

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT**

REPORT ON APPLYING AGREED-UPON PROCEDURES TO

PROJECT DEVELOPMENT COSTS IN A

SUPPLEMENTAL REIMBURSEMENT TO

GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)

FROM PROCEEDS OF THE SERIES 2009 BOND SALE

JUNE 16, 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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June 16, 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 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 the amount of \$1,373,433.68 plus an advance in the amount of \$300,000 for a total of \$1,673,433.68. We have revised the schedule to a total reimbursable amount of \$1,383,036.86.

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

- A. We deducted dues, banquet and political contributions totaling \$4,750 because they were not reimbursable pre-development expenses in accordance with the agreement
- B. A state fee for change of registered agent was deducted in the amount of \$15 because it did not qualify as a District expense.
- C. We deducted \$188,500 for a licensing agreement for which proof of payment was not provided.
- D. Some portions of certain engineering invoices contained costs which were allocable to other districts. We deducted \$97,131.82, a portion of which may be reimbursable in future reimbursements after allocations are submitted.

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 \$650,000 advanced by the Developer. The District repaid \$350,000. This payment of \$350,000, added to the bond proceeds, totals the \$6,000,000 in the Development Agreement.

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 PLLC*

McCALL GIBSON SWEDLUND BARFOOT PLLC  
Certified Public Accountants

2009 SUPPLEMENTAL BOND REPORT

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT**  
**SCHEDULE OF PROJECT DEVELOPMENT COSTS**  
**REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)**  
**JUNE 16, 2009**

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

DESCRIPTION	TOTAL REIMBURSABLE COST
<b>21 Sports &amp; Entertainment Marketing Group, Inc.</b>	
Research Sponsorship Programs	
Amount Paid by Developer	\$ 62,500.00
<b>The Blair Law Firm, P.C.</b>	
Legal Consultation EarthQuest Promotion	
Amount Paid by Developer	50,000.00
<b>J. Boudreau &amp; Company, LLC</b>	
Financial Consulting and Expenses Development of Financial Model	
Amount Paid by Developer	24,202.18
<b>Callison, LLC</b>	
Contract Fees and Travel Expenses Design and Site Development Planning Meetings	
Amount Paid by Developer	39,779.15
<b>Contour Entertainment, Inc.</b>	
Concept Planning, Master Plan and Financial Feasibility	
Amount Paid by Developer	66,400.00
<b>Don Allen Holbrook, LLC</b>	
Consulting and Performance Fee Secure Incentives and Inducements Related to Locating the Project On the Site in East Montgomery County	
Amount Paid by Developer	500,000.00

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT**  
**SCHEDULE OF PROJECT DEVELOPMENT COSTS**  
**REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)**  
**JUNE 16, 2009**

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND  
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DESCRIPTION	TOTAL REIMBURSABLE COST
<b>Fed Ex</b>	
Deliveries	
Amount Paid by Developer	\$ 449.12
<b>Locke Lord Bissell &amp; Liddell, LLP</b>	
Legal Fees for Agreements, Government Relations Activities	
Amount Paid by Developer	68,483.56
<b>Meteor Couriers</b>	
Courier Service	
Amount Paid by Developer	15.08
<b>Millions of Us LLC</b>	
Progress Billing on Virtual Website	
Amount Paid by Developer	53,694.72
<b>Pepperwood Partners</b>	
Investment Banking Consulting Services	
Amount Paid by Developer	15,000.00
<b>Perryman Group</b>	
EarthQuest Economic Analysis Construction Cost Index Study and Economic and Market Forecast Study	
Amount Paid by Developer	68,213.86



**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT**  
**SCHEDULE OF PROJECT DEVELOPMENT COSTS**  
**REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)**  
**JUNE 16, 2009**

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

DESCRIPTION	TOTAL REIMBURSABLE COST
<b>Sloan Consulting</b>	
Consulting - Marketing and Project Positioning	
Amount Paid by Developer	\$ 1,875.00
<b>TBG Partners</b>	
Land Planning Services	
Amount Paid by Developer	58,124.82
<b>Trinor Law Firm, P.C.</b>	
Texas Government Relations Representation	
Amount Paid by Developer	30,000.00
<b>TriStar Ventures, LLC</b>	
Project Management, Administrative, and Financial Services	
Amount Paid by Developer	35,700.00
<b>Marlin Atlantis White, Ltd. Travel</b>	
Travel Expenses, including Airfare, Auto, Lodging Meals	
Amount Paid by Developer	\$ 9,099.37
Less: Amount Not Reimbursable	500.00
	8,599.37

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT**  
**SCHEDULE OF PROJECT DEVELOPMENT COSTS**  
**REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)**  
**JUNE 16, 2009**

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

DESCRIPTION	TOTAL REIMBURSABLE COST
<b>East Montgomery County Improvement District</b>	
Advance on Development Expenses	
Amount Paid by Developer	\$ 650,000.00
Less: Amount Reimbursed by District	\$ 350,000.00
<b>TOTAL REIMBURSABLE TO GLOBAL EARTHQUEST VENTURES, LP AT JUNE 16, 2009</b>	<b>\$ 1,383,036.86</b>

**EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT**  
**SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS**  
**WITH PROJECT ESTIMATES**  
**JUNE 16, 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	REIMBURSABLE TO GLOBAL EARTHQUEST VENTURES, LP AT JUNE 16, 2009
<b>PROJECT COSTS:</b>			
Construction Fund for Project Costs (2)	\$ 5,650,000	\$ 3,314,486	\$ 1,383,037
<b>TOTAL PROJECT COSTS</b>	<b>\$ 5,650,000</b>	<b>\$ 3,314,486</b>	<b>\$ 1,383,037</b>
<b>BOND COSTS:</b>			
Costs of Issuance	\$ 513,620	\$ -	\$ -
Interest Costs			
Capitalized Interest (1)	568,757		
Debt Service Reserve Fund	610,843		
Bond Discount	291,780		
<b>TOTAL BOND COSTS</b>	<b>\$ 1,985,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL</b>	<b>\$ 7,635,000</b>	<b>\$ 3,314,486</b>	<b>\$ 1,383,037</b>

(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	-
	<b>3,314,486</b>	<b>1,383,037</b>

<u>COSTS PAID BY DISTRICT</u>	<u>ESTIMATED ADDITIONAL COST TO COMPLETE</u>	<u>TOTAL ACTUAL AND ESTIMATED ADDITIONAL COST TO COMPLETE</u>	<u>ACTUAL OVER (UNDER) ESTIMATE</u>	<u>% VARIANCE OVER (UNDER) ESTIMATE</u>
\$ -	\$ 952,477	\$ 5,650,000	\$ -	0.00%
\$ -	\$ 952,477	\$ 5,650,000	\$ -	
\$ 435,475	\$ 78,145	\$ 513,620	\$ -	0.00%
568,757		568,757	-	0.00%
610,843		610,843	-	0.00%
291,790		291,790	10	0.00%
\$ 1,906,865	\$ 78,145	\$ 1,985,010	\$ 10	
\$ 1,906,865	\$ 1,030,622	\$ 7,635,010	\$ 10	