

# NOTICE OF SUMMARY OF CERTAIN LITIGATION MATTERS

## RELATING TO

**\$2,250,000**

**City of Crystal City, Texas**

**(A political subdivision of the State of Texas located in Zavala County, Texas)**

**Combination Tax and Revenue Certificates of Obligation**

**Series 2014**

### CUSIP Nos:

<b>229129 BT7</b>	<b>229129 BU4</b>	<b>229129 BV2</b>
<b>229129 BW0</b>	<b>229129 BX8</b>	<b>229129 BY6</b>
<b>229129 BZ3</b>	<b>229129 CA7</b>	<b>229129 CB5</b>
<b>229129 CC3</b>	<b>229129 CD1</b>	<b>229129 CE9</b>

**Disclosure Date: January 26, 2018**

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As previously described in disclosure notices dated April 4, 2017 (the “April 2017 Notice”) and August 4, 2017, and October 12<sup>th</sup>, 2017, the City of Crystal City, Texas (the “City”) has failed to make the payments due on the above-referenced Certificates of Obligation for the August 1, 2016, February 1, 2017 and August 1, 2017 payment dates. Crews & Associates, Inc. (“Crews”), solely in its capacity as designated representative under Section 10.02 of the Ordinance adopted by the City on December 9, 2014, filed suit against the City pursuant to the filing of a petition (the “Petition”). The Petition was filed on March 21, 2017 as Cause No. 17-03-13906-ZCV in the 293<sup>rd</sup> District Court of Zavala County Texas (the “Court”).

Below is a summary of the pleadings and events that have occurred in the litigation related to Crystal City’s default in the payments due bondholders.

1. Crews, as a representative of the bondholders (“Bondholders”) filed the Original Petition in Zavala County Texas on March 21, 2017. The matter was assigned Cause No. 17-03-13906 ZCV. The Original Petition sought a Writ of Mandamus and to enforce the bondholders’ rights resulting from the Crystal City’s default in making payments on the bonds.
2. Crystal City filed an Answer on May 2, 2017, generally denying the allegations asserted in the Original Petition.
3. A separate criminal matter was pending in US District Court, San Antonio, TX against the former Crystal City attorney, Jonas and former Mayor Lopez. They were charged with a series of crimes related to their activities while officers of Crystal City. On June 26 they were found guilty by the federal jury. Jonas was convicted on 14 counts and Lopez was convicted on 7 counts.

4. On June 28, the Court entered an Order setting the matter for trial on Dec. 12, 2017 and requiring Mediation.
5. On July 21, 2017, the Bondholders filed an Amended Petition adding the individuals and offices that might be responsible for assessing the taxes annually, placing them on the tax rolls and collecting the same in a sufficient amount to pay the annual amount due to the bondholders.
6. On July 25, 2017, Crystal City filed its Amended Answer, Counter-claim and Cross-claim. By this pleading, Crystal City added the convicted former city officials, Bracewell and Giuliani, its bond counsel, Siemens, the equipment supplier, and Crews for allegedly promoting the bonds.
7. Crystal City failed to appear at Mediation on August 7.
8. On or about August 10, the Bondholders filed a Motion to Sanction Crystal City for not appearing at Mediation.
9. On Sept. 18, the Bondholders filed an Answer to the Crystal City's amended allegations.
10. On September 26, Siemens filed a Motion to Dismiss the Crystal City's amended allegations and to compel arbitration.
11. On October 4, Bracewell and Giuliani filed a Motion to Compel arbitration.
12. On or about October 15, the Bondholders filed a Motion to sever their request for a Mandamus to enforce the tax assessment and collection from the various claims asserted by Crystal City against the third parties.
13. On October 30, the Court entered an Order granting sanctions against Crystal City for \$4,132.34 as a result of their failure to appear and participate in the Mediation.
14. On Jan. 4, 2018, the Court granted the Motion to Sever the Mandamus. As a result, the issues related to the Mandamus will be tried separately from the various claims asserted by Crystal City against the third-parties.
15. On or about January 12, 2018, a Non-Suit was filed by the Bondholders to dismiss the County Collector and Assessor. Texas counsel was able to establish that Zavala County Appraisal District, and the Chief Appraiser is the proper party to enforce the Mandamus relief requested. The County has a contract with the Appraisal District to assess taxes and the Collector and Assessor do not perform this function.
16. On Jan, 29, 2018, a hearing is scheduled on Bracewell's and Siemen's Motion to compel arbitration.
17. No trial date has been set on the Mandamus claims.

Owners of Certificates of Obligation who have questions or wish to directly receive further communications with respect to the status of this matter, may contact Crews & Associates, Inc. by phone, email or in writing as follows:

Crews & Associates, Inc.  
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**THIS NOTICE IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THIS NOTICE PROVIDES ONLY A SUMMARY OF CERTAIN MATTERS WITH RESPECT TO THE LITIGATION INVOLVING THE CERTIFICATES OF OBLIGATION. CREWS & ASSOCIATES, INC. IS NOT ACTING AS UNDERWRITER OR TRUSTEE AND GIVES NO LEGAL, FINANCIAL OR TAX ADVICE REGARDING THE CERTIFICATES OF OBLIGATION OR THE MATTERS DESCRIBED HEREIN. OWNERS SHOULD CONSULT THEIR OWN PROFESSIONALS REGARDING THE CERTIFICATES OF OBLIGATION.**

Dated: January 26, 2018

By: **CREWS & ASSOCIATES, INC.**