Pool Corporation Retention Assessment

In 2004, Pool Corporation (Pool) employed 160 Louisiana employees and expanded its headquarters to include three entities that were located in Las Vegas, Nevada. These entities were known as Alliance Trading Inc., Superior Commerce LLC, and Cypress Inc. On July 24, 2004, Governor Kathleen Blanco, the Board of Commerce and Industry, and Pool entered into an original Tax Equalization contract. With the assistance, Pool agreed to locate the above-mentioned entities to Covington, La. and expand its operations in Louisiana rather than in Broward County, Florida.

In the last five years, Pool has continued to expand and acquire additional companies to include other backyard leisure tools, irrigation and landscape products. Its three main sales networks consist of SCP Distributors, Superior Pool Products LLC, and Horizon Distributors Inc. The company has remained in Covington, La. and grown its staff from 160 to 264 Louisiana headquarters employees.

During the 2007 Regular Legislative Session, Act 389 amended the Tax Equalization program to allow for additional renewals beyond the first renewal if the RIMS II calculation shows that the economic impact to Louisiana is at least 20 times greater than the Tax Equalization.

The Tax Equalization rules state:

"Subsequent renewals for additional periods of five years or less may be granted to a contract holder whose contract has not expired as of the date of application for renewal if the applicant can demonstrate the conditions of the initial contract were met and the activities of the applicant in the state of Louisiana generate economic benefits to the state that exceed 20 times the benefit to the applicant of the incentive provided by this Chapter for the year preceding the request for renewal...

…the Board of Commerce and Industry shall forward its recommendations, together with the proposed contract and all supporting documents, to the Department of Economic Development and the Joint Legislative Committee on the Budget. Upon receipt of the recommendations and proposed contract, the Joint Legislative Committee on the budget shall have 30 days to approve or reject the renewal contract."

An economic analysis prepared by the University of Louisiana at Monroe states that the single-year economic impact to Louisiana from Pool is $107.8 million per year. The total amount of the TE benefit that Pool and its affiliates received in 2012 was $998,500. Therefore, Pool meets the 20 times threshold requirement.

Site decision factors such as transportation, energy and infrastructure are not critical factors for Pool's headquarters location. Factors contributing to the retention of Pool's headquarters in Louisiana are primarily related to the comparative tax liabilities between Louisiana versus Florida or Nevada.

Currently, Pool is one of only four Fortune 1000 companies (Entergy, Albemarle, CenturyLink and Pool Corporation) based in Louisiana.

A cost/benefit analysis shown in the attached table projects state revenues will exceed state incentives (Tax Equalization credits) during the combined years 2014 through 2018.

Pool has indicated that if the Tax Equalization renewal is not provided, the company will strongly consider relocating the corporate headquarters to another state.

Pool Corporation
Estimated Tax Revenues and Incentive Costs, $MM

	Year					Total
	2014	**2015**	**2016**	**2017**	**2018**	
State Tax Revenues (ULM)	1.6	1.6	1.7	1.8	1.8	**8.5**
State Incentives						
Tax Equalization Credit Forecast (Pool Corp)	1.3	1.5	1.6	1.8	1.9	8.1
Total State Incentives	1.3	1.5	1.6	1.8	1.9	8.1
Revenues in Excess of Costs	0.3	0.1	0.1	0.0	-0.1	**0.4**

The Economic Impact on Louisiana of the Louisiana Operations of Pool Corporation.

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October 14, 2014

[1] Questions concerning this report should be directed to Dr. Nelson; 318-342-1159 or nelson@ulm.edu.

This report estimates the economic impact of the Louisiana operations of Pool Corporation. Pool Corporation. engages in the distribution of swimming pool and related backyard products primarily in North America and Europe. Its headquarters are located in Covington, LA. In 2012, Pool Corporation has 327 full-time and 27 part-time employees in Louisiana with a Louisiana payroll of $26,063,547.

As an ongoing business, Pool Corporation will minimal impact on substitution of its products, going forward, on other Louisiana enterprises.

In preparing this report the following assumptions and methodology was used.

- The economic impact is estimated using the RIMS I and RIMS II multipliers (2002/2010) for Louisiana; 42000-Wholesale Trade.

- Payroll is estimated to grow at the rate of inflation expected over the next 10 years, 1.73%. Estimated inflation is derived from yields to Treasury Inflation Protected Securities (TIPS) as reported by the Federal Reserve Bank of Cleveland[2]. http://www.clevelandfed.org/research/data/inflation_expectations/index.cfm

- The risk-adjusted discount rate of 11.87% was determined by using the Capital-Asset Pricing Model (CAPM) employing a risk-free rate of 3.4% (the average rate of 10-year Treasury Bonds) and a market return of 10.83% (the average rate of return on the Wilshire 5000 index, the broadest stock market index). The Beta for Pool Corporation is 1.14. Beta source: http://www.nasdaq.com/symbol/pool.

- The basis of our calculations is Pool Corporation's Louisiana payroll of $26,063,547. Direct + Indirect effects were calculated using RIMS Type I multipliers. Total Effects which include Direct, Indirect, and Induced Effects were calculated using the RIMS Type II multipliers. The 10-year present value of impacts were calculated using the discount rates assumed above. These discount rates will be used throughout the analysis.

- Using the above assumptions the single-year and 10-year present value of Pool Corporation's economic impact on household income is illustrated in Table 1.

Table 1: Pool Corporation's Impact on Household Income (figures in millions)

	Direct + Indirect Effects	Induced Effects	Total (Direct + Indirect + Induced)
Single-year impact	**$33.5**	**$10.4**	**$43.9**
10-year present value of impact	**$206.1**	**$64.3**	**$270.4**

[2] This is an amended report to conform to new legislation. The original report was prepared in November, 2013. Payroll, inflation data, and betas are unchanged from that report.

- The impact on state valued added by industry is calculated from the final demand and is described in Table 2. Since we are assuming a constant real value of payroll, the annual value added figures are also in constant dollars.

Table 2: Value Added by Industry Sector

Sector	Value Added – Direct and Indirect
Wholesale trade	**$58.5**
Real estate and rental and leasing	**$6.3**
Health Care and Social Assistance	**$3.4**
Retail trade	**$3.2**
Transportation and warehousing	**$2.7**
Finance and insurance	**$2.4**
Professional, scientific, and technical services	**$2.3**
Administrative and waste management services	**$2.1**
Management of companies and enterprises	**$1.7**
Information	**$1.7**
Manufacturing	**$1.4**
Food Services	**$1.1**
Utilities	**$1.1**
Other	**$2.3**
Total – Single Year, Not Discounted	**$90.1**

- **The total economic impact or aggregated transactions of Pool Corporation was calculated using the following formula:**

$$\left(\left(Employ \times \left(\frac{Col\ 6}{Col\ 3}\right)\right) * 1{,}000{,}000\right) * Col\ 1$$ [3]

Beginning with employment and using the formula above aggregated transactions were calculated and provided in Table 3.

Table 3: Aggregated Transactions (in millions)

	Direct + Indirect Effects	Induced Effects	Total (Direct + Indirect + Induced)
Single year impact	**$79.8**	**$28.0**	**$107.8**
10-year present value of impact	**$499.4**	**$175.4**	**$674.8**

[3] For Direct + Indirect Effects; Col 6 = 1.4296, Col 3 = 7.761, Col 1 = 1.2739. For Direct + Indirect + Induced Effects; Col 6 = 2.1468, Col 3 = 11.6541, Col 1 = 1.7213.

- As mentioned above, Pool Corporation had 327 full-time and 27 part-time employees. We use a figure of 340 full-time-equivalent employees, assuming that 2 part-time employees is one full-time equivalent. Using this figure as a base with the RIMS II multiplier we estimate a further 146 jobs from indirect effects. Induced employment adds an additional 244 **for a total employment impact of 730 jobs**. We consider this to be a minimum estimate. Beginning with the payroll data the RIMS II multiplier estimates 638 indirect and induced jobs for a total of 958 jobs. The difference is likely due to Pool Corporation having its headquarters in Louisiana. Compensation per FTE employee was $76,657 in 2012.

Table 4: Full-time equivalent jobs created in Louisiana by Pool Corporation

	Direct Employment	Indirect Employment	Induced Employment	Total Employment (Direct + Indirect + Induced)
Employment Effects	340	146	244	730

- Using the impact on household income we compute the one and ten-year impact on state sales tax revenue. The Louisiana state sales tax is 4% but even if all income is consumed, not all expenditures are subject to tax. We assume 40% of household income is subject to taxation in determining our estimates which are given in the table below. Effectively, sales tax collections are 1.6% of household income

Table 5: Sales Taxes paid to Louisiana from Pool Corporation's Impact on Household Income (in thousands)

	Direct Effects	Indirect + Induced Effects	Total (Direct + Indirect + Induced)
2014	$536.0	$167.1	$703.1
2015	$487.4	$154.6	$650.4
2016	$443.2	$140.6	$591.5
2017	$403.1	$127.8	$537.9
2018	$366.5	$116.2	$489.1
2019	$333.3	$105.7	$444.8
2020	$303.1	$96.1	$404.5
2021	$275.6	$87.4	$367.8
2022	$250.6	$79.5	$334.5
2023	$228.0	$72.2	$304.1
10-year present value of impact	$3,626.8	$1,046.0	$4,401.1

- Another revenue source is the Louisiana Individual Income Tax. We use the average compensation for Pool Corporation of $76,657 for 340 workers and mean Louisiana labor income of $39,230 for indirect and induced jobs.

- http://www.bls.gov/oes/current/oes_la.htm#00-0000 We assume a two-person household filing jointly with no other deductions other than Federal Income Tax. Our estimates are given in the table below.

Table 6: Income Taxes paid to Louisiana from Pool Corporation's Impact on Household Income (in thousands)

	Direct Effects	Indirect + Induced Effects	Total (Direct + Indirect + Induced)
2014	$559.3	$314.0	$873.3
2015	$508.6	$285.5	$794.1
2016	$462.5	$259.6	$722.1
2017	$420.6	$236.1	$656.7
2018	$382.5	$214.7	$597.1
2019	$347.8	$195.2	$543.0
2020	$316.3	$177.5	$493.8
2021	$287.6	$161.4	$449.0
2022	$261.5	$146.8	$408.3
2023	$237.8	$133.5	$371.3
10-year present value of impact	$3,225.2	$1,810.4	$5,035.6

Adding the sales and income taxes gives the total state revenue impact of Pool Corporation.[4] These totals are provided in Table 7.

Table 7 – Combined State Sales and Income Tax Revenue (in thousands)

	Direct	Total
2014	$1,095.3	$1,576.3
2015	$996.0	$1,444.5
2016	$905.7	$1,313.6
2017	$823.6	$1,194.5
2018	$749.0	$1,086.3
2019	$681.1	$987.8
2020	$619.4	$898.3
2021	$563.2	$816.8
2022	$512.2	$742.8
2023	$465.7	$675.5
10-year Present Value	$7,411.2	$10,736.4

The figures for 2014 are the non-discounted actual revenues. Since we have assumed a constant real payroll, actual real tax revenues would be the same in years 2015-2023. The figures presented are 2014 present values.

[4] "Total" ignores other state tax revenues generated as a result of Pool Corporation's operations in the state such as Corporate Income Taxes or Gasoline Taxes.

- Pool Corporation projects that its operating expenses will increase 4%/year. Wages account for 50% of operating expenses. In Table 8 we project the current, non-discounted, value of personal income and sales taxes. The figures in Table 8 assume that compensation at Pool Corporation will rise at 4%/year. Indirect and induced wages are projected to rise at the rate of inflation, 1.72%, indicated above. We note that if Pool Corporation does raise compensation in real terms then indirect and induced wages and hence tax revenue would rise faster than is indicated in Table 8 since additional indirect and induced employment would occur. These estimates should be considered conservative.

Table 8 – Non-Discounted Combined State Sales and Income Tax Revenue (in thousands)

	Direct	Total
2014	$1,095.3	$1,576.3
2015	$1,139.1	$1,632.3
2016	$1,184.7	$1,690.3
2017	$1,232.1	$1,750.5
2018	$1,281.3	$1,813.1
2019	$1,332.6	$1,878.0
2020	$1,385.9	$1,945.3
2021	$1,441.3	$2,015.2
2022	$1,499.0	$2,087.8
2023	$1.558.9	$2,163.1
10-year Present Value	$13,150.2	$18,551.9

- This report summarizes the economic impact of Pool Corporation, which has current operations in Louisiana. Based on the results of our economic models, we find that Pool's payroll supports from 730 to as many as 958 jobs in Louisiana. Its impact on household income generates over $1.5 million in annual state sales and income tax revenues. By 2023, Pool Corporation's operations will generate over $2.1 million in sales and individual tax revenues annually.

Contract No. 040057 April 29, 2014

STATE OF LOUISIANA
BOARD OF COMMERCE AND INDUSTRY
and
POOL CORPORATION, ALLIANCE TRADING INC., SUPERIOR COMMERCE LLC, and CYPRESS INC
RENEWAL CONTRACT FOR TAX EQUALIZATION

THIS AGREEMENT, made by and between the **STATE OF LOUISIANA**, herein represented by the Louisiana Board of Commerce and Industry (“Board”), and **Alliance Trading, Inc.** and its successors upon recommendation of Louisiana Economic Development (“LED”) and approval of the Board, ("Alliance"), **Superior Commerce, LLC**, and its successors upon recommendation of LED and approval of the Board ("Commerce"), **Cypress, Inc.**, and its successors upon recommendation of LED and approval of the Board (Alliance, Commerce and Cypress collectively referred to herein as the "Nevada Entities"), and **Pool Corporation**, its affiliated domestic entities owned directly or indirectly fifty percent or more by Pool Corporation, and the successors to Pool Corporation upon recommendation of LED and approval of the Board, and the aforementioned affiliated entities (collectively referred to herein as "POOL"); and with approval of the Governor of the State of Louisiana who joins herein for the purpose of giving approval, acting herein under and by virtue of the authority vested in them by the provisions of R.S. 47:3201, et seq., of Sub-Title V, Chapter 1, Exemptions for Industry.

Witnesseth:

WHEREAS, Alliance is primarily engaged in the management of intellectual property and other intangibles, including without limitation registration, maintenance, licensing and oversight of EPA registrations, trademarks, service marks, and patents;

AND WHEREAS, Commerce is primarily engaged in the business of acquiring certain trade receivables for fair market value and securing third party financing;

AND WHEREAS, Cypress is primarily engaged in the procurement of swimming pool supplies, equipment, related pool parts and supplies and other leisure related products and merchandise for POOL and certain non-affiliated businesses;

AND WHEREAS, bringing these Nevada entities to this State has resulted in the employment of new employees in this State and the potential for growth through the best efforts of those companies in the future;

AND WHEREAS, each of the Nevada Entities has moved its headquarters from Las Vegas, Nevada to Covington, Louisiana;

AND WHEREAS, the state of Nevada has a greater tax advantage to the Nevada Entities than the taxing structure of the State;

AND WHEREAS, Louisiana recognizes that the encouragement of new headquarters to locate in the State is essential to the continued growth and development of the State and to the continued prosperity and welfare of the people of the State;

AND WHEREAS, Louisiana recognizes that new headquarters, which might otherwise locate in the State, locate in other states because of lower taxes imposed by such other states;

AND WHEREAS, Louisiana desires to encourage the Nevada Entities to remain in the State by equalizing taxes imposed upon the Nevada Entities to the levels imposed by Nevada;

AND WHEREAS, POOL is primarily engaged in the wholesale distribution of swimming pool supplies, equipment, related pool parts and supplies and other leisure related products and merchandise to retailers, dealers, service contractors and pool builders;

AND WHEREAS, POOL is contemplating locating in another state, Florida, which has a greater tax advantage than the taxing structure of Louisiana;

AND WHEREAS, Louisiana acknowledges that the continued operation and maintenance of POOL's chief corporate headquarters in St. Tammany Parish will provide significant economic benefit to Louisiana;

AND WHEREAS, R.S. 47:3201, provides, in part, that its purpose is "to encourage the establishment and retention of manufacturing establishments, headquarters, or warehousing and distribution establishments in Louisiana by providing a procedure whereby the total state and local taxes imposed upon such establishments may be reduced, after all other tax incentives for specific sites are applied, to the levels imposed by other competing states;

AND WHEREAS, The Board of Commerce and Industry previously granted and the Nevada Entities and POOL received a five-year Tax Equalization Program contract for tax credits for the years 2004 through 2008 and the Board also previously granted and the Nevada Entities and POOL received a five-year renewal of the original Tax Equalization Program contract for the years 2009 through 2013;

AND WHEREAS, La. R.S. 47:3204.B.(1)(a) provides that "each contract of exemption entered into under authority of this Chapter shall be reviewed and reevaluated, and shall be subject to renegotiation, five years from the date of the execution of the contract and may be renewed for an additional five-year periods", and the Nevada Entities and POOL applied for renewal of the tax credit under that provision;

AND WHEREAS on April 29, 2014 the Board of Commerce and Industry approved the Nevada Entities and POOL's application for a renewal;

AND WHEREAS the Nevada Entities and POOL agree that they, their successors, or assigns, shall continue to own, operate and maintain their headquarters facilities located in Covington, Louisiana, St. Tammany Parish (the "Covington Site") and the operation of which is estimated to maintain employment of at least approximately 264 people as referred to in Article III;

AND, WHEREAS, all requirements of the law on behalf of the Nevada Entities and POOL having been complied with and the Governor and the State Board of Commerce and Industry having deemed this contract to be in the best interest of the State;

NOW THEREFORE, the parties hereto do mutually covenant and agree to the following:

ARTICLE I

The Nevada Entities agree and warrant that, as set forth in R.S. 47:3204 H, the amount of credit under this contract shall be only such amount of tax credit or credits as is necessary to effect equality in amount between the total state and local taxes payable in Covington, St. Tammany Parish, Louisiana and the total state and local taxes which would have been payable had the Nevada Entities located in Las Vegas, Clark County, Nevada. The tax equalization shall apply to the respective tax burdens only after application of all of the tax incentives offered at the respective locations attributable to the facility. It is assumed that any taxes due to other states and to the federal government would remain the same no matter where the enterprise is located.

POOL agrees and warrants that, as set forth in R.S. 47:3204 H, the amount of credit under this contract shall be only such amount of tax credit or credits as is necessary to effect equality in amount between the total state and local taxes payable in Covington, St. Tammany Parish, Louisiana and the total state and local taxes which would have been payable had POOL located its headquarters in Broward County (including applicable municipal taxes), Florida. The tax equalization shall apply to the respective tax burdens only after application of all of the tax incentives offered to the company at the respective location attributable to the facility. It is assumed that any taxes due to other states and to the federal government would remain the same no matter where the enterprise is located.

In consideration of this Tax Equalization Program contract, the Nevada Entities and POOL agree to maintain their headquarters in the State and shall continue to employ at least 264 employees at that headquarters. Any new employees conducting administrative/headquarters functions added to either the Nevada Entities or Pool Corporation shall be added to a Louisiana location unless the companies have a compelling business reason to have the employees located elsewhere. The Nevada Entities and Pool Corporation shall make an annual report of all new domestic administrative/headquarters hires according to the function of the position, salary range, and location of the employee to the Louisiana Department of Economic Development. This annual report shall be due on or before thirty days after the fiscal year end of the Nevada Entities and Pool Corporation. Pool Corporation's participation under the Agreement shall not prohibit Pool Corporation's ability to participate in any other additional incentive programs offered by the state.

ARTICLE II

This renewal contract is subject to R.S. 47:3201 et. seq. and to the rules promulgated by the Board of Commerce and Industry for the Tax Equalization Program.

ARTICLE III

The first year of this five-year tax equalization contract period shall be the taxable years of the Nevada Entities and POOL beginning in 2014. This contract shall expire on the last day of the taxable years of the Nevada Entities and POOL beginning in 2018.

If, within the term of this contract, the Nevada Entities or POOL fail to continue operations of their headquarters, as represented to the Board of Commerce and Industry in its application for Tax Equalization Renewal, the Board of Commerce and Industry reserves the right to modify or terminate this contact including rescinding or reducing the amount of this contract and benefits or credits already received retroactive to the beginning date of this contract.

ARTICLE IV

It is recognized that the yearly amount of credits necessary to effect equality in amount between the taxes payable in Louisiana and the taxes which would have been payable in Las Vegas, Clark County, Nevada, and Broward County, Florida, respectively cannot be determined in advance. The parties agree that the comparison of the respective tax burdens applicable to the Covington, St. Tammany Parish, Louisiana headquarters sites and the Nevada and Florida sites shall be determined annually.

Therefore, annually for each taxable year of the Nevada Entities and POOL, at the time of filing the Nevada Entities and POOL's annual Louisiana corporation franchise tax and corporation income tax returns, each Nevada Entity and POOL shall separately furnish, to the Department of Revenue and the Department of Economic Development, the following, where applicable:

(1) a taxable year compilation of what would have been the state and local sales and use taxes, including any applicable tax incentives, of the Nevada Entities and POOL had they located at their respective Nevada or Florida site; together with a compilation of the actual Louisiana state and local sales and use taxes paid for each Nevada Entities' and POOL's taxable year;

(2) using forms provided by the applicable taxing authorities in Nevada and Florida, a computation of the corporate income tax and corporate franchise tax, individual income tax, or other equivalent tax based on either income or capital, including any applicable incentives, which would have been owed had the Nevada Entities or POOL located at their respective Nevada or Florida site;

(3) all other state and local returns or tax payment information, including any applicable tax incentives, for the Nevada Entities and POOL's taxable year which would have been filed or paid by the Nevada Entities or POOL had the Nevada Entities or POOL located at their respective Nevada or Florida site;

(4) all other tax returns, including any applicable incentives, filed in the state of Louisiana with other state agencies or local governments.

The Nevada Entities and POOL shall only consider incentives in Nevada or Florida that would currently be available to the company had they located in either Nevada or Florida in 2004, the original year of the Tax Exemption contract. Therefore POOL shall be allowed to carry forward credits from Florida's Qualified Target Industry Tax Refund which would have been earned in prior years of the tax equalization contract had the company located in Florida but have not yet been utilized as part of the equalization. Additionally, POOL will only be allowed to generate new credits under the Qualified Target Industry Tax refund on new jobs created in a year of this tax equalization renewal contract.

The Department of Economic Development is hereby authorized to review all tax returns of the Nevada Entities and POOL and to share the information with the Department of Revenue. The Nevada Entities and POOL hereby specifically authorizes the Louisiana Department of Revenue to share with the Department of Economic Development all tax return information relevant to the determination of the credits authorized by this contract or relevant to the administration of this contract. The Department of Economic Development shall maintain such information in a separate confidential file and shall not disclose such information without the written consent of the Nevada Entities and POOL.

The data reflecting the tax burden, including any available tax incentives, which would have been incurred in the state of Nevada or Florida respectively, shall be compiled on behalf of the Nevada Entities and POOL by an independent Certified Public Accounting firm (the "compilation"). The Compilation shall include an accounting of all state and local Louisiana tax liabilities (income taxes, franchise taxes, sales taxes, etc.) already exempted or refunded under any other exemption contract, ie: Industrial Ad Valorem Tax Exemption Contract, and/or an Enterprise Zone Contract during any year covered by the Tax Equalization Contract period. The Compilation shall illustrate the impact of similar or other exemptions available at the applicable Nevada or Florida site. The Compilation shall be constructed in spreadsheet form similar to that used by the Department of Economic Development (the "format"), or recommended by the Department of Revenue. The Format shall illustrate completely, the amount being taxed, the tax rate, the tax formula, and the amount of tax, for all state and local taxes and incentives. All computations shall be summarized by tax, by state, and the summaries compared. The illustrations shall be supported by photo copies of, and referenced by footnote to actual tax returns where applicable. The Nevada Entities, POOL, and the CPA firm shall make every effort to facilitate an easy, readily understandable submission which will allow the Department of Revenue to process the return and refund in an expedient and timely manner.

The compilation shall be based on the assumption that a facility, if operated in Clark County, Nevada, or Broward, County, Florida, where applicable, is identical to the facility being operated in Louisiana and shall use the same asset, liability, and capital structure and the same revenue and expense structure as the actual operation.

The CPA firm shall certify to the best of its knowledge and belief that the data furnished are true and correct statements of the taxes which would have been incurred during the taxable year of the Nevada Entities and POOL had the Nevada Entities located at the Nevada site, using the same level of business activity that the Nevada Entities enjoys in Louisiana or had POOL located at the Florida site, using the same level of business activity that POOL enjoys in Louisiana.

Annually for each taxable year of the Nevada Entities or POOL and on the basis of all pertinent information, the Department of Revenue and the Department of Economic Development may review the total tax liability of the Nevada Entities and POOL in Louisiana and the total tax liability that the Nevada Entities would have incurred had the Nevada Entities located at the Nevada site and the total tax liability of POOL would have incurred had POOL located at the Florida site. The Department of Economic Development, Office of Commerce and Industry may assist the Department of Revenue should any audit of the tax data for the state of Nevada or Florida be necessary.

If the total tax liability of an Nevada Entity in Louisiana, attributable to the headquarters, for the Nevada Entity’s taxable year is greater than the total tax liability that the Nevada Entity would have incurred in the state of Nevada had it located at the Nevada site, then the Nevada Entity’s Louisiana tax liability shall be reduced by allowing, in accordance with Article V, a credit against certain taxes until the Louisiana tax burden is equal to the tax burden the Nevada Entity would have incurred if it had located in the state of Nevada. If the total tax liability of POOL in Louisiana, attributable to the headquarters, for POOL’s taxable year is greater than the total tax liability that POOL would have incurred in the state of Florida had it located at the Florida site, then POOL’s Louisiana tax liability shall be reduced by allowing, in accordance with Article V, a credit against certain taxes until the Louisiana tax burden is equal to the tax burden POOL would have incurred if it had located in the state of Florida.

If POOL and/or the Nevada Entities fail to maintain at least 264 headquarters jobs for any contract year, POOL and the Nevada Entities shall forfeit all tax equalization benefits for such year. Jobs shall be calculated by averaging the number of jobs during the twelve months period based upon the count on the 12th day of each month.

ARTICLE V

Once an annual credit amount has been determined, and without regard to the tax types that compose the credit amount, the credit should first be applied as follows:

1. to any Louisiana corporate franchise taxes;
2. to any Louisiana corporate income tax or personal income tax;
3. to any Louisiana sales and use taxes on purchases and leases of, and repairs to, machinery and equipment to be used in on-site operation of Covington headquarters site;
4. to any Louisiana sales and use taxes imposed by the state upon materials and supplies necessary for the manufacture or production of a product at the Covington site; and
5. to any other taxes imposed by the state to which such businesses are subject.

If the credit against tax for a taxable year of a Nevada Entity or POOL, as determined in Article IV above, is greater than the amount of Louisiana taxes incurred in the taxable year to which the tax equalization credit is to be applied, then the excess tax equalization credit shall be carried forward for five years following the year in which the credit was earned.

ARTICLE VI

In the event a Nevada Entity or POOL should sell or otherwise dispose of its headquarters location or property being covered by this contract for tax equalization (said facility or property being more fully described in the Tax Equalization Program Affidavit of Final Cost), the purchaser of the said facility or property may, within ninety (90) days of the date of such act of sale, apply to the Board of Commerce and Industry for a transfer of this contract to the purchaser. The Board shall consider all such applications for transfer of contracts for credit strictly on the merits of the application for such transfer. No such transfer shall in any way impair or amend any of the provisions of the contract so transferred other than to change the name of a Nevada Entity or POOL. Failure to request or apply for a transfer within the stipulated time herein set forth shall constitute violation of the terms hereof.

ARTICLE VII

The Nevada Entities and POOL agree to an annual review and inspection by the Department of Economic Development and, upon reasonable notice and during normal business hours shall make all books and records of the company relating to the facility or property covered by this contract available for inspection. If an annual review is requested, the Nevada Entities and POOL agree to have an officer of authority in attendance at the yearly review of the credit by the Department of Economic Development. Included in this annual review shall be a review of employment data on the average number of jobs by month.

ARTICLE VIII

Written notice of any violations of the terms and conditions of this contract shall be given to the Nevada Entities and POOL, who shall have ninety (90) days within which to correct the violations. If the violation is not corrected within ninety (90) days, any remaining benefits granted under this contract may be terminated.

ARTICLE IX

The Nevada Entities and POOL may terminate this contract by giving a thirty (30) day written notice of cancellation to the Secretary of Economic Development. The credit from taxes herein granted by the State of Louisiana shall cease and terminate should the operation of the facility contemplated by this contract be abandoned.

All notices, requests, demands or other communications provided for herein or in any instrument or document delivered pursuant hereto shall be in writing and shall be deemed to have been given when sent by registered or certified mail, return receipt requested, addressed as the case may be to:

Office of the Secretary
Louisiana Department of Economic Development
Post Office Box 94185
Baton Rouge, Louisiana 70804-9185

and

If to any of the Nevada Entities, to:

Alliance Trading, Inc., Superior Commerce, LLC, or Cypress, Inc.
c/o Pool Corporation
109 Northpark Boulevard
Covington, Louisiana 70433-5001
Attention: President
Facsimile: 985-892-2438

If to POOL, to:

POOL CORPORATION
109 Northpark Boulevard
Covington, Louisiana 70433-5001
Attention: Mr. Manuel J. Perez de la Mesa
Facsimile: 985-892-2438

or at such address as such party shall designate from time to time in writing and forwarded in like manner.

ARTICLE X

This contract shall be construed and interpreted in accordance with and be governed by the laws of the State of Louisiana, including but not limited to R.S. 47:3201, et. seq., and the rules promulgated thereunder; provided however, that if R.S. 47:3201 et. seq., or any successor provisions or the rules promulgated thereunder are amended to give greater tax equalization benefits to the Nevada Entities and to POOL, and if the amendment(s) are deemed by the Legislature to apply to contracts for tax equalization in force at the time of the amendments(s), then the Nevada Entities and POOL may apply for the expanded tax equalization benefits which shall be incorporated into this contract.

This contract including any exhibits attached hereto and incorporated herein by reference contains the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and may not be modified, supplemented, or amended except in writing duly executed by all parties hereto.

Any modification, supplement, amendment, or waiver of any provision of this contract shall be effective only if in writing, duly executed by all parties hereto and same shall be effective only for the period of time and on the conditions and purposes specified in such writing.

Baton Rouge, Louisiana on the _______ day of ______________, 2014.

Witnesses as of the
STATE OF LOUISIANA:

____

____

STATE OF LOUISIANA
Board of Commerce and Industry

____
Anne G. Villa
Board of Commerce & Industry
Authorized Representative

Approved the ___ day of _____________, 2014.

BY: ____
Bobby Jindal
GOVERNOR OF THE STATE OF LOUISIANA

Covington, Louisiana on the _____ day of _____________, 2014

Witnesses as to:

POOL Corporation

____

____

POOL Corporation

____

By ______________________________
Title _____________________________

Witnesses as to:

Alliance Trading Inc.

____

____

Alliance Trading Inc.

____

By ______________________________
Title _____________________________

Witnesses as to:

Superior Commerce LLC

____

____

Superior Commerce LLC

____

By ______________________________
Title _____________________________

Witnesses as to: Cypress Inc.

Cypress Inc.

___________________________ ___________________________________

___________________________ By ________________________________

Title ______________________________

Please retain the contract but return all signature pages. A completed signature page will be returned for your records.

LOUISIANA OFFICE OF BUSNINESS DEVELOPMENT SERVICES
Business Incentives Division
P.O. Box 94185, Capitol Station
Baton Rouge, LA 70804-9185
Attention: Tax Equalization Program Administrator