



CITY OF STOCKTON NEWS RELEASE

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Stockton Chapter 9 Eligibility Trial Update

(Stockton, CA) - Today was the second day of trial in the United States Bankruptcy Court, Eastern District of California (Sacramento), to determine the City of Stockton's eligibility for chapter 9 bankruptcy relief. Chief Judge Christopher M. Klein, who had originally dedicated four full days for the trial, will hear closing arguments tomorrow. At an earlier hearing, the Judge indicated that he would rule before the end of the week.

The City is defending its eligibility against its largest creditors: Assured Guaranty Corp., Assured Guaranty Municipal Corp., National Public Finance Guaranty Corporation, Franklin Advisors, Inc. and Wells Fargo Bank, referred to collectively as the Capital Market Creditors. The primary objections were addressed in the City's reply brief, filed with the court on February 15, 2013, Document 707 (72 pages), www.stocktongov.com/chapter9.

Testimony was submitted in advance of the trial in a series of declarations and exhibits. Witnesses were cross-examined about these testimonies in-person, in the courtroom. During the first day of trial on Monday, the following witnesses testified, on

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City of Stockton
News Release – Eligibility Trial Update
March 26, 2013
Page 2 of 2

behalf of the City and were cross-examined by the objectors: City Manager Bob Deis, Deputy City Manager Laurie Montes, Chief Financial Officer Vanessa Burke, and Dave Millican, Management Partners, a consultant for the City of Stockton.

Dave Millican, Management Partners, finished testimony about the City's cash insolvency, as well as its service insolvency. Teresia Haase, City of Stockton Human Resources Director, testified about employee compensation and the significant reductions in salaries and benefits that the City has achieved over the last few years. The City's labor relations consultant, Ann Goodrich, testified about salary studies and how the City has determined that it is now paying at- or below-market wages with labor agreements that provide transparency and eliminated automatic salary increases.

The trial is scheduled to continue on Wednesday, March 27, 2013, at 9:30a. The Capital Market Creditors have called Councilmember Kathy Miller to testify.

For exhibits to the declarations linked above and additional filings, please visit www.stocktongov.com/chapter9.

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All News Releases can be found on the City of Stockton website. www.stocktongov.com/news

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