

**\$5,475,000**  
**ESCONDIDO PUBLIC IMPROVEMENT DISTRICT**  
**CITY OF HORSESHOE BAY, TEXAS**  
**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2008**

**DEVELOPER'S CONTINUING DISCLOSURE STATEMENT**

Attn: Keenan Rice  
MuniCap, Inc.  
1825 W. Walnut Hill Lane, Suite 120  
Irving, TX 75038

In accordance with the "Continuing Disclosure Agreement" (the "Disclosure Agreement"), dated as of September 16, 2008, by and between (i) The City of Horseshoe Bay, Texas (the "City") (ii) Escondido Partnership, Ltd. (the "Developer"), and (iv) MuniCap, Inc. (the "Administrator"), the developer hereby provides the following information as of March 31, 2009. All terms having initial capitalization and not defined herein shall have the same meanings set forth in a Limited Offering Memorandum dated August 29, 2008. To the best of the knowledge of the undersigned:

The information provided herein is not intended to supplement the information provided in the Limited Offering Memorandum. This report responds to the specific requirements of the continuing disclosure agreement. No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of March 31, 2009, unless otherwise stated, and no representation is made that the information contained herein is indicative of information that may pertain since the end of the period covered by this report or in the future.

**1) Status of Financing**

**A) Loans Secured by Property within the District:**

**Commerce National Bank Term Note**

- Loan Amount: \$5,500,000
- Amount drawn through 3/31/09: \$0
- Amount repaid through 3/31/09: \$900,000
- Balance at 3/31/09: \$4,599,949.37 (approx)
- Interest rate: 4.75%

**Commerce National Bank Revolving Line of Credit:**

- Loan Amount: \$3,000,000
- Amount drawn through 03/31/09: N/A
- Amount repaid through 03/31/09: N/A
- Balance at 3/31/09: \$2,965,000 (approx.)
- Interest rate: 7%

**B) Event of Default on any Loan:** The developer has not received formal written notice and is not aware of any default or passage of time on any loan.

**C) Liens:** There exist no other liens for borrowed money secured by the property owned by the developer in the district other than those shown under 2 (A) above.

**D) Availability of Funds to Complete the District Development:** There are sufficient funds available to complete the development of the district for both bond financed and non-bond financed development subject to assessment undertaken by the developer or any affiliate as contemplated.

**2) Government Permits and Approvals:** All permits and approvals for the improvements were received at the time of bond closing.

**3) Status of Lot Ownership:**

**A) Status of Lot Ownership:**

Lot Type	Builder Owned	Owned by Corp/Partnership /Trust	Owned by Developer	Owned By Individuals	Grand Total
Casita	5	18	0	47	70
Creek	1	0	0	9	10
Golf	12	31	11	104	158
Lake	0	5	16	13	34
Non-Golf	1	11	1	16	29
Villa	11	4	0	48	63
<b>Total</b>	<b>30</b>	<b>69</b>	<b>28</b>	<b>237</b>	<b>364</b>

**B) Status of Building Permits, Home Sales and Closings:**

Lot Type	Planned Number of Units	Number of Building Permits Issued	Number of Building Permits In-process	Number of Homes Sold	Number of Homes Closed	Average Sales Price
Lake	34	2	0	2	2	\$1.5 Mil +/-
Golf*(Added 10)	158	21	0	21	21	\$2.0 Mil +/-
Non-Golf	29	0	0	0	0	N/A
Creek	10	1	0	1	1	\$1.8 Mil +/-
Casita	70	4	0	4	4	\$1.3 Mil +/-
Villa	63	7	0	7	7	\$1.2 Mil +/-
<b>Total</b>	<b>364</b>	<b>35</b>	<b>0</b>	<b>35</b>	<b>35</b>	

**C) Developer's Absorption Estimates:**

Lot Type	Projected Number of Units Sold (As of March 31, 2009)	Actual Number of Units Sold (As of March 31, 2009)
Lake	34	18
Golf	158	147
Non-Golf	29	28
Creek	10	10
Casita	70	70
Villa	63	63
<b>Total Units</b>	<b>364</b>	<b>336</b>

- 4) **Material Changes in the Form, Organization or Controlling Ownership of the Developer:** There have been no material changes in the form, organization or controlling ownership of the developer as described on the Limited Offering Memorandum.
- 5) **Legislative, Administrative or Judicial Challenges:** There have been no legislative, administrative, or judicial challenges to the construction of the improvements projects within the district or the validity of the duly recorded plat or other public approvals for any section of the development of the developer within the district known to the developer.
- 6) **Legal Challenges to the Construction:** The developer has no knowledge of any legal challenges to the construction or development within the District.
- 7) **Other Comments:**  
A plat was approved for the re-subdivision of lots 47A-56A which divided these ten lots into twenty lots. The final plat approved on February 17, 2009 provided for lot designated as 47B, 47C, 48B, 48C, 49B, 49C, 50B, 50C, 51B, 51C, 52B, 52C, 53B, 53C, 54B, 54C, 55B, 55C, 56B and 56C. All of these lots are located in prior Plat 1.2 and the new plat is referred to as Plat 1.17
- 8) **Reporting of Significant Events:** The developer has not obtained actual knowledge of the occurrence of any significant events attached hereto.

**ESCONDIDO PARTNERSHIP, LTD.**

By: Escondido Partnership, Ltd.

By: Signature on file

Title: Chief Financial Officer

Date: April 13, 2009

### **Significant Events**

- (i) failure to pay any real property taxes or assessments levied within the district on a parcel owned by the developer, an affiliate of other owner;
- (ii) material damage to or destruction of any development or improvements within the district;
- (iii) material default by the developer or any affiliate on any loan with respect to the development or permanent financing of district development undertaken by the developer or any affiliate;
- (iv) material default by the developer or any affiliate on any loan secured by property within the district owned by the developer or any affiliate;
- (v) payment default by the developer on any loan to such developer or by any affiliate on any loan to such affiliate (whether or not such loan is secured by the property within the district);
- (vi) payment default by the developer or any affiliate or any owner of more than 25% interest in the developer or any affiliate in bankruptcy or any determination that the developer or any affiliate or any owner of more than 25% in the developer or any affiliate is unable to pay its debts as they become due;
- (vii) the filing of any lawsuit with the claim for damage, in excess of \$1,000,000 against the developer or any affiliate which may adversely affect the completion of the district development or litigation which would materially adversely affect the financial conditions of the developer or affiliate); and
- (viii) any change in the legal structure, chief executive officer or controlling ownership of the developer or any affiliate.