

Duane Morris LLP

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Western Hills Water District (WHWD), on behalf of the Diablo Grande residents, has been negotiating in good faith with the Kern County Water Agency (KCWA) to address issues arising out of WHWD's water supply contract with KCWA. The negotiations have involved sums of money which KCWA claims WHWD owes it under the contract, which obligation, without admitting or conceding the validity of KCWA's claims, was created entirely by the former developers of Diablo Grande, and due to circumstances completely outside the control of the residents of Diablo Grande and the current leadership of WHWD. WHWD and the Diablo Grande residents are attempting to address and resolve the issues that the former developers created through separate litigation against the developers.

WHWD believes it has been making progress in its negotiations with KCWA. WHWD recently had an in person meeting with KCWA and we are planning on having future meetings and discussions with KCWA's leadership. As a result of those discussions KCWA recently extended their deadline to resolve this dispute from March 31, 2026, to May 31, 2026.

WHWD was therefore surprised and disappointed with the press release issued by KCWA. We are very concerned that KCWA has elected to unilaterally disclose the details of confidential, privileged settlement discussions with WHWD.

We believe the press release is not a realistic or accurate description of the status of our negotiations. That type of posturing and hyperbole is also not helpful or productive to the ongoing negotiations. We believe the press release, and KCWA's comments, reflect a lack of leadership and direction on the part of the KCWA, as evidenced by their recent termination of both their General Counsel and General Manager. We also do not understand why KCWA, which typically receives a million-acre feet of water each year, feels compelled to attack a small residential community that has a rights to only a tiny portion, (8,000 af) of KCWA's water supply.

WHWD remains hopeful that it can resolve the dispute with KCWA in the near future, and well before May 31. WHWD also holds solid, valuable water rights, and will pursue other options if KCWA is not reasonable or cooperative. WHWD remains confident that water will continue to flow to Diablo Grande, with or without the cooperation of KCWA.

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