

Independent Accountant's Report
on Applying Agreed-Upon Procedures

Ms. Sylvania Holt-Rabb, Financial Director
City of Austin
Economic Development Department
301 West 2nd Street, Suite 2030
Austin, Texas 78701

We have performed the procedures enumerated below, which were agreed to by the City of Austin (the "City") solely to assist the specified user in evaluating the City's assertion that Hanger, Inc. ("Hanger") has complied for the reporting year 2012 with certain provisions, as described below, of the Chapter 380 Economic Development Agreement (the "Agreement"), approved by the City Council on January 28, 2010, through Ordinance No. 20100128-043 and executed by the City Manager on February 9, 2010. The City is the specified user of this report. The City's management is responsible for the determination of compliance by Hanger with the Agreement. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. With reference to Section 2.01 of the Agreement:
 - a. We obtained from Hanger a schedule showing Hanger's 2012 investment in leasehold improvements. We inspected the schedule and confirmed Hanger's 2012 investment in leasehold improvements totaled \$1,936,709.41. No exceptions were found as a result of the foregoing procedures.
 - b. Using the schedule obtained in Procedure 1a, we selected a sample of three items representing 26% of Hanger's 2012 investment in leasehold improvements. For the sample selected, we inspected each invoice or other supporting documentation and confirmed each invoice or supporting documentation agreed to the report provided by Hanger. No exceptions were found as a result of the foregoing procedures.

2. With reference to Section 2.01 of the Agreement:
 - a. We obtained from Hanger a schedule showing Hanger's 2012 investment in furniture, fixtures and equipment. We inspected the schedule and confirmed Hanger's 2012 investment in furniture, fixtures, and equipment totaled \$1,407,132.05. No exceptions were found as a result of the foregoing procedures.
 - b. Using the schedule obtained in Procedure 2a, we selected a sample of six items representing 24% of Hanger's 2012 investment in furniture, fixtures, and equipment. For the sample selected, we inspected each invoice or other supporting documentation and confirmed each invoice or supporting documentation agreed to the report provided by Hanger. No exceptions were found as a result of the foregoing procedures.
3. With reference to Section 2.01 of the Agreement:
 - a. We obtained from Hanger a schedule indicating Hanger's 2012 investment in machinery and equipment. We inspected the schedule and confirmed Hanger's 2012 investment in machinery and equipment totaled \$343,158.21. No exceptions were found as a result of the foregoing procedures.
 - b. Using the schedule obtained in Procedure 3a, we selected a sample of four items representing 68% of Hanger's 2012 investment in machinery and equipment. For the sample selected, we inspected each invoice or other supporting documentation and confirmed each invoice or supporting documentation agreed to the report provided by Hanger. No exceptions were found as a result of the foregoing procedures.
4. With reference to Section 2.02(a) of the Agreement:
 - a. We obtained from Hanger a payroll schedule listing Hanger employees for the year ended December 31, 2012. We inspected the schedule and confirmed it included the name, hire date, compensation rate, and number of hours compensated during the year ended December 31, 2012 for each employee. We also inspected the schedule and confirmed it included 177 full-time Hanger employees. No exceptions were found as a result of the foregoing procedures.
 - b. Using the schedule obtained in Procedure 4a, we selected a sample of 18 items representing 10% of the employees listed in the schedule. For the sample selected, we inspected the paystub or other supporting documentation for the payroll period ending December 31, 2012, and we confirmed each paystub or other supporting documentation agreed to the report provided by Hanger. No exceptions were found as a result of the foregoing procedures.
 - c. Using the schedule obtained in Procedure 4a, we recalculated the average annual salary, including bonuses, but excluding benefits, of the 177 full-time Hanger employees. We confirmed the recalculated average annual salary is at least \$125,000. No exceptions were found as a result of the foregoing procedures.

5. With reference to Section 2.03(a) of the Agreement:
 - a. We obtained from Hanger a payroll schedule listing Innovative Neurotronics employees for the year ended December 31, 2012. We inspected the schedule and confirmed it included the name, hire date, and number of hours compensated during the year ended December 31, 2012 for each employee. We also inspected the schedule and confirmed it included 19 full-time Innovative Neurotronics employees. No exceptions were found as a result of the foregoing procedures.
 - b. Using the schedule obtained in Procedure 5a, we selected a sample of two items representing 11% of the employees listed in the schedule. For the sample selected, we inspected the paystub or other supporting documentation and confirmed each paystub or other supporting documentation agreed to the report provided by Hanger. No exceptions were found as a result of the foregoing procedures.

6. With reference to Section 2.04(a) of the Agreement:
 - a. We obtained verbal confirmation from Hanger's Sandie Padgett, Human Resources Business Leader, on May 21, 2013 that Hanger provides each new headquarters employee with an employee handbook, interactive new hire orientation, and compliance training. We also obtained verbal confirmation from Ms. Padgett that each new employee signs an Acknowledgement of Employment Policies, a Harassment Policy Acknowledgement, and a Compliance Information Acknowledgement. No exceptions were found as a result of the foregoing procedures.
 - b. We obtained from the City a copy of an expense report submitted June 27, 2012 by Hanger employee Sharon King. We inspected such documentation and confirmed it included a receipt or other supporting documentation noting payment for membership dues for Hanger's membership with the Austin Asian American Chamber of Commerce on June 8, 2012. No exceptions were found as a result of the foregoing procedures.
 - c. We obtained from the City a copy of the receipt dated March 18, 2013 or other supporting documentation from the Capital City African American Chamber of Commerce. We inspected such documentation and confirmed Hanger purchased a membership in the Capital City African American Chamber of Commerce. No exceptions were found as a result of the foregoing procedures.
 - d. We obtained from the City a copy of the invoice or other supporting documentation from the Greater Austin Hispanic Chamber of Commerce dated February 24, 2012. We inspected such documentation and confirmed Hanger purchased a membership in the Greater Austin Chamber of Commerce. No exceptions were found as a result of the foregoing procedures.

- e. We obtained from the City a list provided by Hanger's Sandie Padgett of Recruiting and Sourcing Firms that includes information about the firms. Using this list and supporting information, we confirmed the information provided by Ms. Padgett about each of the firms:
- One of the firms posts opening to various state and local job agencies.
 - Another of the firms posts openings to sites that recruit minority and/or disabled individuals and/or veterans seeking jobs.
 - The third firm uses resources to recruit individuals of diverse races, genders, orientations and abilities and military network job sites.

No exceptions were found as a result of the foregoing procedures.

7. With reference to Section 2.04(b) of the Agreement:

- a. We obtained from Hanger a report showing the names and addresses of 45 individuals hired in 2012 by Hanger for its headquarters. We inspected the report and confirmed all 45 individuals have addresses in the Austin Round Rock Metropolitan Statistical Area ("MSA"). No exceptions were found as a result of the foregoing procedures.
- b. Using the report obtained in Procedure 7a, we select a sample of 5 items representing 11% of the 45 employees with addresses in the Austin Round Rock MSA. For the sample selected, we inspected the Form W-2 or other supporting documentation of each sampled employee and confirmed the employee's address on the Form W-2 corresponded to the address in the schedule provided. No exceptions were found as a result of the foregoing procedures.

8. With reference to Section 2.05(a) of the Agreement:

- a. We obtained from Hanger a report noting Hanger's 2012 expenditures paid to six local vendors. We inspected the report and confirmed Hanger's expenditures with these businesses totaled \$72,485.41 in 2012. No exceptions were found as a result of the foregoing procedures.
- b. Using the report obtained in Procedure 8a, we selected a sample of three items representing 10% of Hanger's reported 2012 expenditures paid to these six local vendors. For the sample selected, we inspected invoices or other appropriate supporting documentation and confirmed each invoice or other supporting documentation agreed to the report provided by Hanger. No exceptions were found as a result of the foregoing procedures.
- c. We obtained from the City reports or copies of web pages from each of the six vendors' websites noted at Procedure 8a. We inspected the reports or copies of web pages and confirmed each vendor has an Austin location per the internet report. No exceptions were found as a result of the foregoing procedures.

- d. We obtained verbal or written confirmation from Hanger's Tom Hartman on May 21, 2013 that before making a purchase for its headquarters, Hanger checks the City's Small and Minority Business Resources database to identify any certified vendors that could provide the service or commodity. We confirmed with Mr. Hartman that Hanger then obtains bids from three vendors, including any certified vendors identified in the City's Small and Minority Business Resources database. No exceptions were found as a result of the foregoing procedures.
9. With reference to Section 2.05(b), 2.05(c), and 2.05(d) of the Agreement:
 - a. We obtained from the City a copy of a memorandum dated November 22, 2013 from Veronica Briseno Lara, Director of the City's Small and Minority Business Resources Department ("SMBR"), to Kevin Johns, Director of the City's Economic Development Department. No exceptions were found as a result of the foregoing procedures.
 - b. We inspected the memorandum obtained at Procedure 9a and confirmed, according to the memorandum, Hanger complied in 2012 with the MDE/WBE requirements per the Agreement. No exceptions were found as a result of the foregoing procedures.
 10. With reference to Section 2.06 of the Agreement:
 - a. We obtained a report provided by the City resulting from the query of the City of Austin Interactive Development Review Permitting and Inspection Database for records with "Hanger" in the Project Name for the period from January 1, 2012 through January 28, 2013. We inspected the report and confirmed the report produced by the query of the database contained no record of any site plan or subdivision application or amendment filed by Hanger during that period. No exceptions were found as a result of the foregoing procedures.
 - b. We obtained from the City a copy of e-mail communication from the City dated June 26, 2013 from Susan Scallon of the City's Watershed Protection Department to Terry Franz of Economic Development Department. We inspected the e-mail and confirmed according to the e-mail Hanger did not assert any Chapter 245 right in connection with any of its site plan or subdivision applications or amendments between January 1, 2012 and January 28, 2013. No exceptions were found as a result of the foregoing procedures.
 11. With reference to Section 2.07 of the Agreement, we obtained from the City Hanger's 2012 Economic Development Reporting Form, received by the City on March 27, 2013. We inspected the report and confirmed Hanger provided the completed and signed Economic Development Reporting Form to the City on March 27, 2013. No exceptions were found as a result of the foregoing procedures.

12. With reference to Section 2.08 of the Agreement, we obtained from the City, Hanger's acknowledgement to the Economic Growth and Redevelopment Services Office regarding the stipulation that Hanger has not employed undocumented workers. We inspected the acknowledgement and confirmed that, according to the acknowledgement, during the term of the Agreement Hanger has:

- (1) not been notified of any complaint alleging that it has employed undocumented workers;
- (2) agreed that if it is notified of any such complaint during the term of the Agreement it will notify the City, and
- (3) not been convicted of any violation under 8 U.S.C. Section 1324a(f)

No exceptions were found as a result of the foregoing procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City and is not intended to be, and should not be, used by anyone other than this specified party.

Pudgett, Stratemann + Co., LLP

Certified Public Accountants
Austin, Texas
December 13, 2013