

1 Richard J. Reynolds (SBN 89911)  
E-mail: rreynolds@bwsllaw.com  
2 Joseph P. Buchman (SBN 148983)  
E-mail: jbuchman@bwsllaw.com  
3 Martin Kosla (SBN 247224)  
E-mail: mkosla@bwsllaw.com  
4 BURKE, WILLIAMS & SORESENSEN, LLP  
444 South Flower Street, 40<sup>th</sup> Floor  
5 Los Angeles, California 90071-2942  
Tel: 213.236.0600 Fax: 213.236.2700

6 Attorneys for Diablo Grande Community  
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 Debtor.

Case No. 25-26635-A-9

Chapter 9

**DEBTOR'S STATUS CONFERENCE  
STATEMENT**

**Status Conference**

Date: January 7, 2026

Time: 9:30 a.m.

Crtm: Dept. A, Ctrm 11

2500 Tulare Street, Fresno, California

18 Diablo Grande Community Facilities District No. 1 (the "Debtor"), by and through its  
19 counsel, Burke, Williams & Sorensen, LLP, hereby provides its Debtor's Status Conference  
20 Statement in accordance with the Court's Order Setting Status Conference entered December 4,  
21 2025 [[Dkt. 7](#)].

22 **A. Progress of the Case**

23 **1. Events Precipitating Filing**

24 The Bankruptcy Case was commenced by the filing of the Debtor's Bankruptcy Petition on  
25 November 25, 2025 (the "Petition") [[Dkt. 1](#)], after the Debtor's governing authority, the Board of  
26 the Western Hills Water District (the "Board"), declared a fiscal emergency of the Debtor [[Dkt. 4](#)].  
27 The Board was induced to act when it did in part due to the refusal of the Stanislaus County Tax  
28

1 Collector to delay a tax sale of 103 parcels owned by the Debtor (the “Properties”). In order to  
2 safeguard the equity in the Property for the benefit of the Debtor’s creditors, including  
3 bondholders, the Board determined that the bankruptcy would serve to provide a window for the  
4 Debtor to seek a buyer/developer for the Properties and to effect a plan to adjust its debts.

## 5 **2. Interest of Developers/Purchasers**

6 Since the Petition was filed, the Debtor has communicated with two developers who have  
7 expressed a strong interest to work with the Debtor to acquire the Properties and to complete the  
8 long-delayed Diablo Grande development. These communications are still in their preliminary  
9 stage but the Debtor is encouraged as these developers approached the Debtor before any formal  
10 solicitation for interested parties has been made by the Debtor. The Debtor is concurrently  
11 seeking assistance in preparing a request for proposals to be communicated to the developer  
12 community and expects to have a request for proposals published in the next few weeks.

## 13 **3. Automatic Stay and Stanislaus County Tax Collector**

14 After the filing of the Petition, the Stanislaus County Tax Collector has made public  
15 remarks indicating she does not acknowledge that the automatic stay arising from this case applies  
16 to the Properties and has sought to proceed with tax sales against the Properties notwithstanding  
17 the commencement of this Bankruptcy Case. The Debtor is informed that the issue revolves  
18 around procedures by which the Debtor’s ownership of the Properties has been obtained.

19 Pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (Chapter  
20 2.5 of Part 1 of Division 2 of Title 5, commencing with Section 53311 of the California  
21 Government Code), the Board, on behalf of the Debtor, initiated seven (7) foreclosure proceedings  
22 in the Stanislaus Superior Court (Case Nos. CV-21-003252, CV-21-003177, CV-21-002840,  
23 662071, 662072, CV-23-002388 and CV-23-002753) and one (1) pre-foreclosure proceeding, in  
24 order to recover delinquent special taxes levied against the 103 Properties within the community  
25 facilities district. After obtaining judgments, and pursuant to California Government Code  
26 § 53356.5(a)(5), the Board, on behalf of the Debtor, took title to 102 of the Properties by way of  
27 credit bids at foreclosure sales conducted by the Stanislaus County Sheriff’s Department from  
28 2023 to 2025. The Board, on behalf of the Debtor, also took title to one of the Properties by way

1 of a deed in lieu of foreclosure. Through its authorizing resolutions, the Board accepted the  
2 relevant deeds for the Properties as follows “WESTERN HILLS WATER DISTRICT, a California  
3 water district, on behalf of Diablo Grande Community Facilities District No. 1,” making it clear  
4 that the Properties are assets of the Debtor and not of the Western Hills Water District.

5 In order to remove any doubt as to the fact that the Properties are assets of the Debtor and  
6 not of the Western Hills Water District, the Board of the Western Hills Water District has  
7 authorized the Board’s president to execute a grant deed to confirm that title to the Properties is  
8 vested in the Debtor, and to have such grant deed recorded. The Debtor expects that this step will  
9 settle the issue with the Tax Collector and the Debtor will be able to focus its resources on  
10 prosecuting the Bankruptcy Case. If it does not, then the Court will likely see one or more  
11 motions regarding the application of the automatic stay to the Properties.

12 **B. Proposed Deadlines**

13 **1. Notice of the Commencement of the Case**

14 The Debtor is ready to serve and publish the Notice of Commencement of the Case. The  
15 Debtor would like to include in the Notice the deadlines for filing objections to the Petition, and  
16 for filing proofs of claim. The Debtor has three creditors (or class of creditor) to whom notice will  
17 provided. These are: (1) the municipal bondholders, (2) Stanislaus County for ad valorem  
18 property taxes, and (3) the Diablo Grande Homeowners’ Association. The bondholders are the  
19 class of creditor for whom notice is more involved. The Debtor has identified the Fiscal Agent for  
20 the Debtor’s bonds as the main contact for the bondholders. The Debtor, with the help of its  
21 proposed noticing agent, Verita Global (more information provided below), has also compiled a  
22 list of banks and brokers who are holding bonds on behalf of individual bondholders, or who have  
23 clients who are bondholders. The identities of the current bondholders are fluid as the Debtor’s  
24 bonds are freely transferrable. Therefore, Verita Global is prepared to work with the mailing  
25 agents of the banks and brokers to facilitate the Notice reaching the individual bondholders.

26 The Debtor proposes to provide the Notice by mail to the identified creditors and to  
27 identified banks and brokers associated with the bondholders according to the best information the  
28 Debtor has been able to obtain. In order to comply with 11 U.S.C. § 923, the Debtor proposes

1 publishing the Notice in the Modesto Bee, an adjudicated newspaper of general circulation in  
2 Stanislaus County.

### 3                   **2.       Objections to the Petition**

4           The Debtor requests that the Court set a bar date for objections to the Petition  
5 approximately 60 days following the Status Conference. The Debtor also requests that notice of  
6 the bar date for objections to the Petition may be combined with the notice of commencement of  
7 the case and of the deadline for filing proofs of claim.

### 8                   **3.       List of Creditors Per FRBP 1007(e)**

9           The Debtor anticipates filing its list of creditors per FRBP 1007(e) by the time of the  
10 Status Conference. If this has not occurred at the time of the Status Conference, then Debtor's  
11 counsel will be prepared to discuss setting a deadline for filing with the Court.

### 12           **C.       Other Matters**

#### 13                   **1.       Claims Bar Date**

14           The Debtor requests that the Court set a claims bar date in the case and proposes setting the  
15 date in approximately 60 days following the Status Conference. The notice of the claims bar date  
16 may be combined with the notice of commencement of the case and of the deadline for filing  
17 objections to the Petition.

#### 18                   **2.       Noticing and Claims Agent**

19           The Debtor has retained the services of Verita Global, formerly Kurtzman Carson  
20 Consultants, LLC ("Verita"), to assist in noticing and to maintain a publicly-accessible website for  
21 the bankruptcy case. The website url is <https://www.veritaglobal.net/diablograndecfd1>. Verita is  
22 also prepared to provide formal noticing agent and claims agent services for the case. As the  
23 authorized noticing agent, Verita will be better able to maintain an up-to-date noticing list for the  
24 bondholders through information from the Depository Trust Company (DTC). Debtor's counsel  
25 will be prepared to discuss this with the Court at the Status Conference.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Dated: December 30, 2025

BURKE, WILLIAMS & SORENSEN, LLP

By:           /s/ Joseph P. Buchman            
Richard J. Reynolds  
Joseph P. Buchman  
Martin Kosla  
Attorneys for Diablo Grande Community  
Facilities District No. 1