



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, Suite 2030
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 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 4.01.2 of the Agreement, we obtained from the City and inspected the agreement between Samsung and Manpower, Inc. and confirmed that Samsung utilizes Manpower, Inc. to find temporary employees. We also obtained an email confirmation from Robert Silvas at (512) 989-8999 that Manpower, Inc. recruits from local non-profits that serve minority youth including Austin Area Urban League, Caritas, American Youthworks and the Hispanic Chamber of Commerce. No exceptions were found as a result of the foregoing procedures.
2. With reference to Section 4.01.2 of the Agreement, we obtained from the City and inspected copies of advertisements provided by Samsung. We confirm that they advertised Samsung job fairs, the first on Tuesday January 30th and Thursday February 1st from 10 a.m. to 3 p.m. at Doubletree Club Hotel, 1617 IH-35 North; and the second on Saturday November 10th from 8 a.m. to 3 p.m. at Samsung, 12100 Samsung Boulevard. No exceptions were found as a result of the foregoing procedures.

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3. With reference to Section 4.01.2 of the Agreement, we obtained from the City and inspected the document provided by Samsung to confirm that it is a transcript of a WorkInTexas.com session. 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 copies of advertisements, invoices and/or run-time reports for advertisements of a job fair held July 15, 2006 at the Millenium Youth Entertainment Center at 1156 Hargrove Street. We inspected such documents and confirmed that according to the invoices, the job fair was advertised on KAZI 88.7 FM and Recuerdo 107.7 FM and in Austin American Statesman and El Mundo newspapers. No exceptions were found as a result of the foregoing procedures.
5. With reference to Section 4.01.3 of the Agreement, we obtained from the City and inspected a list of bid packages for the Samsung 300 mm Fab construction and selected a sample of three for further review. We inspected the documents selected and confirmed that each inspected bid package contains the language "Contractor agrees to participate in and/or hold recruiting fairs for its workforce in areas of the City of Austin that are traditionally underrepresented and to strive to use a diverse workforce for any work performed at or for Samsung Austin Semiconductor." For one of the items selected for review, we noted that the bid package did not contain the language as described above. Samsung personnel stated that this entity was requested to participate in a job fair to support the hiring of a diverse workforce and agreed to this request and subsequently participated in a job fair. We obtained from Samsung and inspected a list of participating construction companies and confirmed that the entity's name was shown on the list. No further exceptions were found as a result of the foregoing procedures for the remaining bid packages reviewed.
6. With reference to Section 4.01.4 of the Agreement, we obtained from the City and inspected a summary of Samsung's FAB2 Construction & Tool Hookup Payments schedule and confirmed that according to the schedule, overall minority-owned business (MBE) participation was 13.3% and women-owned business (WBE) participation was 3.6%. No exceptions were found as a result of the foregoing procedures.
7. With reference to Section 4.01.4 of the Agreement, we obtained from Samsung and inspected a schedule provided by Samsung showing the 35 MBE and WBE contractors who participated in the construction phase of developing Samsung's FAB2. We selected a sample of four contractors, and for each contractor in the sample, confirmed that either the contractor is in the list of certified vendors downloaded from the City of Austin Department of Small and Minority Business Resources website in 2006 or inspected a copy of the contractor's certification on file at Samsung. No exceptions were found as a result of the foregoing procedures.
8. With reference to Section 4.01.4 of the Agreement, we obtained from Samsung and inspected a schedule showing the 5 MBE and WBE contractors who participated in the Ultra-Pure Water System phase of developing Samsung's FAB2. We selected one of the contractors and confirmed that either the contractor is in the list of certified vendors downloaded from the City of Austin Department of Small and Minority Business Resources website in 2006 or inspect a copy of the contractor's certification on file at Samsung. No exceptions were found as a result of the foregoing procedures.

9. With reference to Section 4.01.4 of the Agreement, we obtained from Samsung and inspected a schedule provided by Samsung showing the 8 MBE and WBE contractors who participated in the Tool Hookup phase of developing Samsung's FAB2. We selected one of the contractors and confirmed that either the contractor is in the list of certified vendors downloaded from the City of Austin Department of Small and Minority Business Resources website in 2006 or inspect a copy of the contractor's certification on file at Samsung. No exceptions were found as a result of the foregoing procedures.
10. With reference to Section 4.01.5 of the Agreement, we obtained from the City and inspected a list of businesses with whom Samsung reported having spent \$13,421,482.89 in 2007. We selected a sample of 5 businesses and 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. No exceptions were found as a result of the foregoing procedures.
11. With reference to Section 4.02 of the Agreement, we obtained from the City and inspected a summary of Samsung's 2006 - 2007 real property investment in Fab 2. We selected one of the asset line items and inspected four of the related invoices or other supporting documentation for the assets in the sample. We confirmed that the dollar amounts on the invoice or other supporting documentation agreed with the summary of Samsung's 2006 - 2007 real property investment in Fab 2. No exceptions were found as a result of the foregoing procedures.
12. With reference to Section 4.04 of the Agreement, we inspected an email from the City of Austin Watershed Protection and Development Review Department to EGRSO dated July 28, 2008 concerning inspection of water quality ponds. We confirmed that according to the email, the Samsung site was still under construction and was compliant on June 13, 2008. 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 inspected the Travis County Tax Statement showing taxes due January 31, 2008 for Parcel Number (Travis Central Appraisal District Ref ID2) 02423102310000, showing the appraised value as \$52,359,560, the net taxable value as \$31,415,736 and \$126,731.08 in taxes due to the City of Austin, based on the tax rate of \$0.4034 per \$100 valuation. We inspected the Travis Central Appraisal District report showing the certified valuation of Property ID 754867, Ref ID2 Number 02423102310006, described as "imp only on Lot 1 BLK A Jourdan Crossing Phs C Sec 2 post 1/1/2006", and confirmed that the certified 2007 value of this property was \$18,500,000 and the taxable value was \$11,100,000. We inspected the Travis Central Appraisal District report showing the certified valuation of Property ID 426230, Ref ID2 Number 02423102310000, described as "Lot 1 Blk A Jourdan Crossing Phs C Sec 2 pre 1/1/2006", and confirmed that the certified 2007 value of this property was \$33,859,560. We confirm that \$18,500,000 plus \$33,859,560 is \$52,359,560. 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 confirmed that the ad valorem tax on \$11,100,000 at \$0.4034 per \$100 is \$44,777.40. 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 June 23, 2008 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.
16. With reference to Section 5.04.1 of the Agreement, we inspected the email communications between Austin Energy and EGRSO between June 9, 2008 and June 19, 2008. We confirmed that according to the emails, Austin Energy waived the Initial Assessment Fee of \$4,000, the first \$6,750,000 of the Facilities Design and Construction Fee and the first \$3,750,000 of the Deposit for Infrastructure Improvements for the dual feed energy infrastructure. No exceptions were found as a result of the foregoing procedures.
17. With reference to Section 5.05 of the Agreement, we inspected the correspondence between the City of Austin Watershed Protection and Development Review Department (WPDR) and EGRSO. We confirmed that according to the correspondence, WPDR has confirmed that Samsung is eligible for reimbursement of \$1,307,779.50 (\$1,185,277.00 for 2006 Samsung paid fees, \$54,534.00 for 2006 subcontractor paid fees, and \$67,968.50 for 2007 Samsung paid fees) in fees for building and related construction inspection and site plan fees. No exceptions were found as a result of the foregoing procedures.
18. With reference to Section 5.05 of the Agreement, we inspected the correspondence between WPDR and EGRSO. We confirmed that according to the correspondence, WPDR verified that Samsung is eligible for reimbursement of \$1,238,000 for construction of water quality features. 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, Statemann + Co. LLP

November 7, 2008
Austin, Texas