a cursive style.

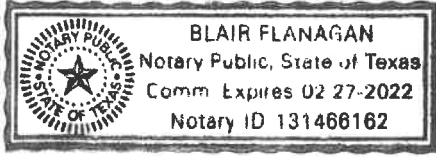
IN WITNESS WHEREOF, MDC and Company have executed this Agreement as of the Effective Date.

**MIDLAND DEVELOPMENT
CORPORATION**



John Trischitti III, Executive Director

BN



KEPLER AEROSPACE LTD.




Brent Nelson, Director and Founder

THE STATE OF Texas §
 §
COUNTY OF Midland §

BEFORE ME, Blair Flanagan, a notary public, on this day personally appeared Brent Nelson, Director and Founder of Kepler Aerospace LTD., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of said Company for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 5th day of March, A.D., 2020.



Notary Public, in and for
the State of Texas

Exhibit A

Property Map



Exhibit B

Sublease Agreement

Income Statement

MIDLAND DEVELOPMENT CORPORATION
INCOME STATEMENT FOR THE 7 MONTHS ENDED
April 30, 2022

	Apr-22	YTD	Budgeted Amount
Revenue	\$1,104,776.40	\$6,147,188.29	\$10,976,644.00
40100 - State Sales Tax	\$1,015,116.31	\$5,564,480.91	\$10,000,000.00
40600 - Public ROW Use Fees	\$4,823.00	\$4,823.00	\$0.00
43000 - Interest	\$432.14	\$1,341.93	\$0.00
43010 - Interest - Nonpooled Invest	\$3,017.95	\$6,833.45	\$0.00
46190 - Miscellaneous Rentals	\$81,387.00	\$569,709.00	\$976,644.00
4235150 - Midland Dvlpmt Corp Revenue	\$1,104,776.40	\$6,147,188.29	\$10,976,644.00

Expense	\$197,658.44	\$7,509,664.93	\$21,110,973.00
51010 - Base Salary	\$23,974.18	\$156,562.41	\$350,493.00
51090 - Fica MDC Portion	\$1,834.02	\$10,541.13	\$28,442.00
51110 - Health Insurance	\$1,201.70	\$4,976.82	\$30,180.00
51135 - ACCE Profit Sharing	\$362.50	\$1,087.50	\$24,535.00
52010 - Office Supplies	\$341.07	\$3,431.54	\$6,000.00
52110 - Motor Vehicle Supplies	\$7.00	\$831.10	\$1,000.00
52115 - Minor Furniture & Fixtures	\$0.00	\$0.00	\$500.00
52155 - Minor Computer Hrdwre & Periph	\$0.00	\$49.98	\$5,000.00
52160 - Computer Software & Supplies	\$0.00	\$30,797.33	\$25,000.00
52620 - Postage	\$0.00	\$128.32	\$300.00
53010 - Communication	\$1,287.37	\$9,262.78	\$17,000.00
53030 - Light & Power	\$8.91	\$62.60	\$150.00
53110 - Insurance-External	\$9,494.00	\$225,082.06	\$110,000.00
53212 - Equipment Rental-External	\$345.34	\$2,262.41	\$5,000.00
53220 - Advertising	\$8,786.65	\$144,373.71	\$200,000.00
53370 - Grounds Maintenance	\$993.50	\$8,699.06	\$12,000.00
53405 - Software Maintenance	\$1,112.53	\$7,886.21	\$12,000.00
53440 - External Audit Fees	\$5,589.00	\$31,000.00	\$24,000.00
53450 - Consulting Fees	\$48,867.94	\$183,459.32	\$250,000.00
53510 - Travel & Entertainment	\$879.39	\$3,234.83	\$8,000.00
53520 - Dues & Subscriptions	\$1,767.20	\$5,971.04	\$20,000.00
53530 - Training,Registration Fees,Etc	\$2,443.14	\$7,048.84	\$8,000.00
53905 - Economic Development Incentive	\$0.00	\$0.00	\$4,527,925.00
53907 - Business Recruitment & Retentn	\$154.83	\$21,771.55	\$50,000.00
53909 - Prior Year Committed Incentives	\$2,112.00	\$5,387,458.38	\$9,798,329.00
53920 - Rent	\$5,540.00	\$38,780.00	\$75,000.00
54010 - Building Maintenance	\$1,278.39	\$25,384.29	\$80,000.00
55120 - Maint. - Instruments & Appara.	\$94.47	\$496.17	\$1,000.00
56188 - MOTRAN	\$0.00	\$142,500.00	\$142,500.00
56202 - General Fund Services	\$32,557.08	\$227,899.56	\$390,619.00
56410 - Payment of Principal	\$0.00	\$0.00	\$60,000.00
56420 - Interest Expense	\$0.00	\$0.00	\$12,000.00
56910 - Depreciation Expense	\$40,626.23	\$242,940.65	\$336,000.00
56995 - Project Non Capital - Promotions	\$6,000.00	\$219,512.72	\$1,000,000.00
57001 - Capital Buildings & Structures	\$0.00	\$135,457.50	\$0.00
57002 - Capital Improve Other Than Bldg	\$0.00	\$0.00	\$3,500,000.00
57070 - Construction in Process	\$0.00	\$230,715.12	\$0.00
235235 - Midland Development Corp	\$197,658.44	\$7,509,664.93	\$21,110,973.00

April 2022 Net Income: \$907,117.96

Year-to-Date Net Income: (\$1,362,476.64)

Balance Sheet

MIDLAND DEVELOPMENT CORPORATION
BALANCE SHEET FOR THE PERIOD ENDED
April 30, 2022
(Used for Internal Purposes Only)

ASSETS

Current Assets

Cash and cash equivalents	19,013,990	
Investments	5,000,000	
Sales tax receivable	-	
Prepaid expenses	-	
Accounts receivable	-	
	24,013,990	24,013,990

Non-Current Assets

Capital Assets, net	22,163,647	
Forgivable Loans		
Made to Primary Government	-	
Made to Other	6,579	
Total Forgivable Loans	6,579	
	22,170,226	22,170,226

Total Assets	\$	46,184,216
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LIABILITIES AND NET POSITION

Liabilities

Accounts payable	55,646	
Retainage Payable	330	
Capital Leases payable	93,357	
Commitments payable		
Due within one year	6,422,782	
Due in more than one year	8,398,259	
Total Commitments Payable	14,821,041	
	14,970,374	14,970,374

Net Position

Net investment in capital assets	22,163,647	
Restricted for Forgivable Loans	6,579	
Restricted for Capital Leases	93,357	
Promotions	1,521,334	
Unrestricted	7,428,924	
	31,213,841	31,213,841

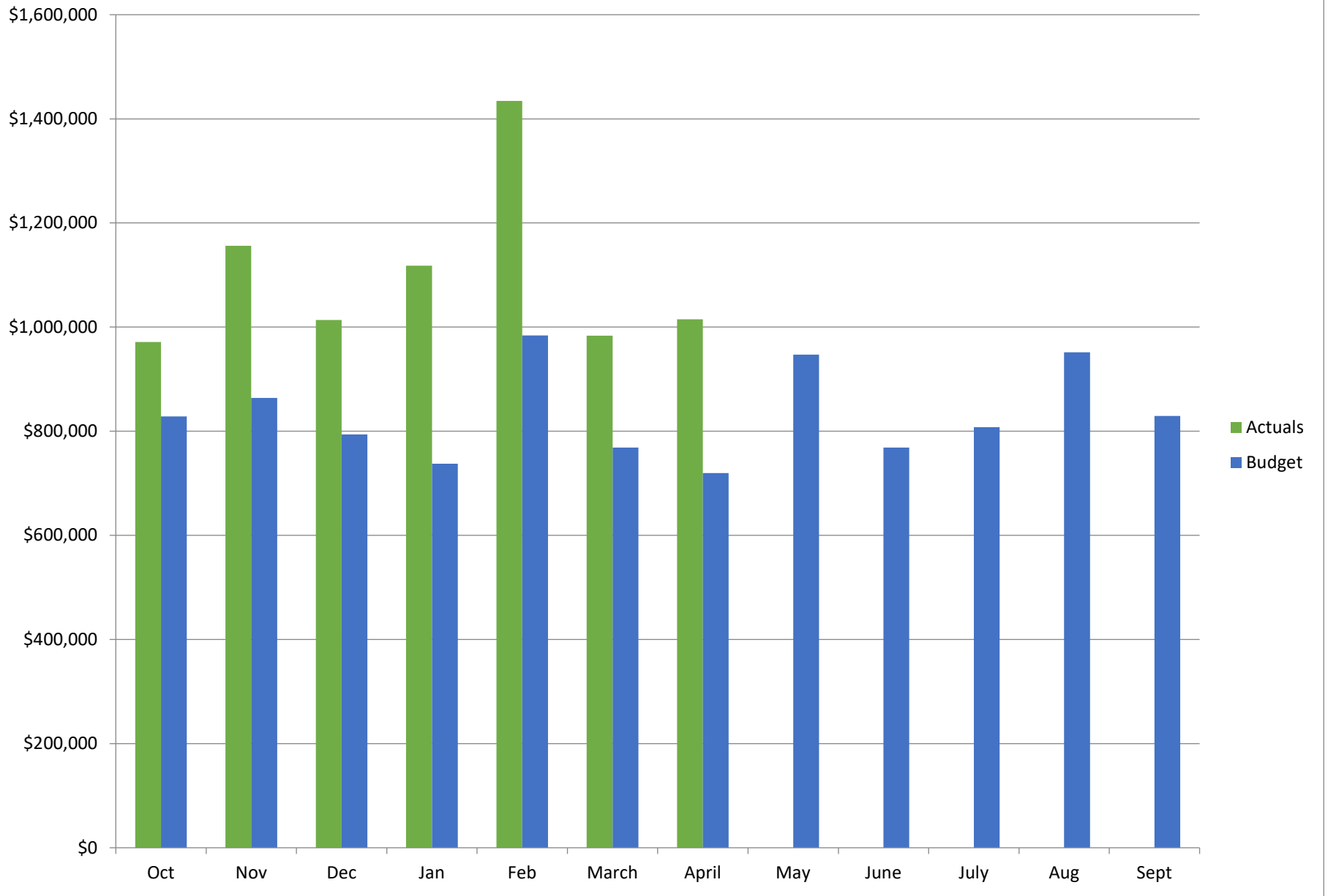
Total Liabilities and Net Position	\$	46,184,216
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Sales Tax

Sales Tax Variance

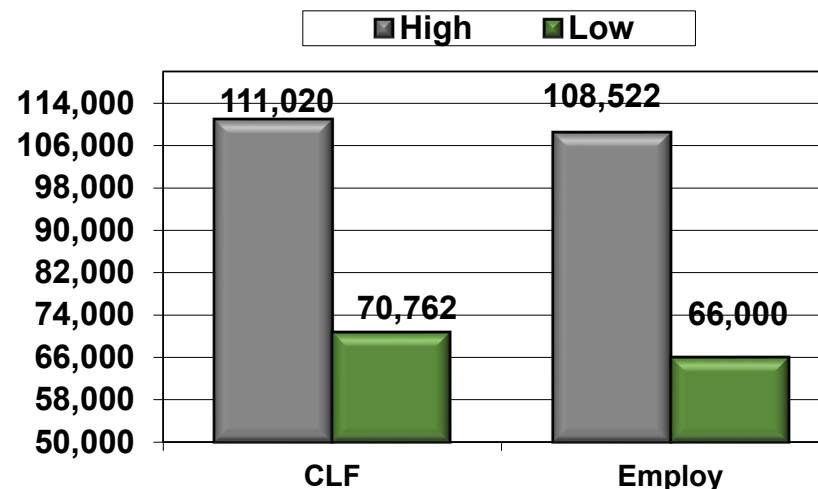
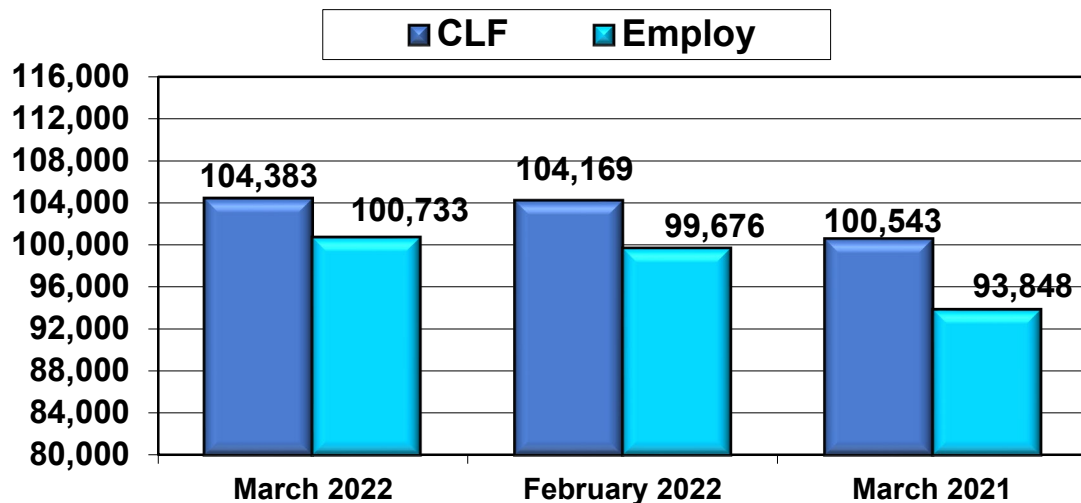
	2019-2020	2020-2021	% Change	2020-2021	2021-2022	% Change	YTD Change
October	\$1,219,993.44	\$1,203,058.10	-1.39%	\$1,203,058.10	\$971,343.63	-19.26%	-19.26%
November	\$1,266,357.10	\$983,259.60	-22.36%	\$983,259.60	\$1,156,353.89	17.60%	-2.68%
December	\$1,263,226.93	\$843,087.27	-33.26%	\$843,087.27	\$1,013,549.80	20.22%	3.69%
January	\$1,036,178.70	\$752,584.05	-27.37%	\$752,584.05	\$1,117,874.02	48.54%	12.62%
February	\$1,279,615.49	\$1,224,314.99	-4.32%	\$1,224,314.99	\$1,434,528.04	17.17%	13.73%
March	\$966,824.94	\$783,914.25	-18.92%	\$783,914.25	\$983,421.74	25.45%	15.32%
April	\$1,006,559.17	\$687,198.37	-31.73%	\$687,198.37	\$1,015,116.31	47.72%	18.75%
May	\$1,251,139.57	\$1,198,336.79	-4.22%	\$1,198,336.79			
June	\$897,050.21	\$927,060.71	3.35%	\$927,060.71			
July	\$876,285.08	\$909,387.44	3.78%	\$909,387.44			
August	\$1,074,175.26	\$1,176,070.55	9.49%	\$1,176,070.55			
September	\$834,182.16	\$978,956.15	17.36%	\$978,956.15			
Annual Total	\$12,971,588.05	\$11,667,228.27	-10.06%	\$11,667,228.27	\$7,692,187.43		

Sales Tax Actuals vs Budget Estimates



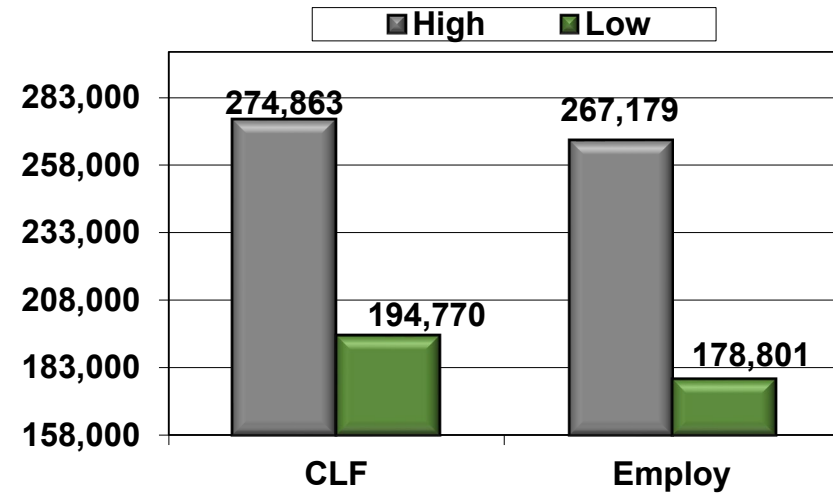
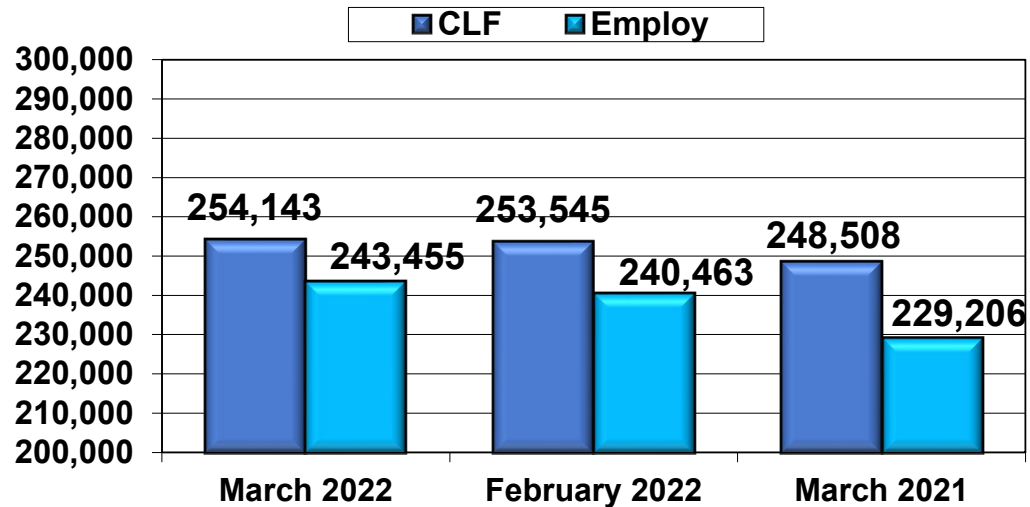
Activity Report

March 2022 Midland MSA Employment Information



	March 2022	February 2022	March 2021	High	Low
Civilian Labor Force	104,383	104,169	100,543	111,020 (Feb 2020)	70,762 (Jan 2010)
Employment	100,733	99,676	93,848	108,522 (Dec 2019)	66,000 (Jan 2010)
Unemployment	3,650	4,493	6,695	11,912 (May 2020)	1,788 (May 2019)
Unemployment Rate	3.5%	4.3%	6.7%	12.3% (May 2020)	1.7% (Apr 2019)

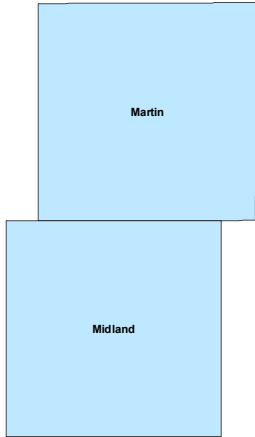
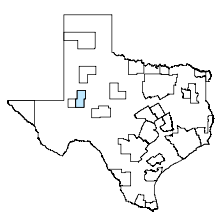
March 2022 Permian Basin Workforce Development Area Employment Information



	March 2022	February 2022	March 2021	High	Low
Civilian Labor Force	254,143	253,545	248,508	274,863 (Feb 2020)	194,770 (Jan 2010)
Employment	243,455	240,463	229,206	267,179 (Feb 2020)	178,801 (Jan 2010)
Unemployment	10,688	13,082	19,302	32,215 (May 2020)	5,115 (Apr 2019)
Unemployment Rate	4.2%	5.2%	7.8%	13.2% (May 2020)	1.9% (Apr 2019)

Midland MSA

March 2022

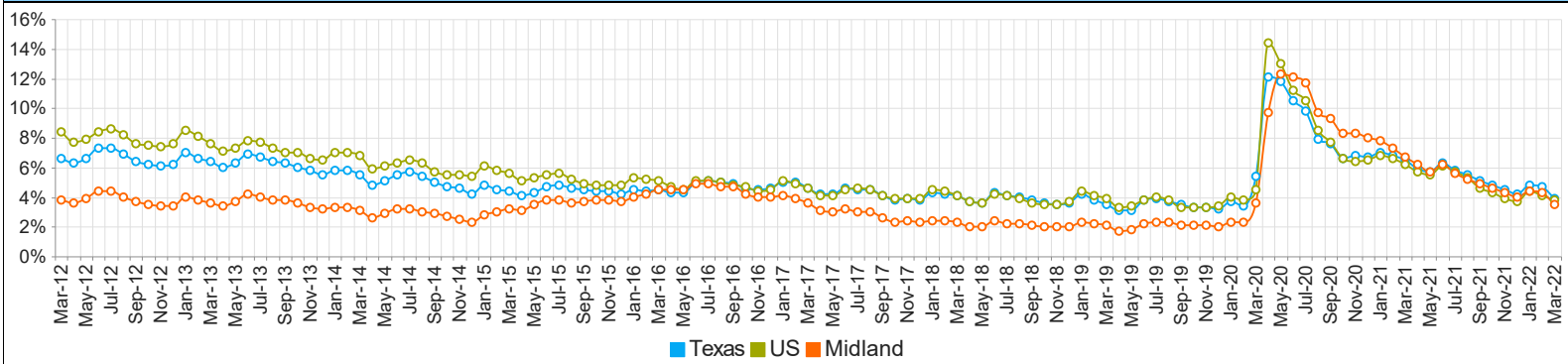


MSA Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	104,383	104,169	100,543	3,840
Employed	100,733	99,676	93,848	6,885
Unemployed	3,650	4,493	6,695	-3,045
Unemployment Rate	3.5%	4.3%	6.7%	-3.2%

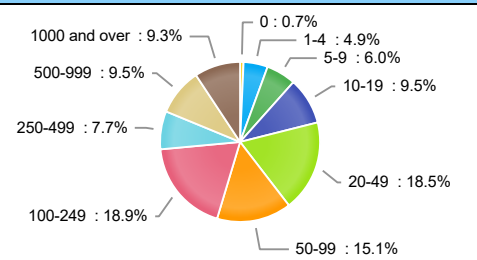
Texas Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	14,536,934	14,539,759	14,143,869	393,065
Employed	13,973,965	13,854,598	13,228,565	745,400
Unemployed	562,969	685,161	915,304	-352,335
Unemployment Rate	3.9%	4.7%	6.5%	-2.6%

US Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	164,274,000	163,725,000	160,397,000	3,877,000
Employed	158,106,000	156,942,000	150,493,000	7,613,000
Unemployed	6,168,000	6,782,000	9,905,000	-3,737,000
Unemployment Rate	3.8%	4.1%	6.2%	-2.4%

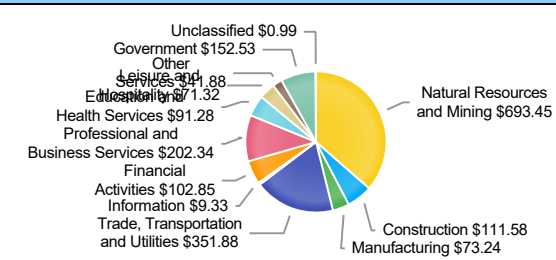
Historical Unemployment Rates



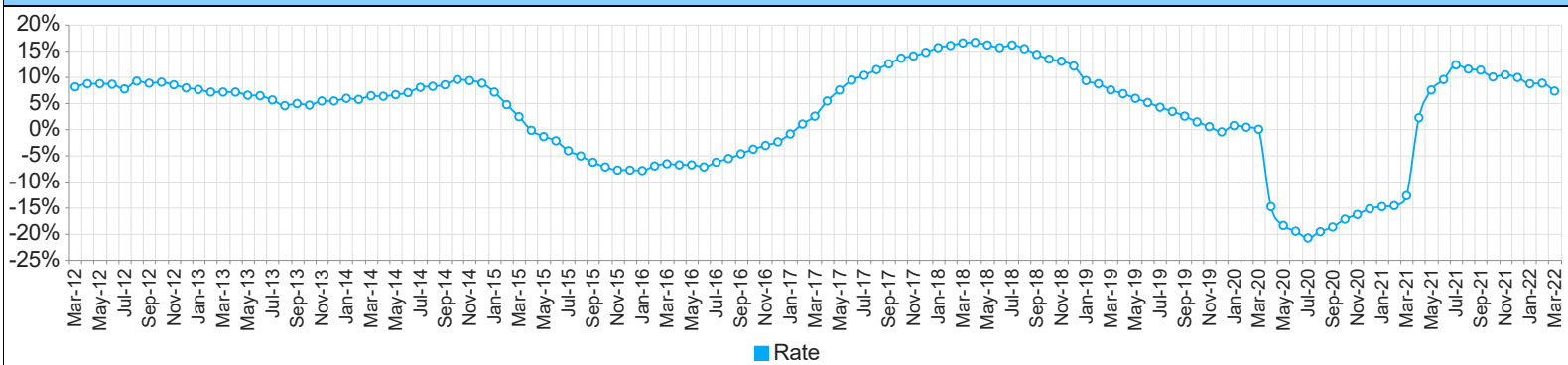
Employment by Size Class (3rd Quarter 2021)



Wages by Industry (in millions) (3rd Quarter 2021)



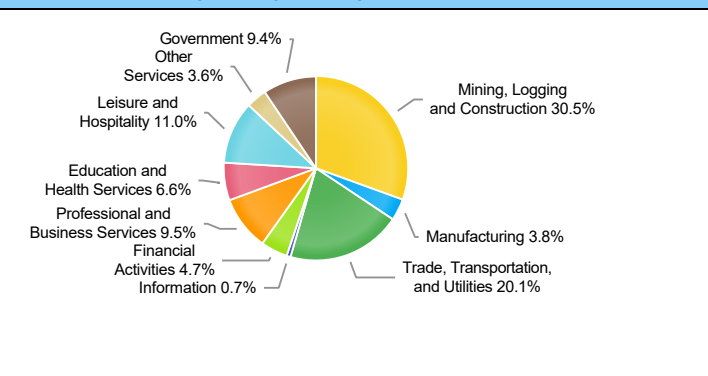
Annual Growth Rate Total Non-agricultural employment



Employment by Industry (March 2022)

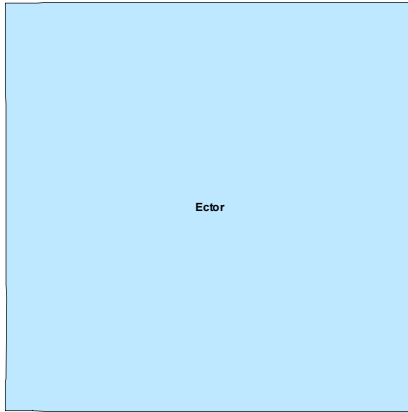
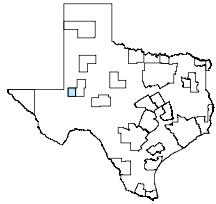
Industry	Current Month Employment	% Monthly Change	% Yearly Change
Total Nonfarm	105,300	0.3%	7.3%
Mining, Logging and Construction	32,100	1.6%	10.3%
Manufacturing	4,000	0.0%	11.1%
Trade, Transportation, and Utilities	21,200	-0.5%	7.6%
Information	700	0.0%	16.7%
Financial Activities	5,000	0.0%	4.2%
Professional and Business Services	10,000	0.0%	4.2%
Education and Health Services	7,000	-1.4%	0.0%
Leisure and Hospitality	11,600	0.0%	14.9%
Other Services	3,800	0.0%	8.6%
Government	9,900	0.0%	-2.0%

Employment by Industry (March 2022)



Odessa MSA

March 2022

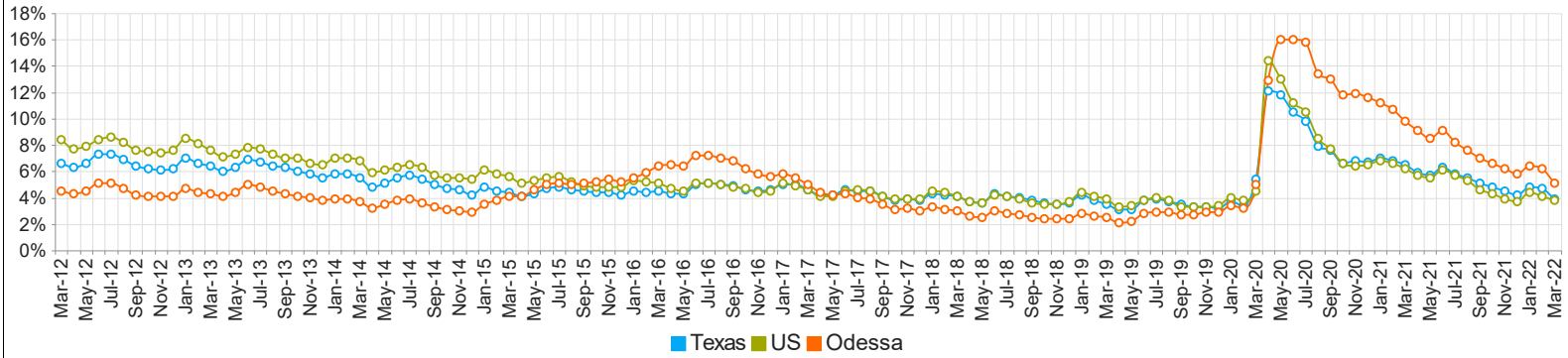


MSA Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	81,556	81,635	80,428	1,128
Employed	77,407	76,571	72,578	4,829
Unemployed	4,149	5,064	7,850	-3,701
Unemployment Rate	5.1%	6.2%	9.8%	-4.7%

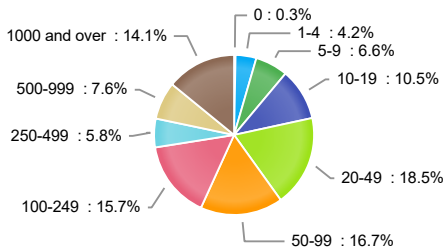
Texas Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	14,536,934	14,539,759	14,143,869	393,065
Employed	13,973,965	13,854,598	13,228,565	745,400
Unemployed	562,969	685,161	915,304	-352,335
Unemployment Rate	3.9%	4.7%	6.5%	-2.6%

US Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	164,274,000	163,725,000	160,397,000	3,877,000
Employed	158,106,000	156,942,000	150,493,000	7,613,000
Unemployed	6,168,000	6,782,000	9,905,000	-3,737,000
Unemployment Rate	3.8%	4.1%	6.2%	-2.4%

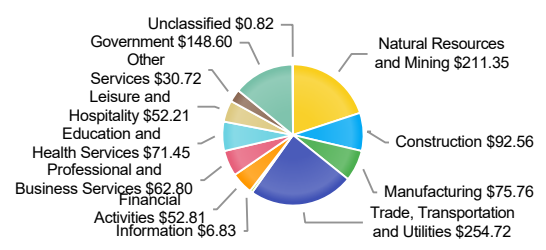
Historical Unemployment Rates



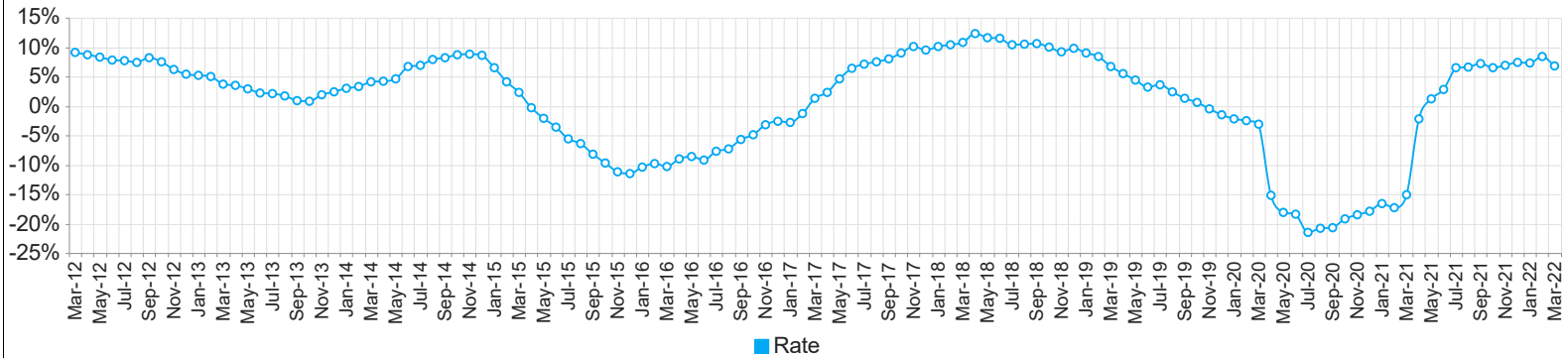
Employment by Size Class (3rd Quarter 2021)



Wages by Industry (in millions) (3rd Quarter 2021)



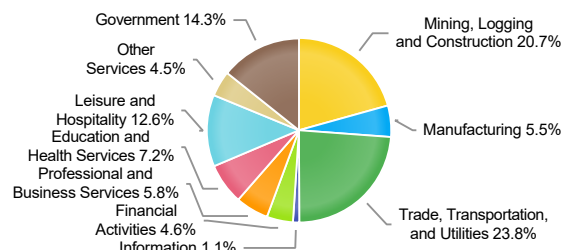
Annual Growth Rate Total Non-agricultural employment



Employment by Industry (March 2022)

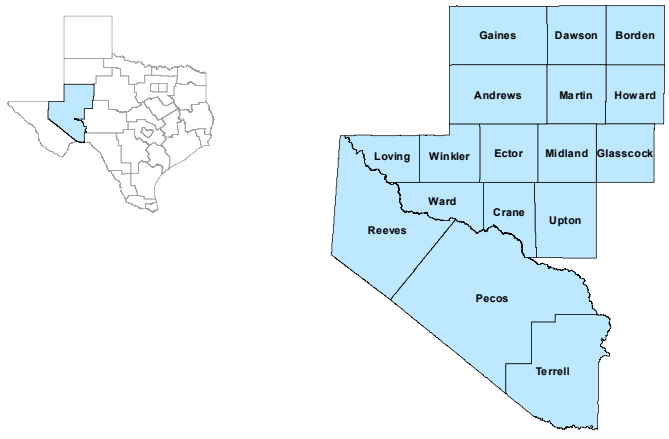
Industry	Current Month Employment	% Monthly Change	% Yearly Change
Total Nonfarm	74,000	0.4%	6.8%
Mining, Logging and Construction	15,300	2.0%	9.3%
Manufacturing	4,100	0.0%	10.8%
Trade, Transportation, and Utilities	17,600	0.0%	6.0%
Information	800	0.0%	33.3%
Financial Activities	3,400	0.0%	9.7%
Professional and Business Services	4,300	0.0%	4.9%
Education and Health Services	5,300	-1.9%	1.9%
Leisure and Hospitality	9,300	1.1%	10.7%
Other Services	3,300	0.0%	6.5%
Government	10,600	0.0%	1.0%

Employment by Industry (March 2022)



Permian Basin Workforce Development Area

March 2022



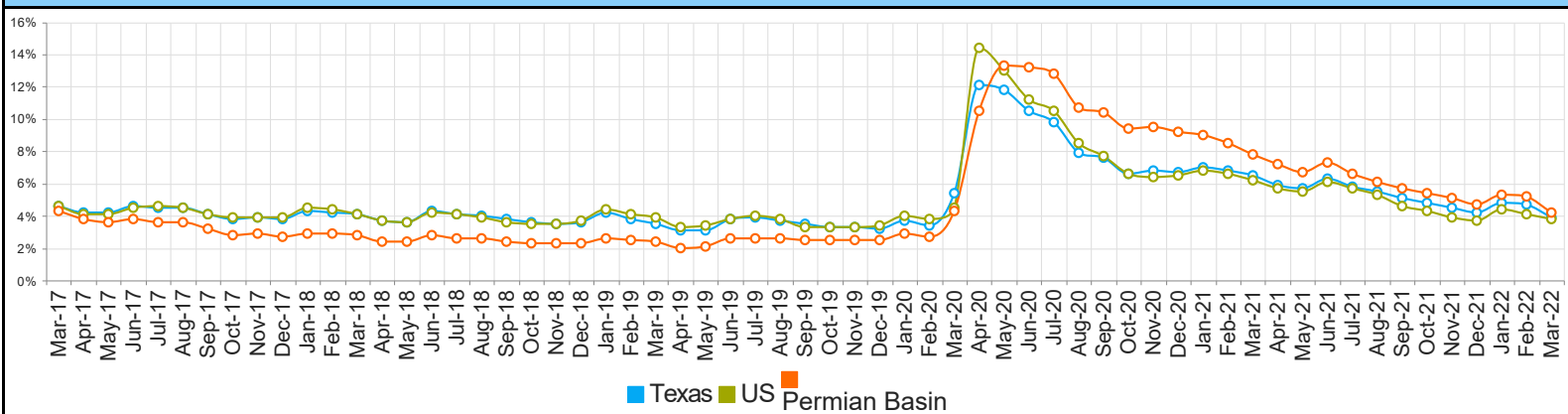
WDA Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	254,143	253,545	248,508	5,635
Employed	243,455	240,463	229,206	14,249
Unemployed	10,688	13,082	19,302	-8,614
Unemployment Rate	4.2%	5.2%	7.8%	-3.6%

Texas Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	14,536,934	14,539,759	14,143,869	393,065
Employed	13,973,965	13,854,598	13,228,565	745,400
Unemployed	562,969	685,161	915,304	-352,335
Unemployment Rate	3.9%	4.7%	6.5%	-2.6%

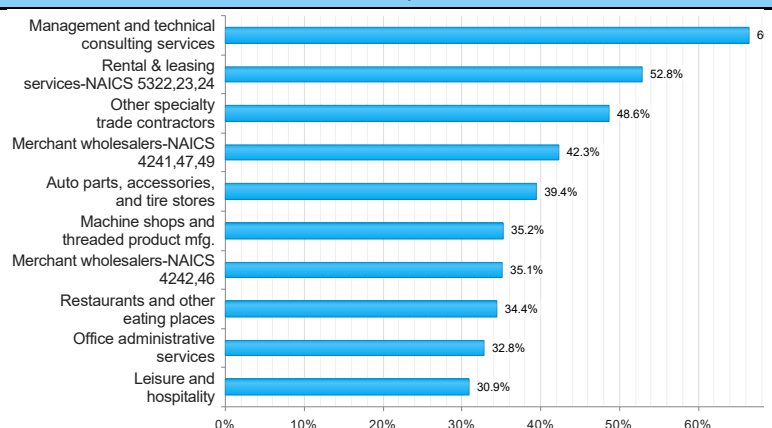
US Labor Force Statistics				
	Mar-22	Feb-22	Mar-21	Yearly Change
Civilian Labor Force	164,274,000	163,725,000	160,397,000	3,877,000
Employed	158,106,000	156,942,000	150,493,000	7,613,000
Unemployed	6,168,000	6,782,000	9,905,000	-3,737,000
Unemployment Rate	3.8%	4.1%	6.2%	-2.4%

Continued Claims for the Week of the 12th				
	Mar-22	Feb-22	Mar-21	Yearly Change
WDA	1,052	1,173	3,938	-2,886
Texas	73,246	77,497	214,987	-141,741

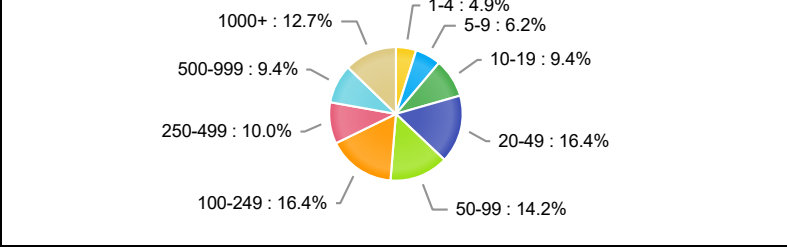
Historical Unemployment Rates



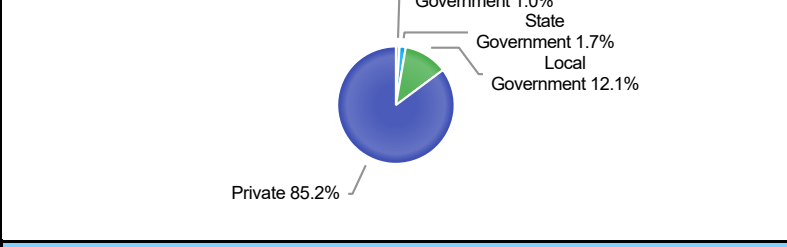
Projected Top Ten Fastest Growing Industries in WDA (% Growth 2018-2028)



Employment by Size Class (3rd Quarter 2021)



Employment by Ownership (3rd Quarter 2021)



Average Weekly Wage (3rd Quarter 2021)

	Q3 2021	Q2 2021	Q3 2020	Quarterly Change	Yearly Change
WDA	\$1,294	\$1,247	\$1,194	\$47	\$100
Texas	\$1,228	\$1,210	\$1,149	\$18	\$79
US	\$1,251	\$1,240	\$1,172	\$11	\$79

Employment by Industry (3rd Quarter 2021, Percent Change)

Industry	Employment	% of Total	% Quarterly Change	% Yearly Change
Natural Resources and Mining	43,639	19.5%	2.4%	16.5%
Construction	16,146	7.2%	0.6%	0.3%
Manufacturing	9,394	4.2%	3.1%	10.8%
Trade, Transportation and Utilities	49,157	22.0%	1.7%	6.6%
Information	1,901	0.9%	6.0%	19.3%
Financial Activities	10,000	4.5%	1.3%	10.4%
Professional and Business Services	16,541	7.4%	0.6%	11.7%
Education and Health Services	37,529	16.8%	-2.1%	2.1%
Leisure and Hospitality	24,980	11.2%	2.1%	12.0%
Other Services	6,655	3.0%	3.2%	4.9%
Public Administration	7,295	3.3%	0.0%	-3.8%

Employment by Industry (3rd Quarter 2021)

