

ORIGINAL

This case has been assigned to Judge **SÖNNY S. SANDHU** Department 24, for all purposes including Trial.

William C. Neasham, CSB #72078
Patricia Kramer, CSB # 155484
Chad A. Vierra, CSB #255801
Neasham & Kramer LLP
340 Palladio Parkway, Suite 535
Folsom, CA 95630
Tel: (916) 853-8030 / Fax (916) 853-8039
pkramer@neashamlaw.com
wneasham@neashamlaw.com

Attorneys for Plaintiff
WESTERN HILLS WATER DISTRICT

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BY FAX

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF STANISLAUS**

WESTERN HILLS WATER DISTRICT, a
California public agency water district,

Plaintiff,

v.

WORLD INTERNATIONAL, LLC, a Delaware
limited liability company; THREE60 LLC, a
Delaware limited liability company; LAVELLE
LAW GROUP, APC; GUILLERMO MARRERO,
CARMEN KEARNEY aka CARMEN MILLAN
KEARNEY, DOUGLAS KEARNEY, and DOES
1-100, inclusive,

Defendants.

Case No.: **CV24003155**

**VERIFIED COMPLAINT FOR VIOLATION
OF FALSE CLAIMS ACT; DEMAND FOR
JURY TRIAL**

Plaintiff WESTERN HILLS WATER DISTRICT (hereafter referred to as "WHWD" or "DISTRICT") files this action for violation of the California False Claims Act (California Government Code §§12650 et seq. aka QUI TAM) seeking damages and alleging as follows:

PARTIES

1. Plaintiff WESTERN HILLS WATER DISTRICT is, and was at all times herein, a public agency water district formed and organized under the laws of the State of California pursuant to the California Water Code, Division 13, §§ 34000 to 38501, entitled "California Water Districts" and is, at all times

1 herein relevant herein, acting in its official capacity as the legislative body of the District and the
2 DIABLO GRANDE CFD (hereafter “DIABLO CFD”). WHWD is located in Stanislaus County with its
3 principal office located in Patterson, California.

4 2. Defendant WORLD INTERNATIONAL LLC (hereafter “WORLD”) is a limited liability
5 company organized under the laws of the State of Delaware conducting business in Patterson,
6 California. WORLD was and is duly registered with the California Secretary of State to do business in
7 the state of California. At all times relevant herein and except as noted, WORLD conducted its business
8 affairs at a physical office located at 9501 Morton Davis Drive, Patterson, California 95363 in the
9 County of Stanislaus.¹ At various times related hereto, an individual, Thuong Luong (“LUONG”),
10 nominally employed by GEHR Hospitality, acted as an agent and corporate representative for WORLD
11 and coordinated its business operations, particularly with regard to negotiations and preparation of the
12 2020 WORLD-ANGELS Property Sales Agreement (PSA) and the April 24, 2020 WHWD-WORLD-
13 ANGELS Assignment, Assumption and Release Agreement (AA&R Agreement) with the terms and
14 conditions described hereinbelow and related matters.

15 3. Defendant THREE60 LLC (hereafter “THREE60”) is a California limited liability company
16 organized under the laws of the State of Delaware with its principal place of business in Patterson,
17 California. At all times relevant hereto, THREE60 was the parent company and self-described “sole
18 member” of WORLD and as its Managers controlled and operated WORLD. On information and belief,
19 the members and managers of THREE60 and percentage ownership interests were Linda Marcos Dayan,
20 Manager (20%), Elvira Marcos Dayan (20%), Francis Marcos Dayan (20%) and Rafael Marcos Dayan,
21 Manager (40%). For example, Linda Marcos Dayan aka Linda Marcos signed the April 24, 2020 AA&R
22 Agreement discussed below as the Manager of THREE60 LLC, the sole member of WORLD
23 INTERNATIONAL LLC.

24 4. At all times relevant hereto, Defendant THREE60 was the alter ego of WORLD. THREE60 and
25 WORLD had a unity of management, interest, and ownership pertaining to DIABLO GRANDE and
26 WHWD as well as other corporate entities related to the Diablo Grande development project.

27 _____
28 ¹ After the April 2020 purported sale of WORLD assets to ANGELS, as discussed infra, WORLD CFO
C Kearney relocated the World office to 9521 Morton Davis Drive, Patterson, California.

1 5. Facts and conduct of the named Defendant parties herein which support the finding that WORLD
2 and THREE60 are corporate alter egos include but are not limited to.

- 3 (a) The treatment by an individual of the assets of the corporation as the same as demonstrated by
4 the nominations for WORLD corporate officers and attorney to be members of the WHWD
5 Board of Directors by Rafael Marcos Dayan and the Linda Marcos Dayan's execution of AA&R
6 Agreement on behalf of THREE60 as "sole member" by World;
- 7 (b) The identification of the equitable owners thereof with the domination and control of the two
8 entities as demonstrated by the Linda Marcos execution of AA&R Agreement o/b/o THREE60
9 as "sole member" by World;
- 10 (c) Identification of the directors and officers of the two entities in the responsible supervision and
11 management as identified and demonstrated by Rafael Marcos Dayan and Linda Marcos conduct
12 of business as "Managers" as well as the execution of AA&R Agreement o/b/o THREE60 as the
13 "sole member" by World;
- 14 (d) Sole ownership of all of the stock in a corporation by one individual or the members of a family
15 as alleged herein and as demonstrated by Linda Marcos execution of AA&R Agreement o/b/o
16 THREE60 as "sole member" by World;
- 17 (e) The use of the same office or business location as demonstrated by Carmen Kearney-Millan in
18 her multiple business roles, duties and practices;
- 19 (f) The employment of the same employees and/or attorney as identified herein and demonstrated
20 by the roles of the three (3) World employees as WHWD Board of Directors and their continuing
21 conduct of WORLD business affairs-all of whom are known to have held their public office
22 under a guaranteed WORLD Hold Harmless and Indemnification Agreement insuring them
23 against claims related to or arising out of their public offices as Directors of the WHWD;
- 24 (g) The concealment and misrepresentation of the identity of the responsible ownership,
25 management and financial interests, or concealment of personal business activities as
26 demonstrated and alleged herein by MARRERO and C KEARNEY.

27 6. Defendant Guillermo MARRERO ("MARRERO") is an individual, who, at times relevant
28 hereto, was a member of the WHWD Board of Directors from approximately July 2009 to December
2020. MARRERO acted as the President of the WHWD Board of Directors from 2009 until late 2020.
Thereafter, MARRERO continued to act as a WHWD Board member until his resignation on or about
December 1, 2020.

1 7. On July 1, 2010 Rafael Marcos Dayan holding himself as the Manager of WORLD, the owner of
2 at least two-thirds (2/3rds) of the assessed valuation of the lands within the Western Hills Water District
3 (constituting 2/3rds of the vote) nominated MARRERO for President of the Board and further agreed
4 "...if (MARRERO) accepted such appointment, World agrees to defend, indemnify and hold harmless...
5 (against a broad scope description of claims, losses, etc.) as a result of, arising out of or relating to (his)
6 actions, activities and resolution as President of the Board of Directors of the Western Hills Water
7 District."

8 8. MARRERO has been and is a California licensed attorney (**Guillermo Marrero #99056**) who
9 represented WORLD through his "100% owned" law firm International Practice Group, PC ("IPG")
10 located at 1350 Columbia Street, Suite 500, San Diego, California prior to and during his entire tenure
11 on the WHWD Board of Directors. MARRERO is also an owner of the office condominium suite REAL
12 property where the IPG law firm is located. MARRERO is sued in his individual capacity and as a
13 corporate attorney-agent acting pursuant to a power of attorney for WORLD and a financially interested
14 person in WORLD and THREE60 business transactions.

15 9. Defendant CARMEN KEARNEY aka CARMEN MILLAN-KEARNEY ("C KEARNEY") is an
16 individual who, at all times relevant hereto, was an employee of WORLD acting as the Chief Financial
17 Officer ("CFO") for WORLD and various other WORLD-related business entities and a member of the
18 WHWD Board of Directors until on/about December 2020. C KEARNEY resided in a residence owned
19 by WORLD located in DIABLO GRANDE and served as the WHWD's Treasurer until December 2020.
20 C KEARNEY is sued in her individual capacity and as a corporate officer representative-agent of
21 WORLD and various other WORLD-related business entities and as a financially interested person in
22 WORLD and THREE60 business transactions.

23 10. Defendant C KEARNEY was also nominated and appointed to the WHWD Board of Directors
24 by WORLD with the further understanding and agreement "...if (C KEARNEY) accepted such
25 appointment, World agrees to defend, indemnify and hold harmless you... (against a broad scope
26 description of affiliates and claims, losses, etc.) as a result of, arising out of or relating to (her) actions,
27 activities and resolution as a member of the Board of Directors of the Western Hills Water District."
28

1 11. Defendant DOUGLAS KEARNEY (“D KEARNEY”) is an individual who at all times relevant
2 hereto was an employee of WORLD and a member of the WHWD Board of Directors until 2020. Upon
3 information and belief, D KEARNEY was the husband of C KEARNEY during their tenure on the
4 WHWD Board of Directors. During his tenure on the WHWD Board of Directors, D KEARNEY served
5 as WORLD’s self-described “Asset Manager” and resided in a residence owned by WORLD located in
6 DIABLO GRANDE until his resignation as a Board Director effective June 5, 2020. D KEARNEY is
7 sued in his individual capacity and as a WORLD corporate officer representative-agent and a financially
8 interested person in WORLD and THREE60 business transactions.

9 12. On or about July 1, 2010 Defendant D KEARNEY was also nominated and appointed to the
10 WHWD Board of Directors by Rafael Marcos Dayan, acting in his capacity of “Manager” for WORLD
11 with the further understanding and agreement “...if (D KEARNEY) accepted such appointment, World
12 agrees to save, defend, indemnify and hold harmless you ... (against a broad scope description of
13 affiliates and claims, losses, etc.) as a result of, arising out of or relating to (his) actions, activities and
14 resolution as a member of the Board of Directors of the Western Hills Water District.”

15 13. Defendant LAVELLE LAW GROUP, APC, (LLG) at all times relevant hereto, was a California
16 Law firm existing and located in San Diego, California. LLG was retained by WHWD in 2018 to
17 pursue foreclosure actions against properties owing Mello-Roos fees owned by WORLD in the
18 DIABLO GRANDE project area.

19 14. RAFAEL MARCOS is a foreign national individual who, at all times relevant hereto, based upon
20 information and belief, owns approximately 40% and is a principal member of WORLD and THREE60.

21 15. LINDA MARCOS is a foreign national individual who, at all times relevant hereto, based upon
22 information and belief, owns approximately 20% of THREE60 and is a member of WORLD and
23 THREE60.

24 16. CAROLINA JUAREZ is a California licensed attorney (**Carolina Juarez #298464**) who, at all
25 times relevant hereto, acted as an attorney for the WORLD and THREE60 business transactions through
26 the MARRERO law firm IPG. CAROLINA JUAREZ business address is listed at International Practice
27 Group, PC, 1350 Columbia St, Unit 500, SanDiego, California 92101-3455.

28

1 17. ANGELS CROSSING LLC (hereafter "ANGELS") is a limited liability company organized and
2 registered as a "One Manager" Domestic LLC on December 10, 2019 under the laws of the State of
3 California with its principal place of business in Los Angeles, California, California. As alleged for the
4 times relevant hereto, ANGELS purportedly owned property interests and operated its business as the
5 successor-in-interest to WORLD under the April 24, 2020 AA&R Agreement for the DIABLO
6 GRANDE subdivision development project, located in Patterson, California, within the WHWD
7 jurisdictional area. ANGELS CROSSING is a named defendant in a related case filed in Stanislaus
8 County filed on/about April 19, 2024.

9 18. DONALD BERNARD HALE, JR. ("HALE") is an individual who, at all times relevant hereto,
10 was the Chief Executive Officer and designated corporate officer and representative for ANGELS
11 located at 3150 Wilshire Blvd., Suite 2722, Los Angeles, California 90010. Don Hale Jr. signed the April
12 24, 2020 AA&R Agreement discussed below as the Managing Member for ANGELS.

13 19. Plaintiffs are currently unaware of the true names and capacities of Does 1 through 100,
14 inclusive, and therefore sue those parties by such fictitious names. Does 1 through 100, inclusive, are
15 responsible in some manner for the conduct described in this complaint, or other persons or entities
16 presently unknown to the Plaintiffs who claim some legal or equitable interest in the subject of this
17 action. Plaintiffs will amend this complaint to show the true names and capacities of Does 1 through 100
18 when such names and capacities become known.

19 **EXHAUSTION OF ADMINISTRATIVE REMEDIES**

20 20. Plaintiff has complied with the requirement to serve copies of its Complaint with the Attorney
21 General's Office, California Department of Justice, False Claims Unit.

22 **JURISDICTION / VENUE**

23 21. The parties agreed to jurisdiction in either the Federal Courts or Courts of the State of
24 California. This Complaint is properly filed in the Superior Court venue in Stanislaus County.

25 **BACKGROUND FACTS**

26 22. By its Resolution No. 97-01, the Stanislaus County Board of Supervisors approved the DIABLO
27 GRANDE Subdivision development project as a Vesting Tentative Map on December 7, 1999.

1 DIABLO GRANDE is located in the hills approximately 8 miles west of Interstate 5 and the City of
2 Patterson within Stanislaus County.

3 23. Western Hills Water District (WHWD) is a California Water District that was formed as the
4 water-sewer-storm drainage service provider for the DIABLO GRANDE golf resort and residential
5 development. WHWD provides approximately 370 acre-feet per year of treated water to approximately
6 600 water accounts. It previously provided approximately 980 acre-feet per year of untreated water for
7 the DIABLO GRANDE development's two golf courses.

8 24. WHWD's Board of Directors holds its fiduciary and legal duties to the property owners who
9 are customers and constituents within the District.

10 25. At the time the WHWD was formed as a public water purveyor under California water law,
11 100% of the land in DIABLO GRANDE was originally owned by Diablo Grande LP (Donald Panoz).

12 26. Throughout the planning and development inception stages of the DIABLO GRANDE project,
13 Mello Roos bonds were issued and voted on 100% as the sole landowner/developer at the time (Diablo
14 Grande LP/Donald Panoz) to build all of the facilities of the WHWD and manage other public areas
15 within Diablo Grande.

16 27. In conjunction with the development and the need to finance new facilities and infrastructure,
17 the WHWD issued the following bonds:

- 18
- 19 a. Pursuant to an Official Statement dated July 26, 2001, The Western Hills Water District
20 (the "Water District") issued \$21,000,000 Diablo Grande Community Facilities District
21 No. 1, Special Tax Bonds Series 2001, (the "2001 Bonds"). The Bonds were issued
22 primarily to construct and acquire certain public facilities of benefit to Diablo Grande
23 Community Facilities District No. 1 (the "District").
- 24 b. Pursuant to an Official Statement dated December 13, 2002, The Western Hills Water
25 District issued \$6,650,000 Diablo Grande Community Facilities District No. 1 Special
26 Tax Bonds, Series 2002 (the "2002 Bonds"). The Bonds were issued primarily to
27 construct and acquire certain public infrastructure improvements of benefit to the District.
28 The 2002 Bonds are secured by and payable from a first pledge of "Special Tax
Revenues" on parity with the 2001 Bonds.

1 28. On May 13, 2003, the Board of Supervisors of the County of Stanislaus approved the
2 Subdivision Improvement Agreement *Diablo Grande Unit No.1A Subdivision* and approved the Final
3 Map by unanimous vote. The Unit 1A subdivision created "...193 lots consisting of a variety of parcel
4 types and sizes including but not limited to: ...lots for infrastructure such as sewer treatment plant and
5 roads."

6 29. As part of the Unit 1A subdivision map, the County required that Diablo Grande enter into a
7 Subdivision Improvement Agreement ("SIA"). The SIA provides under ¶1.1 that the subdivider was
8 required to construct and complete "Improvements" as required under the Conditions of Approval.

9 30. "Improvements" under the SIA ¶1.2 specifically include the water system. Under the revised
10 Conditions of Approval, under ¶4(B) similarly requires the subdivider to provide "...water and
11 wastewater collections, treatment and distribution facilities..."

12 31. Pursuant to an Official Statement dated January 13, 2005, The Western Hills Water District
13 issued \$9,350,000 Diablo Grande Community Facilities District No. 1 Special Tax Bonds, Series 2005
14 (the "2005 Bonds"). The Bonds were issued primarily to construct and acquire certain public
15 infrastructure improvements of benefit to the DISTRICT. The 2005 Bonds are secured by and payable
16 from a first pledge of "Special Tax Revenues" on parity with the 2001 Bonds, 2002 Bonds, and 2004
17 Bonds (the 2001 Bonds, 2002 Bonds, 2004 Bonds and 2005 Bonds shall collectively be referred to as
18 the "BONDS")

19 32. On May 9, 2006, the Board of Supervisors of the County of Stanislaus approved the *Diablo*
20 *Grande Unit No.1B Subdivision* and approved the Final Map by unanimous vote. The Unit 1B
21 subdivision created "...63 residential lots..." Since the required subdivision improvements for Unit 1B
22 were bonded for and constructed with the improvements for Unit 1A, Diablo Grande was not required to
23 enter into another Subdivision Improvement Agreement for Unit 1B.

24 33. The recorded Unit No. 1B Final Map lists the designation "WHWD" (Western Hills Water
25 District) on/at its 'Legend' (See Sheet 2 of 17). On Sheet 3 of 17, three (3) lots [#316, #317, #318] are
26 designated as "WHWD".

27 34. The two lots at the top of the map are where the water treatment facilities and water storage
28 tanks are located. The lower lot is where a sewer treatment facility tank is located along with equipment

1 and trailers for the water district² but on the recorded maps and on the original Mello Roos documents
2 the lot was shown as the Sewer Treatment Facility.³ None of these lots have been assessed by/through
3 the county or concerning the bonds since 2003. All still contain WHWD facilities.

4 35. Developer land dedications of property for public use and facilities/public places in Diablo
5 Grande are generally required in order to obtain project approvals. For example, the above noted SIA
6 ¶1.2 specifically includes the water system and under the revised Conditions of Approval; under ¶4(B)
7 the Diablo Grande was required to provide "...water and wastewater collections, treatment and
8 distribution facilities..." However, the title to these three (3) lots was not transferred or changed into the
9 name of WHWD when the map was recorded at the county. It is unclear why these parcels were not
10 timely designated as in WHWD public ownership by the County. As discussed below, this has had a
11 significant adverse financial impact on the later transfer of title ownership for these parcels to the
12 District.

13 **Transaction #1: Diablo Grande March 2008 Bankruptcy and Acquisition by WORLD**
14 **International LLC**

15 36. Diablo Grande LP filed a Petition for Chapter 11 Bankruptcy on March 10, 2008, due to severe
16 negative impacts by the downturn within the real estate industry.⁴ [The case was filed in United States
17 District Court for Eastern District of California: In re Diablo Grande Limited Partnership, Debtor Case
18 No 08-90365].

19 37. On March 31, 2008, Diablo Grande filed its Statement of Financial Affairs (Doc 72 aka SOFA).
20 Schedule SOFA Item No. 14 provides "**14. Property Held for Another Person**" The relevant parcels
21 are described as property owned by or for another person –namely, the Western Hills Water District -
22 that the debtor holds or controls. Specifically, APN #025-039-002 is described as the site of the water
23

24 ² This parcel remains held in name of ANGELS Crossing LLC.

25 ³ The "Pump Station" parcel (aka Lift Station #4) was part of a larger parcel, but the pump station has
26 been there since the project's inception of the WHWD and has always been in continuous operation and
27 use by WHWD.

28 ⁴ The Final Order closing the case was issued by the United States Bankruptcy Court on July 2, 2011
"...with the Court retaining jurisdiction pursuant to the Bankruptcy Code, including jurisdiction over
any matter related to the implementation of the Plan." The Order required World as the developer to
undertake and perform the DG's former obligations.

1 treatment plant; APN #025-023-002 is the site of the water tank and the well, water pumps, and water
2 rights on the Marshall Davis property (APN #027-001-025) which are/were the transmission line to
3 Pump Station #1.

4 38. On March 31, 2008, Diablo Grande filed its bankruptcy petition Statement of Schedules.
5 Specifically, Schedule G lists all executory contracts of any nature and all unexpired leases of real or
6 personal property. Western Hills Water District is listed as a party to the “Master Agreement to Provide
7 Water, Sewer and Storm Drainage Services (WHWD/DG)” (hereafter “MASTER AGREEMENT”) and
8 an “Agreement for the Construction and Dedication of Water Treatment and Delivery Facilities and to
9 Advance Funds for the Acquisition of Off-Site Water Supplies (WHWD/DG). The MASTER
10 AGREEMENT set forth the terms and conditions of the Diablo Grande Master Development Agreement
11 between WHWD and Diablo Grande LP and was subsequently incorporated in an Addendum in May
12 2009. **(A true and correct copy of the MASTER AGREEMENT and ADDENDUM [hereafter the
13 “AMENDED MASTER AGREEMENT”] is appended hereto as Attachment “1” and
14 incorporated by reference.)**

15 39. On September 16, 2008, the Bankruptcy Court issued its Order authorizing and approving the
16 sale of assets by the Debtor Diablo Grande LP to WORLD. This Order provided that Diablo Grande LP
17 sell substantially all its assets and assume and assign various contracts and leases to WORLD
18 International LLC. The sale to WORLD International LLC closed on/about October 7, 2008.⁵
19 Defendant MARRERO executed the Agreement as **Attorney-in-Fact** for WORLD.

20 40. Under the terms the sale WORLD agreed to assume DG’s obligations to subsidize WHWD
21 revenue shortfalls until the project development completion.
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25 ⁵ See In re Diablo Grande Limited Partnership, a California Limited Partnership, Debtor, Case No. 08-
26 90365 Chapter 11, U.S. Bankruptcy Court, Eastern District of California, Modesto Division. On
27 October 2, 2008, a subsequent order of the Bankruptcy Court was issued authorizing the Debtor to
28 amend and modify its Asset Purchase Agreement with World International LLC which provided for the
Debtor to execute and record a deed conveying to the District the groundwater delivery system and a
153-acre parcel known as the “Marshall Davis parcel” which inadvertently had not been included in the
initial sale plan.

1 41. On October 3, 2008, the attorney for Diablo Grande LP wrote to the Western Hills Water
2 District bankruptcy attorney Thomas Phinney to confirm the release of the Debtor-WHWD pre-existing
3 liabilities.

4 42. On/about October 27, 2008, the attorneys for Diablo Grande LP filed a Notice of Closing of
5 Sale to WORLD International LLC and Effectiveness of Settlement Agreement and Mutual Releases.

6
7 **Transaction #2: Background of the WHWD Purchase-Sale of Properties from**
8 **WORLD International LLC.**

9 43. After the October 2008 bankruptcy sale until November 2020, WORLD's attorney
10 (MARRERO), its officers (C KEARNEY) and other employees (D KEARNEY) were appointed and
11 thereafter exercised and held control of the District's business affairs and decisions through a majority
12 vote on the Western Hills Water District Board of Directors at any given time.

13 44. On June 30, 2016, David Romano, an individual who was previously employed by Diablo
14 Grande LP and after the 2008 purchase was retained by WORLD as a "development consultant",
15 submitted a Memorandum to the Board of Directors proposing to expand the WHWD Water Treatment
16 Facility in order to meet anticipated subdivision growth. The Romano Memorandum stated the need to
17 acquire the subject parcels was "immediate"; however, the actual basis for the "immediate need" of
18 acquiring the properties is not addressed or explained in the memorandum.

19 45. On/about July 13, 2016, the WHWD Board of Directors passed a Resolution authorizing the
20 purchase of parcels APN#s 025-039-002 and portions of 025-039-012, 025-047-001 from WORLD
21 International in the amount of \$530,000.00 as the valuation set by a SeEVERS, Jordan & Ziegenmeyer
22 appraisal. The three parcels proposed for sale were the same three parcels that were designated to be
23 transferred to WHWD required by the Bankruptcy Settlement Agreement and Order. No pre-appraisal,
24 pre-purchase and sale agreement Preliminary Title Reports are available which would have disclosed the
25 title ownership at the time of the inspections, nor are any written instructions that were given to the
26
27
28

1 appraiser. On information and belief, there was no analysis which discussed the earlier map dedication
2 and designation of the parcels as public WHWD properties⁶.

3 46. The July 16, 2016 authorizing resolution further stated that the Board of Directors viewed the
4 acquisitions as “in the best interest of the district” and stated a rationale it was necessary to
5 acquire/purchase from WORLD International by purchase-sale agreement “rather than to condemn the
6 real property by eminent domain”. At the time of the authorizing resolution approval vote, the members
7 of the Board consisted of a majority of WORLD International LLC or its predecessor-in-interest Diablo
8 Grande LP’s former employees or affiliates. There was no proposed or threatened condemnation action.
9 Other means (as opposed to an eminent domain action) of changing the title to the WHWD included a
10 petition for re-zone by the County Board of Supervisors or quiet title action, or a appropriate re-
11 evaluation of the historic and intended long-existing use of District facilities.

12 47. On August 10, 2016, the WHWD Board of Directors passed another Resolution authorizing the
13 purchase of parcel APN#s 025-023-002 and portions of 025-039-012, 025-047-001 from WORLD
14 International in the amount of \$250,000.00 as the valuation also set by a Seevers, Jordan & Ziegenmeyer
15 appraisal.

16 48. WHWD paid WORLD International LLC a total \$783,393.25 to acquire parcels despite a
17 history of being encumbered with WHWD facilities (or held as immediately adjacent vacant land to the
18 facilities) for more than 15 years and requirement for the properties to be transferred to WHWD.

19 49. The sales prices were based upon “hypothetical assumption” appraisals using as comparable
20 sales and valuation data for single family residential properties located mainly outside the District
21 boundaries. The \$783,393.25 paid to purchase the three parcels that had been dedicated to WHWD in
22 2003 and should have been transferred from WORLD to WHWD after the Bankruptcy ordered were
23 paid by WHWD funds from the refinanced/refunded Mello Roos bonds (2014-2015).

24
25
26 ⁶ These properties were not appraised as having a “highest and best use” as public utility facilities.
27 Instead, the appraisal report is premised upon a “highest and best use” as “Single-Family (custom/estate)
28 residential development” (as opposed to its existing designation as “public/quasi-public use” as of the
valuation date).

1 50. In these two transactions, WORLD received public funds from WHWD to purchase property
2 (for which title should have already been transferred to the WHWD) based upon highly inflated
3 appraisal values premised upon hypothetical artificial valuations of highest and best use-contrary to
4 reality.

5 51. The last regular full Community Facilities District Mello Roos payment by WHWD to DIABLO
6 CFD bond holders in the amount of \$3,124,280 was made on/about August 15, 2017. Thereafter
7 WORLD stopped paying the CFD Mello Roos special taxes for the properties owned by WORLD.

8 **Transaction #3: Retention of And Payments to the Lavelle Law Group for Delinquent**
9 **Special Tax Foreclosure Legal Services**

10 52. On/about January 22, 2018, C KEARNEY and MARRERO directed District Counsel David
11 Hobbs to forward a list of delinquent special tax accounts to be considered for foreclosure action to
12 MARRERO. On March 6, 2018, the Lavelle Law Group submitted a letter proposal for foreclosure legal
13 services for CFD defaulted special property taxes addressed to MARRERO as the WHWD Board
14 President. No specifics of compensation or terms of retention were contained in the proposal.

15 53. On/about May 17, 2018, WHWD Board Directors MARRERO, C KEARNEY, D. Kearney and
16 IVY voted unanimously to approve Item 5(a) for a legal services agreement with the Lavelle Law Group
17 (LLG), for the collection of delinquent Mello Roos Special Taxes. Direction to Director C
18 KEARNEY for oversight and control of litigation budget matters. No specifics of compensation or terms
19 of retention were contained in the proposal.

20 54. At all times relevant herein, the Lavelle Law Group (“LLG”) was a California law firm whose
21 business address was co-located with the MARRERO’s IPG law firm at located at 1350 Columbia
22 Street, Suite 500, San Diego, California. On information and belief, MARRERO held a property interest
23 in excess of \$2500.00 in the 1350 Columbia property at the time LLG was retained by the District Board
24 of Directors action.

25 55. On July 31, 2018, LLG submitted a detail of its retention fee: Two Phase Litigation Budget-
26 Phase 1 (pre-litigation through Demand at “Fixed Attorney Price \$750 per parcel with Cost pass
27 through); Phase 2 Litigation (attorney hourly rate fees plus costs-Lavelle @ \$450/hr.) under an
28 “auto signature by Joseph Lavelle. On October 15, 2018, MARRERO signed the LLG proposal as the
WHWD Board President. MARRERO did not disclose his financial interest(s) in ownership of the office

1 suite real property when he solicited, approved and/or executed the Legal Services Agreement to retain
2 LLG. Nor did MARRERO disclose to WHWD that his law firm represented (or continued to represent)
3 WORLD and shared office space with LLG. Nor did Board member/Treasurer C Kearney disclose her
4 role as the Chief Financial Officer involving WORLD-owned tax delinquent properties or her financial
5 interest and compensation in living in a World-owned residence.

6 56. LLG was subsequently paid in excess of \$169,000 in fees and costs for "pre-litigations" legal
7 services pertaining to the collection of delinquent Mello Roos taxes on parcels which included those
8 owned by WORLD. Between May 2018 and April 2019, LLG did not initiate any formal legal
9 foreclosure actions pertaining to collection of the delinquent Mello Roos taxes.

10 57. On/about April 15, 2019, attorney Lavelle of LLG granted an open-ended deferment of tax
11 foreclosure efforts to WORLD's (Sacramento) Weintraub attorney Ellinghouse's request to defer any
12 foreclosure actions or otherwise enforce any claimed obligations which were due and owing under the
13 Mello-Roos bonds against certain real property owned by WORLD in Stanislaus County. The purported
14 basis for the extension was to allow for a purchase-sale agreement with a 3rd party business entity. No
15 formal WHWD Board action was publicly taken to authorize attorney Lavelle granting this extended
16 deferment.

17 58. On/about May 1, 2019, WORLD stopped its subsidy loan payment to WHWD for operational
18 expenses under the AMENDED MASTER AGREEMENT in the amount of \$52,000.00

19 59. On May 21, 2019, Weintraub attorney Ellinghouse on behalf of WORLD provided a redacted
20 Letter of Intent ("LOI") for a potential purchaser of WORLD properties.

21 60. Unbeknownst to the public and non-WORLD affiliated WHWD Board of Directors, as early as
22 November 2016 and prior to the 2017-2019 defaults by WORLD, MARRERO, WORLD and THREE60
23 principals and consultants considered, discussed and developed a scheme whereby the WORLD-
24 THREE60 corporate interests would transfer properties and liabilities to one or more newly formed
25 corporation(s) ("NEWCO") in order to terminate WORLD's financial obligations to WHWD.

26 61. The scheme also contemplated property transfer and lot line adjustments to accomplish
27 WORLD retaining thousands of acres outside the District Boundaries and that once the liabilities were
28 transferred to NEWCO, the new corporation would default on its debts and tax/special tax obligations-

1 and/or file bankruptcy to avoid payment of these debts. MARRERO engaged in consideration and
2 implementation of this scheme whose purpose was to frustrate and avoid WORLD's financial
3 obligations to the District and CFD while he was serving as a President/Director for WHWD.

4 62. On/about December 10, 2019, Defendant ANGELS filed articles of incorporation with a
5 business address located at 1077 W. 7th Street, 33d Floor in Los Angeles, California, designating Don B.
6 HALE, Jr. as its agent for service of process.

7 63. On November 15, 2019, LLG submitted an additional legal services invoice to WHWD under
8 the so-called Phase 1 Litigation Budget with the informational comment that LLG anticipated WORLD
9 would not pay the total amount of outstanding taxes and that WHWD would be filing lawsuits against
10 WORLD by the end of the year (2019).

11 64. Due to the April 15, 2019 LLG open extension and agreement to defer foreclosure actions up
12 to April 24, 2020 (a period of more than 1 year), neither the WHWD nor LLG obtained or recovered
13 any Mello Roos fees from WORLD and no foreclosure enforcement actions were filed against
14 WORLD-owned Special Tax defaulted properties under the LLG tenure as foreclosure legal counsel
15 for the District.

16 65. By December 16, 2019, LLG had been paid in excess of \$169,000 in fees and costs for its
17 legal services from public WHWD funds pertaining to the collection of delinquent Mello Roos taxes
18 on parcels which included those owned by WORLD. In fact, no foreclosure lawsuits were ever filed
19 by LLG.

20
21 **Transaction #4: The WORLD-ANGELS Crossing Purchase Sale Agreement and**
22 **the WHWD-WORLD-ANGELS Crossing Assignment, Assumption**
23 **and Release Agreement April 24, 2020 (AA&R Agreement)**

24 66. Thus, the timing sequence of events was Lavelle granted to World's attorney Weintraub
25 Elinghouse the open-ended deferment in the foreclosure enforcement proceedings on April 15, 2019.
26 On/about May 21, 2019, Weintraub forwarded the redacted Letter of Intent (LOI) as a purported basis
27 of potential buyer. ANGELS was organized and registered with Sec State as a domestic LLC on
28 December 10, 2019. In/about December 2019, WORLD advised WHWD that it had a prospective

1 buyer that would purchase the DIABLO GRANDE project and fully assume WORLD's obligations
2 under the AMENDED MASTER AGREEMENT.

3 67. On information and belief, in early 2020 and thereafter, WORLD representatives engaged in
4 negotiations of the proposed the terms for a sale of its assets and assignment/assumption of its
5 delinquent obligations to the newly formed and incorporated ANGELS.

6 68. On information and belief, ANGELS was the NEWCO or a modified derivation of the
7 NEWCO scheme contemplated by WORLD and THREE60 as the vehicle WORLD would use to
8 discharge its contractual obligations to WHWD.

9 69. On information and belief, MARRERO, JUAREZ and LUONG in coordination, direction and
10 approval of WORLD and THREE60, developed, negotiated, and prepared a purchase-sale agreement
11 between WORLD and ANGELS.

12 70. The WORLD-ANGELS purchase-sale agreement (PSA) required as a condition precedent the
13 approval by the WHWD of an Assignment, Assumption & Release Agreement. The terms and
14 conditions of the underlying WORLD-ANGELS Purchase Sale Agreement ("PSA") were never fully
15 disclosed to the WHWD. MARRERO participated in discussion and drafting of the PSA despite his
16 position as a Board Member with WHWD.

17 71. Thereafter, MARRERO, JUAREZ and LUONG in coordination, direction and approval of
18 WORLD and THREE60, developed, negotiated, prepared and submitted to the WHWD various drafts
19 of an AA&R. The terms of a proposed Assignment, Assumption & Release Agreement (hereafter
20 AA&R Agreement) provided that ANGELS would assume ownership of WORLD's parcels within
21 the Diablo Grande project boundaries, accept by assignment WORLD's obligations to pay all
22 arrearages, honor and abide by the terms and conditions of the AMENDED MASTER
23 AGREEMENT between WORLD and WHWD, and subsidize the District revenue shortfalls until the
24 project development completion. There were three (3) parties to the AA&R Agreement: WHWD,
25 WORLD and ANGELS.

26 72. It was publicly known that MARRERO has been WORLD's attorney prior to his WHWD
27 Board membership and that he owned an International Practice Law Group (IPG) law firm in San
28 Diego. However, however, despite serving as a Board member with the statutory and fiduciary

1 obligations as a District Director to the WHWD residents and District constituents/rate payers,
2 MARRERO failed to fully disclose with particularity and memorialize as required by law to WHWD
3 or the public the specific basis of a conflict of interest, including but not limited to the fact that while
4 he was a WHWD Board Member, he and his IPG associate attorney JUAREZ (as legal counsel) and
5 LUONG, the corporate agent and representative for WORLD and THREE60) were directly involved
6 in the preparation, negotiation and drafting of the WORLD-ANGELS PSA and the WORLD-
7 ANGELS-WHWD AA&R Agreement on behalf of WORLD.

8 73. MARRERO also failed to fully disclose that he had a conflict of interest because he and his
9 IPG law firm directly received compensation as the attorneys and corporate representatives for
10 WORLD while he was a member of WHWD's Board of Directors. While MARRERO's Form 700s
11 stated his IPG ownership and income, MARRERO used the IPG to mask his on-going income as
12 WORLD's attorney.

13 74. On information and belief, MARRERO billed WORLD-THREE60 by submitting an IPG
14 invoice to Thuong Luong-who in turn billed those invoices to THREE60 for payment. These invoices
15 were for payment for MARRERO's attendance at WHWD board meetings as well as for the
16 preparation and drafting of the Purchase-Sale Agreement between WORLD and ANGELS and the
17 AA&R AGREEMENT while he was a member of WHWD's Board of Directors. From at least 2019
18 through 2020 MARRERO was submitting and receiving a monthly flat fee from WORLD to IPG for
19 MARRERO's continuing legal work for WORLD related to the Diablo Grande development project
20 which exceeded \$5,000 per month.

21 75. On information and belief, MARRERO was also paid additional amounts from WORLD
22 ranging between \$5,000 and \$12,000 per month for IPG work pertaining to the negotiation, drafting
23 and revision of terms of the AA&R Agreement.

24 76. On information and belief, unbeknownst to the public and/or non-WORLD affiliated WHWD
25 members, between August 2019 and April 2020, MARRERO and his IPG associate attorney JUAREZ
26 continued to communicate regularly with C KEARNEY AND WORLD representatives, R Marcos and
27 Linda Marcos (THREE60 principals) regarding the Purchase/Sale Agreement and AA&R Agreement.
28 On information and belief IPG was compensated as the attorney for WORLD for those discussions.

1 77. MARRERO's discussions with WORLD and THREE60 specifically related to preparation of
2 WORLD resolutions regarding the sale of property and transfer of WORLD's debts. MARRERO,
3 JUAREZ, and LOUNG negotiated and drafted both the Purchase Sale Agreement between WORLD
4 and ANGELS, and the AA&R Agreement ultimately brought before the Board for approval action on
5 April 24, 2020.

6 78. In March 2020, MARRERO and JUAREZ communicated with WHWD's attorney David
7 Hobbs to have the AA&R Agreement agendized for recommended Board approval of the assignment
8 of the AMENDED MASTER AGREEMENT to ANGELS, which provided for ANGELS's
9 assumption and payment of all the WORLD obligations and debts, and the total release of WORLD
10 from its obligations and debts to the WHWD. As noted, the AA&R Agreement contained a condition
11 precedent to the WORLD-ANGELS PSA, specifically that the WHWD Board must approve the
12 assignment and release in writing. The Agreement also included specific indemnification provisions
13 favoring MARRERO, C KEARNEY and D KEARNEY.

14 79. Prior to and at the time WHWD was considering approval of the AA&R Agreement, there was
15 no legal necessity for WHWD to approve that agreement.

16 80. Given there was no legal necessity for approval of the AA&R Agreement, there was no reason
17 or basis to invoke and utilize the extraordinary remedy of having a conflicted WHWD Board member
18 brought back to form a quorum and/or vote. Thus, the AA&R Agreement should never even have been
19 agendized for Board consideration or approval.

20 81. There was no legal necessity for the AA&R Agreement because the WHWD had significant
21 other legal remedies which nullified any claim of legal necessity of approval of the AA&R Agreement,
22 viz: (1) WHWD could have filed a lawsuit to for declaratory relief and/or for quiet title to enforce
23 payment of WORLD's obligations by way of breach of contract and other related claims, (2) four
24 months earlier the WHWD had spent more than \$169,00.00 in legal fees and expenses to foreclose upon
25 the very Special Tax defaulted parcels and pursue the foreclosure actions (it had already paid significant
26 sums to achieve), and (3) other legal remedies for debt obligation enforcement under the California
27 Water Code provisions.

28

1 82. On/about April 24, 2020, based on the representations of MARRERO, C KEARNEY, and D.
2 KEARNEY stated publicly and as the Board, there was nothing it could do to prevent WORLD from
3 filing Bankruptcy. This was only partially true (WORLD could file a bankruptcy petition) and
4 significantly false (there was much the WHWD could do in adverse response to a WORLD bankruptcy
5 petition). WHWD would have had seniority as a secured creditor in a Bankruptcy action. On that basis
6 WHWD could have challenged and opposed the discharge of WORLD's obligations and the District
7 could have filed claim for and interests to the WORLD-owned assets and its other properties located
8 outside the District.

9 83. Prior to WHWD action on April 24, 2020 THUONG LUONG delivered to the District Board
10 prior to its consideration of the AA&R Agreement an ANGELS April 24, 2020 letter with the intent and
11 purpose of inducing the Board and persuading the public for approval of the AA&R Agreement. This
12 ANGELS presentation was deceitful and illusory in its statement "...to express our full intent to remedy
13 any and all outstanding liabilities assumed by our group from the previous ownership structure..."
14 Notwithstanding the foregoing circumstances, the WHWD Board relied upon such letter and while
15 voting with a conflicted member C KEARNEY approved the AA&R Agreement. The contract
16 "Effective Date" was April 30, 2024. MARRERO executed the AA&R Agreement on behalf of
17 WHWD. **(A true and correct copy of the AA&R AGREEMENT purported with an Effective Date
18 of April 30, 2020 is attached hereto as Attachment "2" and incorporated by reference.)⁷**

19 84. Following WHWD approval of the Agreement in reliance upon the ANGELS April 24, 2020
20 letter described "next steps" to "begin settling past financial liabilities within the first thirty days",
21 ANGELS has never paid any money or any other compensation to the District and completely defaulted
22 by its non-performance on the so-called assigned and assumed WORLD financial debt and obligations.
23
24
25

26 ⁷ Given the acknowledged albeit non-specific oral conflicts of interest of three of the WHWD Board
27 members involved, the actual voting process on approving the Assignment, Assumption & Release
28 agreement occurred when the WHWD Chairman MARRERO, directed that the Board members "draw
straws" to eliminate 2 of the conflicted members of the Board in order to provide a quorum and so that
an action could be taken.

1 85. On/about October 6, 2023, WHWD declared ANGELS to be in default of the AA&R
2 Agreement for its failure to make any payments due under the AA&R Agreement and for failure to
3 make payments of its obligations under the Master Agreement.

4 86. On information and belief, following its last payment in May 2019 and after the defaults on
5 unpaid debt obligations, Mello Roos special taxes and property taxes prior to the transfer to ANGELS
6 Crossing, WORLD subdivided and adjusted lot lines to retain property outside the PDP but within the
7 WHWD District boundaries.

8 87. Under the terms and conditions of the AA&R Agreement, ANGELS Crossing owes over \$17M
9 (millions) in past Mello Roos taxes, approximately \$2M in past County property taxes, and several
10 hundred thousand in past water charges. Arrearages for all Mello Roos not including Penalties, Fees, and
11 Attorney fees is currently \$22,309,878.00.

12 88. On/about August 3, 2023, ANGELS filed for bankruptcy in the US District Court, Eastern
13 District of California (In re ANGELS Crossing LLC, USBC Eastern District Case No. 25-22593). In the
14 voluntary Chapter 11 petition filed and made under the penalty of perjury by Brad Durga, as ANGELS'
15 authorized representative and Manager, WHWD learned for the first time that ANGELS identified and
16 claimed sixteen (16) debts it sought to discharge by its Petition, including but not limited to debts owed
17 to GEHR Hospitality (Thuong Luong) in the amount of \$302,327.13, to IPG in the amount of
18 \$165,085.02 as well as several millions of dollars owed to the WHWD.

19 89. After receipt of the ANGELS Chapter 11 Petition (which was ultimately dismissed by Court
20 Order), WHWD completed the foreclosure process against ANGELS-owned properties.

21 90. The WHWD ultimately foreclosed upon former WORLD-ANGELS tax defaulted parcels in
22 January 2023 through the services of another law firm unrelated to LLG. While in the process of
23 securing the foreclosed properties, WHWD learned for the first time from abandoned documents that
24 even though MARRERO had declared a conflict of interest to the Board on April 24, 2020 and did not
25 vote on the approval of the AA&R Agreement (discussed below), he had however concealed his true
26 financial interests, participation and compensation by WORLD regarding his legal services under the
27 IPG corporation, all while continuing to being involved with internal processing prior to and after
28 WHWD adoption and approval of the AA&R Agreement.

1 91. Due to the failure of WORLD-THREE60 and ANGELS to pay the on-going debt obligations to
2 the WHWD, the District became and has been alleged to be indebted to Kern Water Authority \$7.6M
3 and the City of Patterson \$2.5M for non-payment of water and sewer charges. Litigation has recently
4 commenced in Superior Court between the two agencies involved over these issues. The failure of
5 WORLD and ANGELS to pay these and other outstanding indebtedness placed WHWD in dire financial
6 distress and negatively impacted the WHWD's ability to properly provide and deliver safe drinking
7 water to the entire community at significant risk.

8 92. WORLD was the previous nominal owner-successor of Diablo Grande Phase 1. On information
9 and belief, WORLD currently owns phases 2 through 5 of Diablo Grande.

10 93. On further information and belief, under the WORLD-ANGELS PSA and the AA&R
11 Agreement, Phase 1 of Diablo Grande was transferred to ANGELS Crossing for only \$100,000. In turn,
12 based upon recorded deeds, ANGELS only paid \$110 in transfer tax to the County for property worth
13 tens of millions of dollars less liens and encumbrances.

14 94. The WORLD-ANGELS PSA and the subsequent AA&R Agreement were sham transactions
15 whose true purpose was to obviate and relieve WORLD-THREE60 of their debt and other financial
16 obligations to the WHWD and DIABLO CFD. As discussed below, the WORLD-ANGELS PSA and the
17 subsequent AA&R Agreement were obtained in violation of law and by means of fraud and deceit.

18 95. An actual controversy exists pertaining to Plaintiff's arbitration clause making judicial
19 intervention necessary.

20 **FIRST CAUSE OF ACTION**
21 **VIOLATION OF THE FALSE CLAIMS ACT**
22 **CALIFORNIA GOVERNMENT CODE §§12650 ET SEQ. (QUI TAM)**
23 **[WHWD v. WORLD, THREE60, MARRERO, C. KEARNEY, D. KEARNEY and DOES 1-100]**

24 96. Plaintiff incorporates all preceding allegations of the Complaint in this cause of action in full.

25 97. At all times relevant hereto Defendant THREE60 was the 100% sole shareholder and directed
26 WORLD's activities as the alter ego of WORLD.

27 98. WHWD brings this cause of action as a relator against WORLD for violation of California
28 Government Code §§12650, et seq. as a civil qui tam action for false claims in a government contract
relating to sale of property.

1 99. On/about October 27, 2008, the attorneys for Diablo Grande LP filed a Notice of Closing of
2 Sale to WORLD International LLC and Effectiveness of Settlement Agreement and Mutual Releases.
3 The terms of the 2008 Settlement Agreement provided that three parcels containing WHWD
4 infrastructure be designated and transferred to WHWD.

5 100. Between October 2008 following the sale until November 2020, WORLD's attorney
6 (MARRERO), its officers (C KEARNEY) and other employees (D KEARNEY) or affiliated
7 representatives exercised and held control of the District's business affairs and decisions through a
8 majority vote on the Western Hills Water District Board of Directors at any given time.

9 101. On June 30, 2016, David Romano, an individual who was previously employed by Diablo
10 Grande LP and after the 2008 purchase was retained by WORLD as a "development consultant",
11 submitted a Memorandum to the Board of Directors proposing to expand the WHWD Water Treatment
12 Facility in order to meet anticipated subdivision growth. The Romano Memorandum stated the need to
13 acquire the subject parcels was "immediate".
14

15 **Violation No. One:**

16 102. On/about July 13, 2016, the WHWD Board of Directors passed a Resolution authorizing the
17 purchase of parcels APN#s 025-039-002 and portions of 025-039-012, 025-047-001 from WORLD in
18 the amount of \$530,000.00 as the valuation set by a SeEVERS, Jordan & Ziegenmeyer appraisal. The three
19 parcels proposed for sale were the same three parcels that were designated to be transferred to WHWD
20 required by the WORLD-DIABLO GRANDE Settlement Agreement and Order. No pre-appraisal, pre-
21 purchase and sale agreement Preliminary Title Reports were available which would have disclosed the
22 title ownership at the time of the inspections, nor were any written instructions given to the appraiser.
23 On information and belief, there was no analysis that WORLD provided to WHWD which discussed the
24 earlier map dedication and designation of the parcels as public WHWD properties⁸.

25
26 _____
27 ⁸ These properties were not appraised as having a "highest and best use" as public utility facilities.
28 Instead, the appraisal report is premised upon a "highest and best use" as "Single-Family (custom/estate)
residential development" (as opposed to its existing designation as "public/quasi-public use" as of the
valuation date).

1 103. The July 16, 2016 authorizing resolution further stated that the Board of Directors viewed the
2 acquisitions as 'in the best interest of the district' and it was necessary to acquire/purchase from WORLD
3 International by purchase-sale agreement "rather than to condemn the real property by eminent domain".

4 104. At the time of the authorizing resolution approval vote, the members of the Board consisted of
5 a majority of WORLD International LLC or its predecessor-in-interest Diablo Grande LP's former
6 employees or affiliates.

7 **Violation No. Two:**

8
9 105. On August 10, 2016, the WHWD Board of Directors passed another Resolution authorizing the
10 purchase of parcel APN#s 025-023-002 and portions of 025-039-012, 025-047-001 from WORLD
11 International in the amount of \$250,000.00 as the valuation also set by a Seevers, Jordan & Ziegenmeyer
12 appraisal.

13 106. WHWD paid WORLD International LLC a total \$780,000 in two separate transactions to
14 acquire parcels despite a past history of being encumbered with WHWD facilities (or as immediately
15 adjacent vacant land to the facilities) for more than 15 years.

16 107. Cal. Government Code §12651 states:

17 (a) Any person who commits any of the following enumerated acts in this
18 subdivision shall have violated this article and shall be liable to the state or
19 to the political subdivision for three times the amount of damages that the
20 state or political subdivision sustains because of the act of that person. A
21 person who commits any of the following enumerated acts shall also be
22 liable to the state or to the political subdivision for the costs of a civil action
23 brought to recover any of those penalties or damages, and shall be liable to
24 the state or political subdivision for a civil penalty of not less than five
thousand five hundred dollars (\$5,500) and not more than eleven thousand
dollars (\$11,000) for each violation⁹, as adjusted by the Federal Civil
Penalties Inflation Adjustment Act of 1990, Public Law 101-410 Section
5, 104 Stat. 891, note following 28 U.S.C. Section 2461.

25 (1) Knowingly presents or causes to be presented a false or fraudulent
26 claim for payment or approval.

27
28 ⁹ False Claim Act penalties assessed after February 12, 2024 range from \$13,946 to \$27,894 per
violation.

1 (2) Knowingly makes, uses, or causes to be made or used a false record or
statement material to a false or fraudulent claim.

2 (3) Conspires to commit a violation of this subdivision.

3 (4) Has possession, custody, or control of public property or money used
4 or to be used by the state or by any political subdivision and knowingly
5 delivers or causes to be delivered less than all of that property.

6 (5) Is authorized to make or deliver a document certifying receipt of
property used or to be used by the state or by any political subdivision and
7 knowingly makes or delivers a receipt that falsely represents the property
used or to be used.

8 (6) Knowingly buys or receives as a pledge of an obligation or debt, public
9 property from any person who lawfully may not sell or pledge the
10 property.

11 (7) Knowingly makes, uses, or causes to be made or used a false record or
statement material to an obligation to pay or transmit money or property to
12 the state or to any political subdivision, or knowingly conceals or
13 knowingly and improperly avoids, or decreases an obligation to pay or
transmit money or property to the state or to any political subdivision.

14 (8) Is a beneficiary of an inadvertent submission of a false claim,
15 subsequently discovers the falsity of the claim, and fails to disclose the
16 false claim to the state or the political subdivision within a reasonable time
after discovery of the false claim.

17 108. The sales prices for each parcel were based upon appraisals using as comparable sales and
18 valuation data for single family residential properties located mainly outside the District boundaries.
19 The \$780,000 paid to purchase the three parcels that had been dedicated to WHWD in 2003 and should
20 have been transferred from WORLD to WHWD were paid by WHWD funds from the
21 refinanced/refunded Mello Roos bonds.

22 109. WORLD made knowingly false claims to WHWD and/or acted with reckless disregard to sell
23 WHWD property it knew or should have known had been dedicated to WHWD following approval of
24 WORLD's purchase of the DIABLO GRANDE properties in the October 27, 2008 Bankruptcy
25 Settlement.
26

27 110. By knowingly selling the parcels to WHWD to effect transfer of title instead of transferring the
28 properties to WHWD as required by its 2008 Settlement Agreement, WORLD received government

1 funds from WHWD to purchase property to be sold to WHWD for which it was entitled without
2 purchase.

3 111. Each of the two real estate transactions constitutes a separate violation of the False Claims Act.

4 112. WORLD first became aware that the two 2016 transactions were based upon false claims when it
5 discovered the terms of the WORLD-DIABLO GRANDE Bankruptcy Settlement agreement in 2022.

6 113. As a direct and proximate result of WORLD's two false claims to WHWD for purchase of the
7 foregoing parcels, WHWD has been damaged in the amount of \$780,000.

8 WHEREFOR, Plaintiff WHWD seeks relief permitted by statute including statutory
9 penalties, and treble damages under Cal Government Code §12651 as set forth in the Prayer below.
10

11 **SECOND CAUSE OF ACTION**
12 **VIOLATION OF THE FALSE CLAIMS ACT**
13 **CALIFORNIA GOVERNMENT CODE §§12650 ET SEQ. (QUI TAM)**
14 **[WHWD v. LLG, MARRERO, C. KEARNEY and D. KEARNEY and DOES 1-100]**

15 114. Plaintiff incorporates all preceding allegations of the Complaint in this cause of action in full.

16 115. WHWD brings this second cause of action as a relator against WORLD for violation of
17 California Government Code §§12651(a)(1), et seq. as a civil qui tam action for false claims in a
18 government contract relating to the provision of legal services.

19 116. As members of the WHWD Board, MARRERO, C KEARNEY and D KEARNEY were
20 officers of a public agency and governmental body sworn to and owing a complete and absolute duty
21 of loyalty, transparency, care and fairness to those governed, and faithful compliance and observation
22 of the public laws. (Govt. Code §§1090 and related statutes discussed herein).

23 117. MARRERO's, C KEARNEY's and D KEARNEY's fiduciary duty to WHWD was a legal
24 obligation that arose they became entrusted with acting on behalf of WHWD and for the public the
25 District served. As fiduciaries, MARRERO, C KEARNEY and D KEARNEY were each required to
26 act with the utmost good faith and loyalty, prioritizing the interests of their principal WHWD.

27 118. In their official capacities, MARRERO, C KEARNEY and D KEARNEY each participated in
28 discussions, negotiated terms, drafted, authorized, and/or executed contracts on behalf of WHWD at
all relevant times hereto.

1 119. Every elected official and public employee who negotiates, makes or influences government
2 decisions is required to submit an annual Statement of Economic Interest, commonly referred to as a
3 Form 700. MARRERO, C KEARNEY and D KEARNEY each owed a fiduciary duty to WHWD
4 and its rate payers to fully and fairly disclose their financial interests on their respective Form 700s.

5 120. MARRERO is an attorney who was admitted to practice in California in 1981. MARRERO's
6 law office has operated under the corporate name of "International Practice Group, PC" since 2003.
7 MARRERO is a principal and president of The International Practice Group, PC located in San
8 Diego, California. MARRERO has an ownership and financial interest in the real property where IPC
9 is located and operates.

10 121. MARRERO, C KEARNEY AND D KEARNEY each breached their fiduciary duty to
11 WHWD when they failed to act in the best interests of WHWD.

12 122. MARRERO breached his fiduciary duty when he influenced WHWD to retain LLG, a law
13 firm located in MARRERO's San Diego property when MARRERO had a financial interest in their
14 leasehold or shared office space office space with IPG.

15 123. LLG falsely submitted legal invoices for legal fees totaling over \$169,000 to pursue
16 foreclosure actions between May 2018 and April 2019.

17 124. WHWD paid LLG over \$169,000 in legal fees for specific work to be performed by LLG.

18 125. MARRERO and LLG thereafter failed to pursue collection of or initiate foreclosure actions
19 against WORLD's property within the District for failing to pay Mello-Roos amounts.

20 126. WHWD was damaged when it paid more than \$169,000 to LLG from District funds to a firm
21 co-located with IPG for work that was never performed.

22 127. As a direct and proximate result of WORLD's two false claims to WHWD for purchase of the
23 foregoing parcels, WHWD has been damaged in the amount of at least \$169,000 according to proof.

24 WHEREFOR, Plaintiff WHWD seeks relief permitted by statute including statutory
25 penalties, and treble damages under Cal Government Code §12651 as set forth in the Prayer below.

26 **PRAYER**

27 WHEREFOR, PLAINTIFF prays judgment against defendant and each of them, as follows:

- 28 1. For compensatory and economic damages;

2. For general damages as appropriate on the causes of action;
 3. For statutory damages according to statute;
 4. For punitive damages;
 5. For statutory penalties pursuant to statute;
 6. For legal fees available by statute;
- For such other and further relief as the court deems proper.

Date: April 19, 2024

NEASHAM & KRAMER LLP

By



WILLIAM C. NEASHAM

DEMAND FOR JURY TRIAL

Plaintiff WESTERN HILLS WATER DISTRICT demands a jury trial on those matters so triable.

Date: April 19, 2024

NEASHAM & KRAMER LLP

By



WILLIAM C. NEASHAM

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VERIFICATION

I, MARK KOVICH, declare that I am over the age of eighteen (18) years and I am authorized to make this statement as the duly elected Board President for the Western Hills Water District, Plaintiff in the above-entitled Action. I currently reside in Patterson, California. I have previously served in various capacities relative to the Western Hills Water District-a member of the public, resident and constituent of the District, as its appointed Treasurer, and currently serve as President and member of the Board of Directors.

I have read the foregoing **VERIFIED COMPLAINT FOR VIOLATION OF THE FALSE CLAIMS ACT** and know its contents; and I declare that the matters stated in the foregoing document are true of my own knowledge, except as to the matters which are stated on my information or belief, and as to those matters, they are reasonably based upon Western Hills Water District documents and records so that I believe them to be true. My verification is based upon my review of available Western Hills Water District official records, accounting records and books, documents, bank statements, text and e-mail message communications, and other records of the District Board minutes, and my personal attendance at various Board meetings and hearings throughout the relevant time periods involved and relevant to the Complaint.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 19th day of April 2024 in Patterson, California.



MARK KOVICH
Authorized Representative for
WESTERN HILLS WATER DISTRICT

**MASTER AGREEMENT AND ADDENDUM
ATTACHMENT "1"**

MASTER AGREEMENT TO PROVIDE WATER, SEWER, AND STORM DRAINAGE SERVICES

THIS AGREEMENT is entered this 4th day of June, 1998, by and between Western Hills Water District, a California Water District ("Western"), and Diablo Grande Limited Partnership, a California Limited Partnership ("DG").

Recitals:

WHEREAS, Western is a water district located in western Stanislaus County in the State of California and organized and existing under the laws of the State of California having by those laws the authority to own and operate municipal sewer, water, and storm drainage facilities; and

WHEREAS, DG is a limited partnership organized and existing under the laws of the State of California which owns approximately 30,000 acres of real property in western Stanislaus County in the State of California on which DG plans to develop, in four (4) phases, a world class destination resort and planned residential community including golf courses, vineyards, hotel, European spa, retail center, business park, and 5,000 residential units to be known as "Diablo Grande" ("Diablo Grande"); and

WHEREAS, the first phase of Diablo Grande is located within the boundaries of Western and DG desires for Western to provide water, sewer and storm drainage services to Diablo Grande; and

WHEREAS, on June 4, 1998, by Resolution No. 98.05, the Board of Directors of Western approved this Agreement and authorized the President of the Board to execute this Agreement in behalf of Western;

NOW, THEREFORE, the parties hereto agree as follows:

Terms:

1. **Delivery of Water, Sewer, and Storm Drainage Services to Diablo Grande.** Western agrees to provide permanent water, sewer, and storm drainage services to all agricultural, municipal and recreational uses in Diablo Grande subject to the terms and conditions set forth in this Agreement, including but not limited to, full and complete compliance with the California Environmental Quality Act ("CEQA"). As DG is ready to develop particular uses within Diablo Grande, it shall submit to Western a written request for water, sewer, and storm drainage services from Western consisting of (i) a summary of the use, (ii) an estimate of

the annual water demand; (iii) an estimated monthly regulation of the projected annual demand relating to the use; (iv) the infrastructure required for the proposed water, sewer, and storm drainage services; (v) the schedule for development of the use; and (vi) the schedule and method of financing construction of the proposed infrastructure. Within thirty (30) days of receipt of the written request, Western shall notify DG whether and under what conditions it will deliver water, sewer, and storm drainage services in response to the written request. Those conditions could include an Agreement between Western and DG relating to the acquisition of water supply and/or the construction, dedication, and maintenance of infrastructure and related rights-of-way.

2. **Permits.** The parties agree to cooperate in obtaining any and all local, state, and federal permits required in connection with the delivery of water, sewer, and/or storm drainage services to Diablo Grande.

3. **Fees and Assessments.** Western agrees to establish and collect those fees and assessments which are allowable by law and which are reasonable and necessary for the delivery of water, sewer, and storm drainage services to Diablo Grande.

4. **CEQA Compliance.** Nothing in this Agreement shall be interpreted to obligate Western to deliver any service or construct any facilities to Diablo Grande until all necessary and appropriate findings have been made under the California Environmental Quality Act ("CEQA"). To the extent that Western shall be obligated to make findings under CEQA in connection with the delivery of water, sewer, and/or storm drainage services to Diablo Grande, nothing in this Agreement shall obligate Western to make any findings other than those findings which are supported by substantial evidence in the record as required by law.

5. **Compliance with Laws.** Western agrees to comply with all applicable laws and regulations applicable to the delivery of water, sewer, and storm drain services to Diablo Grande to assure constant and uninterrupted delivery of the highest quality services.

6. **Operation.** Western agrees to employ such management and maintenance personnel, and to hire such consultants, as may be reasonably necessary to deliver high quality water, sewer, and storm drainage services to Diablo Grande.

7. **Operational Costs.** Diablo Grande agrees to advance funds to Western as necessary to pay for the costs of operation until such time as Western's revenues are sufficient to meet the costs of operation. All such funds shall be treated as a loan to Western by DG which shall bear interest at the rate of eight percent (8%) per annum until paid in full. Western agrees to cure the debt created under this paragraph when its revenues begin to exceed its operation costs. At that time, the parties shall meet and confer to determine an appropriate schedule for repayment of the loan.

8. **Miscellaneous Provisions.** This Agreement is to be construed and enforced in accordance with the laws of the State of California. The invalidity or unenforceability of any provision of this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity or enforceability of any other provisions hereof. Except with the written

consent of the other party, the rights and obligations under this Agreement shall not be assignable by either party.

"WESTERN":

WESTERN HILLS WATER DISTRICT

By: Keith Schneider
Keith Schneider, President

By: David Romano
David Romano, Secretary

"DG":

DIABLO GRANDE LIMITED PARTNERSHIP, a California limited partnership by its General Partner, DIABLO GRANDE, INC., a California corporation.

By: Russell A. Lewman
Russell A. Lewman, Secretary

**ADDENDUM TO MASTER AGREEMENT TO PROVIDE WATER, SEWER
AND STORM DRAINAGE SERVICES**

This Addendum to the Master Agreement to Provide Water, Sewer and Storm Drainage Services (hereafter "Addendum") is made and entered into as of May 14, 2009, ("Effective Date") by and between Western Hills Water District, a California Water District ("Western") and World International, LLC, a Delaware limited liability company ("World").

RECITALS

A. On June 4th, 1998, Western and Diablo Grande Limited Partnership, a California Partnership ("DG") entered into the Master Agreement to Provide Water, Sewer and Storm Drainage Services ("Master Agreement").

B. On October 7, 2008, the sale closed on the property known as the Diablo Grande Winery & Resort in Patterson, California with a street address of 9501 Morton Davis Drive ("Property") pursuant a purchase and sale agreement between World and DG ("Purchase Agreement").

C. Pursuant to the Purchase Agreement, World assumed the Master Agreement.

D. The parties desire to enter into this Addendum to amend the Master Agreement and confirm Western's acceptance of the assignment of the Master Agreement to World.

NOW, THEREFORE, the Parties hereto agree as follows:

AGREEMENT

1. Acceptance of Assumption. Western hereby agrees and acknowledges the assignment by DG and assumption to World of the Master Agreement.

2. The parties hereby agree to modify Section 7 of the Master Agreement to read as follows:

7. Operational and Capital Costs.

a. In providing services under this Agreement, Western will incur operational costs, costs to replace existing capital assets, and costs for new capital assets. For purposes of this Section 7, "capital assets" shall be generally understood to mean land, buildings, plant and equipment, contract rights to water, patents, and other tangible or intangible assets with a useful life greater than one year. Operational costs shall include principal and interest payments on any outstanding debt other than to World but

excluding any debt owed to Veolia North America.

b. Western shall provide World with a proposed annual budget by November 1 of each year for World's review and comment. The annual budget shall include, among other things, line item detail of proposed operational costs, proposed costs for the replacement of existing capital assets, and proposed costs for the acquisition of new capital assets. The annual budget shall also include the projected timing by month of payments for such operational and capital costs. World agrees to provide Western with its comments/objections within thirty calendar days of receipt of the proposed annual budget.

c. Upon approval of each annual operational budget by the Western Board of Directors and the approval of each annual capital budget by both Western's Board of Directors and World, World agrees to advance funds in accordance with the approved budget and in accordance with the projected monthly timing of the proposed expenditures contained within the approved budgets.

d. World is not required to advance funds needed to pay the costs for the replacement of existing capital assets or for the acquisition of new capital assets. World agrees to review the proposed capital expenses and in its discretion to advance funds to acquire said capital assets provided that any such funds advanced shall be secured by the security interest granted to World under Section 7i below.

e. Notwithstanding anything to the contrary in this Section 7, World shall not be responsible for advancing any funds to Western for any debt owed by Western to any of its vendors, providers, suppliers, lenders, employees or agents, which debt accrued prior to October 7, 2008. World agrees that the \$20,000 that the Bankruptcy Court approved in settlement of World's administrative claim concerning those pre-October 7, 2008 debts of Western shall be paid to Western for use in settling the pre-October 7, 2008 non-Veolia debts and shall not be considered in any way as an advancement of funds to Western. Western agrees that it shall be responsible for the amount of \$15,461.37 in attorney's fees and costs incurred by World in procuring the \$20,000 settlement, which amount shall be deducted by World from the \$20,000 payable to Western.

f. In the event that Western seeks additional funds above the amount set forth in the approved annual budget for either operations expenditures or capital expenditures, any additional funds requested may be advanced by World in its discretion and any and all sums advanced by World as a result of said increases shall be subject to the mutual agreement of World and Western.

g. Subject to the required periodic audit of Western's financial statements, the parties agree that as of April 30th, 2009, World has advanced to Western the total sum of \$ 1,043,384.33, excluding all accrued interest, and the parties further agree that by March 1 of each year World will submit a statement of the amount of sums advanced in the preceding 12 months, which statement will be conclusive (subject to the required periodic audit of Western's financial statements) unless within thirty days thereof, Western

disputes the amount of sums advanced and submits documentation that supports and confirms the amounts actually advanced. The summary submitted by World shall also include the cumulative total of all sums advanced on a historical basis.

h. All funds advanced shall be treated as a loan from World to Western. All funds advanced shall bear interest at the rate of eight percent (8 %) per annum simple interest until paid in full.

i. Security Interest. Subject to any limitations on the granting of security interests in a public agency's assets and subject to Western's repayment obligation set forth below, in consideration of World's advancing funds in accordance with this Section 7, Western hereby grants to World a security interest in the capital assets funded with World's advances and in such other assets owned by World. The parties agree to enter into a commercially reasonable security agreement or agreements setting forth the specific terms and conditions of the security interest therein.

j. World may elect to cease advancing funds to Western for operating costs if and when World determines that Western's revenues are sufficient to meet the following on an on-going basis: (a) annual costs of operations; (b) annual costs for capital improvements and replacements; (c) an operating reserve fund as determined by Western's Board of Directors and (d) the principal and interest payments on any outstanding debt other than to World. Sums (a) and (c) in this subsection shall not exceed ten percent (10.0 %) of the prior fiscal year's actual operating expenditures. Sum (b) shall not exceed ten percent (10.0%) of the average of the prior three (3) fiscal years' actual capital expenditures.

k. In the event World elects to cease one hundred per cent (100 %) of the funding, it shall provide not less than 18 months advanced, written notice to Western, and such notice shall be timed so that if funding ceases, it ceases at the end of Western's fiscal year. Example: With a World notice dated June 15, 2015, World shall cease advancing funds after December 31, 2016. World's notice shall also include World's proposed repayment plan. World's determination to cease advance funding and World's proposed repayment plan for funds advanced for both operational and capital costs must be reasonable and made in good faith and be based upon Western's audited financial statements and a reasonable three-year projection of Western's revenues and expenses, showing that Western would have sufficient projected revenues to meet the projected expenses set forth in Subsection 7j above.

l. Should Western disagree with World's determination under Subsection 7k, Western may invoke the disputes resolution procedure set forth below. The vote by the Western Board of Directors as to whether or not it agrees with World's determination and to invoke the disputes procedure shall be only by those Western directors who do not have a financial interest in the decision in accordance with the District's Conflicts of Interest Code and the regulations of the California Fair Political Practices Commission, including, but not limited to, because the director is employed by or is a consultant to World. World agrees that such a vote by Western's Board may be by less than a majority.

of a quorum. World further agrees that should all Western directors have a financial interest in the decision, then Western may request the Stanislaus County Superior Court to appoint a qualified representative or representatives to act on behalf of Western for purposes of this Section 7.

m. Disputes Resolution Procedure.

(1) The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Section 7, promptly by negotiation between representatives who have authority to settle the controversy. Any party may give the other party written notice of a dispute, which notice shall include a statement of that party's position and a summary of arguments supporting that position. Within fifteen (15) calendar days after receipt of the notice, the receiving party shall respond with a statement of that party's position and a summary of argument supporting that position. All negotiations pursuant to this subsection are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

(2) If the dispute has not been resolved by negotiations within twenty (20) calendar days of the disputing party's notice, the parties shall endeavor to settle the dispute by mutual agreement.

(3) Any dispute arising out of Section 7, which has not been resolved by the above dispute resolution procedure within twenty (20) calendar days of the initiation of such procedure, shall be finally resolved by arbitration by a sole arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. The arbitrator shall be qualified by education, training, and experience in public agency finances and shall not have a conflict of interest. As to any dispute over World's determination under Subsection 7j, the arbitrator is only authorized to make a binding determination to approve or disapprove World's determination; however, the arbitrator is also authorized to recommend a non-binding repayment plan for consideration by the parties. The place of arbitration shall be Patterson, California, unless otherwise agreed to by the parties.

(4) The time limits specified in Subsection 7m shall be suspended during the time taken to obtain any action by the Stanislaus County Superior Court.

(5) All arbitrators to be selected pursuant to this Section 7 shall avoid ~~the~~ conflict of interest and the appearance of a conflict of interest at the time of selection and during and after arbitration. A conflict of interest can arise from involvement by an arbitrator with the subject matter of the dispute or from any relationship between him/her and any participant, whether past or present, personal or professional, that reasonably raises a question of his/her impartiality.

(6) The costs for any arbitrator shall be borne equally between the parties. The prevailing party in any arbitration shall not be entitled to be awarded its attorneys' fees and costs.

3. No Variation. The parties hereby confirm that no other provision of the Agreement is amended or modified except as described in this Addendum.

4. Definitions. All capitalized terms not defined herein shall have the meaning ascribed to such term in the Agreement.

5. Counterparts. This Addendum may be executed in any number of counterparts, each of which shall be an original and all of such counterparts together shall constitute one and the same instrument. To facilitate the execution of this Addendum, the parties may execute and deliver counterparts of this Addendum by telephone facsimile or e-mail transmission.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date set forth in the opening paragraph of this Addendum.

WESTERN:

WESTERN HILLS WATER DISTRICT,
a California Water District

By: _____
President

By: _____
Secretary

WORLD:

WORLD INTERNATIONAL, LLC,
a Delaware limited liability company

By: _____
Rafael Marcos Dayan
Its: Manager

3. No Variation. The parties hereby confirm that no other provision of the Agreement is amended or modified except as described in this Addendum.

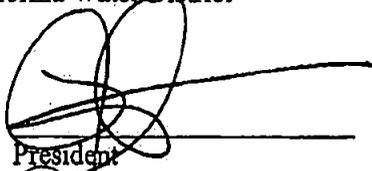
4. Definitions. All capitalized terms not defined herein shall have the meaning ascribed to such term in the Agreement.

5. Counterparts. This Addendum may be executed in any number of counterparts, each of which shall be an original and all of such counterparts together shall constitute one and the same instrument. To facilitate the execution of this Addendum, the parties may execute and deliver counterparts of this Addendum by telephone facsimile or e-mail transmission.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date set forth in the opening paragraph of this Addendum.

WESTERN:

WESTERN HILLS WATER DISTRICT,
a California Water District

By: 

President

By: 

Secretary

WORLD:

WORLD INTERNATIONAL, LLC,
a Delaware limited liability company

By: _____

Rafael Marcos Dayan

Its: Manager

**ASSIGNMENT, ASSUMPTION AND RELEASE
AGREEMENT
ATTACHMENT "2"**

ASSIGNMENT, ASSUMPTION AND RELEASE AGREEMENT

This Assignment Assumption and Release Agreement (the "Agreement"), is entered into as of the 30th day of April 2020 (the "Effective Date"), by and between WORLD INTERNATIONAL, LLC, a Delaware limited liability company ("World" or "Seller"), ANGEL'S CROSSING, LLC, a California limited liability company ("Buyer") and WESTERN HILLS WATER DISTRICT, a California Water District ("Western" or "WHWD"). Collectively World, Buyer and WHWD referred to as the "Parties" and individually a "Party".

RECITALS

A. Seller is the owner of approximately 30,000 acres of land located in Stanislaus County, California (the "Property").

B. On October 7, 2008, Buyer assumed from the Property's prior owner that certain Master Agreement to Provide Water, Sewer and Storm Drainage Services, as amended by that certain Addendum to Master Agreement to Provide Water, Sewer and Storm Drainage Services (as amended the "Master Agreement").

* C. WHWD contends that from 2019 to April 24, 2020, World incurred water charges of \$515,601 (Five Hundred Fifteen Thousand Six Hundred and One Dollar), which to this date remain outstanding (the "Outstanding Water Charges"). World disputes such claims.

D. WHWD contends that World is in default of its obligations under the Master Agreement since among others it has failed to fund the operations of the WHWD for a period of over 12 (twelve) months as required under the Master Agreement (the "Funding Obligations"). World disputes such claims.

* E. WHWD contends that World is in default on its obligations (delinquent amount) to pay \$8,742,326.38 in Mello-Roos related to the Property (the "Mello-Roos Obligations"). World disputes such claims.

F. On March 16, 2020, Buyer and Seller entered into that certain purchase agreement by which Buyer to purchase part of the Property ("Purchase Agreement").

* G. Pursuant to the Purchase Agreement, Buyer agreed to assume the Master Agreement and any and all outstanding loans to WHWD (\$16,896,995) as well as all outstanding liabilities of World International, including the Outstanding Water Charges (\$515,601), Funding Obligations (\$1,130,000) and the Mello-Roos Obligations (collectively the "WHWD Liabilities").

H. The parties desire to enter into this Agreement to assign all of Seller's right, title, obligations and interest in and to the Master Agreement and the WHWD Liabilities to Buyer and to confirm Western's acceptance of the assignment of the Master Agreement and the WHWD Liabilities to Buyer and the release of World from any and all liabilities arising under the Master Agreement and the WHWD and from any and all past, present or future liabilities.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by all parties hereto, the parties hereby agree as follows:

1. Assignment. World hereby assigns, transfers and conveys to Buyer and Buyer hereby assumes and accepts any and all of World's right, title, interest, obligations and liabilities in and to the Master Agreement and the WHWD Liabilities. Buyer hereby assumes and agrees to keep, perform and fulfill all of World's obligations under or with respect to the Master Agreement and the WHWD Liabilities. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

2. Indemnification by Buyer. Buyer hereby agrees to indemnify and defend World, its successors, assigns, affiliates, representatives, members, directors, officers, agents, advisors and consultants against and hold them harmless from all demands, claims, complaints, actions or causes of action, suits, proceedings, investigations, losses, damages, liabilities, costs and expenses, including attorney's fees pertaining to or arising out of: (i) the Master Agreement including the performance or non-performance of World's obligations thereunder; and (ii) the WHWD Liabilities.

3. Consent and Release by WHWD. Only in the event that the part of the Property described in the Purchase Agreement is conveyed to Buyer from World, Western consents and accepts the assignment of World's right, title, interest, obligations and liabilities in and to the Master Agreement and the WHWD Liabilities to Buyer as set forth in this Agreement and hereby on its behalf and on behalf of its successors and assigns hereby releases and forever discharges World, its successors, assigns, affiliates, representatives, members, directors, officers, agents, advisors and consultants from any and all demands, claims, complaints, actions or causes of action, suits, proceedings, investigations, losses, damages, liabilities, costs and expenses, including attorney's fees pertaining to or relating to the Master Agreement and the WHWD Liabilities, including but not limited to World's performance or non-performance thereunder.

To the extent that the foregoing release is a releases to which Section 1542 of the California Civil Code or similar provisions of other applicable law applies, it is the intention of the Parties that the foregoing releases shall be effective as a bar to any and all actions, fees, damages, losses, claims, liabilities and demands of whatsoever character, nature and kind, known or unknown, suspected or unsuspected specified herein. In furtherance of this intention, the Parties expressly waive any and all rights and benefits conferred upon them by the provisions of Section 1542 of the California Civil Code, which said Section 1542 providing as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

The Parties acknowledge that the foregoing waiver of the provisions of Section 1542, was bargained for separately. Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of World, WHWD expressly acknowledges that this Agreement is intended to include in its effect without limitation all of the claims, causes of action and liabilities otherwise encompassed in the release above which Western, does not know or suspects to exist in their favor at the time of execution of this Agreement, and this Agreement contemplates extinguishment of all such claims, causes of action and liabilities.

4. No Admission of Liability. This Agreement does not constitute an admission of liability by any of the Parties to this Agreement.

5. No Reliance. Each Party acknowledges that it has made such investigation of the facts pertaining to this Agreement, and all matters pertaining thereto, as he or it deems necessary. Each Party to this Agreement represents that: (a) he or it is represented by the attorneys of its choice; (b) prior to the execution of this Agreement each Party's attorney reviewed this Agreement, made all desired changes, and approved this Agreement as to substance and form; (c) the terms of this Agreement and its consequences (including risks, complications, and costs) have been fully explained to it by its attorneys; (d) it fully understands the terms and consequences of this Agreement; (e) it is not relying upon any representation or statement made by any other party hereto, or by such other party's employees, agents, representatives or attorneys regarding this Agreement or its preparation except to the extent such representations are expressly and explicitly incorporated herein; (f) it is not relying upon a legal duty, if one exists, on the part of any other party, or upon the part of such other party's employees, agents, representatives or attorneys, to disclose any information in connection with the execution of this Agreement or its preparation; and (g) it has carefully read and understands the contents of this Agreement and freely signs it of his or its own free act, without any constraint or undue influence, and it is the intention of each party to be legally bound by this Agreement. Further, it is expressly understood that no Party shall ever assert any failure to disclose information by any other Party as a ground for challenging this Agreement.

6. After-Acquired Facts. The Parties acknowledge that they might hereafter discover facts different from or in addition to those they now know or believe to be true with respect to a claim or claims released herein, and they expressly agree to assume the risk of possible discovery of additional or different facts, and agree that this Agreement shall be and remain effective in all respects regardless of such additional or different discovered facts, or any change in circumstances.

7. Choice of Law and Forum Selection. This Agreement is made and entered into in the State of California and shall in all respects be interpreted, enforced, and governed under the laws of the State of California as if entirely performed within the State of California. Any legal suit, action or proceeding arising out of or related to this Agreement or the rights and obligations of the parties hereunder, shall be instituted exclusively in the federal courts of the United States or the Courts of the State of California in each case located in the City of Modesto and County of Stanislaus, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

8. Waiver of Breach. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provisions hereof.

9. Attorneys' Fees. The prevailing party in any dispute between the parties hereto, or any of them, arising hereunder or relating hereto shall be entitled to an award of reasonable attorneys' fees, costs and expenses at trial and through all appellate levels.

10. Successors. This Agreement shall be binding upon the parties hereto and their permitted respective successors and permitted assigns.

11. Rule of Construction. This Agreement shall be interpreted without regard to any presumption or rule requiring construction against the party causing this Agreement to be drafted.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment, Assumption and Release Agreement as of April ____, 2020.

[Signatures on Following Page]

SELLER:

WORLD INTERNATIONAL, LLC
a Delaware limited liability company

By: Three60, LLC, its sole member

By: Linda Marcos
By: Linda Marcos
Its: Manager

BUYER:

ANGEL'S CROSSING, LLC
a California limited liability company

By: _____
Name:
Title:

WESTERN:

WESTERN HILLS WATER DISTRICT
a California water district

By: G
Name: Guillermo Marrero
Title: Chairman of Board

SELLER:

WORLD INTERNATIONAL, LLC
a Delaware limited liability company

By: Three60, LLC, its sole member

By: _____

By: Linda Marcos
Its: Manager

BUYER:

ANGEL'S CROSSING, LLC
a California limited liability company

By: _____

Name: Don Hale Jr.
Title: Managing Member

WESTERN:

WESTERN HILLS WATER DISTRICT
a California water district

By: _____

Name:
Title:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF WS Los Angeles

On 4/25/2020

before me, HYUN R LEE, Notary Public

a Notary Public, personally appeared

DONALD BERNARD JR HALE

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Handwritten Signature]



(This area for official notarial seal)

ESCROW NO.: AU-55021431-SF

TITLE ORDER NO.: NCS-803241-05-LA2

ATTACHMENT "3"

GRIFFITH, MASUDA & HOBBS

A PROFESSIONAL LAW CORPORATION

517 East Olive Street
Turlock, California 95380

(209) 667-5501
Fax (209) 667-8176

www.calwaterlaw.com

Founded 1920

W. Coburn Cook, 1892-1953
Lin H. Griffith, 1923-2014

David L. Hobbs
dhobbs@calwaterlaw.com

*Celebrating Our
103rd Anniversary*

November 16, 2023

VIA ATTACHED SERVICE LIST

World International, LLC
1880 Century Park E, Ste. 106
Los Angeles, CA 90067

RE: Notice of Demand for Payment and Lien Certificate Re Assignment, Assumption and Release Agreement dated April 30, 2020

To World International, LLC:

As you are aware and as provided in the Notice of Hearing¹, the Western Hills Water District ("WHWD") Board of Directors held a public hearing on November 8, 2023 to determine a number of issues related to the above referenced Assignment, Assumption and Release Agreement. As a result of the duly noticed hearing, the WHWD Board of Directors made certain findings as set forth in WHWD Resolution No. 2023-09 (the "Resolution"), a true and correct copy of which is included herewith.

By virtue of the findings of the WHWD Board as set forth in the Resolution, it has been determined that World International, LLC owes WHWD the current amount of \$7,826,762.42 for unpaid charges under the Master Agreement to Provide Water, Sewer and Storm Drainage Services dated June 4, 1998 as amended.

Please be advised that unless the District receives payment for the full amount by December 20, 2023, the District shall record a lien certificate against World International, LLC pursuant to Water Code §36729. This lien shall be in addition to any other existing liens or amounts owed to the District.

The Water Code §36729 certificate constitutes a lien in the amount of the unpaid charges, together with interest and penalties, upon all real property which you now own or may hereafter acquire in the county in which the lien is recorded. The District may record the certificate in any county it believes you own real property. From the date of recording the certificate, interest shall accrue on the principal amount owing at the rate specified in Code of Civil Procedure §685.010 which currently is 10% per annum.

¹ The Notice of Hearing was dated October 6, 2023 and served via electronic mail, regular U.S. Mail and overnight delivery as set forth in the accompanying proof of service thereto.

World International, LLC
November 16, 2023
Page 2

Lastly, be advised that WHWD reserves the right to secure payment of the foregoing amounts via all methods authorized by law, including but not limited to the assessment mechanisms per Water Code §37200, *et seq.*

Thank you for your attention to this matter.

Regards,

GRIFFITH, MASUDA & HOBBS

A handwritten signature in black ink, appearing to read "D. Hobbs", written over the printed name.

David L. Hobbs

Enclosures – as stated.
Cc: Angel's Crossing, LLC; client.

RESOLUTION NO. 2023-09

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
WESTERN HILLS WATER DISTRICT**

**DETERMINATION OF FINDINGS REGARDING STATUS OF ASSIGNMENT,
ASSUMPTION AND RELEASE AGREEMENT DATED APRIL 30, 2020 AND RELATED
ISSUES**

WHEREAS, since WHWD's formation in 1992, the revenues collected by WHWD in connection with its provision of water and sewer service to the Diablo Grande community have significantly failed to match the cost of providing those services. To remedy the funding discrepancies and ensure sufficient operational and capital finances for the District, the original owner of the project, Diablo Grande Limited Partnership ("DGLP") entered into the Master Agreement to Provide Water, Sewer and Storm Drainage Services dated June 4, 1998 with WHWD (the "Master Agreement"). In exchange for the developer's obligation to provide annual funding shortfalls, WHWD agreed to ensure adequate water and sewer capacity to provide for the build out of the Diablo Grande project; and

WHEREAS, ultimately, DGLP filed bankruptcy and World International, LLC ("World") purchased the Diablo Grande project and assumed DGLP's obligations to fund WHWD's revenue deficiencies by entering into an Addendum to Master Agreement to Provide Water, Sewer and Storm Drainage Services, dated May 14, 2009 (the "Amended Master Agreement"); and

WHEREAS, despite World providing funding and WHWD providing water/sewer services in accordance with the Amended Master Agreement for several years, World alleged financial difficulties beginning in or around 2018. In 2019, World indicated that it had a prospective buyer that would purchase the Diablo Grande project and fully assume World's obligations under the Amended Master Agreement. The Master Agreement, at Section 8, requires that, "[E]xcept with the written consent of the other party, the rights and obligations under this Agreement shall not be assignable by either party;" and

WHEREAS, on April 24, 2020 the WHWD Board of Directors conditionally approved the Assignment, Assumption and Release Agreement (the "Assignment"); and

WHEREAS, subsequent to World and AC entering into an Amended and Restated Purchase and Sale Agreement, dated April 30, 2020 (the "Purchase Agreement"), on or about May 7, 2020 escrow closed on certain parcels of real property in Diablo Grande. Since 2019, World has failed to contribute the revenue shortfalls to WHWD required under the Amended Master Agreement. AC has never paid any amount to WHWD, be it per the Amended Master Agreement or otherwise; and

WHEREAS, on October 6, 2023, WHWD provided a Notice of Hearing to World and AC advising them that the WHWD Board would make determination on several issues related to

World and AC's obligations under the Amended Master Agreement and WHWD's ability to enforce those obligations under the Water Code.

WHEREAS, the Board of Directors of the WHWD opened and held the public hearing, reviewed the Staff Report dated November 3, 2023, the Staff Report Attachments, the records of WHWD and received the advice of the District's counsel.

NOW THEREFORE, BE IT RESOLVED BY THE Board of Directors of the Western Hills Water District as follows:

I. The WHWD Board makes the following findings:

1. As to Issue No. 1: Did the condition precedent set forth in Section 3 of the Assignment occur, such that WHWD's consent to the Assignment was obtained? Section 3 of the Assignment states in relevant part: "[O]nly in the event that the part of the Property described in the Purchase Agreement is conveyed to Buyer from World, Western consents and accepts the assignment of World's right, title, interest, obligations and liabilities in and to the Master Agreement and the WHWD Liabilities to Buyer as set forth in this Agreement..."

Finding A. Stanislaus County A.P.N. 025-039-021 is located within the PDP Lands and was not conveyed from World to AC.

Finding B. Stanislaus County A.P.N. 025-039-014 is located within the WHWD Lands and was not conveyed from World to AC.

Finding C. The Purchase Agreement required AC to perform lot line adjustments to create and perfect the legal description for the WHWD Lands to be conveyed from World to AC, which never occurred.

Finding D. Because "that the part of the Property described in the Purchase Agreement" was not conveyed to AC from World, as required in Section 3 of the Assignment, the condition precedent to obtain WHWD's consent did not occur.

Conclusion: Based upon the foregoing because all of the property within the PDP Lands and the WHWD Lands owned by World, e.g., "the part of the Property described in the Purchase Agreement" was not conveyed to AC (Buyer) from World, the condition precedent in Section 3 of the Assignment did not occur, therefore WHWD's consent to the Assignment was not obtained.

2. As to Issue No. 2: If WHWD determines the finding to Issue No. 1 is "no", e.g., the condition precedent in the Assignment did not occur and there was no Assignment of the Master Agreement to Provide Water, Sewer and Storm Drainage Services, as amended by the Addendum to Master Agreement to Provide Water, Sewer and Storm Drainage Services (referred to herein as the "Amended Master Agreement"), then does World remain obligated to WHWD as set forth in the Amended Master Agreement?

Conclusion: Because WHWD's written consent to assignment of the Master Agreement was not obtained, as per Issue No. 1, World continues to remain obligated under the terms of the Master Agreement/Amended Master Agreement.

3. As to Issue No. 3: If World continues to be obligated to WHWD under the Amended Master Agreement, what are the delinquent amounts for which World is liable to WHWD?

Finding A. Because the Master Agreement as amended requires World to fund the shortfalls of the WHWD based upon the WHWD annual budgets, World is liable to WHWD in an amount equal to the adopted annual WHWD budgets minus the WHWD revenues therein.

Conclusion: As of November 3, 2023, World is currently liable to WHWD under the Amended Master Agreement in the amount of \$7,826,762.42. It is anticipated this amount will continue to grow with each successive year to the extent WHWD's revenues do not meet its cost of providing utility services.

4. As to Issue No. 4: Does the failure of Angel's Crossing to perform under the Assignment, e.g., failure to make any payments towards the WHWD Liabilities as defined in the Assignment, result in the Assignment being of no force or effect such that World remains liable to WHWD under the Amended Master Agreement?

Conclusion: In addition to the finding of Issue No. 1 that WHWD's consent to the Assignment was not obtained, because AC failed to make any payments to WHWD in accordance with the Master Agreement or Amended Master Agreement, World remains obligated to WHWD in accordance with the Amended Master Agreement.

5. As to Issue No. 5: Does former WHWD Director Guillermo Marrero's undisclosed financial interest in the Assignment, e.g., the agreement by Angel's Crossing to assume World's obligation to pay International Practice Group approximately \$165,085.02, result in the Assignment being void pursuant to Gov't. Code §1090, *et seq.*?

Finding A. Former WHWD President/Director G. Marrero was the owner of International Practice Group ("IPG"), which is a law firm which included World as one of its clients.

Finding B. Pursuant to the Purchase Agreement, which was contingent on WHWD approving the Assignment, AC was to assume an obligation to pay IPG \$165,085.02.

Finding C. AC's promise to pay IPG was a direct financial interest to G. Marrero, which was never disclosed and not discovered by WHWD until August 2023.

Conclusion: Because Director/President Marrero had an undisclosed direct financial interest in the approval of the Assignment, the Assignment violates Gov't. Code §1090.

6. This Resolution shall take effect immediately upon its adoption.

7. WHWD shall cause a copy of this Resolution to be provided to all affected parties.

8. WHWD staff are hereby authorized to take all actions to enforce this Resolution, including but not limited to the use of any collection remedies allowed under the Water Code.

Moved by Director, Mark Kovich, second by Director, Martin George Johnson,

that the foregoing resolution be adopted.

Upon roll call the following vote was had:

Ayes: Director's, Mark Kovick, John Frederick, Mary Davies, Martin Gene Johnson,
Martin George Johnson

Noes: None

Abstain: None

Absent: None

I, Mary Davies, Secretary of the Board of Directors of the Western Hills Water District, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the said Board of Directors held the 8th day of November, 2023.



1 **PROOF OF SERVICE**

2 I, Catherine Pasma, declare:

3 I am employed in the County of Stanislaus, State of California and over the age of
4 eighteen (18) years, and not a party to the within action. My business address is 517 East
Olive Avenue, P.O. Box 510, Turlock, California, 95381-0510.

5 On November 16, 2023 I served the within document(s):

6 **Correspondence from David L. Hobbs Re Notice of Demand for Payment and**
7 **Lien Certificate Re Assignment, Assumption and Release Agreement dated April**
8 **30, 2020**

9 **[X] BY U.S. MAIL.** By placing the document(s) listed above in a sealed envelope
10 with postage thereon fully prepaid, in the United States mail at Turlock, California, addressed
as set forth below. I am readily familiar with the firm's practice of collection and processing
correspondence for mailing. Under that practice it would be deposited with the U.S. Postal
Service on that same day with postage thereon fully prepaid in the ordinary course of business.

11 WORLD INTERNATIONAL, LLC
12 1880 CENTURY PARK E, SUITE 106
13 LOS ANGELES, CA 90067

14 WORLD INTERNATIONAL, LLC
15 2710 GATEWAY OAKS DRIVE
SACRAMENTO, CA

16 ANGEL'S CROSSING, LLC
17 3150 WILSHIRE BLVD., SUITE 2722
LOS ANGELES, CA 90010

18 On behalf of ANGEL'S CROSSING, LLC:
19 June D. Coleman, Esq.
Messer Strickler Ltd.
20 5960 South Land Park Drive #1059
21 Sacramento, CA 95822

22 **[XX] By Electronic Mail** – I served each document on the parties by emailing each
23 document in PDF format to each email address listed above.

24 On behalf of WORLD INTERNATIONAL, LLC:

25 rafael@frel.mx
26 rafaelmarcos0@me.com
27 linda@frel.mx
28 hperalta@frel.mx

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I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on November 16, 2023, at Turlock, California.



Catherine Pasma