



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Accountant's Report On Applying Agreed-Upon Procedures

Mr. Rodney Gonzales, Deputy 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 2009 with certain provisions, as described below, of the Chapter 380 Economic Development Agreement ("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, we obtained the December 24, 2009 payroll report that includes all Samsung 300mm Fab employees' names, hire dates, and if applicable, termination dates. We inspected such document and confirmed that Samsung employed a total of 1,008 Samsung 300mm Fab employees as of December 24, 2009. No exceptions were found as a result of the foregoing procedures.
- 2) Using the report referenced at Procedure 1, we selected a sample of 101 employees. We inspected the December 24, 2009 payroll stub for each employee selected and found that each employee was paid for at least 80 hours of work, overtime and/or paid leave for the period from December 6, 2009 through December 19, 2009. No exceptions were found as a result of the foregoing procedures.

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- 3) With reference to Section 4.01.1 of the Agreement, we obtained a listing of five contracting companies who had employees working at Samsung on December 31, 2009 and the name of Samsung's contact at each company. We obtained telephone confirmation from each of the contracting company contacts that each of the individuals was employed by the contracting company on December 31, 2009. No exceptions were found as a result of the foregoing procedures.
- 4) Using the list referenced at Procedure 3, we obtained telephone confirmation from the contracting company contact of the total number of full-time equivalent employees that each contracting company had at Samsung as of December 31, 2009. We confirmed that the contracting companies had an aggregate total of 241 full-time equivalent employees contracted by Samsung as of December 31, 2009. No exceptions were found as a result of the foregoing procedures.
- 5) With reference to Section 4.01.2 of the Agreement, using the report referenced at Procedure 1, we inspected the December 24, 2009 payroll report that includes all Samsung 300mm Fab employees' names, hire dates, and if applicable, termination dates. We confirmed that according to the report Samsung hired a total of 25 new employees in 2009 on the following dates: January 19, 2009 – 14 new hires; July 20, 2009 – 9 new hires; September 14, 2009 – 1 new hire and December 21, 2009 – 1 new hire. No exceptions were found as a result of the foregoing procedures.
- 6) With reference to Section 4.01.2 of the Agreement, we obtained an email from Catherine Morse at Samsung to Terry Franz at EGRSO dated June 28, 2010. We inspected the email and confirmed that according to the email, 23 individuals noted in Procedure 5 as having been filled in January 2009 and July 2009 were recent college graduates hired under Samsung's CORP, or college hiring program for positions which are not open to the public. No exceptions were found as a result of the foregoing procedures.
- 7) With reference to Section 4.01.2 of the Agreement, we obtained e-mail confirmation from Samsung Human Resources Manager Charmaine Winters that the two positions noted in Procedure 5 as having been filled in September 2009 and December 2009 were highly specialized administrative positions requiring Korean language skills, and that one position was filled by a referral from a Samsung employee and the other position was posted on Samsung's website. No exceptions were found as a result of the foregoing procedures.
- 8) With reference to Section 4.01.5 of the Agreement, we obtained a summary list of businesses with which Samsung reported having spent \$44,596,750.92 in 2009. We inspected the list and selected a sample of 17 businesses of the total number of businesses listed. We confirmed that each has a presence in the Austin-Round Rock Metropolitan Statistical Area by either inspecting the business website or the AT&T Yellow Pages for the address or zip code. No exceptions were found as a result of the foregoing procedures.

- 9) With reference to Section 4.01.5 of the Agreement, using the summary list obtained in Procedure 8, we selected a sample of 8 businesses representing \$21,277,079.50 of the total reported expenditures with these companies. For each of those businesses selected, we obtained from Samsung a list of invoices or other appropriate supporting documentation representing Samsung's reported 2009 expenditures with these companies. We inspected the list and selected a sample of invoices or other supporting documentation representing \$10,092,182.10 of Samsung's reported 2009 expenditures. For the sample selected, we inspected each invoice or other supporting documentation and confirmed that each such invoice or other supporting documentation agreed to the report provided by Samsung. No exceptions were found as a result of the foregoing procedures.
- 10) With reference to Section 4.04 of the Agreement, we obtained an email from the City of Austin Watershed Protection Department ("WPD") to Terry Franz at EGRSO dated September 22, 2010 concerning inspection of water quality ponds. We inspected such email and confirmed that according to the email, all of the Samsung ponds were compliant as of September 22, 2010. No exceptions were found as a result of the foregoing procedures.
- 11) With reference to Sections 5.01 and 5.02 of the Agreement, we inspected the Travis County Tax Statement showing taxes due January 31, 2010 for Parcel Number (Travis Central Appraisal District Ref ID2) 02423102310006, and confirmed that the 2009 appraised value was \$104,335,289 and the City of Austin taxes were \$439,147.23. No exceptions were found as a result of the foregoing procedures.
- 12) With reference to Sections 5.01 and 5.02 of the Agreement, we inspected the Travis County Tax Statement printed April 13, 2010 for Parcel Number (Travis Central Appraisal District Ref ID2) 02423102310006, and confirmed that it shows no taxes due for the property. No exceptions were found as a result of the foregoing procedures.
- 13) With reference to Sections 5.01 and 5.02 of the Agreement, we obtained correspondence dated May 19, 2010 from Ron Melton at the Travis Central Appraisal District to Terry Franz at EGRSO regarding Samsung's post-2005 assets in Property ID 97669770000000. We inspected such correspondence and confirmed that according to the correspondence, the 2009 appraised value of the parcel was reduced from \$1,080,618,258 to \$1,080,273,700 as a result of \$344,558 of assets which were purchased prior to 2006 and should not have been included in this account. No exceptions were found as a result of the foregoing procedures.
- 14) With reference to Sections 5.01 and 5.02 of the Agreement, we inspected the Travis Central Appraisal District report for Property ID 97669770000000, and confirmed that the 2009 appraised value was \$1,080,618,258. We inspected the Travis County Tax Statement showing taxes due January 31, 2010 for Property ID 97669770000000, and confirmed the City of Austin tax rate is \$0.4209 per \$100 value. We recalculated taxes due by the product of \$1,080,273,700 and \$0.004209 as \$4,546,872. No exceptions were found as a result of the foregoing procedures.

- 15) With reference to Sections 5.01 and 5.02 of the Agreement, we inspected the Travis County Tax Statement printed February 18, 2010 for Parcel Number (Travis Central Appraisal District Ref ID2) 97669770000000 and confirmed that it shows no taxes due for the property. No exceptions were found as a result of the foregoing procedures.
- 16) With reference to Section 5.05 of the Agreement, we obtained correspondence between the Planning and Development Review Department ("PDRD") and Terry Franz at EGRSO. We inspected such correspondence and confirmed that according to the correspondence, PDRD has confirmed that Samsung is eligible for reimbursement of \$600,092 in fees for building and related construction inspection and site plan fees. 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

November 1, 2010
Austin, Texas