

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 2010 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:
 - a. We obtained from Samsung the payroll report that includes all Samsung 300mm Fab employees' names, hire dates, and if applicable, termination dates. We inspected the report and confirmed that Samsung employed a total of 912 Samsung 300mm Fab employees during the year ending December 31, 2010. No exceptions were found as a result of the foregoing procedures.
 - b. Using the report referenced at Procedure 1a, we selected a sample representing 10% of the reported number of employees. For the sample selected, we inspected the October 15, 2010 payroll stub for each employee selected and confirmed that the employee was paid for at least 80 hours of work, overtime and/or paid leave for the period from September 26, 2010 to October 9, 2010. No exceptions were found as a result of the foregoing procedures.

- 2) With reference to Section 4.01.1 of the Agreement:
 - a. We obtained from the City a listing of the six contracting companies who had employees working at Samsung during 2010 and the name of Samsung's contact at each company. We inspected the listing and obtained telephone or e-mail confirmation from each of the contracting company contacts that each of the individuals listed by Samsung was employed by the contracting company during 2010. No exceptions were found as a result of the foregoing procedures.
 - b. Using the list referenced at Procedure 2a, we obtained telephone or e-mail confirmation from the contracting company contact of the total number of full-time equivalent employees that each contracting company had at Samsung during 2010. We confirmed that the contracting companies had an aggregate total of 238 full-time equivalent employees contracted by Samsung on January 1, 2010 and 339 full-time equivalent employees contracted by Samsung on December 31, 2010. No exceptions were found as a result of the foregoing procedures.
- 3) With reference to Section 4.01.2 of the Agreement:
 - a. We obtained an e-mail confirmation from Samsung Human Resources Manager Charmaine Winters that Samsung worked with Texas Workforce Solutions in 2010 to post open Samsung positions and that Texas Workforce Solutions participated at two Samsung job fairs in 2010. No exceptions were found as a result of the foregoing procedures.
 - b. We obtained telephone confirmation from Donna Crenshaw at Texas Workforce Solutions that during 2010 Samsung posted job openings through Texas Workforce Commission. No exceptions were found as a result of the foregoing procedures.
 - c. We obtained and an e-mail confirmation dated April 8, 2011 from Samsung Human Resources Manager Charmaine Winters to Terry Franz of the ERGSO. We inspected the e-mail confirmation and confirmed that Samsung conducted two job fairs in Austin during 2010, including one for engineers held June 26, 2010 at the Omni Hotel downtown Austin and the other for technicians held July 24, 2010 at Samsung. 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 T Project and Saturn Project including the dollar amount of each bid package.
 - a. Using the list of T Project bid packages obtained at Procedure 4, we selected a sample of contractors representing 35% of the total bid packages awarded. For each contractor selected, we obtained and inspected the executed contracts between Samsung and the contractor noting that the contracts include requirements for the contractor to participate in or hold recruiting fairs in areas of the City that are traditionally under represented and that each contractor strive to use a diverse workforce for any work performed at or for Samsung Austin Semiconductor. No exceptions were found as a result of the foregoing procedures.

- b. Using the list of Saturn bid packages obtained at Procedure 4, we selected a sample of contractors representing 26% of the total bid packages awarded. For each contractor selected, we obtained and inspected the executed contracts between Samsung and the contractor noting that the contracts include requirements for the contractor to participate in or hold recruiting fairs in areas of the City that are traditionally under represented and that each contractor strive to use a diverse workforce for any work performed at or for Samsung Austin Semiconductor. No exceptions were found as a result of the foregoing procedures.
 - c. We obtained a copy of an advertisement from the Sunday, December 13, 2009 edition of the Austin American Statesman's Jobs Plus. We inspected the advertisement and confirmed that the advertisement was for a Construction Job Fair to be held December 17, 2009 at the Millennium Youth Entertainment Complex from 8 a.m. to 4 p.m. No exceptions were found as a result of the foregoing procedures.
 - d. We obtained a copy of an advertisement from the Sunday, August 1, 2010 edition of the Austin American Statesman's Jobs Plus. We inspected the advertisement and confirmed that the advertisement is for a Construction Job and Subcontractor Job Fair to be held August 11, 2010 at the Millennium Youth Entertainment Complex from 10 a.m. to 2 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 T Project bid packages obtained at Procedure 4, we inspected the list and confirmed that 15.2% of the T Project contractor awards were awarded to MBE/WBE certified subcontractors. No exceptions were found as a result of the foregoing procedures.
 - b. Using the list of MBE/WBE certified subcontractors awarded a T Project bid package identified at Procedure 5a, we selected a sample representing 13.9% of the MBE/WBE subcontractors. For the sample selected we 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 at Procedure 4, we inspected the list and confirmed that 15.7% of the Saturn contractor 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 at Procedure 5c, we selected a sample representing 17.9% of the MBE/WBE subcontractors. For the sample selected we 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.

- 6) With reference to Section 4.01.5 of the Agreement, we obtained from Samsung a summary list of businesses with which Samsung reported having spent \$86,563,753.07 in 2010.
- a. Using the list obtained at Procedure 6, we inspected the list and selected a sample representing 40% of the total number of businesses listed. For the sample selected 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.
 - b. Using the list obtained at Procedure 6, we selected a sample of businesses representing 34% 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 2010 expenditures with these companies. We inspected the list and selected a sample of invoices or other supporting documentation representing 14.8% of Samsung's reported 2010 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.
- 7) With reference to Section 4.03 and 5.02 of the Agreement:
- a. We obtained from Samsung a schedule detailing the items and the cost of each item comprising Samsung's reported 2010 investment in the 300 mm Fab. We inspected the schedule and confirmed that the total of Samsung's 2010 investment totaled \$1,936,462,685.94. No exceptions were found as a result of the foregoing procedures.
 - b. Using the schedule obtained at Procedure 7a, we selected a sample representing 10% of Samsung's investment in the 300 mm Fab. 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 schedule provided by Samsung. No exceptions were found as a result of the foregoing procedures.
 - c. We obtained from Samsung a schedule detailing the items and the cost of each item comprising Samsung's reported 2009 investment in the 300 mm Fab. We inspected the schedule and confirmed that the total of Samsung's 2009 investment totaled \$116,610,807.41. No exceptions were found as a result of the foregoing procedures.
 - d. Using the schedule obtained at Procedure 7c, we selected a sample representing 22% of Samsung's investment in the 300 mm Fab. 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 schedule provided by Samsung. No exceptions were found as a result of the foregoing procedures.

- 8) With reference to Section 4.04 of the Agreement, we obtained a copy of the query from the City 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 January 1, 2006 through April 4, 2011. We inspected the query report and identified site plan or subdivision applications and/or amendments filed by Samsung during that period. We inspected an e-mail dated April 8, 2011 from Susan Scallon of the City's Watershed Protection Department ("WPD") to Terry Franz of EGRSO confirming that Samsung did not assert any Chapter 245 rights in connection with any of its site plan or subdivision applications or amendments between January 1, 2006 and April 4, 2011. No exceptions were found as a result of the foregoing procedures.
- 9) With reference to Section 4.04 of the Agreement, we obtained an email from the City's WPD to Terry Franz at EGRSO dated July 12, 2011 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 July 12, 2011. 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, 2011 for Property ID 754867 (Travis Central Appraisal District Ref ID2) 02423102310006, and confirmed that the 2010 appraised value was \$104,335,289 and the City of Austin taxes were \$476,916.61. No exceptions were found as a result of the foregoing procedures.
 - b. We inspected the Travis County Tax Statement printed February 18, 2011 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.
 - c. We inspected the Travis County Tax Statement report for Property ID 766977 taxes due January 31, 2011, and confirmed that the 2010 appraised value of account 9766977 was \$793,295,026 and the City of Austin taxes due were \$3,626,151.56. No exceptions were found as a result of the foregoing procedures.
 - d. We inspected the Travis County Tax Statement printed February 18, 2011 for Parcel Number (Travis Central Appraisal District Ref ID2) 9766977, and confirmed that it shows no taxes due for the property. No exceptions were found as a result of the foregoing procedures.
- 11) With reference to Section 5.05 of the Agreement, we obtained an e-mail dated July 11, 2011 at 12:13 p.m. between Cassandra Alexander of the City's 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 fees paid by Samsung 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.

Pudgett, Stratemann + Co., LLP

November 18, 2011
Austin, Texas