

9501 Morton Davis Dr
Diablo Grande, CA 95363

March 12, 2021

Mr. Irwin,

As you may know, despite ownership of the Diablo Grande development allegedly changing hands from World International, LLC ("World") to Angel's Crossing, LLC, ("Angel's Crossing") the Western Hills Water District ("WHWD") remains significantly underfunded. This stems from several factors, primarily the fact that neither World nor Angel's Crossing has lived up to their contractual obligations to fund WHWD shortfalls.

In an effort to resolve the outstanding WHWD/City of Patterson sewer delinquencies, WHWD requests to meet and discuss the following:

1. Pursuant to the Memorandum of Understanding between the City of Patterson ("City") and WHWD dated December 17, 2002 (the "Agreement"), WHWD possesses a sewer treatment capacity right of up to 750,000 gallons per day in the City's Sewer Facilities. That level of capacity was purchased with Diablo Grande being developed in accordance with the Approved Plan as provided in the Agreement ("2000 residential dwelling units, two golf courses, a hotel/business conference center, a business park and town center, winery and health spa..."). It is apparent that in light of the facts as they exist nearly twenty years later, the assumptions that Diablo Grande would be built out as envisioned when the Agreement was struck is no longer reasonable.

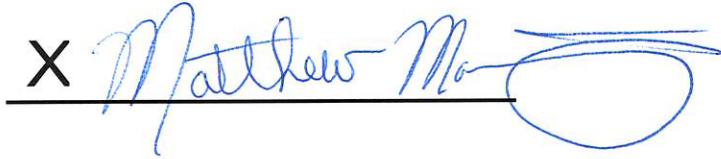
WHWD is exploring either assigning the unused and unnecessary sewer capacity to third-party developers or the City, so that it can be put to beneficial use by others. Funds received by WHWD for the excess capacity would be obligated to pay the City for the current delinquencies.

2. Due to the low number of affected property owners in Diablo Grande required to prevent a water or sewer rate increase per Proposition 218, WHWD has been unsuccessful in maintaining rates to ensure the rates are commensurate with WHWD's cost of service. The last successful water rate increase was implemented in 2011, and the District's attempts to increase sewer rates in 2017 (in line with the City's own sewer rate increase) were prevented due to a majority protest. WHWD understands that the City is in the process of revising the City's sewer rates (which would result in an additional uncollectable increase to WHWD) and would like to discuss potential solutions to this rate imbalance.

As always, WHWD appreciates the relationship it has with the City and the City's willingness to work with WHWD on the issues facing Diablo Grande.

I look forward to hearing from you so that we may coordinate on these matters.

Sincerely,

X 

*Matthew Manning
President, Western Hills Water District
Board of Directors*