



**Public Announcement authorized by the WHWD Board of Directors**

**November 25, 2025**

The Western Hills Water District (WHWD) Board of Directors has passed Resolution 2025-13 declaring a fiscal emergency of and authorizing the filing of a Chapter 9 bankruptcy petition for the Diablo Grande Community Facilities District No. 1 (CFD). This action has become unavoidable due to the CFD's current inability to pay its obligations and the immediate threat of a tax sale and our concern that the Stanislaus County Board of Supervisors, based on their past actions and their upcoming vote scheduled for December 9, may not provide the protections necessary to prevent it.

By declaring a Fiscal Emergency and authorizing the filing of a Chapter 9 bankruptcy, we can stay the Tax Collector's process and safeguard the CFD's publicly-owned assets, the loss of which jeopardizes the health, safety and well-being of the residents within the CFD. This measure also allows us to engage more effectively with potential developers and advance long-term efforts to stabilize the Diablo Grande community.

The community should be aware that the Diablo Grande HOA recently issued a notice of default and threatened to place liens on the 63 custom lots owned by the CFD. A Chapter 9 filing would immediately stay the HOA from pursuing liens or foreclosure actions.

I want to stress that this bankruptcy process provides us with a critical opportunity for financial relief. Through Chapter 9, the District will be able to seek court-supervised restructuring of the CFD's major outstanding obligations, including:

- **Approximately \$38 million in bondholder principal debt**
- **Approximately \$1.9 million in delinquent property tax obligations**
- **The \$385,000 claim asserted by the HOA**

Addressing these obligations through the bankruptcy process gives the District the legal tools needed to negotiate, restructure, or eliminate certain debts that have burdened this community for many years. This is a vital step toward restoring financial stability, protecting public assets, and preventing further harm due to actions taken by outside entities that jeopardize the health, safety and well-being of the residents within the CFD.

It is important to make it clear that the proposed bankruptcy applies *only* to the Diablo Grande Community Facilities District. It is entirely separate from WHWD's daily operations and has no connection to our negotiations with the Kern County Water Agency or any other District financial obligations. This action is being taken solely to protect the Diablo Grande community from the County Tax Collector, the HOA's actions, and to responsibly address the lingering debt owed to the bondholders.

By moving forward with the proposed declaration of a fiscal emergency and authorization to file a Chapter 9 bankruptcy by the CFD, we give ourselves the opportunity to restructure these debts through the Court, resolve outstanding disputes more efficiently, and place the CFD in a far stronger position to attract a qualified master developer to assume and complete the Diablo Grande project. This is ultimately about protecting our community, restoring financial health, and securing a sustainable future for Diablo Grande.