

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

REPORT ON APPLYING AGREED-UPON PROCEDURES TO

PROJECT DEVELOPMENT COSTS IN A

SECOND SUPPLEMENTAL REIMBURSEMENT TO

GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)

FROM PROCEEDS OF THE SERIES 2009 BOND SALE

JULY 9, 2009

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T A B L E O F C O N T E N T S

SCHEDULE

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

SCHEDULE OF PROJECT DEVELOPMENT COSTS
REIMBURSEMENT TO GLOBAL EARTHQUEST
VENTURES, LP (DEVELOPER)

A

COMPARISON OF ACTUAL REIMBURSABLE COSTS
WITH PROJECT ESTIMATES

B

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July 9, 2009

Board of Directors
East Montgomery County
Improvement District
Montgomery County, Texas

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of East Montgomery County Improvement District (the "District"), on the invoices and schedules submitted by Global Earthquest Ventures, LP (the "Developer") for a second supplemental payment from proceeds of the District's Series 2009 bonds. These procedures were performed solely to assist you in evaluating the reasonableness of those costs, and the report is not to be used for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Board of Directors of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose. The procedures performed are summarized as follows:

- A. We reviewed the use of proceeds schedule as prepared by the District's Financial Advisor for the bond issue. Our review was for the purpose of identifying those items authorized for District participation by the agreement and those items the District is specifically prohibited from purchasing.
- B. We reviewed for completeness certain Developer schedules, supporting invoices and contract estimates in substantiation of the costs to be reimbursed. Our review included all documentation supporting items, amounts and categories for which reimbursement is requested.
- C. We read the development and financing agreements for particular items that might affect the reimbursement. The agreements reviewed are referenced in our report.

- D. We reviewed payments with check copies and compared them to contract amounts submitted for consultants, and reviewed detail for expenses they submitted. We received confirmations from banks on the major contracts.
- E. A draft of this report was provided to the District's Attorney, Engineer, Financial Advisor, Bookkeeper, and Developer for their review and comments.
- F. We prepared this agreed-upon procedures report for the benefit of the District, which includes the Accountant's Report, schedule of amounts reimbursable to the Developer and a schedule summarizing the costs to be funded from the bond proceeds by category.

The attached Schedule A titled "Schedule of Project Development Costs Reimbursable to Global Earthquest Ventures, LP (Developer)," sets forth their reimbursable costs. A Memorandum of Understanding was executed on February 22, 2008 by and among the District, the For-Profit (FP) entity and the Not-For-Profit (NFP) entity. This reimbursement is in accordance with the terms and conditions of the Amended and Restated Agreement Regarding FP Pre-Development Expenses dated October 13, 2008, as amended by that First Amendment to Amended and Restated Agreement Regarding FP Pre-Development Expenses dated March 9, 2009 and that Second Amendment to Amended and Restated Agreement Regarding FP Pre-Development Expenses dated May 14, 2009 and that Third Amendment to Amended and Restated Agreement Regarding FP Pre-Development Expenses dated June 16, 2009, between Global Earthquest Ventures, LP and the District.

After our original report dated April 9, 2009, Global Earthquest Ventures, LP submitted additional invoices for supplemental payment under the agreement for reimbursement. In accordance with the agreement, the Developer has now submitted additional invoices in the amount of \$165,808.47. After the initial draft, the Developer submitted an additional \$188,500 for a consultant payment, bringing the total submitted to \$354,308.47. We have revised the schedule to a total reimbursable amount of \$386,223.61.

The following changes have been made to the Developer's original schedule:

- A. We deducted sales tax for copies made in the amount of \$63.02 because the District is not subject to sales tax, and the expense is not reimbursable.
- B. Some portions of a legal invoice were deducted in the amount of \$2,625 because it appears to be for changes to a partnership agreement, which would not be a reimbursable pre-development expense in accordance with the agreement.
- C. A duplicate auto rental invoice was submitted by a consultant. We deducted \$213.66 for that duplicate expense.

- D. In the previous report, we deducted engineering invoices that contained costs which were allocable to other districts. Allocations were submitted showing the charges for utilities and reimbursable engineering amounts. Based on that detail, we added \$34,816.82 to this reimbursement for the engineering allocable to the District for reimbursable engineering costs relating to design, coordination and pipeline relocation.

The attached Schedule B reflects the amount of bond proceeds received, the amount being spent to date by category and the projected costs to be funded in the future. In addition to the bond amount, certain costs were submitted in substantiation of the original amount advanced by the Developer, and repaid by the District of \$350,000, which brings the total to the \$6,000,000 in the Development Agreement.

The reimbursable amount submitted to date totals \$5,083,747. The original report was reimbursed May 21, 2009, in the amount of \$3,314,486, the first supplemental was dated June 16, 2009, in the amount of \$1,383,037, and the amount currently due is \$386,224.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the aforementioned reimbursable costs. 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 Board of Directors and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited. This report should not be associated with the presentation of any financial data of the District except to comply with filing requirements as specified by the agreements.

McCall Gibson Swedlund Barfoot All

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

2009 SUPPLEMENTAL 0601 BOND REPORT

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EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF PROJECT DEVELOPMENT COSTS
REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)
JULY 9, 2009

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	TOTAL REIMBURSABLE COST
21 Sports & Entertainment Marketing Group, Inc.	
Research Sponsorship Programs	
Amount Paid by Developer	\$ 12,500.00
The Blair Law Firm, P.C.	
Legal Consultation	
EarthQuest Promotion	
Amount Paid by Developer	20,000.00
J. Boudreau & Company, LLC	
Financial Consulting and Expenses	
Development of Financial Model	
Amount Paid by Developer	8,812.50
Contour Entertainment, Inc.	
Concept Planning, Master Plan	
Extension	
Amount Paid by Developer	\$ 51,336.50
Less: Duplicate Expense submitted	<u>213.66</u>
	51,122.84
Etheridge	
Printing Investor Pitchbooks	
Amount Paid by Developer	1,186.51
Fed Ex	
Deliveries	
Amount Paid by Developer	466.93

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF PROJECT DEVELOPMENT COSTS
REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)
JULY 9, 2009

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	TOTAL REIMBURSABLE COST
Graphic Converting Ltd.	
Artwork Design for Investor Pitchbooks	
Amount Paid by Developer	\$ 1,175.00
 Locke Lord Bissell & Liddell, LLP	
Legal Fees for Agreements, Government Relations Activities	
Amount Paid by Developer	\$ 19,839.03
Less: Partner Agreement Billing Not Reimbursable by District	2,625.00
	17,214.03
 Meteor Couriers	
Courier Service	
Amount Paid by Developer	12.31
 Montgomery & Associates	
Engineering and Project Administration Planning and Conceptual Cost Estimates	
Amount Paid by Developer	8,068.24
 Pepperwood Partners	
Investment Banking Consulting Services	
Amount Paid by Developer	10,000.00
 Platinum Litigation Solutions	
Copies for Investor PPM and Pitchbooks	
Amount Paid by Developer	\$ 826.92
Less: Amount Not Reimbursable for Sales Tax	63.02
	763.90

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF PROJECT DEVELOPMENT COSTS
REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)
JULY 9, 2009

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	TOTAL REIMBURSABLE COST
Scott H. Raskin	
Legal Services - Placement Agents, Meeting Outline	
Amount Paid by Developer	\$ 2,380.00
 TBG Partners	
Land Planning Services	
Amount Paid by Developer	1,122.33
 Trainor Law Firm, P.C.	
Texas Government Relations Representation	
Amount Paid by Developer	10,000.00
 TriStar Ventures, LLC	
Project Management, Administrative, and Financial Services	
Amount Paid by Developer	11,900.00
 Marlin Atlantis White, Ltd. Travel	
Travel Expenses, including Airfare, Auto, Lodging Meals	
Amount Paid by Developer:	
John Marlin	\$ 3,273.67
Shad Schmid	2,351.48
James Baker	26.40
Deborah Thomas	228.45
Justin White	302.20
	6,182.20

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF PROJECT DEVELOPMENT COSTS
REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)
JULY 9, 2009

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	TOTAL REIMBURSABLE COST
Donald Lessem / Dino Don, Inc.	
Contribution and License Agreement	
Amount Paid by Developer	\$ 188,500.00
 Montgomery & Associates	
Engineering and Project Administration - Cost estimates, conceptual design, TXDOT meetings, coordination with other consultants, pipeline relocation, project schedules	
Amount Paid by Developer	\$ 97,131.82
Less: Amount Allocable to MUD District	62,315.00
	34,816.82
TOTAL REIMBURSABLE TO GLOBAL EARTHQUEST VENTURES, LP AT JULY 9, 2009	\$ 386,223.61

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH PROJECT ESTIMATES
JULY 9, 2009

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

DESCRIPTION	PROJECT ESTIMATE (1)	REIMBURSED TO GLOBAL EARTHQUEST VENTURES, LP AT BOND CLOSING ON MAY 21, 2009	REIMBURSED TO GLOBAL EARTHQUEST VENTURES, LP AT JUNE 16, 2009
PROJECT COSTS:			
Construction Fund for Project Costs (2)	\$ 5,650,000	\$ 3,314,486	\$ 1,383,037
TOTAL PROJECT COSTS	\$ 5,650,000	\$ 3,314,486	\$ 1,383,037
BOND COSTS:			
Costs of Issuance	\$ 513,620	\$ -	\$ -
Interest Costs			
Capitalized Interest (1)	568,757		
Debt Service Reserve Fund	610,843		
Bond Discount	291,780		
TOTAL BOND COSTS	\$ 1,985,000	\$ -	\$ -
TOTAL	\$ 7,635,000	\$ 3,314,486	\$ 1,383,037

(1) Project Estimate as submitted and
as amended in the Official Statement.

(2) Projects by Agreement Categories:

	Amount by Category	Amount by Category
Planning and Design	1,800,288	367,185
Financial Package Development	125,250	107,415
Site Layouts	41,373	39,779
Consulting Fees	403,544	718,299
Legal Fees	444,031	150,359
Overhead and Payroll	500,000	-
	3,314,486	1,383,037

REIMBURSABLE TO GLOBAL EARTHQUEST VENTURES, LP AT JULY 9, 2009	COSTS PAID BY DISTRICT	ESTIMATED ADDITIONAL COST TO COMPLETE	TOTAL ACTUAL AND ESTIMATED ADDITIONAL COST TO COMPLETE	ACTUAL OVER (UNDER) ESTIMATE	% VARIANCE OVER (UNDER) ESTIMATE
\$ 386,224	\$ -	\$ 566,253	\$ 5,650,000	\$ -	0.00%
\$ 386,224	\$ -	\$ 566,253	\$ 5,650,000	\$ -	
\$ -	\$ 591,358	\$ 10,000	\$ 601,358	\$ 87,738	17.00%
	568,757		568,757	-	0.00%
	610,843		610,843	-	0.00%
	291,790		291,790	10	0.00%
\$ -	\$ 2,062,748	\$ 10,000	\$ 2,072,748	\$ 87,748	
\$ 386,224	\$ 2,062,748	\$ 576,253	\$ 7,722,748	\$ 87,748	

Amount by Category
247,406
21,939
42,885
24,400
49,594
-
<u>386,224</u>