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7 Facilities District No. 1

8 UNITED STATES BANKRUPTCY COURT
9 EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

10
11 In re
12 DIABLO GRANDE COMMUNITY
FACILITIES DISTRICT NO. 1,
13
14 Debtor.

Case No. 2025-26635

Chapter 9

**STATEMENT OF QUALIFICATIONS
UNDER SECTION 109(c)**

15
16 Diablo Grande Community Facilities District No. 1 (the “CFD”), by and through its
17 counsel, Burke, Williams & Sorensen, LLP, hereby certifies its qualifications to be a debtor under
18 11 U.S.C. § 109(c) of the United States Bankruptcy Code (“Bankruptcy Code”), as follows:

19 1. The CFD is a community facilities district established by the Board of Directors of
20 the Western Hills Water District on September 24, 2000, pursuant to the Mello-Roos Act (Cal.
21 Gov’t. Code §§ 53311-53368.3) (Resolution No. 2000-06). As such, the CFD is a municipality as
22 defined in section 101(40) of the Bankruptcy Code.

23 2. The CFD is specifically authorized in its capacity as a municipality to be a debtor
24 under chapter 9 by the laws of the State of California. Cal. Gov’t. Code § 53760(b). As required
25 by sections 53760(b) and 53760.5 of the Government Code the Board of Directors of the Western
26 Hills Water District, as the governing authority of the CFD, declared a fiscal emergency on
27 November 25, 2025, and adopted a resolution by a majority vote finding that: (a) the CFD was or
28 would be unable to pay its obligations within the next 60 days; (b) the financial state of the CFD

1 jeopardized the health, safety, or well-being of the residents within the CFD absent the protections
2 of Chapter 9 of the Bankruptcy Code; and (c) it was in the best interests of the CFD to authorize
3 the filing of a petition for protection under Chapter 9 of the Bankruptcy Code. Cal. Gov't Code §§
4 53760(b), 53760.5. A true and correct copy of such resolution is attached hereto as Exhibit 1.

5 3. The CFD is insolvent within the meaning of section 101(32)(C) of the Bankruptcy
6 Code, has been, and continues to be, unable to meet its financial obligations as and when those
7 obligations become due.

8 4. The CFD desires to effect a plan to adjust its debts.

9 5. The CFD (a) is unable to negotiate with creditors because such negotiation is
10 impracticable; or, in the alternative, (b) reasonably believes that a creditor may attempt to obtain a
11 transfer that is avoidable under section 547 of the Bankruptcy Code.

12 6. The CFD has filed its petition in good faith.

13
14 Dated: November 25, 2025

BURKE, WILLIAMS & SORESENSEN, LLP

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16 By: /s/ Joseph P. Buchman
17 Richard J. Reynolds
18 Joseph P. Buchman
19 Martin Kosla
20 Attorneys for Diablo Grande Community
21 Facilities District No. 1
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RESOLUTION NO. 2025-13

**RESOLUTION DECLARING FISCAL EMERGENCY FOR
DIABLO GRANDE COMMUNITY FACILITIES DISTRICT
NO. 1 AND AUTHORIZING THE FILING OF A PETITION
UNDER CHAPTER 9 OF THE UNITED STATES
BANKRUPTCY CODE**

WHEREAS, the Governing Board of the Western Hills Water District (the “**Board**”) is the governing authority for Diablo Grande Community Facilities District No. 1 (the “**CFD**”).

WHEREAS, on November 25, 2025, the Board held a duly noticed public hearing on the fiscal condition of the CFD to take public comment.

WHEREAS, the Board finds that the financial state of the CFD jeopardizes the health, safety, or well-being of the residents within the jurisdiction of the CFD.

WHEREAS, the Board finds that the CFD is presently unable to pay its obligations.

WHEREAS, given the CFD’s fiscal emergency and the impact on the CFD’s residents, the Board finds that it is in the best interests of the CFD to authorize Mark Kovich, as Designee, and attorneys of Burke, Williams & Sorensen, LLP, as counsel for the CFD, to file a petition for protection under Chapter 9 of the United States Bankruptcy Code (Title 11 U.S.C.) and to execute whatever documents are required to commence and prosecute the CFD’s bankruptcy case.

NOW, THEREFORE, the Governing Board of the Western Hills Water District as the governing authority for Diablo Grande Community Facilities District No. 1 does hereby resolve:

SECTION 1. Incorporation of Recitals.

The Board finds and determines that the above-referenced recitals and findings are true and correct and material to this Resolution.

SECTION 2. Board Actions.

The Board hereby takes the following actions:

(a) The Board adopts the findings listed above and hereby declares a fiscal emergency of the Diablo Grande Community Facilities District No. 1 (the “**CFD**”).

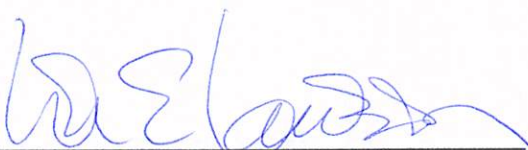
(b) The Board hereby authorizes Mark Kovich, as Designee, and attorneys of Burke, Williams & Sorensen, LLP, as counsel for the CFD, to file a petition for protection

under Chapter 9 of the United States Bankruptcy Code (Title 11 U.S.C.) and to execute whatever documents are required to commence and prosecute the CFD's bankruptcy case.

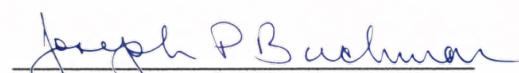
Moved by Director M. Kovich, second by Director M. Oliver, that the foregoing resolution be adopted. Upon roll call the following vote was had:

Ayes: J. Frederick, M. Johnson, M. Davies

I, Lori Lawson, 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 duly noticed meeting of the said Board of Directors held on the 25th day of November, 2025.


Lori Lawson, WHWD Board Secretary

APPROVED AS TO FORM:


Joseph Buchman
WHWD Special Counsel