Richard J. Reynolds (SBN 89911)
E-mail: rreynolds@bwslaw.com
Joseph P. Buchman (SBN 148983)
E-mail: jbuchman@bwslaw.com
Martin Kosla (SBN 247224)
E-mail: mkosla@bwslaw.com
BURKE, WILLIAMS & SORENSEN, LLP
444 South Flower Street, 40th Floor
Los Angeles, California 90071-2942
Tel: 213.236.0600 Fax: 213.236.2700

Attorneys for Diablo Grande Community Facilities District No. 1

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

In re DIABLO GRANDE COMMUNITY FACILITIES DISTRICT NO. 1, Debtor.	Case No. 25-26635-A-9 DCN BWS-003 **DECLARATION OF MARK KOVICH IN SUPPORT OF DEBTOR'S MOTION FOR ORDER MODIFYING AUTOMATIC STAY** Date: September 30, 2026 Time: 9:30 a.m. Ctrm: Dept. A, Ctrm 11 2500 Tulare Street, Fresno California

DECLARATION OF MARK KOVICH

I, Mark Kovich, declare as follows:

1. I am over the age of 18 and I am the President of the Board of Directors of the Western Hills Water District, the governing authority of Diablo Grande Community Facilities District No. 1 (the "**Debtor**"). I submit this Declaration in support of the Debtor's motion (the "**Motion**"). I have personal knowledge of the matters stated herein except as to those matters stated on information and belief and if called as a witness and sworn, I could competently testify thereto.

2. Diablo Grande Community Facilities District No. 1 (the "**Debtor**") is a community facilities district established by the Board of Directors of the Western Hills Water District on September 24, 2000, pursuant to the Mello-Roos Act (Cal. Gov't. Code §§ 53311-53368.3) (Resolution No. 2000-06). As such, the CFD is a municipality as defined in section 101(40) of the Bankruptcy Code.

3. The Bankruptcy Case was commenced by the filing of the Debtor's Bankruptcy Petition on November 25, 2025 (the "**Petition**") [Dkt. 1], after the Debtor's governing authority, the Board of the Western Hills Water District (the "**Board**"), declared a fiscal emergency of the Debtor [Dkt. 4].

4. On February 4, 2026, the Bankruptcy Court approved the form of Notice of Commencement of Chapter 9 Bankruptcy Case and set April 3, 2026, as the deadline for filing objections to the Chapter 9 Petition [Dkt. 23].

5. On March 12, 2026, the Debtor submitted its evidence proving service and publication of the Notice of Commencement of Chapter 9 Bankruptcy Case in accordance with the Court's February 4, 2026 Order [Dkt. 28, 29, 30, 31, 32, 33].

6. Pursuant to the Court's Order [Dkt. 23], objections to the Chapter 9 petition were due not later than April 3, 2026. This deadline was duly noticed as part of the Notice of Commencement of Chapter 9 Case. On April 3, 2026, the County of Stanislaus, California (the "**County**") filed an Objection to the Chapter 9 Petition (the "**Objection**") [Dkt. 43]. No other creditor or interested party filed an objection.

7. On April 16, 2026, the Court entered its Scheduling Order [Dkt. 63], setting dates in the Contested Matter arising from the County's Objection (RPL-1). On July 17, 2026, the Court entered its Order Revising Discovery Deadlines In Contested Matter [Dkt. 78] pursuant to the Parties' stipulation [Dkt. 76] requesting a brief extension of the then remaining discovery deadlines in the Contested Matter so that they could continue their ongoing settlement discussions without the need to incur additional attorney's fees and costs in discovery efforts which may prove unnecessary.

8. On August 18, 2026, the Debtor and the County of Stanislaus, California (the "**County**") entered into the Settlement Agreement dated August 18, 2026, which resolves the County's Objection to the Debtor's Chapter 9 Petition [Dkt. 43]. A true and correct copy of the Settlement Agreement is attached hereto marked as Exhibit A.

9. On August 19, 2026, the Debtor and the County filed a Joint Report For Status Conference [Dkt 81] which reported to the Court that they had reached an Agreement for the County to withdraw its Objection subject to the terms of the Settlement Agreement.

10. On August 25, 2026, the Debtor made the initial payment of $500,000.00 due under the payment plan in the Settlement Agreement. The first monthly payment of $40,000.00 under the payment plan in the Settlement Agreement is due by October 1, 2026.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed this 2nd day of September, 2026, at Patterson, California.

Mark Kovich