



March 27, 2013

City Manager  
301 West 2<sup>nd</sup> Street  
Austin, TX 78701

Re: Annual Certification of Compliance under City of Austin/Hanger Orthopedic Group  
Chapter 380 Economic Development Agreement dated as of February 9, 2010

Ladies and Gentlemen:

Attached per Section 2.07 of the above-referenced agreement, please find our Certificate of Compliance for the Reporting Year January 1 through December 31, 2012.

Please contact me at 512-777-3740 with any questions you may have, or if I may otherwise be of assistance.

Very truly yours,

Thomas E. Hartman  
Vice President and General Counsel

cc: Director, Economic Growth  
and Redevelopment Services Office  
301 West 2<sup>nd</sup> Street  
Austin, TX 78704

City Attorney  
301 West 2<sup>nd</sup> Street  
Austin, TX 78701

Exhibit D

Certificate of Compliance

Company: HANGER, Inc.

Reporting Year: January 1 through December 31, 2012 Year # 3 of 10

1.0 Investment

- 1.1 §2.01 of the Agreement requires that after the Effective Date of the Agreement and before December 31, 2014, at least \$2,114,252 shall be invested in the making of leasehold improvements to the Headquarters.
- a. The City verified Hanger's investment of \$2,411,054.51 in leasehold improvements in Year 1.
  - b. During the Reporting Year \$ 2,041,932.00 has been invested in leasehold improvements at the Headquarters
- 1.2 §2.01 of the Agreement requires that after the Effective Date of the Agreement and before December 31, 2014, at least \$1,691,401 shall be invested in "Machinery and Equipment" that is to be installed and used at the Headquarters. "Machinery and Equipment" means machinery and equipment purchased, installed and used at the Headquarters for the purpose of supporting the company's operations.
- a. To date the City has verified Hanger's investment of \$1,222,154.80 in Machinery and Equipment.
  - b. During the Reporting Year \$ 332,232.27 has been invested in "Machinery and Equipment" installed at the Headquarters.
- 1.3 §2.01 of the Agreement requires that after the Effective Date of the Agreement and before December 31, 2014, at least \$2,938,682 shall be invested in furniture, fixtures, and equipment to be used at the Headquarters.
- a. To date the City has verified Hanger's investment of \$2,018,645.09 in furniture, fixtures and equipment.
  - b. During the Reporting Year \$ 1,285,069.99 has been invested in furniture, fixtures, and equipment used at the Headquarters.

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Reporting Year: January 1 through December 31, 2012 Year # 3 of 10

2.0 Employment

2.1 Total number of New Full-Time Jobs plus Existing Jobs at facility for reporting year 2012: §2.02 of the Agreement requires 133 New Full-Time Jobs and 19 Existing Jobs by December 31, 2010 for Years 1-5 and allows funding in Years 6-10 if the Company has 250 New Full-Time Jobs and 19 Existing Jobs.

a. Number of New Full-time Jobs by December 31, 2012: 177

b. Number of Existing Jobs retained by December 31, 2012: 19

2.2 At December 31<sup>st</sup> did the number of New Full-time Jobs and number of Existing Jobs fall below the numbers required under Sections 2.02 and 2.03 of the Agreement?

Yes  No

If Hanger answered yes to question 1.2, did Hanger re-establish or replace the required numbers of New Full-time Jobs and Existing Jobs within 90 days after the date of the termination or elimination that caused the number of New Full-time Jobs and/or Existing Jobs to fall below the required amounts?

Yes  No

2.3 Was the average annual gross compensation, excluding health insurance and retirement benefits, of the New Full-time Jobs delineated in 1.1 at least \$97,343, as required by §2.02(a) of the Agreement?

Yes  No

3.0 Recruitment

3.1 §2.04 of the Agreement requires Hanger to:

- a. Adhere to its "Fair Employment Practices" procedures (Exhibit B to the Agreement);
- b. Use good faith efforts to work with non-profit organizations such as the Austin Asian American Chamber of Commerce, the Capital City African American Chamber of Commerce, the Career Expo for People with Disabilities, the Greater Austin Hispanic Chamber of Commerce, the National Society of Black Engineers, the Out and Equal Summit, and other appropriate organizations, to expand its pool of diverse candidates in recruiting efforts; and
- c. Use reasonable efforts to employ residents of the Austin Round Rock Metropolitan Statistical Area for its New Full Time Job recruiting efforts.

Did Hanger comply with the recruiting requirements in §2.04 of the Agreement?

Yes  No

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Reporting Year: January 1 through December 31, 2012 Year # 3 of 10

4.0 Supplier Diversity

4.1 §2.05(a) of the Agreement requires Hanger to use commercially reasonable efforts to provide local small businesses and minority-, women- and veteran-owned businesses, an equal opportunity to participate as suppliers for materials and services purchased by Hanger exclusively for use at the Headquarters.

Did Hanger provide such opportunities during 2012?

Yes  No

4.2 §2.05(a) of the Agreement requires Hanger to adhere to its Supplier Diversity Policy for procurement of materials and services for use at its Headquarters.

Did Hanger comply with its Supplier Diversity Policy during 2012?

Yes  No

4.3 Was there any construction at the Headquarters during 2012?

Yes  No

If not, please skip to Section 5.0.

4.4 §2.05(b) of the Agreement requires Hanger to comply with the applicable standards and principles of Chapters 2-9A through 2-9D of the City's ordinance for minority-owned and women-owned business enterprises in the design and construction of Hanger's facilities at the Headquarters, including, but not limited to, leasehold improvements.

4.5 §2.05(c) of the Agreement requires that with respect to any design or construction projects at the Headquarters (including, but not limited to, leasehold improvements), Hanger's architect and general contractor must use its good faith efforts to meet the following ethnic-specific participation goals:

	Construction-Related Professional Services Participation Goals	Construction Participation Goals
African-American -owned Business Enterprises	1.9%	1.7%
Hispanic-owned Business Enterprises	9.0%	9.7%
Asian-American and Native American-owned Business Enterprises	4.9%	2.3%
Women-owned Business Enterprises	15.8%	13.8%

If Hanger fails to meet each of such goals, Hanger must submit documentation demonstrating its architect's and its general contractor's good faith efforts to meet the goals. Good faith efforts are those efforts described in the City's M/WBE Program Ordinance.

Did Hanger comply with Sections 2.05(b), 2.05(c) and 2.05(d) of the Agreement during 2012?

Yes  No

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**Certificate of Compliance**

**Company: HANGER, Inc.**

**Reporting Year: January 1 through December 31, 2012 Year # 3 of 10**

**5.0 Additional Covenants**

5.1 Did Hanger comply with the other provisions of the Agreement?

Yes

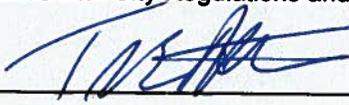
No

**6.0 Incentive Payment Request**

6.1 The Agreement requires an economic development incentive payment up to \$500,000 to be distributed over a 10-year period in annual payments of \$50,000.

6.2 Total Request for 2012: \$ 50,000.00

I, the authorized representative for Hanger, Inc. hereby certify that the above information is correct and accurate pursuant to the terms of the Agreement. I further certify that Hanger, Inc. complied fully with the Chapter 380 Economic Development Agreement during the reporting year, including Section 2.06 regarding Compliance with City Regulations and Sections 2.08 regarding Texas Government Code Chapter 2264.

Signature:  \_\_\_\_\_

Printed Name: Thomas E. Hartman

Title (Chief Financial Officer or equivalent): Vice President & General Counsel

Date: March 27, 2013