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December 1, 2020

Ms. Tracy Taylor
Western Hills Water District
9501 Morton Davis Dr.
Patterson, CA 95363-8610

Board of Directors
Western Hills Water District
9521 Morton Davis Dr.
Patterson, CA 95363-8610

Re: KCWA / WHWD Transfer Contract Invoices and Notice of Claim

Dear Ms. Taylor, et al.:

Enclosed is the first semi-annual invoice for the 2021 obligation associated with the Contract to Transfer Water between the Kern County Water Agency (Agency) and Western Hills Water District (Western Hills) dated June 5, 2000. The 2021 invoice represents the first (60%) of two payments towards the 2021 obligation for 2021 water scheduled. Also enclosed are invoices reflecting net charges and credits received for the years 2020 and 2019. The invoices enclosed are summarized below:

Year	Invoice No.	Amount (\$)
2021	37178	946,805
2021	37179	104,924
2020	37148	(2,185)
2019	37111	(14,756)
Total		1,034,788

Phone No. (661) 634-1400

Mailing Address
3200 Rio Mirada Drive
Bakersfield, CA 93308

Should there be any discrepancy between the above summary and an invoice amount, please pay the invoice amount. Please submit payment by **January 1, 2021**.

In addition to the invoices listed above, on April 9, 2020, the Agency sent Western Hills a Notice of Default and Claim detailing the Agency’s claim relating to Western Hill’s breach of the Contract to Transfer Water and its then-outstanding balance of \$1,170,513 (the “April 9, 2020 Notice”). However, an additional payment of \$688,187 was due on July 1, 2020. As a result, Western Hills’ total outstanding balance is now \$1,858,700 (Attachment 3). A summary of the outstanding invoices is as follows:

Year	Invoice No.	Invoice Date	Due Date	Amount (\$)
2019	35419	5/31/19	7/1/19	168,668
2020	35985	12/2/19	1/1/20	906,213
2020	35881	12/2/19	1/1/20	39,736
2019	35934	12/2/19	1/1/20	(1,159)
2019	5936	12/2/19	1/1/20	66,774
2019	35960	12/2/19	1/1/20	(9,719)
2020	36656	6/1/20	7/1/20	667,237
2020	36657	6/1/20	7/1/20	94,954
2019	36538	6/1/20	7/1/20	(12,547)
2019	36540	6/1/20	7/1/20	(61,457)
Total				1,858,700

Interest on the outstanding balance continues to accrue at a rate of one percent per month of the amount delinquent from the due date until such amount is paid.

Additionally, the April 9, 2020 Notice requested Western Hills submit payment to the Agency to remedy its default under the Contract to Transfer Water, including interest. No such payment has been received, although the Agency has never received any written notice that any part of its claim has been rejected by Western Hills.

Instead, in response to the Notice of Default, the Agency received only a letter from Griffith, Masuda, & Hobbs dated July 20, 2020, describing Angel’s Crossing, LLC’s (Angel’s Crossing) acquisition of the Diablo Grande community from World International, LLC. This July 20, 2020 letter reported that in acquiring the Diablo Grande community and pursuant to (1) a March 16, 2020 Purchase Agreement by which Angel’s Crossing acquired the property and (2) an April 30, 2020 Assignment, Assumption and Release Agreement between Angel’s Crossing, Western Hills, and World International, LLC, Angel’s Crossing assumed specific funding obligations to Western Hills. Specifically, Angel’s Crossing agreed to pay the debt Western Hills owes to the Agency. Accordingly, the Agency is an intended third-party beneficiary of these contracts and is independently entitled to payment on those grounds, in addition to the Agency’s rights under the Contract to Transfer Water. The July 20, 2020 letter also reported that Angel’s Crossing has failed to provide such funding to Western Hills, and that Angel’s Crossing has failed to comply with its agreement to pay Western Hills’ debt to the Agency.

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However, as the letter conceded, this does not relieve Western Hills' direct payment obligation to the Agency, and Western Hills remains in breach of the Contract to Transfer Water. In addition, the Agency submits the instant claim for payment of the full outstanding balance above, in satisfaction of the Agency's rights as a contractual third-party beneficiary.

As Western Hills currently owes an outstanding balance in excess of \$1.8 million, the Agency simply cannot continue to await payment and will be forced to file an unlimited civil lawsuit to recover its full damages from Western Hills, unless payment is promptly made. Accordingly, the Agency requests that Western Hills immediately submit full payment of its outstanding balance.

Further, pursuant to Article 5 of the Contract to Transfer Water between the Agency and Western Hills, dated June 5, 2000, the Agency has given Western Hills not less than four months to remedy the default. Furthermore, Western Hills has failed to make additional required payments during the delinquency period. Therefore, as long as Western Hills remains in default, the Agency, at its discretion, reserves its right to suspend delivery of water to Western Hills.

If you have questions or require further information, please call me at (661) 634-1400. Please submit all notices relating to the Agency's claim to Amelia Minaberrigarai, at 3200 Rio Mirada Drive, Bakersfield, CA 93308.

Sincerely,



Amelia T. Minaberrigarai
General Counsel

Attachments / Enclosures