

August 29, 2012

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

Ms. Sylnovia Holt-Rabb, Acting Assistant Director
City of Austin
Economic Growth and Redevelopment Services Office
301 West 2nd Street
Austin, Texas 78701

We have performed the procedures enumerated below, which were agreed to by the City of Austin ("City") solely to assist the specified user in evaluating the City's assertion that Samsung Austin Semiconductor, L.L.C. ("Samsung") has complied for the reporting year 2011 with certain provisions, as described below, of the Chapter 380 Economic Development Agreement (the "Agreement"), approved by the City Council on August 18, 2005, through Ordinance 20050818-008 and executed by the City Manager on April 13, 2006. The City is the specified user of this report. The City's management is responsible for the determination of compliance by Samsung 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 4.01.1 of the Agreement:
 - a. We obtained from Samsung the payroll report, including all Samsung 300mm Fab employee names, hire dates, and, if applicable, termination dates, and confirmed Samsung employed a total of 1,452 Samsung 300mm Fab employees throughout the year ending December 31, 2011. No exceptions were found as a result of the foregoing procedures.
 - b. Using the report referenced in Procedure 1a, we selected a sample of 146 items representing 10% of the reported number of employees. We inspected the June 7, 2011 payroll stub for each employee selected and confirmed the employee was paid for at least 80 hours of work, overtime, and/or paid leave for the period from May 22, 2011 to June 4, 2011 (including May 31, 2011). No exceptions were found as a result of the foregoing procedures.

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2. With reference to Section 4.01.1 of the Agreement:
 - a. We obtained from the City a listing of 49 companies who had employees working at Samsung during 2011. We inspected the list and confirmed 6 of the 49 companies employed a total of 254 employees at Samsung during 2011. No exceptions were found as a result of the foregoing procedures.
 - b. We obtained from the City an e-mail from Samsung's Joe Airaudi to Terry Franz of Economic Growth and Redevelopment Services Office ("EGRSO") dated March 13, 2012. We inspected the e-mail and confirmed the e-mail included specific employee contact information for each of the six companies. We obtained telephone or e-mail confirmation from each of the six companies that each contact was employed by the company contracted by Samsung. No exceptions were found as a result of the foregoing procedures.
 - c. Using the list referenced in Procedure 2a, we obtained telephone or e-mail confirmation from the 6 contracting company contacts of the total number of full-time equivalent employees each contracting company employed at Samsung during 2011. We confirmed the 6 contracting companies had an aggregate total of 254 full-time equivalent employees contracted by Samsung during 2011. No exceptions were found as a result of the foregoing procedures.
3. With reference to Section 4.01.2 of the Agreement, we obtained an e-mail confirmation dated April 17, 2012 from Capital Area Workforce Solutions' Donna Crenshaw to Terry Franz of ERGSO. We inspected the e-mail and confirmed that during 2011 Samsung posted job openings through Texas Workforce Solutions. No exceptions were found as a result of the foregoing procedures.
4. With reference to Section 4.01.3 of the Agreement, we obtained from Samsung a list of Samsung's bid packages for the Atlas and Saturn Projects including the dollar amount of each bid package.
 - a. Using the list of Atlas bid packages we obtained in Procedure 4, we selected a sample of three subcontractors representing 12% of the total bid packages awarded. For each subcontractor selected, we obtained and inspected the executed contracts between Samsung and the subcontractor, noting the contracts included requirements for the subcontractor to participate in or hold recruiting fairs in areas of the City traditionally under-represented, and each subcontractor strives to use a diverse workforce for any work performed at or for Samsung. No exceptions were found as a result of the foregoing procedures.

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- b. We obtained a copy of an advertisement from the Sunday, July 24, 2011 edition of the Austin American Statesman's Jobs Plus. We inspected the copy of the advertisement and confirmed the advertisement was for a Construction Job Fair held August 3, 2011 at the Millennium Youth Entertainment Complex from 10:00 a.m. to 2:00 p.m. No exceptions were found as a result of the foregoing procedures.
5. With reference to Section 4.01.4 of the Agreement:
 - a. Using the list of Atlas bid packages obtained in Procedure 4, we inspected the list and confirmed 29.19% of the Atlas subcontractor awards were awarded to minority-owned business enterprises ("MBE") and/or women-owned business enterprises ("WBE") certified subcontractors. No exceptions were found as a result of the foregoing procedures.
 - b. Using the list of MBE/WBE certified subcontractors awarded an Atlas bid package identified in Procedure 4, we selected a sample of three subcontractors representing 12% of the MBE/WBE subcontractors, inspected the MBE/WBE certification of each subcontractor selected, and confirmed their MBE/WBE certification. No exceptions were found as a result of the foregoing procedures.
 - c. Using the list of Saturn bid packages obtained in Procedure 4, we inspected the list and confirmed 13.5% of the Saturn subcontractor awards were awarded to MBE/WBE certified subcontractors. No exceptions were found as a result of the foregoing procedures.
 - d. Using the list of MBE/WBE certified subcontractors awarded a Saturn bid package identified in Procedure 4, we selected a sample of three subcontractors representing 12% of the MBE/WBE subcontractors and inspected the MBE/WBE certification of each subcontractor selected to confirm their MBE/WBE certification. No exceptions were found as a result of the foregoing procedures.
6. With reference to Section 4.01.5 of the Agreement, we obtained from Samsung a summary list of 236 businesses with which Samsung reported having spent \$324,871,515.75 in 2011.
 - a. Using the list obtained in Procedure 6, we inspected the list and confirmed each of the 236 companies listed had a presence in the Austin-Round Rock Metropolitan Statistical Area by either inspecting the company website or the AT&T Yellow Pages for the address or zip code for each company. No exceptions were found as a result of the foregoing procedures.
 - b. Using the list obtained in Procedure 6, we selected a sample of 9 businesses representing 46% of the total reported expenditures with these companies. For each of those businesses selected, we obtained from Samsung a detailed list of invoices or other appropriate supporting

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documentation representing the detail of Samsung's reported 2011 expenditures with these companies. We inspected the list and selected a sample of 15 invoices or other supporting documentation representing 11% of Samsung's reported 2011 expenditures. For the sample selected, we inspected each invoice or other supporting documentation and confirmed each invoice or other supporting documentation agreed to the report provided by Samsung. No exceptions were found as a result of the foregoing procedures.

7. With reference to Section 4.04 of the Agreement, we obtained from the City a copy of the query of the City of Austin Interactive Development Review Permitting and Inspection Database for a search of records with "Samsung" in the Project Name for the period from January 1, 2011 through February 21, 2012. Using the query, we identified site plan or subdivision applications and/or amendments filed by Samsung during the period. We inspected an e-mail dated February 21, 2012 from Susan Scallon of the City's Watershed Protection Department ("WPD") to Terry Franz of EGRSO confirming Samsung did not assert any Chapter 245 rights in connection with any of its site plan or subdivision applications or amendments between January 1, 2011 and February 1, 2012. No exceptions were found as a result of the foregoing procedures.
8. With reference to Section 4.04 of the Agreement, we obtained an e-mail from the City's WPD to Terry Franz at EGRSO dated May 1, 2012 concerning inspection of water quality ponds. We inspected this e-mail and confirmed according to the e-mail, all Samsung ponds were compliant. No exceptions were found as a result of the foregoing procedures.
9. With reference to Section 5.04.3 of the Agreement:
 - a. We obtained an e-mail dated August 1, 2008 from Austin Energy's Kerri Davis to Terry Franz at EGRSO. We inspected the e-mail and confirmed Samsung's Fab 2 was energized in August 2007. No exceptions were found as a result of the foregoing procedures.
 - b. We obtained an e-mail dated April 17, 2012 from Austin Energy's William Sparks to Terry Franz at EGRSO. We inspected the e-mail and confirmed Samsung's 2011 energy consumption for Fab 2 exceeded 575,000,000 kWh. No exceptions were found as a result of the foregoing procedures.
10. With reference to Sections 5.01 and 5.02 of the Agreement:
 - a. We inspected the Travis County Tax Statement showing taxes due January 31, 2012 for Property ID 754867 (Travis Central Appraisal District Ref ID2) 02423102310006, and confirmed the 2011 appraised value was \$94,439,269, the City of Austin tax rate was \$0.4811 per \$100 valuation, and the City of Austin taxes were \$454,347.32. No exceptions were found as a result of the foregoing procedures.

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- b. We inspected the Travis County Tax Statement printed February 18, 2012 for Parcel Number 02423102310006 (Travis Central Appraisal District Ref ID2), and confirmed it showed no taxes due for the property. No exceptions were found as a result of the foregoing procedures.
- c. We obtained an e-mail from Marya Crigler of the Travis County Appraisal District to Terry Franz of ERGSO. We inspected the e-mail and confirmed the 2011 appraisal value of Parcel Number 766977 was \$1,399,541,819. No exceptions were found as a result of the foregoing procedures.
- d. We confirmed the product of \$1,399,541,819 and \$0.004811 is \$6,733,195.69. No exceptions were found as a result of the foregoing procedures.
- e. We inspected the Travis County Tax Statement printed February 10, 2012 for Parcel Number 9766977 (Travis Central Appraisal District Ref ID2), and confirmed it showed no taxes due for the property. 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.

Padgett Stratemann & Co., L.L.P.

Certified Public Accountants
Austin, Texas