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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  
13 FACILITIES DISTRICT NO. 1,

14 Debtor.

Case No. 25-26635-A-9

DCN BWS-1

**DEBTOR'S MOTION FOR ENTRY OF  
 ORDER (1) DIRECTING AND  
 APPROVING FORM OF NOTICE AND  
 (2) SETTING DEADLINE FOR FILING  
 OBJECTIONS TO PETITION**

Date: February 4, 2026  
 Time: 9:30 a.m.  
 Ctrm: Dept. A, Ctrm 11  
 2500 Tulare Street, Fresno California

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20 Diablo Grande Community Facilities District No. 1 (the "**Debtor**"), hereby moves for entry  
 21 of an order (i) setting a deadline for the filing of any objections to the petition initiating this  
 22 chapter 9 case pursuant to section 921; and (ii) approving the proposed form of notice of  
 23 commencement of this case pursuant to section 923 of the United States Bankruptcy Code<sup>1</sup> (the  
 24 "**Motion**"). A copy of the proposed form of order (without its attachment) is attached hereto as

25  
26 <sup>1</sup> 11 U.S.C. sections 101, et seq. (2012) ("Bankruptcy Code"). All further statutory references are  
 27 to the Bankruptcy Code unless otherwise indicated.



1 Exhibit A, and a copy of the proposed form of Notice is attached hereto as Exhibit B. The Motion  
2 is supported by the concurrently filed and served Notice of Hearing on the Motion and the  
3 Declaration of Joseph P. Buchman.

#### 4 I. BACKGROUND

5 The Bankruptcy Case was commenced by the filing of the Debtor's Bankruptcy Petition on  
6 November 25, 2025 (the "**Petition**") [[Dkt. 1](#)], after the Debtor's governing authority, the Board of  
7 the Western Hills Water District (the "**Board**"), declared a fiscal emergency of the Debtor [[Dkt.](#)  
8 [4](#)].

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

13 The Debtor has issued several series of bonds since its formation. Debtor currently has  
14 two (2) series of refunding bonds outstanding, Series 2014 and Series 2015. The Bonds are  
15 secured by a special tax lien on the properties within the Debtor's boundaries. The Bonds are to be  
16 repaid through the special taxes levied against the properties. Due to insufficient special property  
17 tax revenues, the Debtor estimates its payments on these bonds are delinquent in the amount of  
18 \$23,461,770, and the total obligation to bondholders, inclusive of principal that is not yet due,  
19 totals \$45,296,770.

20 After certain properties within the Debtor's boundaries became delinquent in the payment  
21 of the special taxes, the Debtor successfully foreclosed on these properties. Pursuant to the  
22 provisions of the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 of Part 1 of Division  
23 2 of Title 5, commencing with Section 53311 of the California Government Code), the Board, on  
24 behalf of the Debtor, initiated seven (7) foreclosure proceedings in the Stanislaus Superior Court  
25 (Case Nos. CV-21-003252, CV-21-003177, CV-21-002840, 662071, 662072, CV-23-002388 and  
26 CV-23-002753) and one (1) pre-foreclosure proceeding, in order to recover delinquent special  
27 taxes levied against the 103 Properties within the community facilities district. After obtaining

1 judgments, and pursuant to California Government Code § 53356.5(a)(5), the Debtor, took title to  
2 102 of the Properties by way of credit bids at foreclosure sales conducted by the Stanislaus County  
3 Sheriff's Department from 2023 to 2025.

4 The foreclosed properties remain subject to obligations for ad valorem property taxes owed  
5 to Stanislaus County. The Debtor estimates the taxes on the foreclosed properties total  
6 \$2,191,202. The Debtor's bankruptcy has been filed in part due to the refusal of the Stanislaus  
7 County Tax Collector to delay a tax sale of the 103 parcels owned by the Debtor (the  
8 "Properties"). In order to safeguard the equity in the Property for the benefit of the Debtor's  
9 creditors, including bondholders, the Board determined that the bankruptcy would serve to provide  
10 a window for the Debtor to seek a buyer/developer for the Properties and to effect a plan to adjust  
11 its debts [\[Dkt. 4\]](#).

## 12 II. DISCUSSION

### 13 A. The Proposed Form of Notice is Adequate.

14 Section 923 requires notice be given of the commencement of a chapter 9 case and of the  
15 order for relief. Such required notice also must be published at least once a week for three  
16 successive weeks in (a) at least one newspaper of general circulation published within this judicial  
17 district, and (b) a newspaper having a general circulation among bond dealers and bondholders.

18 Debtor submits that the Notice (Exhibit B hereto) satisfies the requirements of section 923.  
19 The Notice includes notice of the automatic stay and the deadline for objections to Debtor's  
20 eligibility to be a debtor, as further discussed below, and provides that, if no objection to the  
21 chapter 9 petition is filed by a specified time and date, the Notice will constitute notice of the entry  
22 of an order for relief. The Notice also enumerates the persons that must be served with any  
23 objection.

24 The Notice contemplates publication in The Modesto Bee and The Bond Buyer. The  
25 Modesto Bee is a newspaper of general circulation and is published within the County of  
26 Stanislaus, California. Debtor further submits The Bond Buyer is a publication of general  
27 circulation among municipal bond dealers and bondholders. Debtor respectfully submits that

1 publication of the Notice in such newspapers constitutes good and sufficient notice that is  
2 consistent with the requirement of Section 923.

3 Debtor understands the Clerk of the Court will mail the Notice to the United States Trustee  
4 and, using the mailing matrix filed contemporaneously with the chapter 9 petition, to all entities  
5 identified in the List of Creditors filed by Debtor pursuant to Section 924. In addition, Debtor will  
6 mail (or cause to be mailed) the Notice to registered holders of the Bonds,<sup>2</sup> which includes the  
7 DTC Participants, as of the record date that is no more than five business days prior to the mailing  
8 date. In addition, The Debtor intends to begin publishing the Notice in The Modesto Bee and The  
9 Bond Buyer immediately after the Court's approval thereof, once per week for three consecutive  
10 weeks.

11 **B. It is Appropriate to Order that Objections to the Petition be Filed on or Before June**  
12 **16, 2015.**

13 Section 921(d) provides for the entry of an order for relief unless the petition is dismissed  
14 under section 921(c), which authorizes the dismissal of a petition if, after an objection to the  
15 petition is filed, the court determines the petition was not filed in good faith or the petition does  
16 not meet the requirements of Title 11. However, while Section 921(c) contemplates the possibility  
17 of objections to a chapter 9 petition, it does not set a deadline for filing such objections.

18 Concurrently with its chapter 9 petition, the Debtor filed its Statement of Qualifications  
19 under Bankruptcy Code Section 109(c) [Dkt. 4]. It is prudent and practical to set a deadline by  
20 when parties must submit objections contending the chapter 9 petition was not filed in good faith  
21 or does not meet the requirements of the Bankruptcy Code. Parties should not be permitted an  
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23 <sup>2</sup> The Bonds are held in "book entry" or electronic form at The Depository Trust Company  
24 ("DTC"), New York, New York. DTC holds the Bonds for its participants, often broker-dealers  
25 ("DTC Participants"), which in turn hold the Bonds for the actual beneficial owners of the Bonds.  
26 Although the identity of the DTC Participants can be determined on a date certain if the Issuer,  
27 i.e., the Debtor, requests a security position report ("SPR") from DTC, the identities of the actual  
28 beneficial owners for the Bonds held by the DTC Participants remain unknown. Federal security  
rules require, however, that notices delivered to the DTC Participants be delivered by those  
broker-dealers to their customers, the beneficial owners of the Bonds.

1 unlimited timeframe within which to object to the petition. To expedite the entry of an order for  
 2 relief in this case and remove any uncertainty created by the absence of express timing provisions  
 3 in Section 921(d), the Debtor requests the deadline for filing objections be established for 5:00  
 4 p.m. Pacific time on April 3, 2026, a date that is 35 days after the estimated date of the publication  
 5 of the third and final notice in The Modesto Bee and The Bond Buyer. Debtor notes that the  
 6 objection date of April 3, 2026 is 128 days after the November 25, 2025 petition date.

7 **III. CONCLUSION**

8 WHEREFORE, Debtor requests the Court enter an order, substantially in the form attached  
 9 hereto as Exhibit A, (i) approving the form of notice filed concurrently as Exhibit B; (ii) approving  
 10 the manner of publication in The Modesto Bee and The Bond Buyer as set forth in the Notice; (iii)  
 11 directing the Clerk of the Court to mail the Notice to all creditors listed on Debtor's List of  
 12 Creditors filed pursuant to Section 924 of the Bankruptcy Code and in accordance with  
 13 Bankruptcy Rule 1007(e); (iv) directing Debtor to mail (or cause to be mailed) the notice to  
 14 registered holders of the Bonds as described herein, (v) establishing April 3, 2026, as the deadline  
 15 for the filing of objections to the Debtor's chapter 9 petition; and (vi) granting such other and  
 16 further relief as the Court deems appropriate.

17  
 18 Dated: January 21, 2026

BURKE, WILLIAMS & SORENSEN, LLP

19  
 20 By:                   /s/ Joseph P. Buchman                    
 21 Richard J. Reynolds  
 22 Joseph P. Buchman  
 23 Martin Kosla  
 24 Attorneys for Diablo Grande Community  
 25 Facilities District No. 1  
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