

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

REPORT ON APPLYING AGREED-UPON PROCEDURES TO

PROJECT DEVELOPMENT COSTS IN A

FOURTH SUPPLEMENTAL REIMBURSEMENT TO

GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)

FROM PROCEEDS OF THE SERIES 2009 BOND SALE

OCTOBER 8, 2009

MCCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

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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

SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH PROJECT ESTIMATES

B

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October 8, 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 fourth 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 \$111,937.15. We agree with that total, and recommend reimbursement of \$111,937.15.

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 \$5,584,548. 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, the second supplemental was dated July 2009 in the amount of \$386,224, the third supplemental dated August 26, 2009 totaled \$388,864, and the amount currently due is \$111,937.

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.



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2009 SUPPLEMENTAL 1008 BOND REPORT

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF PROJECT DEVELOPMENT COSTS
REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)
OCTOBER 8, 2009

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

DESCRIPTION	TOTAL REIMBURSABLE COST
B & D Consulting	
Federal Incentive Consulting EarthQuest	
Amount Paid by Developer	\$ 12,500.00
The Blair Law Firm, P.C.	
Legal Consultation EarthQuest Promotion	
Amount Paid by Developer	10,000.00
J. Boudreau & Company, LLC	
Financial Consulting and Expenses Development of Financial Model	
Amount Paid by Developer	4,000.00
Contour Entertainment, Inc.	
Concept Planning, Master Plan Extension and Expenses	
Amount Paid by Developer	21,311.83
Contour Entertainment, Inc.	
Fundraising Plan	
Amount Paid by Developer	2,210.00
EMC Improvement District	
Deposit to Cover Costs to Create Economic Development Zone No. 2	
Amount Paid by Developer	25,000.00

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OCTOBER 8, 2009

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DESCRIPTION	TOTAL REIMBURSABLE COST
Fed Ex	
Deliveries and Printing Offering Memos	
Amount Paid by Developer	\$ 416.19
Meteor Couriers, Inc.	
Courier Service	
Amount Paid by Developer	41.77
Montgomery & Associates	
Engineering and Project Administration	
Planning and Conceptual Cost Estimates	
Amount Paid by Developer	1,965.00
Pepperwood Partners, LLC	
Investment Banking Services	
Amount Paid by Developer	10,000.00
Richard E. Berritt	
Capital Markets Consultant	
Amount Paid by Developer	15,000.00
TBG	
Land Planning and Conceptual	
Landscape Architectural Service	
Amount Paid by Developer	4,997.10

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE OF PROJECT DEVELOPMENT COSTS
REIMBURSEMENT TO GLOBAL EARTHQUEST VENTURES, LP (DEVELOPER)
OCTOBER 8, 2009

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DESCRIPTION	TOTAL REIMBURSABLE COST
Deborah Thomas	
Earthquest Consultant Project Management, Finance Plan and Travel Expenses	
Amount Paid by Developer	\$ 1,861.36
Marlin Atlantis White, Ltd. - Legal	
Review and Revise Consultant Agreements	
Amount Paid by Developer	1,575.00
Marlin Atlantis White, Ltd. - Travel	
Travel Expenses, including Airfare, Auto, Lodging Meals	
Amount Paid by Developer:	
John Marlin	\$ 576.37
Shad Schmid	446.13
James Baker	36.40
	1,058.90
 TOTAL REIMBURSABLE TO GLOBAL EARTHQUEST VENTURES, LP AT OCTOBER 8, 2009	 \$ 111,937.15

EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH PROJECT ESTIMATES
OCTOBER 8, 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	REIMBURSED TO GLOBAL EARTHQUEST VENTURES, LP AT JULY 9, 2009	REIMBURSED TO GLOBAL EARTHQUEST VENTURES, LP AT AUGUST 26, 2009
PROJECT COSTS:					
Construction Fund for Project Costs (2)	\$ 5,650,000	\$ 3,314,486	\$ 1,383,037	\$ 386,224	\$ 388,864
TOTAL PROJECT COSTS	\$ 5,650,000	\$ 3,314,486	\$ 1,383,037	\$ 386,224	\$ 388,864
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	\$ 386,224	\$ 388,864

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

(2) Projects by Agreement Categories:

	Amount by Category	Amount by Category	Amount by Category	Amount by Category
Planning and Design	1,800,288	367,185	247,406	56,787
Financial Package Development	125,250	107,415	21,939	26,328
Site Layouts	41,373	39,779	42,885	12,747
Consulting Fees	403,544	718,299	24,400	-
Legal Fees	444,031	150,359	49,594	70,712
Overhead and Payroll	500,000	-	-	-
Land Interest Per Agreement	-	-	-	222,290
	3,314,486	1,383,037	386,224	388,864

REIMBURSABLE TO GLOBAL EARTHQUEST VENTURES, LP AT OCTOBER 8, 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
\$ 111,937	\$ -	\$ 65,452	\$ 5,650,000	\$ -	0.00%
\$ 111,937	\$ -	\$ 65,452	\$ 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	
\$ 111,937	\$ 2,062,748	\$ 75,452	\$ 7,722,748	\$ 87,748	

Amount by Category

31,897
66,500
1,965
-
11,575
-
-
<u>111,937</u>