

Annual Disclosure Report for Fiscal Year 2010-11

Community Facilities District No. 89-1
(Mountain Cove)
Special Tax Refunding Bonds, Series 2008

Prepared for



March 2011

ALBERT A.
WEBB
ASSOCIATES

Community Facilities District 89-1

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CUSIP Numbers

Year	CUSIP	Year	CUSIP	Year	CUSIP
2011	76911FQE7	2016	76911FQK3	2021	76911FQQ0
2012	76911FQF4	2017	76911FQL1	2022	76911FQR8
2013	76911FQG2	2018	76911FQM9	2023	76911FQS6
2014	76911FQH0	2019	76911FQN7	2024	76911FQT4
2015	76911FQJ6	2020	76911FQP2	2025	76911FQU1

The information herein for Community Facilities District No. 89-1 of the County of Riverside, (the "District" or "CFD 89-1") was prepared by Albert A. Webb Associates and the Riverside County Executive Office, as Administrators. Except as otherwise noted all information is current as of September 30, 2010.

Information can be found at website: www.webbassociates.com

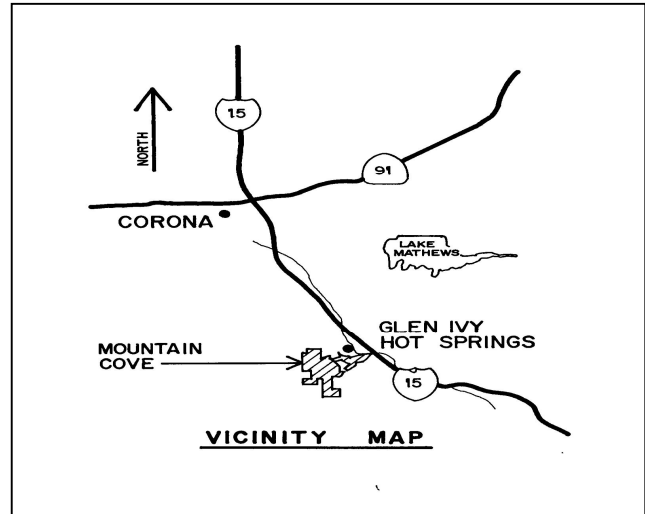
Community Facilities District 89-1 (Mountain Cove)

Project Description

The District issued Bonds to fund a portion of the cost to acquire additional public infrastructure consisting of sanitary sewer, water, storm drain, roadway facilities and to refund the 2001 Refunding Bonds.

Location

The District consists of approximately 764.1 acres and is located approximately five miles southeast of the City of Corona adjacent to the Cleveland National Forest in unincorporated western Riverside County, California.



CUSIP # 76911FQA5 through 76911FQU1

n 2006 Refunding Bonds¹

Series 2006 Refunding Bonds (the "Bonds") in the amount of \$10,435,000 with interest rates ranging from 3.70% to 4.25% were issued on September 26, 2006. Interest on the Bonds is payable semi-annually on March 1 and September 1. The final maturity of the Bonds is September 1, 2025. The outstanding principal amount of the Bonds as of September 30, 2010 is \$8,730,000.

n Variable Rate Bonds Series 2001 Improvement Area No. 1

Series 2001 Variable Rate Bonds ("Variable Rate Bonds") in the amount of \$8,955,000 were issued on February 27, 2001. These bonds were called in full in March 2006 from prepayments of Special Taxes received by the District and were not a part of the 2006 Refunding Bonds.

There are no remaining unissued Bonds authorized for the District.

¹ Bonds in the amount of \$14,000,000 were issued in June 1991, to finance the public facilities funded by the District. All the 1991 Bonds were redeemed in 2001 with the proceeds of the 2001 Refunding Bonds and redeemed again in 2006 with the proceeds of the 2006 Refunding Bonds.

A special tax is levied and collected each year to pay the principal and interest obligations on the Bonds of the District. The amount levied each year is determined by the Rate and Method of Apportionment (the "RMA") and can vary from year to year, but shall not exceed the maximum authorized (or permitted) special tax rates. The amount levied for the 2010-2011 tax year was \$838,212.84 and is based on 1,320 building permits being issued within the following tax classes.

The special tax rates levied for the 2010-2011 tax year are:

Table 2-1
Special Tax Levy

Tax Class	Description	Applied Rate Per Class	Maximum Tax Rate	No. of DU's, Lots or Acres Taxed
D-A	Developed Residential DU with 2,001 or more SF	\$781.06/unit	\$987 per unit	301
D-B	Developed Residential DU with 1500-2000 SF	\$606.18/unit	\$766 per unit	778
D-C	Developed Residential DU with 1499 or less SF	\$482.72/unit	\$610 per unit	238
D-NR	Developed Non-Residential Property	\$1,978.38/acre	\$2,500 per acre	8.40 acres
AP-Res	Approved Residential Property	N/A	\$800 per lot	N/A
AP-NR	Approved Non-Residential Property	N/A	\$2,500 per acre	N/A
GC	Golf Course Property	N/A	\$5,600 per acre	N/A
UP	Undeveloped Property	N/A	\$7,599 per acre	N/A

n Changes to the Rate and Method of Apportionment

During the prior Fiscal Year, no changes were made to the Rate and Method of Apportionment in either Community Facilities District No. 89-1.

The following tables present certain property ownership data and the development status of the District.

Table 3-1
Largest Property Owners Subject to Special Taxes
Fiscal Year 2010-2011

Owner Name	Parcels	Total Special Tax FY 2010-2011	% of Total Special Tax	Total AV ² FY 2010-2011	% of Total AV ²
Trilogy at Glen Ivy Maintenance Assoc	3	\$16,618.38	1.98%	\$3	0.00%
Brewster, William	2	\$1,387.24	0.17%	\$730,000	0.17%
Campbell, Elaine	2	\$1,387.24	0.17%	\$681,000	0.16%
Duggan, Kenneth	2	\$1,387.24	0.17%	\$682,431	0.16%
Johnson, Vicki	2	\$1,387.24	0.17%	\$803,000	0.19%
Jones, Larry	2	\$1,387.24	0.17%	\$803,000	0.19%
Lowry, Peter	2	\$1,387.24	0.17%	\$554,000	0.13%
McKeever, John	2	\$1,387.24	0.17%	\$810,000	0.19%
Tsao, Eric	2	\$1,387.24	0.17%	\$744,000	0.18%
Urban, John	2	\$1,387.24	0.17%	\$806,000	0.19%
Subtotal	21	\$29,103.54	3.47%	\$6,613,434	1.56%
All Others	1,299	\$809,109.30	96.53%	\$417,170,724	98.44%
Total	1,320	\$838,212.84	100.00%	\$423,784,158	100.00%

Table 3-2
Property Breakdown by Development Status

Development Status ³	Parcels	Total Special Tax FY 2010-2011	% of Total Special Tax	Total AV ² FY 2010-2011	% of Total AV ²
Developed	1,320	\$838,212.84	100.00%	\$423,784,158	100.00%
All Others	0	\$0.00	0.00%	\$0	0.00%
Total	1,320	\$838,212.84	100.00%	\$423,784,158	100.00%

² Assessed Valuation (AV) is based on information provided in the Riverside County Assessor's records for Fiscal Year 2010-2011 and may or may not accurately reflect true market value.

³ "Developed" is defined as any parcel that has an assessed value for Improvements and which is classified as non-vacant by the Riverside County Tax Assessors Office.

Table 3-3
Value to Lien Ratio based on Ownership
Fiscal Year 2010-2011

Owner Name	No. of Parcels	Total Special Tax FY 2010-2011	% of Total Special Tax	Total AV ² FY 2010- 2011	Principal Amount of Bonds Outstanding	Value to Lien Ratios
Trilogy at Glen Ivy	3	\$16,618.38	1.98%	\$3	\$173,080.69	0.00:1
Brewster, William	2	\$1,387.24	0.17%	\$730,000	\$14,448.13	50.53:1
Campbell, Elaine	2	\$1,387.24	0.17%	\$681,000	\$14,448.13	47.13:1
Duggan, Kenneth	2	\$1,387.24	0.17%	\$682,431	\$14,448.13	47.23:1
Johnson, Vicki	2	\$1,387.24	0.17%	\$803,000	\$14,448.13	55.58:1
Jones, Larry	2	\$1,387.24	0.17%	\$803,000	\$14,448.13	55.58:1
Lowry, Peter	2	\$1,387.24	0.17%	\$554,000	\$14,448.13	38.34:1
McKeever, John	2	\$1,387.24	0.17%	\$810,000	\$14,448.13	56.06:1
Tsao, Eric	2	\$1,387.24	0.17%	\$744,000	\$14,448.13	51.49:1
Urban, John	2	\$1,387.24	0.17%	\$806,000	\$14,448.13	55.79:1
Subtotal	21	\$29,103.54	3.47%	\$6,613,434	\$303,113.83	21.82:1
All Others	1,299	\$809,109.30	96.53%	\$417,170,724	\$8,426,886.17	49.50:1
Total	1,320	\$838,212.84	100.00%	\$423,784,158	\$8,730,000.00	48.54:1

n Prepayment of Special Taxes Associated with 2006 Refunding Bonds

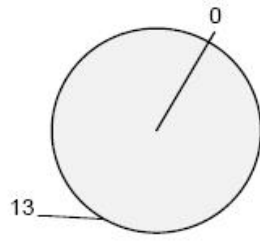
During the prior Fiscal Year, there were no Special Taxes fully or partially prepaid for the 2006 Refunding Bonds

COMMUNITY FACILITIES DISTRICT NO. 89-1 MOUNTAIN COVE

OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION

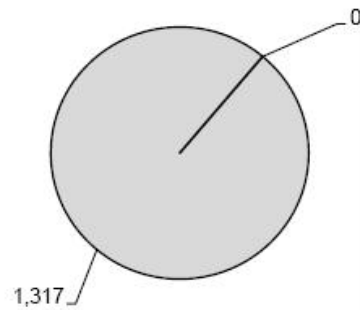
(Definition of Absorption = Built and Occupied)

DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY



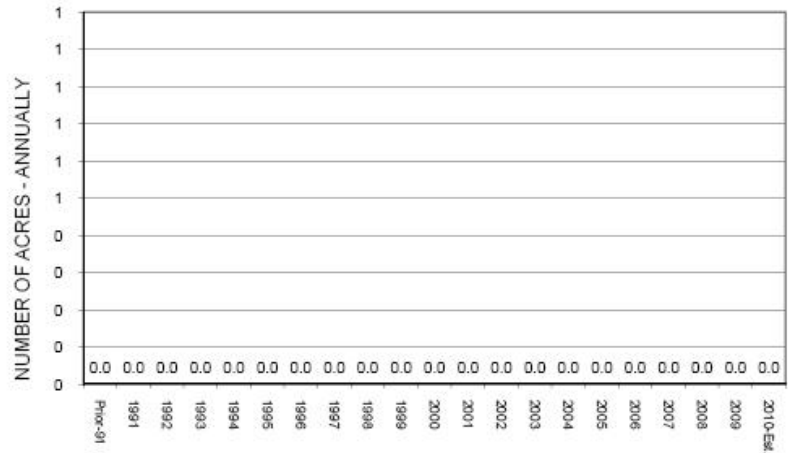
Sold: Sept. 1, 2010
 Future: Sept. 1, 2010+

DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY

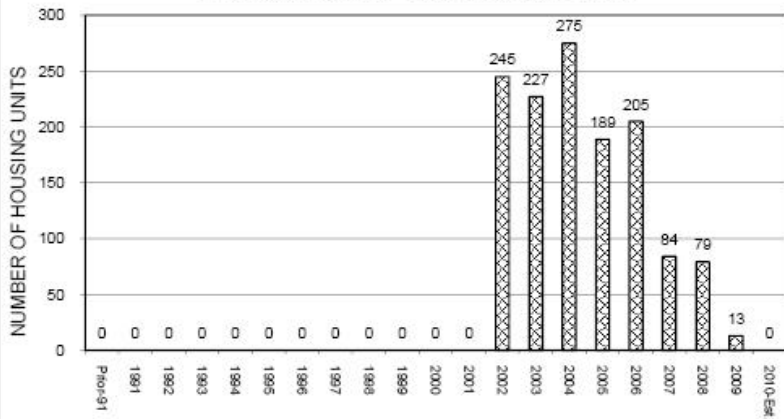


Sold: Sept. 1, 2010
 Future: Sept. 1, 2010+

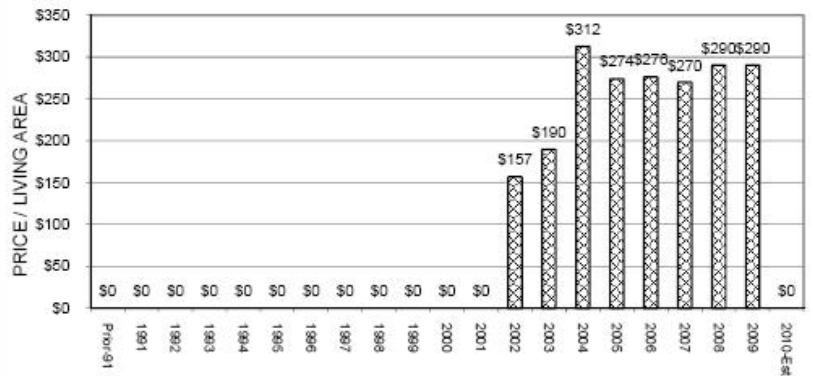
ABSORPTION OF COMMERCIAL-INDUSTRIAL PROPERTY



ABSORPTION OF RESIDENTIAL UNITS



HOUSING PRICE PATTERNS
Value Ratio: Price/Living Area



The following table summarizes the number of delinquent parcels, the amount delinquent and delinquency charges for each tax year following the refunding in 2006. There are no delinquent parcels in any tax year prior to the refunding. Delinquencies and delinquency charges are calculated through September 30, 2010.

Table 5-1
Special Tax Delinquency Summary

Tax Year	Special Tax Levied	Delinquent Special Tax Amount	Delinquency Charges ⁴	Amount Due ⁵	Number Delinquent Parcels	Delinquent % of Levy
2009-10	\$839,844.52	\$10,510.20	\$1,523.98	\$12,034.18	20	1.25%
2008-09	\$840,997.08	\$4,495.01	\$1,460.88	\$5,955.89	8	0.53%
2007-08	\$833,179.34	\$1,688.32	\$852.60	\$2,540.92	3	0.20%
2006-07	\$942,628.56	\$1,110.87	\$760.95	\$1,871.82	2	0.12%
Total	\$3,456,649.50	\$17,804.40	\$4,598.41	\$22,402.81	21	0.34%

n Funds Available for the Payment of Scheduled Debt Service on the Bonds

The March 1, 2011 debt service payment is \$177,751.88, interest only. The balance in the Special Tax Fund is \$195,630.95. These funding sources added to the current year levy of \$838,212.84 are expected to generate sufficient revenue to cover the full year's debt service of \$790,503.76, without impacting the fully funded Reserve Fund.

n Foreclosure Covenant

The foreclosure covenant in the Bond Indenture states that foreclosure proceedings will be initiated against delinquent property with delinquent special taxes in excess of \$5,000 by the October 1 following the close of the Fiscal Year unless less than 95% of the total taxes required to pay debt service in the current bond year are collected in which case foreclosure will commence against all delinquent parcels. In certain instances the amount of a delinquency on a particular parcel is so small that the cost of a foreclosure proceeding will far exceed the delinquent amount. In such cases foreclosure proceedings are sometimes delayed until there are sufficient delinquencies accruing to such parcel (including penalties and interest) to warrant the foreclosure proceeding cost.

n Collection and Foreclosure Actions

There are currently no foreclosure actions pending in the District.

⁴ These charges include a 10% penalty on each past due installment and 1.5% per month "redemption penalty" (or "interest") on the original delinquent amount, which begins to accrue July 1 of the tax year following the delinquency.

⁵ In addition to the amount due, parcels which have an existing foreclosure judgment recorded against them will include judicial foreclosure costs not included in this column.

Table 6-1
Investment Portfolio as of September 30, 2010⁶

Fund Name	Security	Coupon Rate	Maturity Date	Book Value	Market Value	Ratings
Special Fund	Bank of New York	0.00%	10/1/2010	\$195,630.95	\$195,630.95	AAA/Aaa
Reserve Fund	Bank of New York	0.00%	10/1/2010	\$889,386.59	\$889,386.59	AAA/Aaa
Expense Fund	Bank of New York	0.00%	10/1/2010	\$7,147.76	\$7,147.76	AAA/Aaa
Earnings Fund	Bank of New York	0.00%	10/1/2010	\$13,196.88	\$13,196.88	AAA/Aaa
Redemption Fund	Bank of New York	0.00%	10/1/2010	\$16.18	\$16.18	AAA/Aaa
Totals				\$1,105,378.36	\$1,105,378.36	

n Bond Fund

The moneys transferred to the Bond Fund are to be used for paying principal on and all of the interest due and payable on all of the Outstanding Bonds. Transfers are made from the Special Tax Fund on or prior to the last day of February and August so that the balance in the Bond Fund is sufficient to cover current interest and principal due.

n Bond Reserve Fund

The Bond Reserve Fund must be maintained at the Reserve Requirement which is defined as of any date of calculation as an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 10% of the total original principal amount of the Outstanding Bonds, less original issue discount, if any, plus original issue premium, if any, or (c) 125% of average Annual Debt Service on all Bonds. In the event that special tax revenue is insufficient to pay debt service, money may be transferred from this Fund to the Bond Fund. The Bond Reserve Fund will then be replenished by increasing the next year's special tax levy to the extent permitted by law. The Bond Reserve Requirement is \$793,325.00 as of September 30, 2010. The balance in the Bond Reserve Fund as of September 30, 2010 was \$889,386.59.

PLEASE NOTE: The Riverside County Fiscal Year 2009-10 Comprehensive Annual Financial Report (CAFR) is submitted to the Municipal Securities Rulemaking Board using EMMA (Electronic Municipal Market Access) under separate cover and is incorporated herein by reference.

⁶ Source: Bond Logistix LLC. All investments are in compliance with "Permitted Investments" as defined in the Fiscal Agent Agreement dated February 1, 2001, and in accordance with County of Riverside Land Secured Financing District Investment Policy B-19.

The following events as set forth in Rule 15c2-12 promulgated by the Securities and Exchange Commission are considered material by the District.

- | | |
|---|----------------|
| 1. Delinquency in payment when due of any principal of or interest on the Bonds. | Not Applicable |
| 2. Occurrence of any default under the Indenture. | Not Applicable |
| 3. Amendment to or modification of the Indenture or the Disclosure Agreement modifying the rights of the Owners of the Bonds. | Not Applicable |
| 4. Giving of a notice of optional or unscheduled redemption of any of the Bonds. | Not Applicable |
| 5. Defeasances of the Bonds or any portion thereof. | Not Applicable |
| 6. Any change in any rating on the Bonds. | Not Applicable |
| 7. Adverse tax opinions or events affecting the Tax-exempt status of the Bonds. | Not Applicable |
| 8. Any unscheduled draw on the Reserve Account reflecting financial difficulties. | Not Applicable |
| 9. Unscheduled draws on credit enhancements reflecting financial difficulties. | Not Applicable |
| 10. Substitution of credit or liquidity providers, or their failure to perform. | Not Applicable |
| 11. The release, substitution or sale of property securing repayment of the Bonds. | Not Applicable |
| 12. Tender offers | Not Applicable |
| 13. Bankruptcy, insolvency, receivership or similar event of the obligated person | Not Applicable |
| 14. Merger, consolidation, or acquisition of the obligated person, if material | Not Applicable |
| 15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material | Not Applicable |

Notice for events described in Section 5a, subsections (4) and (5) of the Disclosure Certificate need not be given under this sub-section any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Fiscal Agent Agreement.

Material Events (12) through (15) have been added pursuant to amendments to the continuing disclosure services of the Municipal Securities Rulemaking Board Electronic Municipal Market Access ("EMMA") system by the Securities and Exchange Commission to Securities Exchange Act Rule 15c2-12 effective December 1, 2010.

Appendix A

Debt Service Schedule

A L B E R T A .

WEBB

A S S O C I A T E S

**DEBT SERVICE SCHEDULE
CURRENT**

**RIVERSIDE COUNTY
COMMUNITY FACILITIES DISTRICT 89-1 (MOUNTAIN COVE)**

<i>Payment Date</i>	<i>Coupon</i>	<i>Principal</i>	<i>Principal Outstanding</i>	<i>Interest</i>	<i>Semi-Annual Debt Service</i>	<i>Annual Debt Service</i>	<i>Call Premium</i>
3/1/2007			\$10,435,000.00	\$182,428.00	\$182,428.00		3.0000%
9/1/2007	4.0000%	\$495,000.00	\$9,940,000.00	\$211,851.88	\$706,851.88	\$889,279.88	3.0000%
3/1/2008			\$9,940,000.00	\$201,951.88	\$201,951.88		3.0000%
9/1/2008	4.0000%	\$385,000.00	\$9,555,000.00	\$201,951.88	\$586,951.88	\$788,903.76	3.0000%
3/1/2009			\$9,555,000.00	\$194,251.88	\$194,251.88		3.0000%
9/1/2009	4.0000%	\$405,000.00	\$9,150,000.00	\$194,251.88	\$599,251.88	\$793,503.76	3.0000%
3/1/2010			\$9,150,000.00	\$186,151.88	\$186,151.88		3.0000%
9/1/2010	4.0000%	\$420,000.00	\$8,730,000.00	\$186,151.88	\$606,151.88	\$792,303.76	3.0000%
3/1/2011			\$8,730,000.00	\$177,751.88	\$177,751.88		3.0000%
9/1/2011	4.0000%	\$435,000.00	\$8,295,000.00	\$177,751.88	\$612,751.88	\$790,503.76	3.0000%
3/1/2012			\$8,295,000.00	\$169,051.88	\$169,051.88		3.0000%
9/1/2012	4.0000%	\$455,000.00	\$7,840,000.00	\$169,051.88	\$624,051.88	\$793,103.76	3.0000%
3/1/2013			\$7,840,000.00	\$159,951.88	\$159,951.88		3.0000%
9/1/2013	4.0000%	\$470,000.00	\$7,370,000.00	\$159,951.88	\$629,951.88	\$789,903.76	3.0000%
3/1/2014			\$7,370,000.00	\$150,551.88	\$150,551.88		3.0000%
9/1/2014	4.0000%	\$490,000.00	\$6,880,000.00	\$150,551.88	\$640,551.88	\$791,103.76	2.0000%
3/1/2015			\$6,880,000.00	\$140,751.88	\$140,751.88		2.0000%
9/1/2015	4.0000%	\$510,000.00	\$6,370,000.00	\$140,751.88	\$650,751.88	\$791,503.76	1.0000%
3/1/2016			\$6,370,000.00	\$130,551.88	\$130,551.88		1.0000%
9/1/2016	3.7000%	\$530,000.00	\$5,840,000.00	\$130,551.88	\$660,551.88	\$791,103.76	0.0000%
3/1/2017			\$5,840,000.00	\$120,746.88	\$120,746.88		0.0000%
9/1/2017	4.0000%	\$550,000.00	\$5,290,000.00	\$120,746.88	\$670,746.88	\$791,493.76	0.0000%
3/1/2018			\$5,290,000.00	\$109,746.88	\$109,746.88		0.0000%
9/1/2018	4.0000%	\$570,000.00	\$4,720,000.00	\$109,746.88	\$679,746.88	\$789,493.76	0.0000%
3/1/2019			\$4,720,000.00	\$98,346.88	\$98,346.88		0.0000%
9/1/2019	4.0000%	\$595,000.00	\$4,125,000.00	\$98,346.88	\$693,346.88	\$791,693.76	0.0000%
3/1/2020			\$4,125,000.00	\$86,446.88	\$86,446.88		0.0000%
9/1/2020	4.1250%	\$620,000.00	\$3,505,000.00	\$86,446.88	\$706,446.88	\$792,893.76	0.0000%
3/1/2021			\$3,505,000.00	\$73,659.38	\$73,659.38		0.0000%
9/1/2021	4.1250%	\$645,000.00	\$2,860,000.00	\$73,659.38	\$718,659.38	\$792,318.76	0.0000%
3/1/2022			\$2,860,000.00	\$60,356.25	\$60,356.25		0.0000%
9/1/2022	4.1250%	\$670,000.00	\$2,190,000.00	\$60,356.25	\$730,356.25	\$790,712.50	0.0000%
3/1/2023			\$2,190,000.00	\$46,537.50	\$46,537.50		0.0000%
9/1/2023	4.2500%	\$700,000.00	\$1,490,000.00	\$46,537.50	\$746,537.50	\$793,075.00	0.0000%
3/1/2024			\$1,490,000.00	\$31,662.50	\$31,662.50		0.0000%
9/1/2024	4.2500%	\$730,000.00	\$760,000.00	\$31,662.50	\$761,662.50	\$793,325.00	0.0000%
3/1/2025			\$760,000.00	\$16,150.00	\$16,150.00		0.0000%
9/1/2025	4.2500%	\$760,000.00	\$0.00	\$16,150.00	\$776,150.00	\$792,300.00	0.0000%
Totals		\$10,435,000.00		\$4,703,520.02	\$15,138,520.02	\$15,138,520.02	

Bond Issue Date 9/26/2006
Original Bond Principal \$10,435,000.00
Bond Calls

* Denotes Bond Calls

Appendix B

District Boundary Map

A L B E R T A .

WEBB

A S S O C I A T E S

