

UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

In re:

TIERRA DEL SOL RESORT, INC.,
et. al.

Debtors.

CASE NO.: 6:09-bk-07268-ABB

CHAPTER 7

Jointly Administered with

Case No.: 6:09-bk-07268-ABB

Case No.: 6:09-bk-07271-ABB

Case No.: 6:09-bk-07272-ABB

Case No.: 6:09-bk-07274-ABB

Case No.: 6:09-bk-07275-ABB

Case No.: 6:09-bk-07277-ABB

Case No.: 6:09-bk-07281-ABB

Case No.: 6:09-bk-07282-ABB

AFFIDAVIT OF WILLIAM J. RIZZETTA

STATE OF FLORIDA

COUNTY OF HILLSBOROUGH

BEFORE ME, the undersigned authority, duly authorized administer oaths and take acknowledgments, personally appeared WILLIAM J. RIZZETTA, who being first duly sworn, states as follows:

1. My name is WILLIAM J. RIZZETTA. I am President of Rizzetta and Company, Inc., which serves as District Manager for the WESTRIDGE

Exhibit "B"

COMMUNITY DEVELOPMENT DISTRICT (the "District"). I make this Affidavit on personal knowledge.

2. The Debtor(s) have defaulted on their debt service assessments.
3. In addition, the Debtor(s) have failed to fund the general operation of the District, as required by the Developer Funding Agreement, causing a deficit in the District's general fund.
4. Many of the District's vendors have not been paid for services rendered because of the lack of funding. The District has no source of revenue independent of the assessments which are levied upon landowners. The failure of these landowners to provide funds for the District leaves the District subject to legal actions for collection of contractual obligations or the termination of essential services.
5. As a further result of Debtors' failure to provide funds to the District, the District is unable to provide for basic maintenance of District improvements. This is likely to result in a substantial deterioration of landscaping and other district infrastructure. The cost to replace such improvements is likely to greatly exceed the cost which would have been spent maintaining it. Accordingly, District's ability to recover its assessments at some future time will not provide an adequate remedy.

6. As a result of the Debtor(s)' failure to pay the debt service assessments, the District needed to use \$1,359,066 of the Debt Service Reserve Fund to make the November 2008 and May 2009 bond payments.

7. The Debt Service Reserve account balance for the District just prior to the November 1, 2009 bond payment was \$448,158.44. There was a bond interest payment due on November 1, 2009, in the amount of \$729,350. Accordingly, the District is left without funds to meet its bond obligations.

8. The District is a local government entity and, as such, is subject to the requirements set forth in FLA. STAT. § 218.503.

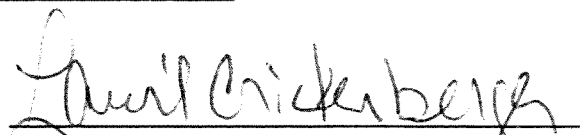
9. As a result of its inability to make the bond interest payment due on November 1, 2009, the District faces a financial emergency, as that term is described in FLA. STAT. § 218.503(3). Financial emergency status can result in enforcement action on the part of the State of Florida, including, but not limited to, having the District placed under state oversight, and is likely to impair the District's ability to issue bonds in the future, which are critical to the completion of the District's projects.

10. Attached is an excerpt from District's most recent financial audit. The excerpt reveals the auditor's opinion that there is a substantial doubt that the District can continue as a going concern because of the defaults of the Debtors.

FURTHER AFFIANT SAYETH NAUGHT.


WILLIAM J. RIZZETTA, Affiant

BEFORE ME, the undersigned authority, on this 24 day of November, 2009, personally appeared WILLIAM J. RIZZETTA, and he certified and attested to me under oath that the foregoing statements were true and correct. He is personally known to me or produced _____ as identification.


Notary Public,
State of Florida at Large

NOTARY PUBLIC-STATE OF FLORIDA
Laur'l Crickenberger
Commission # DD900815
Expires: JULY 07, 2013
BONDED THRU ATLANTIC BONDING CO., INC.

(SEAL)

WESTRIDGE COMMUNITY DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ended September 30, 2008

Note 8 - Management Company:

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting and other administrative costs. The amount paid to the management company in the current fiscal year totaled \$63,200.

Note 9 - Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage since inception of the District.

Note 10 - Going Concern:

There is substantial doubt as to the District's ability to continue as a going concern.

The Developer also has not funded the general operation of the District, as required by the Developer Funding Agreement, nor have they paid all of their debt service assessments. Approximately \$19,514 of vendor invoices have not been paid by the District at September 30, 2008. These invoices are ultimately the responsibility of the District. At September 30, 2008, the Developer owed the District a total of \$764,940. This amount is recorded as deferred revenue in the fund statements and \$655,953 remains unpaid as of the audit report date. This has caused a deficit in the general fund.

As a result of the Developer defaulting on its debt service assessments to the District, the District needed to use \$1,359,066 of the Debt Service Reserve Fund to make the November 2008 and May 2009 bond payments.

Subsequent to year end, the District filed action to foreclose its special assessment lien against several landowners connected with the Developer to collect unpaid special assessments supporting the District's Bonds. The affected landowners subsequently filed for protection under Chapter 11 of the Bankruptcy Code. That matter is pending before the Bankruptcy Court for the Middle District of Florida, and the assessment action is unresolved as of the audit report date.

In order to finance the operations of the District, the bondholders have agreed to fund operation expenditures. Pursuant to Florida Statutes Section 218.503, the District is considered to be in a state of financial emergency because of its failure to pay uncontested claims from creditors within 90 days after the claim is presented.