

Escondido Public Improvement District Project Overview

The Escondido Public Improvement District (the "District") was created by the City of Horseshoe Bay City Council on October 16, 2007, pursuant to the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended (the "Act"), and Resolution Nos. RES-07-10-16B and RES-07-11-13B upon petition of the owners of the taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment within the District and the property owners who own taxable real property that constitutes more than 50 percent of the area of all taxable real property that is liable for assessment by the District.

The District was created principally to finance certain public improvements (the "Authorized Improvements") that specially benefit assessed property in the District. All of the property in the District was located within the boundaries of the City of Horseshoe Bay (the "City") at the time of District creation. On March 26, 2008, the City Council adopted Ordinance No. ORD 08-03-26 that approved a Service and Assessment Plan for the District (the "Service and Assessment Plan") and levied special assessments (the "Special Assessments") on certain property within the District in accordance with the Assessment Roll attached as Appendix B to the Service and Assessment Plan. The Special Assessments may be prepaid in whole or in part at any time or may be paid in annual installments as provided by the Act and the Service and Assessment Plan.

The City issued the City of Horseshoe Bay Special Assessment Revenue Bonds, Series 2008 (Escondido Public Improvement District) in the aggregate amount of \$5,475,000 pursuant to the Act, Ordinance No. 08-09-16C adopted by the City Council on September 16, 2008, and an Indenture of Trust dated as of September 1, 2008 between the City and Regions Bank, as trustee.

All Special Assessments that are not paid in full will be billed in annual installments and collected each year by the City, or its designee, as provided in the Service and Assessment Plan. Annual Installments are due and payable as provided on the annual installment assessment bill. Annual installments are expected to be billed and collected on the same schedule as property taxes. The Special Assessments, including the annual installments thereof, are (a) a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for state, county, school district or other political subdivision ad valorem property taxes, whether now or hereafter payable, and (b) a personal liability of and charge against the owners of the property to the extent of their ownership regardless of whether the owners are named.

More information concerning the District, the Special Assessments and the due dates of the Annual Installments of the Special Assessments may be obtained from MuniCap, Inc., the District Administrator for the City, located at 222 West Las Colinas Blvd, Suite 1650E, Irving, Texas 75039 and available by telephone at (972) 444-2519 or (866) 648-8482 (toll free).

FAILURE TO PAY THE SPECIAL ASSESSMENTS LEVIED AGAINST ASSESSED PROPERTY, INCLUDING THE ANNUAL INSTALLMENT THEREOF, COULD RESULT IN FORECLOSURE OF SUCH PROPERTY.