

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 NBC Universal, Inc. ("NBC"), acting on behalf of itself and its subsidiary, Northern Entertainment Inc. ("FNL" or "Friday Night Lights") has complied with certain provisions, as described below, of the Chapter 380 Economic Development Agreement ("Agreement") and the subsequent amendment, approved by the City Council on March 22, 2007 and March 17, 2010, respectively. The City is the specified user of this report. The City's management is responsible for the determination of compliance by FNL with the Agreement and the subsequent amendment. 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.

The procedures that you have asked us to perform and our findings are as follows:

- 1) With reference to Section 3 of the Agreement concerning Employees, we obtained from the City the documents titled FnlSeason4_ByEpisode.xls, Friday Night Lights Season 4 Cast Crew Summary Report prepared by the City and email correspondence between Vince Robinette at Friday Night Lights and Terry Franz at EGRSO.
 - a. Using the information obtained at Procedure 1, we inspected such documents and confirmed that the Friday Night Lights Season 4 Cast Crew Summary Report prepared by the City summarized the information provided by Friday Night Lights in the document titled FnlSeason4_ByEpisode.xls. No exceptions were found as a result of the foregoing procedures.

SAN ANTONIO

100 N.E. LOOP 410, SUITE 1100
SAN ANTONIO, TEXAS 78216
210 828 6281

AUSTIN

811 BARTON SPRINGS ROAD, SUITE 550
AUSTIN, TEXAS 78704
512 476 0717

TOLL FREE: 800 879 4966

WEB: PADGETT-CPA.COM

- b. Using the information obtained at Procedure 1, we inspected such documents and confirmed that 700 unique cast and crew members were listed, and included 450 with addresses in the Austin Metropolitan Statistical Area (“AMSA”) and 250 with addresses outside the AMSA. No exceptions were found as a result of the foregoing procedures.
- 2) With reference to Section 3 of the Agreement concerning Employees, we obtained from the City the documents titled FnlSeason4_ByEpisode.xls and Friday Night Lights Season 4 Extras Summary Report prepared by the City.
 - a. Using the information obtained at Procedure 2, we inspected such documents and confirmed the Friday Night Lights Season 4 Extras Summary Report prepared by the City summarized the information provided by Friday Night Lights in the document titled FnlSeason4_ByEpisode.xls. No exceptions were found as a result of the foregoing procedures.
 - b. Using the information obtained at Procedure 2, we inspected the Friday Night Lights Season 4 Extras Summary Report and confirmed that 2,385 unique individuals were listed, and included 1,911 with addresses in the AMSA and 474 with addresses outside the AMSA. No exceptions were found as a result of the foregoing procedures.
- 3) We verified the mathematical accuracy of the City's calculation by confirming that $450 + 1,911 = 2,361$; $700 + 2,385 = 3,085$; and 2,361 is 77% of 3,085. No exceptions were found as a result of the foregoing procedures.
- 4) With reference to Section 3 of the Agreement concerning Employees, we obtained from the City the Friday Night Lights Season 4 Cast Crew Residing in Austin Sample, which represented the City's sample of 46 cast and/or crew members and the support documents printed from usps.com, the United States Post Office website. We inspected and compared such documents and confirmed that the printed documents indicated that the addresses are shown as being within the AMSA. No exceptions were found as a result of the foregoing procedures.
- 5) With reference to Section 3 of the Agreement concerning Employees, we obtained from the City the Friday Night Lights Season 4 Extras Residing in Austin Sample, which represented the City's sample of 192 Extras, and the support documents printed from usps.com, the United States Post Office website. We inspected and compared such documents and confirmed that the printed documents indicated that the addresses are shown as being within the AMSA. No exceptions were found as a result of the foregoing procedures.
- 6) With reference to Section 4 of the Agreement concerning Credits, we obtained from the City the Credits Lists for Episodes 4001 through 4013 provided by Friday Night Lights. We inspected the Credits Lists for Episodes 4001 through 4013 and confirmed that the

statement "Filmed on location in Austin, Texas" was included in the credits of each episode. No exceptions were found as a result of the foregoing procedures.

- 7) With reference to Section 5 of the Agreement concerning Local Purchases, we obtained from the City the FNL VendorList S-4.pdf and the Vendor Contact List 2009 Season Final report, both provided by Friday Night Lights to the City. We inspected and compared such documents and confirmed that according to such documents 59% of the vendors had addresses that are shown as being in the AMSA. No exceptions were found as a result of the foregoing procedures.
- 8) With reference to Section 6 of the Agreement concerning Report, we obtained from the City the City of Austin Economic Development Agreement with NBC Universal, Inc. and Northern Entertainment for Friday Night Lights, Annual Report for Season 4. We inspected such document and confirmed that according to the report, 13 Season 4 episodes were filmed. No exceptions were found as a result of the foregoing procedures.
- 9) With reference to Section 6 of the Agreement concerning Report, we obtained from the City the City of Austin Economic Development Agreement with NBC Universal, Inc. and Northern Entertainment for Friday Night Lights, Annual Report for Season 4. We inspected such document and confirmed that according to the report, 92% of the Cast, Crew and Staff and Extras were AMSA residents, goods and services purchased totaling \$4,732,650 were purchased in the AMSA and the credits included the statement required by Section 4 of the Agreement. No exceptions were found as a result of the foregoing procedures.
- 10) With reference to Section 7 of the Agreement concerning Insurance, obtain from the City the Insurance Certification showing Comprehensive General Liability, Automobile Liability and Workers' Compensation coverages for Friday Night Lights from January 1, 2009 to January 1, 2010. Inspect such documents and confirm that Comprehensive General Liability, Automobile Liability and Workers' Compensation coverages were maintained from January 1, 2009 to January 1, 2010. No exceptions were found as a result of the foregoing procedures.
- 11) With reference to Section 7 of the Agreement concerning Insurance, we obtained from the City the Insurance Certification showing Errors and Omission coverages for Friday Night Lights from July 11, 2009 to July 11, 2010. We inspected such documents and confirmed that Errors and Omission coverage was maintained from July 11, 2009 to July 11, 2010. No exceptions were found as a result of the foregoing procedures.
- 12) With reference to Section 7 of the Agreement concerning Insurance, we obtained from the City the Insurance Certification showing All Risk Property coverages for Friday Night Lights from January 1, 2009 to January 1, 2010. We inspected such documents and confirmed that All Risk Property coverage was maintained from January 1, 2009 to January 1, 2010. No exceptions were found as a result of the foregoing procedures.

- 13) With reference to Section 7 of the Agreement concerning Insurance, we obtained from the City the Insurance Certification showing FNL's coverages for Friday Night Lights from January 1, 2009 to January 1, 2010. We inspected such documents and confirmed that the City of Austin was included as additional insured per ISO Endorsement CG2010, in the amount of \$5,000,000 Combined Single Limit from January 1, 2009 to January 1, 2010. No exceptions were found as a result of the foregoing procedures.
- 14) With reference to Section 2 of the Agreement concerning Payment, we obtained from the City Friday Night Lights' Austin City Tax Journal Pt 1.pdf, Austin City Tax Journal Pt 2.pdf, the City of Austin Summary of Sales Taxes Paid and the City of Austin Detail of Local Sales Taxes Paid, and supporting documents that included invoices from the 25 vendors to whom Friday Night Lights reported having paid City of Austin sales tax during Season 4.
 - a. Using the information obtained at Procedure 14, we inspected such documents and confirmed that Friday Night Lights paid a total of 25 vendors City of Austin sales tax as reported in the Friday Night Lights' Austin City Tax Journal Pts. 1 and 2. No exceptions were found as a result of the foregoing procedures.
 - b. Using the information obtained at Procedure 14, we inspected such documents and confirmed that the City of Austin Detail of Local Sales Taxes Paid report accurately summarized the 581 transactions detailed in the Friday Night Lights' Austin City Tax Journal Pt 1.pdf and Austin City Tax Journal Pt 2.pdf. No exceptions were found as a result of the foregoing procedures.
 - c. Using the information obtained at Procedure 14, we inspected such documents and confirmed that the City of Austin Detail of Local Sales Taxes Paid report total of City of Austin local sales tax paid to the 25 vendors noted at Procedure 14a was \$5,401.17. No exceptions were found as a result of the foregoing procedures.
 - d. We verified the mathematical accuracy of the City's calculation that 50% of \$5,401.17 is \$2,700.58. No exceptions were found as a result of the foregoing procedures.
- 15) With reference to Section 2 of the Agreement concerning Payment, we inspected the City of Austin Economic Development Agreement with NBC Universal, Inc. and Northern Entertainment for Friday Night Lights, Annual Report for Season 4. We confirmed that Friday Night Lights reported having paid no City of Austin fees during Season 4. No exceptions were found as a result of the foregoing procedures.
- 16) With reference to Section 2 of the Agreement concerning Payment, we obtained from the City the reports entitled Friday Night Lights Season 4 Cast Crew Summary Report and Friday Night Lights Season 4 Summary Information. We inspected such documents and confirmed that the Friday Night Lights Season 4 Summary Information incorporated information from Friday Night Lights Season 4 Cast Crew Summary Report and

Friday Night Lights Season 4 Summary Information. We inspected such documents and confirmed that the Friday Night Lights Season 4 Summary Information incorporated information from Friday Night Lights Season 4 Cast Crew Summary Report and confirmed that according to the Friday Night Lights Season 4 Summary Information the average number of Cast/Crew per episode during Season 4 was 296. No exceptions were found as a result of the foregoing procedures.

- 17) With reference to Section 2 of the agreement concerning Payment, we obtained from the City the reports entitled Friday Night Lights Season 4 Extras Summary Report and the Friday Night Lights Season 4 Summary Information. We inspected such documents and confirmed that Friday Night Lights Season 4 Summary Information incorporated information from the Friday Night Lights Season 4 Extras Summary Report and confirmed that according to Friday Night Lights Season 4 Summary Information the average number of Extras per episode during Season 4 was 429. No exceptions were found as a result of the foregoing procedures.
- 18) With reference to Section 2 of the agreement concerning Payment, we verified the mathematical accuracy of the City's calculation by confirming that the sum of $296 + 429$ is 725, that the product of 725 and \$95 is \$68,875 and that 50% of \$68,875 is \$34,437.50. No exceptions were found as a result of the foregoing procedures.
- 19) With reference to Section 2 of the agreement concerning Payment, we verified the mathematical accuracy of the City's calculation by confirming that the sum of $\$2,700.58 + \$34,437.50$ is \$37,138.08. 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, Straetmann & Co., LLP

January 10, 2011
Austin, Texas