



Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Mr. Rodney Gonzales, Acting 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 Advanced Technology Development Facility, Inc. ("ATDF") has complied with certain provisions, as described below, of the Chapter 380 Economic Development Agreement ("Agreement"), approved by the City Council through Ordinance No. 040902-5 on September 2, 2004 and executed by the City Manager on April 14, 2005. The City is the specified user of this report. The City's management is responsible for the determination of compliance by ATDF 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 4c of the Agreement, we obtained from ATDF and inspected the ATDF 2005_2007 Installs schedule showing the initial market value and the dollar amount of the ATDF investment in capital equipment or capital improvements at the SEMATECH facility located at 2706 Montopolis Drive, Austin, Texas, for the period from January 1, 2007 to December 31, 2007. We verified the mathematical accuracy of the schedules. We selected asset numbers 9260188 and 9260142 as the sample of capital equipment or capital improvement additions made in 2007. For each item:
 - a. We inspected market value quotations provided by ATDF of \$1,300,000 for asset number 9260188 and \$3,115,000 for asset number 9260142 and compared the amounts to the initial market value provided by ATDF. We found that the dollar amounts were in agreement. Neither asset was verified by a third party audit to establish the initial market value determination.
 - b. We inspected a schedule of installation costs provided by ATDF for assets numbered 9260188 and 9160142 and compared the total cost for each asset to the installation costs per the ATDF 2005_2007 Installs Report. We found that the dollar amounts were in agreement when rounded to the nearest thousand dollars.

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- c. We used the schedule of installation costs provided by ATDF for assets numbered 9260188 and 9260142, and selected a sample of five items for each asset. We compared the dollar amount reported on the schedule of installation costs to the vendor's invoice or other relevant documentation. No exceptions were found as a result of the foregoing procedures.
 2. With reference to Section 4c of the Agreement, we obtained from ATDF and inspected the ATDF_2005_2007 Installs schedule showing the initial market value and the dollar amount of the ATDF investment in capital equipment or capital improvements at the SEMATECH facility located at 2706 Montopolis Drive, Austin, Texas, for the period January 1, 2005 through December 31, 2006. We verified the mathematical accuracy of the schedules. We selected asset numbers 9250021 and 9250201 as the sample of the capital equipment or capital improvement additions made in 2006. For each item:
 - a. We inspected market value quotations provided by ATDF of \$3,445,000 for asset number 9250021 and \$941,000 for asset number 9250201 and compared the amounts to the initial market value provided by ATDF as reported on the ATDF_2005_2007 Installs Report. We found that the dollar amounts were in agreement. Neither asset was verified by a third party audit to establish the initial market value determination.
 - b. We inspected a schedule of installation costs provided by ATDF for assets numbered 9250021 and 9250201 and compared the total cost for each asset to the installation costs per the ATDF_2005_2007 Installs Report. We found that the dollar amounts were in agreement when rounded to the nearest thousand dollars.
 - c. We used the schedule of installation costs provided by ATDF for assets numbered 9250021 and 9250201, and selected a sample of five items for each asset. We compared the dollar amount reported on the schedule of installation costs to the vendor's invoice or other relevant documentation. No exceptions were found as a result of the foregoing procedures.
 3. With reference to Section 4d of the Agreement, we obtained a copy of an email from the City of Austin Department of Watershed Protection and Development Review Department that flood detention for ponds numbered 735 and 2953 complied with the water quality regulations pertinent to the SEMATECH facility at 2706 Montopolis Drive, Austin, Texas at February 28, 2007. No exceptions were found as a result of the foregoing procedures.
 4. With reference to Section 4e of the Agreement, we obtained from ATDF and inspected ATDF schedules titled EGRSO/Projects/ATDF/Compliance2007/LocalHubYear3.xls showing the dollar amount of business supplies, office equipment, materials and other items related to ATDF's operations within the City of Austin during 2007. We selected a sample of 15 purchases from the schedule and compared the dollar amounts reported to the vendor's invoice or other pertinent accounting documentation showing the dollar amounts and business location of each vendor. We noted one instance where the invoice reviewed was related to a purchase from a company with a business location outside the City of Austin's full purpose city limits. The invoice amounted to \$2,712 and was related to a vendor with a business location in Leander, TX. No further exceptions were found as a result of the foregoing procedures to the remaining invoices selected for review.

5. With reference to Section 5a of the Agreement, we obtained from the City of copy of the original Travis County Tax Statement for 2007 for parcel 97004790000000 showing the total ad valorem tax assessment, the appraised value and the taxable value. We inspected the Travis County Tax Statement and ascertained that appraised value was \$22,729,358, the taxable value was \$19,652,958 and the City taxes were \$79,280.03 for parcel number 97004790000000. No exceptions were found as a result of the foregoing procedures.

6. With reference to Section 5a of the Agreement, we obtained from the City a copy of the Travis County Tax Statement for 2007 printed as of June 3, 2008 for parcel number 97004790000000 showing the unpaid balance of 2007 ad valorem taxes. We inspected the Travis County Tax Statement and ascertained that the unpaid 2007 ad valorem taxes for parcel 97004790000000 were zero. 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, Stratmann & Co., LLP.

Austin, Texas
January 8, 2009