BONDHOLDER KOSHI PADNANI

pkopd@aol.com

855 East Broadway Apt. 5C
Long Beach, New York 11561.

Telephone: (917) 584-8382

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

DIABLO GRANDE COMMUNITY FACILITIES DISTRICT NO 1 Debtor.	Case No. 25-26635 -A -9 DCN BWS-1 Chapter 9. **BONDHOLDER KOSHI PADNANI'SOBJECTION TO DIABLO GRANDE COMMUNITY FACILITIES DISTRICT NO.1'S CHAPTER 9 PETITION**

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Bond holder Koshi Padnani hereby objects to the Diablo Grande Community facilities District Number 1 eligibility to be a chapter 9 debtor and requests dismissal of the Diablo Grande Community chapter 9 petition in support Koshi Padnani States as follows:

Introduction.

The Diablo Grande Community Facility District (CFD) is ineligible as a chapter 9 debtor (1) its eligibility requirements need to be checked.(2)the Diablo Grande Community is currently nor prospectively insolvent (3) the Grande communities facility failed to negotiate in good faith with creditors prior to filing its petition and cannot be trusted on their own to pay the bondholders back.(4) the Diablo Grande Community did not file its petition in good faith For these reasons the Bondholer requests that the Diablo Grande communities Chapter 9 petition be dismissed.

CFD is ineligibleTo be a TRUE municipality and a chapter 9 debtor.

1.The CFD used Mello-Roos so as to get Bonds issued to obtain money to fund their water lines and now they're using the same Mello-Roos to call themselves a municipality so as to file chapter 9 bankruptcy so as to not pay the bond holders .They are not a true municipality but a private HOA community which is unincorporated and does not have a government.
Under the California Constitution and government code, an area only becomes a municipality (a city or town) when it goes through a formal incorporation process overseen by a local agency formation Commission (LAFCO). Diablo Grande has never completed this process.
The Diablo Grande community does not possess a municipal Charter OR the Baseline legal authority to act as an independent corporate City. Instead, Stanislaus County remains the primary municipal government authority over the territory.

2.**The CFD did not engage in good faith negotiations.**

I have attached **Exhibit G. 7 pages** which are the minutes of the board meetings of the Western Hills Water District where On **Page 2** of my exhibit Line 9B the board members are voting not to pay the interest to the bondholders on September 1 2025.
On **Page 4 of my exhibit Line 6 C, D and E the** board of directors of the Western Hills Water District voted to pay themselves $ 69,155.50 for General Western Hill Water District expenses from the bondholders money. No bondholder received any interest or principal payment and there was no activity done by the Western Hills Water District in the year 2021 to make any BOND payments, this charge or expense is not related to any bond Administration or any work done regarding bonds.

In the September 9th 2020 meeting of the board of directors **Exhibit G Page 6 LINE 7B They approved payment of $50,000 of Mello-Roos Bond proceeds for the payment of Western Hills Water District expenses and Page 6 Line 7 C** and they voted to pay the trustee agent from the special tax revenues.
This practice will continue if they can set their own debt repayment plans without court or trustee authorized supervision they will not pay the bond holders and no Bondholder will be able to do anything. This will be unfair to the rest of the public Bondholders who are also in financial distress.

The CFD did not **engage in good faith negotiations.**

The Bondholders were supposed to be paid from the Special tax according to the bond initial offering statement.Exhibit A.(page 2) the source of payment of the 2014 bonds states that if the special taxes are not paid then foreclosure money will be paid to Bondholders.**Exhibit A (3 pages.)**Security for the Bonds.
"The Bonds are also payable from any foreclosure actions."Foreclosures were done every year.

Starting year 2018 to year 2025 approximately 1.3 million Special Taxes were collected every year from paying parcel owners reaching a total of approximately 11 million dollars in these 8 years and still the Bond interest payments were not made interest Delinquency as can be seen in **Exhibit B (11**pages) These pages are from the Continuing Disclosure Documents every year filed with the emma msrb.org Where did all that money go? It supposedly was diverted for use for other expenses but according to Bond Contract this special tax money was solely to be used to pay Interest and principal to Bondholders.

Partiality in Bond Redemption.

$ 15,000 of Cusip No 958324DM4,$ 40,000 Cusip No 958324DR3,$60,000, Cusip No 958324DXO $1,570,000 of Cusip no 958324DM4 Western Hills Water District Diablo Grande Community Facilities Series 2014. bonds were redeemed out of the 45 million total. WHWD (CFD's) preferential treatment unscheduled Bond calls allowed 5 million dollars of Reserve monies of the Bondholders to go towards the redemption of some of their **own selected Bondholders** and did partial redemptions from the Reserve monies that was supposed to pay interest to all the Bondholders .**Exhibit C (3 pages). These Bondholders held Bonds that were not callable until September 01 2022 were paid in advance year 2018 and year 2019, were paid from the remaining Bondholders interest money.**
I was one of the Bondholders who was not paid because of these illegal partial redemptions of early Bond calls for their select group which had the same class of Bonds as I do with a later than redemption maturity date.
They still owe me a total of $26,565.which is a principal of $20,000 and 13 interest payments in the amount of $6565. **Exhibit D.(2 pages)** Bond purchase confirmation and Fidelity Statement. According to the Initial Offering Statement when the 2014 Bonds were issued the Principal and interest payments to Bondholders would be from the Special Tax monies collected but every

year 1.3 million dollars Exhibit B(pages 1-6) were supposedly used instead for other expenses . This is against the Bond Contract.

The Western Hills Water District on whwd.org financials show that they received Bond Administration recovery money in the amount of $536,198 in the year 2023 and $443,240 in the year 2022 **Exhibit E one page** these monies must have come from the special tax revenues but bond interests were not paid as can be seen in the interest and principal delinquencies.

Trust Indentures: When a municipality issues bonds, it enters into a contract with the Bondholders. The issuer explicitly pledges specific revenues (like Special property taxes for the interest and principal payments for this **bond**). The issuer cannot legally divert these pledged funds away from Bondholders unilaterally. They have to show the account of exactly where and how these 11 million dollars were spent.

The CFD is not Insolvent.

The assessed and/or appraisal value of the parcels is 233 million dollars Exhibit F.(page 1.) The Bondholder debt is 53 million dollars.
CFD's assets are more than their Bond liabilities. The Value to Debt ratio is 4.4 to 1.The assets value of all the land and Buildings is approximately 4.4 times the size of the Bondholders debt.
Currently the CFD owns 103 parcels, space available for up to an additional 1600 homes and 3037 acres in a mixed use residential and Commercial zoning and "County approved for additional Construction", the clubhouse the two golf courses and the winery because of the previous foreclosures as illustrated in their brochure **Exhibit F page 2.**

The houses and lands are selling and appreciation of the value is still there in the properties as can be seen on the 98 homes and lots that were sold this year with good appreciation of property values ranging from 306,000 to 550,000.The houses have appreciated by $150,000 since Year 2015. The half acre land Lots are selling for $55,000 or more.This fact is supported by the documentation provided in **Exhibit F Pages 3-5.**

The CFD has invoked the bankruptcy process not for the purpose of adjusting their debts but to gather the properties as an attractive package for a proposed developer.
If the previous 2 developers were unsuccessful in building or selling the undeveloped parcels then where is the likelihood that a 3rd developer will be able to achieve that.

The Diablo Grande Communities 2026 Budget which does not even list paying out to Bondholders is still in negative revenue then what is the point of continuing Business it may as well sell out all the lands and Building and return the money to the Bondholders,

Trust Indentures: When a municipality issues bonds, it enters into a contract with the Bondholders. The issuer explicitly pledges specific revenues (like Special property taxes for the interest and principal payments for this **bond**). The issuer cannot legally divert these pledged funds away from Bondholders unilaterally. They already diverted approximately 11.4 million dollars. They cannot be trusted to make Bondholders any payment but will continue to divert the Special Tax money for their own use.

Legal Standard.

The Diablo Grande Communities already stole more than 18 million dollars of the bondholders money beginning the year 2018 to year 2026 and now is filing Chapter 9 petition to steal all the money.

The Diablo Grande Community **did not file the petition in good faith.**

Conclusion and relief requested.

Wherefore, Bondholders respectfully request dismissal of the CFD's chapter 9 petition,attorney's fees and mailing and printing costs.

Or Conversion of the chapter 9 bankruptcy to chapter 11 bankruptcy so that Court supervision, US Trustee supervision and pay back to the bond holders is executed.

Dated: October 9, 2026

Bondholder Koshi Padnani

BY: Koshi Padnani

KOSHI PADNANI.