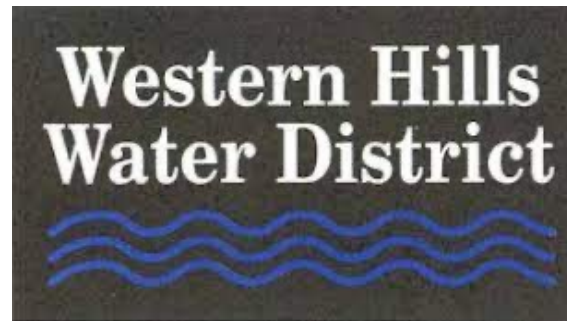




# DIABLO GRANDE



**Presented by Mark Kovich**  
**Homeowner/Resident of Diablo Grande**  
**Board President of Western Hills Water District**  
**[markkovichwhwd@gmail.com](mailto:markkovichwhwd@gmail.com) – 408-396-2511**

## 30,000 Acres in 5 Phases World Class Resort

- 5,000 Homes
- 6 Golf Courses
- Vineyards
- Hotel
- European Spa
- Retail Center
- Business Park
- 1<sup>st</sup> Phase within the boundaries of the Western Hills Water District
  - Water, Sewer, and Storm Drain Service
  - Custodian/Trustee of CFD



## Operations Costs (Master Agreement)

- Diablo Grande (Don Panoz)
  - Shall advance funds to sustain District Operations at 8% per annum
  - When District is profitable and after 18 months payment plan to begin
- Loan forgotten about by Don Panoz during 2008 bankruptcy?
- World International claims contributions of \$16,896,995 since 2008



## World International and Control of WHWD Board of Directors

World International Unilaterally Controlled WHWD until May of 2020

Fall of 2017 - World International

- Stops Mello Roos Payments
- Stops Partial County Tax Payments

Spring of 2018 - WHWD Board of Directors retained Lavelle Law Group

- Lavelle Law paid \$169,094
- Resides out of same office as WHWD Board President Marrero (World Attorney)
- No foreclosure lawsuit ever filed

June of 2019 - World International

- Stops Subsidy
- Stops Water Payments to Golf Course

WHWD Historical Revenues, Losses, and Subsidy

Fiscal year	Revenue	Loss	Subsidy	Golf Course Revenue	
2010	\$940,717	\$2,602,383	\$2,618,108	\$635,279	Legends/Ranch
2011	\$2,090,717	\$1,826,673	\$2,079,564	\$717,618	Legends/Ranch
2012	\$2,150,790	\$1,837,711	\$1,138,000	\$941,228	Legends/Ranch
2013	\$2,207,622	\$1,511,369	\$900,001	\$1,054,575	Legends/Ranch
2014	\$1,851,345	\$2,430,160	\$697,667	\$987,638	Legends/Ranch
2015	\$1,562,695	\$2,417,740	\$2,117,099	\$496,743	Ranch
2016	\$2,064,084	\$2,479,074	\$2,295,000	\$362,643	Ranch
2017	\$2,557,174	\$1,863,301	\$1,234,000	\$316,745	Ranch
2018	\$2,052,461	\$2,630,582	\$920,000	\$571,513	Ranch
2019	\$2,801,049	\$1,805,057	\$1,137,000	\$571,012	Ranch
2020	\$2,449,717	\$2,339,983	\$0	\$0	
2021*	\$1,849,849	\$2,490,555	\$0	\$0	
2022*	\$2,144,631	\$2,356,666	\$0	\$0	
	* Unaudited for FY 2021 and FY 2022				
			Subsidy Total	Golf Course Total	
			\$15,136,439	\$6,654,994	

# Items of Concerns

- Because of the property transfer, the financial debt to the Water District is now approximately \$12.2M and growing each month
- The accounting loss to WHWD is apx \$150,000 per month
- Both World International and Angels Crossing have filed UCC1 Liens against Western Hills Water District for the Subsidy. Who owns the note?
  - World has utilized the Master Agreement
  - Angels Crossing has utilized the Assignment, Assumption, and Release Agreement (AA&R)
- Angels Crossing has not paid the following since acquiring the development
  - No payment of Property Taxes
  - No payment of Mello Roos Taxes
  - No payment of HOA Fees – **Estimated Debt of over \$510,000**
  - No subsidy to the Water District
- Angels Crossing is in breach of contract with the District (AA&R)
  - The District may at its discretion legally invalidate and rescind this contract
  - All liabilities could be placed back on World International

**Angel's Crossing LLC  
1055 W. 7<sup>th</sup> Street 33<sup>rd</sup> Fl Penthouse  
Los Angeles CA 90017**

**April 24, 2020**

**Western Hills Water District  
9501 Morton Davis Drive Patterson CA 95363**

**To Whom It May Concern:**

**With regards to the acquisition of the "Diablo Grande" development project it is the purpose of this letter to express our intent to first and foremost to establish a productive and open relationship with the local community and it's existing leadership.**

**We understand the existing community frustrations and wish to build a solution-based rapport with the existing WHWD team by learning from its existing community structure, past efforts, and future needs.**

**The first step in this effort is to express our full intent to remedy any and all outstanding liabilities assumed by our group from the previous ownership structure. Though we are not at liberty to share our internal funding plan upon completion of the acquisition our team will be immediately available to discuss any and all outstanding issues including but not limited to outstanding debts.**

**With the input of the WHWD it is our plan to first educate our group on the current status of the community then strategize how to best meet its needs. We plan to introduce "next steps" within the first business week of possession with an intent to begin settling past financial liabilities within the first thirty days.**

**This is not only a transitional period for the Diablo Grande community but the world as whole. And with transition often comes uncertainty. However, we'd like to express clearly that the Angel's Crossing team is here as a pillar of permanent support and understanding. Your consideration at this time is greatly appreciated as we push to finalize the invigoration of what will be a much-improved Diablo Grande masterplan.**

**Sincerely,**

**Don Hale Jr.  
Managing Member  
Angels Crossing LLC**



August 14, 2020

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

Subject: Payments to WHWD Associated with Angel's Crossing Purchase of Diablo Grande

Dear Ms. Taylor,

Per the discussion at the WHWD Board Meeting on August 12, 2020, Angel's Crossing's plan associated with various WHWD bills and debts is provided below. Our understanding is there are three issues:

1. Irrigation bill – for golf course and other parcels owned by Angel's Crossing with WHWD service area
2. KCWA bill – water supply bill for community
3. Patterson bill – shortfall in payments to Patterson for sewer service of existing homes

Our plan is as follows:

1. Irrigation – We formally request the irrigation water supplies for the golf course and other Angel's Crossing holdings continue. We will make a good faith payment to Western Hills for irrigation bills by the end of September. We will have all the irrigation bills for the year paid off by the end of the year (December 2020). In the meantime, Angel's Crossing will be working with the community to reopen the golf club, create memberships, and develop a revenue source to ensure the ongoing payment of the irrigation and landscaping bills.
2. KCWA bill – We will have a good faith payment for KCWA by the end of September. Our intent is to pay the entire water bill to KCWA for 2020 before the end of the year and before the January 60% bill from KCWA is received for the 2021 water year.
3. Patterson bill – It is our understanding the community will be adjusting the wastewater rate soon to eliminate the subsidy being requested from Angel's Crossing to the community associated with unpaid sewer rates to the City of Patterson. Patterson has asked they be made whole by the end of the Patterson fiscal year, June 30, 2021. We propose a monthly payment plan (if needed) with the intent of making Patterson whole by the end of their fiscal year. The payments will be negotiated after we see how the community chooses to adjust sewer rates.

Thank you for working with us as we begin our path, working with you, to build out this wonderful community. Please call me if you have any questions (916) 612.0052.

Sincerely,



William J Miller Jr  
Development Manager, Angel's Crossing

CC: Seth W. Scott, Angel's Crossing LLC  
Don Hale Jr., Angel's Crossing LLC  
Rob Donlan, ELLISON SCHNEIDER HARRIS & DONLAN LLP  
Gary SAWYERS, New Current Water and Land



**WEST STANISLAUS COUNTY FIRE PROTECTION DISTRICT**

P.O. Box 565, Patterson, CA 95363  
(209) 895-8130 fax (209) 895-8139

Friday, October 23, 2020

Angels Crossing LLC  
Attn: Donald Bernard Hale, Jr.  
3150 Wilshire Blvd #2722  
Los Angeles, Ca 90010

Dear Mr. Hale:

West Stanislaus County Fire Protection District is the authority having jurisdiction for the community of Diablo Grande in Patterson, California. We have attempted to reach out to Seth W. Scott and Jim Miller, who are claiming to be representatives of your company, about a breach of contract. As the authority having jurisdiction for fire and emergency response within the community we established an agreement with World International LLC. Our agreement had a successor clause and we have been notified that your company is the successor to World International LLC. Part of the agreement states that Angel's Crossing LLC will lease a residence for our paid-call firefighters. We were recently notified by the leaser that payment has not been received for 3 months. This was after multiple attempts by the leaser to contact Seth W. Scott and Jim Miller.

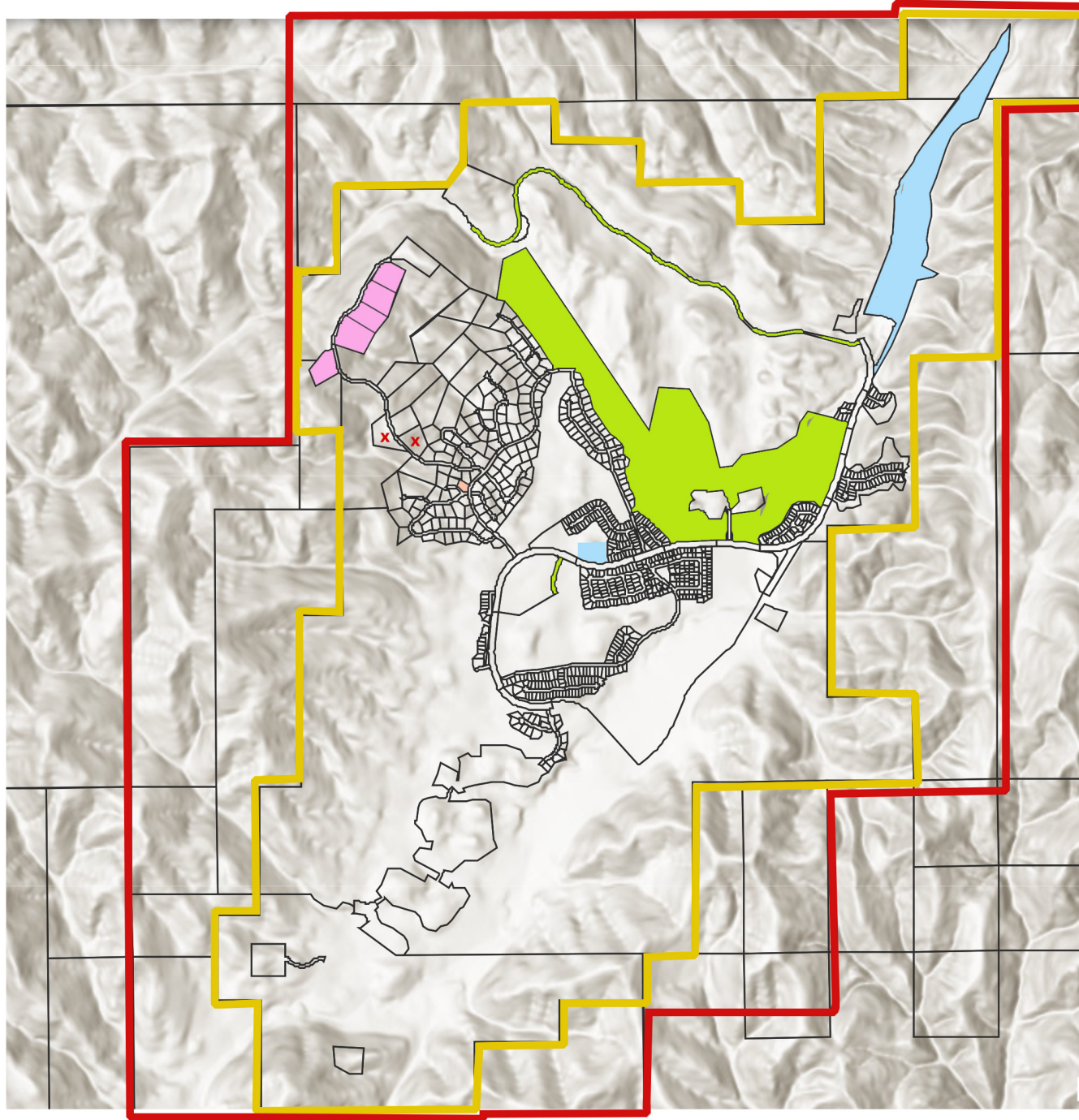
We ask that immediate payment be made to the leaser to ensure continued fire and emergency response to the Diablo Grande community. We have enclosed a copy of the email that was sent to your representatives on October 23, 2020 at 10:15 am. We ask a check be mailed to:

Annie Cachola  
2275 McDonald Lane  
Morgan Hill, Ca 95037  
Phone: 408-782-0258

The amount shall include all arrears and current payments as required by the leaser. **A lack of attention to this situation may cause a lapse in fire protection or incur additional risks to the community of Diablo Grande.** We ask that your company send proof of payment to [kbowen@cityofnewman.com](mailto:kbowen@cityofnewman.com) and [abest@ci.patterson.ca.us](mailto:abest@ci.patterson.ca.us).

Best wishes,

Keith A. Bowen  
Fire-Division Chief  
P: 209-678-0357



Red = WHWD Boundaries

Gold = PDP Boundaries

Green = Property Owned by World Int'l

Blue = Property Owned by Pacific Blue LLC

Pink = Property Sold in Tax Sale

X = Property Sold by Angels Crossing

Orange = Property Gifted to Booker Evans

# These are Financial Facts!

- Entered into contract with WHWD on April 30, 2020
  - Agrees to pay Mello Roos arrearages \$8,742,326
  - Agrees to pay World's arrearages on water charges \$515,601
  - Agrees to pay past funding obligations of World \$1,130,000

- Angels Crossing Today

- Mello Roos Debt on May 31<sup>st</sup> will be \$23,673,528
- Penalties, Fees, and Legal costs owed apx \$1,900,000
- County Property Taxes current owed apx \$8,200,000
- Kern Water Authority \$5,400,000
- City of Patterson \$2,000,000
- World's Assumed Water Charges \$515,601
- Direct Angels Crossing Water Charges \$500,000
- Loan to WHWD for operations \$1,169,014

- **Not Including HOA Debt \$510,000 Estimated**

