

*Annual Disclosure Report for Fiscal Year Ending June 30, 2011*

# Community Facilities District No. 88-4 (Winchester Ranch)

*Prepared for*



February 2012

ALBERT A.  
**WEBB**  
ASSOCIATES

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### CUSIP Numbers

Year	CUSIP
2012	76911FQZ0
2013	76911FRA4
2014	76911FRB2

The information herein for Community Facilities District No. 88-4 of the County of Riverside, (the "District" or "CFD 88-4") 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, 2011.

Information can be found at website: [www.webbassociates.com](http://www.webbassociates.com)

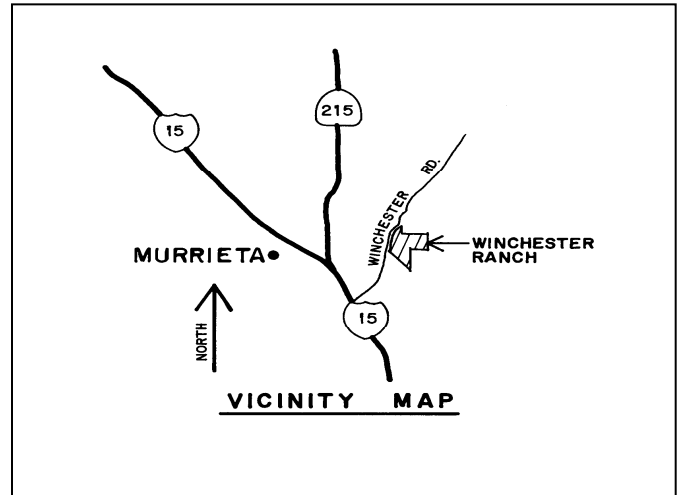
## Community Facilities District 88-4 (Winchester Ranch)

### Project Description

The District was formed to fund the construction of road improvements, flood and drainage facilities, and water and waste water facilities. All improvements have been completed.

### Location

The District is located north of the City of Temecula along the east side of Winchester Road (Highway 79) at Murrieta Hot Springs Road.



**CUSIP # 76911FQY3-76911FRB2**

### ■ 2010 Special Tax Refunding Bonds

Series 2010 Special Tax Refunding Bonds in the amount of \$7,760,000 with interest rates ranging from 3.00% to 4.00% were issued November 5, 2010 to convert the outstanding 1997 Refunding Bonds of the District from an adjustable to a fixed rate of interest. Interest on 2010 Special Tax Refunding Bonds is payable semi-annually on March 1 and September 1. The date for the final maturity of Bonds is September 1, 2014.

A special tax is levied and collected each year to pay the principal and interest obligations on the outstanding Bonds of the District. The amount levied each year is determined by the special tax rates. The special tax rates levied for the 2011-2012 tax year under the previous Bond issue are:

**Table 2-1  
Special Tax Levy**

Class	Descriptions	Unit/Acre/ Sq Ft.	Applied Rate Per Class*	Number of Parcels
1D	Residential (under 5 units per acre).	Per unit	\$604.86	639
2D	Residential (5 to 9.99 units per acre)	Per unit	\$526.46	277
3D	Residential (10 to 14.99 units per acre)	Per unit	\$442.58	146
3A	Residential (10 to 14.99 units per acre)	Per acre	\$0.00	0
4D	Residential (15 or more units per acre)	Per unit	\$245.66	324
4A	Residential (15 or more units per acre)	Per acre	\$4,176.90	1
5D	Commercial Town Center (per sq ft)	Per sq ft	\$0.85	13
5A	Commercial Town Center (per acre)	Per acre	\$7,583.15	24
6D	Business Park (per sq ft)	Per sq ft	\$0.42	83
6A	Business (per acre)	Per acre	\$5,442.68	4
7	Vacant, per acre	Per acre	\$0.00	2
OS	Open Space	Per acre	\$0.00	1

\* The applied charge is the greater of the square footage rate or acreage rate within the corresponding class

(D) Represents Developed Property

(A) Represents Approved Property<sup>1</sup>

The maximum annual special tax for each tax class escalates at two percent (2.0%) per year.

The amount levied for the tax year 2011-2012 under the Series 1997 Refunding Bonds was \$1,920,402.84. As of September 30, 2011 the outstanding principal balance under the 2010 Special Tax Refunding Bonds is \$5,170,000.

### ■ 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 Community Facilities District No. 88-4.

<sup>1</sup> "Approved Property" is defined as all parcels in the District for which a final parcel or tract map has been recorded as of March 1 of the preceding Fiscal Year.

The following tables present certain property ownership data and the development status of the District under the previous Bond issue.

**Table 3-1**  
**Largest Property Owners Based on Total Special Tax**  
**Fiscal Year 2011-2012 (as of September 30, 2011)**

Owner Name	Parcels	Total Special Tax	% of Total Special Tax	Total AV <sup>2</sup>	% of Total AV <sup>2</sup>
Harmony Grove Partners	16	\$340,180.00	17.71%	\$12,305,057	2.56%
VCH No 1	4	\$100,704.20	5.24%	\$3,618,503	0.75%
Donahue Schriber Realty Grp	3	\$74,163.20	3.86%	\$13,586,809	2.83%
JJB Silverhawk	1	\$61,502.26	3.20%	\$1,500,000	0.31%
RCI Silverhawk 8	2	\$53,006.20	2.76%	\$6,296,945	1.31%
Silverhawk Partners	2	\$50,106.14	2.61%	\$10,019,220	2.09%
Silverhawk Sky Canyon	1	\$48,010.74	2.50%	\$10,487,884	2.18%
Temecula Self Storage	1	\$47,528.80	2.47%	\$6,531,421	1.36%
Corp of Pres Bishop Ch of Jesus Christ Lds	3	\$36,474.94	1.90%	\$4,761,687	0.99%
RCI Silverhawk 22	1	\$33,645.88	1.75%	\$6,479,790	1.35%
<b>Subtotal</b>	<b>34</b>	<b>\$845,322.36</b>	<b>44.00%</b>	<b>\$75,587,316</b>	<b>15.73%</b>
All Others	1,477	\$1,075,080.48	56.00%	\$404,870,786	84.27%
<b>Total</b>	<b>1,511</b>	<b>\$1,920,402.84</b>	<b>100.00%</b>	<b>\$480,458,102</b>	<b>100.00%</b>

**Table 3-2**  
**Property Breakdown by Development Status**

Development <sup>3</sup> Status	Parcels	Total Special Tax	% of Total Special Tax	Total AV <sup>2</sup>	% of Total AV <sup>2</sup>
Developed	1,485	\$1,371,721.10	72.20%	\$461,378,604	95.85%
Undeveloped	26	\$548,681.74	27.80%	\$19,079,498	4.15%
<b>Total</b>	<b>1,511</b>	<b>\$1,920,402.84</b>	<b>100.00%</b>	<b>\$480,458,102</b>	<b>100.00%</b>

### ■ Building Permits Issued

There has been zero building permits issued prior to March 1 preceding the Fiscal Year in which this report is being filed in Community Facilities District No. 88-4.

<sup>2</sup> Assessed Valuation (AV) is based on information provided in the Riverside County Assessor's records for Fiscal Year 2011-2012 and may or may not accurately reflect true market value.

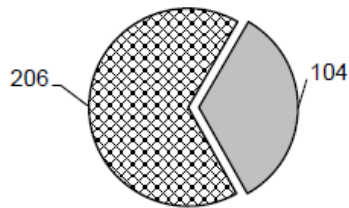
<sup>3</sup> "Developed" is defined as any parcel that has an assessed value for Improvements and which is classified as non-vacant by the Riverside County Tax Assessors Office

**COMMUNITY FACILITIES DISTRICT NO. 88-4 WINCHESTER RANCH**

**OVERVIEW OF DEVELOPMENT STATUS AND ABSORPTION**

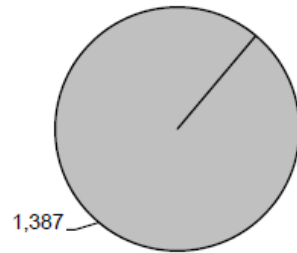
(Definition of Absorption = Built and Occupied)

**DEVELOPMENT STATUS OF COMMERCIAL-INDUSTRIAL PROPERTY**



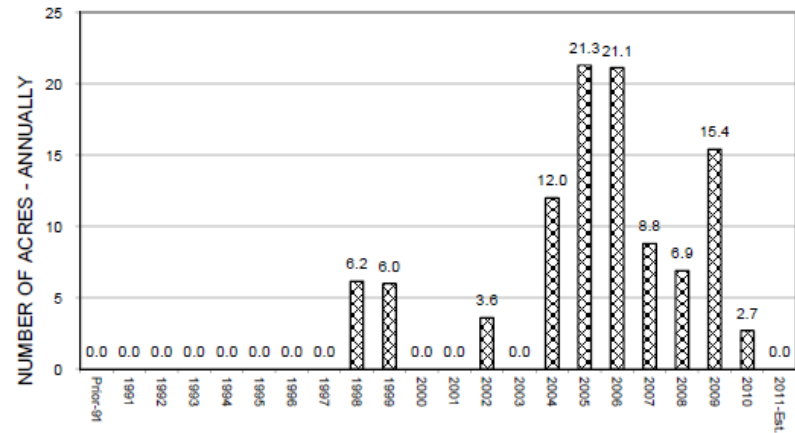
Sold: Sept. 1, 2011  
 Future: Sept. 1, 2011+

**DEVELOPMENT STATUS OF RESIDENTIAL PROPERTY**

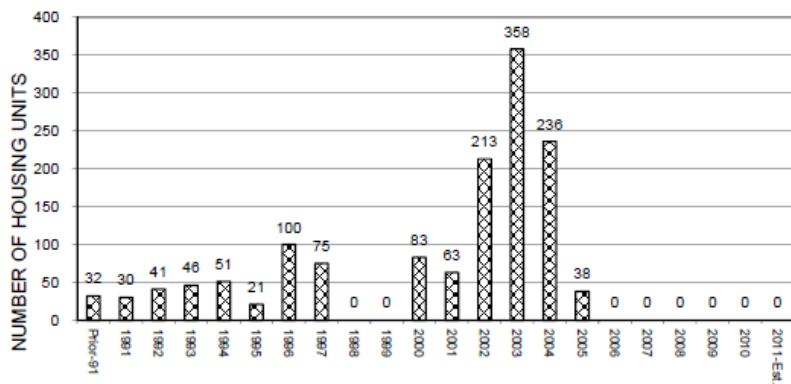


Sold: Sept. 1, 2011

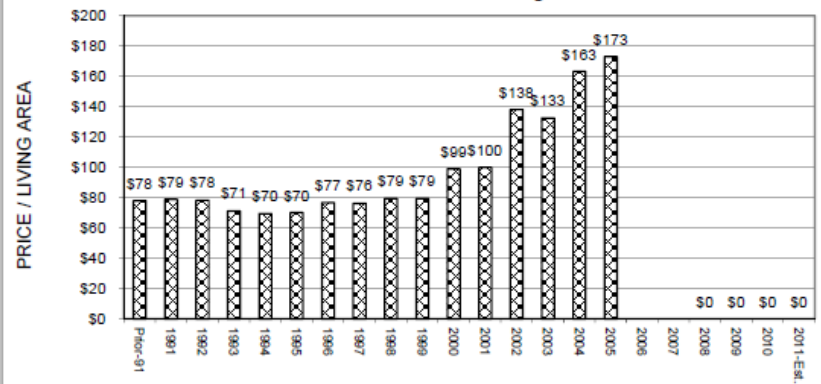
**ABSORPTION OF COMMERCIAL-INDUSTRIAL PROPERTY**



**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 under the Series 1997 Refunding Bonds. Delinquencies and delinquency charges are calculated through September 30, 2011.

**Table 5-1**  
**Special Tax Delinquency Summary**

Tax Year	Special Tax Levied	Delinquent Special Tax Amount	Delinquency Charges <sup>4</sup>	Amount Due <sup>5</sup>	Number of Delinquent Parcels	Delinquent % of Levy
2010-11	\$3,591,428.42	\$129,051.87	\$18,712.52	\$147,764.39	42	3.59%
2009-10	\$3,515,498.54	\$15,862.35	\$5,155.26	\$21,017.61	21	0.45%
2008-09	\$4,077,455.72	\$7,951.81	\$4,015.66	\$11,967.47	10	0.20%
2007-08	\$3,946,033.66	\$1,741.37	\$1,192.85	\$2,934.22	2	0.04%
2006-07	\$3,868,031.26	\$2,276.32	\$1,969.02	\$4,245.34	2	0.06%
2005-06	\$4,072,033.62	\$1,115.46	\$1,165.66	\$2,281.12	1	0.03%
2004-05	\$2,885,861.00	\$0.00	\$0.00	\$0.00	0	0.00%
2003-04	\$1,026,030.58	\$0.00	\$0.00	\$0.00	0	0.00%
2002-03	\$1,650,000.00	\$0.00	\$0.00	\$0.00	0	0.00%
2001-02	\$1,135,100.26	\$0.00	\$0.00	\$0.00	0	0.00%
2000-01	\$918,520.00	\$0.00	\$0.00	\$0.00	0	0.00%
1999-00	\$700,000.00	\$0.00	\$0.00	\$0.00	0	0.00%
<b>Total</b>	<b>\$31,385,993.06</b>	<b>\$157,999.18</b>	<b>\$32,210.97</b>	<b>\$190,210.15</b>	<b>50</b>	<b>0.50%</b>

#### ■ Funds Available for the Payment of Scheduled Debt Service

The March 1, 2012 debt service payment is \$86,425.00 interest only. On September 1, an additional payment of \$1,756,425.00 will be due for a total annual debt service of \$1,842,850.00. The balance in the Special Tax Fund is \$695,258.30. These funding sources added to the current year's levy of \$1,920,402.84 are expected to generate sufficient revenue to cover the full year's debt service, without impacting the Reserve Fund.

#### ■ Foreclosure Covenant

The District has covenanted in the Fiscal Agent Agreement that it will commence appropriate judicial foreclosure proceedings against parcels with total Special Tax delinquencies in excess of \$25,000 (not including interest and penalties thereon) by the October 1 following the close of each fiscal year in which the last of such Special Taxes were due and will commence appropriate judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each fiscal year in which it receives Special Tax in an amount which is less than 95% of the total Special Taxes levied in such fiscal year, and that it will diligently pursue to completion such foreclosure proceedings; provided, however, that the District may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys' fees related to a Special Tax delinquency, if permitted by law.

<sup>4</sup> 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.

<sup>5</sup> 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.

## ■ Collection and Foreclosure Actions

The Mello-Roos Act provides that delinquent property may not be sold at a judicial foreclosure sale for less than the amount of the judgment plus past judgment interest and authorized costs without the consent of the owners of 75% by value of the Bonds.

In the event of a failed sale, the property owner retains title to the Property. The judgment remains, however, and will be updated from time to time. When the District believes that there is a reasonable possibility that the foreclosure sale might be a successful sale, the property can be renoticed for sale. In the event a buyer comes forward prior to that time with a bona fide offer at a price below the current requirements of the law, the County will evaluate the possibility of taking that offer to the bondholders for approval.

The law firm of Sherman & Feller initiated foreclosure proceedings and has provided information regarding the following foreclosure actions in the District pursuant to the Series 1997 Refunding Bonds.

### **Riverside County CFD 88-4 v. Growing Leaders Ministries Intl**

- \* APN: 957400007-6
- \* Tax Years: 2009-2010 (Second Installment)
- \* Notice of Intent to remove delinquencies from the tax rolls recorded 10/13/10
- \* Redeemed 4/30/11

### **Riverside County CFD 88-4 v. RCI Silverhawk 8**

- \* APN: 957330009-2 & 957330028-9
- \* Tax Years: 2009-2010
- \* Notice of Intent to remove delinquencies from the tax rolls recorded 10/13/10
- \* Redeemed 3/31/11

### **Riverside County CFD 88-4 v. RCI Silverhawk 10**

- \* APN: 957400018-6 & 957400019-7
- \* Tax Years: 2009-2010
- \* Notice of Intent to remove delinquencies from the tax rolls recorded 10/13/10
- \* Redeemed 3/31/11

### **Riverside County CFD 88-4 v. Waycross Prop**

- \* APN: 957331020-4
- \* Tax Years: 2008-2009, and 2009-2010
- \* Notice of Intent to remove delinquencies from the tax rolls recorded 10/13/10
- \* Redeemed 3/22/11

### **Riverside County CFD 88-4 v. Montego Riverside Homeowners Assn**

- \* APN: 957440018-0
- \* Tax Years: 2009-2010
- \* Redeemed 2/7/11

All the above mentioned foreclosure actions are associated with the Series 1997 Refunding Bonds. No foreclosure actions have been initiated under the 2010 Special Tax Refunding Bonds.

**Table 6-1  
Investment Portfolio as of September 30, 2011<sup>6</sup>**

Account Name	Security	Coupon Rate	Maturity Date	Book Value	Market Value	Ratings
Special Fund	Federated Govt Oblig Fund	0.00%	10/01/11	\$695,258.30	\$695,258.30	AAA/Aaa
Admin Fund	Federated Govt Oblig Fund	0.00%	10/01/11	\$6,056.33	\$6,056.33	AAA/Aaa
Rebate Fund	Federated Govt Oblig Fund	0.00%	10/01/11	\$1,715.86	\$1,715.86	AAA/Aaa
Interest Fund	Federated Govt Oblig Fund	0.00%	10/01/11	\$0.48	\$0.48	AAA/Aaa
Reserve Fund	Federated Govt Oblig Fund	0.00%	10/01/11	\$776,000.00	\$776,000.00	AAA/Aaa
Earnings Fund	Federated Govt Oblig Fund	0.00%	10/01/11	\$692.24	\$692.24	AAA/Aaa
<b>Total</b>				<b>\$1,479,723.21</b>	<b>\$1,479,723.21</b>	

#### ■ Reserve Requirement

The Bond Reserve Fund must be maintained at the Reserve Requirement which means, as of any date of calculation an amount equal to the lesser of (i) Maximum Annual Debt Service on the Bonds Outstanding, (ii) 10% of the proceeds of the Bonds (within the meaning of Section 148 of the Code) as of the Conversion Date, or (iii) 125% of average Annual Debt Service on all Bonds Outstanding. In the event that special tax revenue is insufficient to pay debt service, money may be transferred from this Fund to the appropriate account of the Bond Fund. The Reserve Fund will then be replenished by increasing the next year's special tax levy to the extent permitted by law. **The balance in the Reserve Fund as of September 30, 2011 was \$776,000.00. The Reserve Requirement is \$776,000.00 as of September 30, 2011.**

***PLEASE NOTE: The Riverside County Fiscal Year 2010-11 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.***

<sup>6</sup> Source: Bond Logistix LLC. All investments are in compliance with "authorized investments" as defined in the Fiscal Agent Agreement dated July 1, 1997, 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. Principal and interest payment delinquencies,   | Not Applicable |
| 2. Non-payment related defaults,   | Not Applicable |
| 3. Unscheduled draws on Reserve Account reflecting financial difficulties,                                   | Not Applicable |
| 4. Unscheduled draws on any credit enhancements reflecting financial difficulties,                           | Not Applicable |
| 5. Substitution of credit or liquidity providers, or their failure to perform,                               | Not Applicable |
| 6. Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds,                    | Not Applicable |
| 7. Modifications to rights of Bond Owners,   | Not Applicable |
| 8. Unscheduled redemption of any Bond,   | Not Applicable |
| 9. Defeasances,  | Not Applicable |
| 10. Any release, substitution, or sale of property or letter of credit securing repayment of the Bonds, and, | Not Applicable |
| 11. Rating changes   | 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 (8) and (9) 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

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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 88-4 (WINCHESTER RANCH)**

<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>
3/1/2011	3.0000%		\$7,760,000.00	\$80,732.78	\$80,732.78		0.0000%
9/1/2011	3.0000%	\$2,590,000.00	\$5,170,000.00	\$125,275.00	\$2,715,275.00	\$2,796,007.78	0.0000%
3/1/2012	3.0000%		\$5,170,000.00	\$86,425.00	\$86,425.00		0.0000%
9/1/2012	3.0000%	\$1,670,000.00	\$3,500,000.00	\$86,425.00	\$1,756,425.00	\$1,842,850.00	0.0000%
3/1/2013	3.0000%		\$3,500,000.00	\$61,375.00	\$61,375.00		0.0000%
9/1/2013	3.0000%	\$1,725,000.00	\$1,775,000.00	\$61,375.00	\$1,786,375.00	\$1,847,750.00	0.0000%
3/1/2014	4.0000%		\$1,775,000.00	\$35,500.00	\$35,500.00		0.0000%
9/1/2014	4.0000%	\$1,775,000.00	\$0.00	\$35,500.00	\$1,810,500.00	\$1,846,000.00	0.0000%
<b>Totals</b>		<b>\$7,760,000.00</b>		<b>\$572,607.78</b>	<b>\$8,332,607.78</b>	<b>\$8,332,607.78</b>	

**Bond Issue Date** 11/5/2010  
**Original Bond Principal** \$7,760,000.00  
**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

**DISTRICT BOUNDARY**  
**CFD 88-4 (WINCHESTER RANCH)**  
**COUNTY OF RIVERSIDE**

