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8 Attorneys for California Public Employees'  
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10 UNITED STATES BANKRUPTCY COURT  
 11 EASTERN DISTRICT OF CALIFORNIA  
 12 SACRAMENTO DIVISION

13 In re  
 14 CITY OF STOCKTON, CALIFORNIA,  
 15 Debtor.

Case No. 2012-32118

Chapter 9

**CALPERS' EX PARTE APPLICATION  
 FOR ORDER PURSUANT TO RULE 2004  
 OF FEDERAL RULES OF BANKRUPTCY  
 PROCEDURE AUTHORIZING  
 EXAMINATION OF NATIONAL PUBLIC  
 FINANCE GUARANTEE CORPORATION**

[No Hearing Required]

1 The California Public Employees' Retirement System ("CalPERS") hereby moves the Court  
2 for an order authorizing CalPERS to conduct examinations, pursuant to Rule 2004 of the Federal  
3 Rule of Bankruptcy Procedure (collectively, the "Bankruptcy Rules"), of National Public Finance  
4 Guarantee Corporation ("National").

5 **I.**

6 **BACKGROUND**

7 On June 28, 2012, the City of Stockton, California (the "City") filed its chapter 9 petition  
8 under title 11 of the United States Code (the "Bankruptcy Code"). The Court determined that the  
9 City was eligible for relief under chapter 9 and entered an order for relief on April 1, 2013. The  
10 City's *List of Creditors Holding 20 Largest Unsecured Claims* (Docket No. 4) lists among the largest  
11 unsecured creditors of the City, claims which relate to various municipal bonds issued by the City,  
12 totaling in excess of \$256 million. As has been alleged by parties appearing in the case who have  
13 been denominated as the "Capital Market Creditors," which include National, the institutions that  
14 provided purported credit enhancements to the City in connection with these bond issuances, in the  
15 form of bond insurance, are the ultimate parties in interest with respect to the City's insured bond  
16 obligations.

17 CalPERS is a party in interest to this case. CalPERS administers the pension and retirement  
18 benefits provided by the City to its employees and retirees. Pursuant to California law, the CalPERS  
19 Board of Administration has plenary authority and fiduciary responsibility for the investment of  
20 moneys and the administration of the Public Employees' Retirement System (the "PERS"). CalPERS  
21 is responsible for the administration of the system in a manner which assures the prompt delivery of  
22 benefits to participants in the system. The City has expressed its intention to retain the benefits of its  
23 participation in the PERS and has continued to fulfill its legal obligations as a participant in the PERS  
24 post-bankruptcy. The Capital Markets Creditors, and National in particular, have made clear their  
25 intentions to disrupt the City's relationship with CalPERS and to coerce the City to violate State laws  
26 governing its relationship with CalPERS. *See, e.g.*, Cal. Gov. Code § 20831 (participant may not  
27 refuse to pay required contributions as determined by CalPERS within prescribed deadlines).

1 National, and the other Capital Markets Creditors, argue that the consequences of the financial  
2 risks they contracted to accept are unfair unless the City’s employees and retirees and the public  
3 employee retirement system of the State of California shoulder the financial burdens of the City in  
4 order to provide an enhanced return to Capital Markets Creditors. CalPERS disagrees. National and  
5 the other Capital Markets Creditors have made representations regarding their expected return under  
6 the preliminary plan proposed by the City (the “Ask”) which are inaccurate.

7 The lack of agreement between CalPERS and the Capital Markets Creditors on these issues  
8 and others are core to the progress and outcome of the City’s bankruptcy case. Indeed, this Court  
9 recently noted that the Capital Markets Creditors have set their sites on CalPERS and “CalPERS is in  
10 the crosshairs for a dispute” come plan confirmation time. *Reporter’s Transcript of Proceedings*  
11 *(Finding of Fact and Conclusions of Law)*, dated April 1, 2013, at p. 45. Given the Capital Markets  
12 Creditors’ dogged focus on CalPERS, CalPERS should be entitled to undertake comprehensive  
13 discovery of National so that it may be able to adequately address any attacks lodged by National  
14 (and others) at the time of plan confirmation.<sup>1</sup>

15 In light of the importance of National’s, as well as the other Capital Markets Creditors’,  
16 claims in the case, and the need for CalPERS to understand the contours of these obligations within  
17 the context of this chapter 9 proceeding and any plan of adjustment, CalPERS seeks to conduct  
18 examinations of National and, potentially, other parties involved in the structuring and issuance of the  
19 bonds and bond insurance agreements.

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27 <sup>1</sup> Notably, CalPERS was forced to expend hundreds of thousands of dollars responding to discovery  
28 propounded by the Capital Markets Creditors in connection with the dispute over the City’s eligibility for  
bankruptcy protection.

1 II.

2 DISCUSSION

3 Bankruptcy Rule 2004 provides that any party in interest may examine any entity on matters  
4 that relate to:

5 the acts, conduct, or property or to the liabilities and  
6 financial condition of the debtor, or to any matter which  
7 may affect the administration of the debtor's estate, or to the  
debtor's right to discharge.

8 Fed. R. Bankr. Proc. 2004(b). "The attendance of an entity for examination and for the production of  
9 documents...may be compelled as provided in Rule 9016 for the attendance of a witness at a hearing  
10 or trial." Fed. R. Bankr. Proc. 2004(c).

11 "The scope of Rule 2004 is broad, and an examination pursuant to this rule may extend to  
12 third parties who have had dealings with the debtor." *In re Financial Corporation of America*, 119  
13 B.R. 728, 733 (Bankr. C.D. Cal. 1990). Examinations under Rule 2004 "can legitimately be in the  
14 nature of a 'fishing expedition.'" *In re Wilcher*, 56 B.R. 428, 433 (Bankr. N.D. Ill. 1985) (citing *In re*  
15 *Vantage Petroleum Corp.*, 34 B.R. 650, 651 (Bankr. E.D.N.Y. 1983)).

16 The subjects of CalPERS' inquiries fall within the broad scope of discovery authorized by  
17 Bankruptcy Rule 2004. Collectively, National and the other Capital Markets Creditors are asserting  
18 the largest claims by dollar amount against the City. It is imperative for the other parties in this case  
19 to have an understanding of: (i) the underlying bond liabilities; (ii) the issuance of these securities;  
20 (iii) how these liabilities may be addressed in this proceeding; and (iv) the City's claims against  
21 National.

22 The City is just one of the many municipalities and other governmental agencies that are  
23 currently pursuing litigation against the municipal bond insurance industry. *See City of Stockton v.*  
24 *Ambac Financial Group, Inc., et al.*, Case No. CGC-08-477848 (coordinated under Case No. CJC-  
25 08-004555) (pending in the Superior Court for the City and County of San Francisco). In particular,  
26 the City alleges that: (i) the bond insurers conspired to maintain a "dual rating system," in which  
27 municipal bonds were artificially maintained at lower bond ratings than similarly-situated corporate  
28 entities so that municipalities were forced to purchase bond insurance; and (ii) the bond insurers' own

1 ratings (*i.e.*, the basis for holding themselves out as creditworthy insurers) were significantly  
 2 overstated in light of understated exposures to subprime mortgage securities. In essence, the City,  
 3 like other municipalities, is arguing that bond insurance business is a sham. *See, e.g., In re Municipal*  
 4 *Derivatives Antitrust Litigation*, Case No. 08-cv-02516 (S.D.N.Y) (alleging antitrust violations  
 5 against various bond insurers).

6 Additionally, CalPERS seeks discovery as to National's own employee compensation  
 7 practices in light of National's repeated objections to the fairness of the compensation of City  
 8 employees. *See, e.g., National Public Finance Guarantee Corporation's Objection to the City of*  
 9 *Stockton's Qualifications Under Section 109(c)* (Docket No. 477), pg. 17 at lines 16-17 ("the  
 10 protection of CalPERS benefits for the Mayor, city council and other City employees is clearly not in  
 11 good faith."); *National Public Finance Guarantee Corporation's Supplemental Objection to the City*  
 12 *of Stockton's Qualifications Under Sections 109(c) and 921(c)* (Docket No. 635), pg. 2 at lines 24-26  
 13 (arguing that primary purposes of City's chapter 9 case is to "maintain bloated CalPERS pensions  
 14 doled out to its managers and employees"). Since National has placed at issue fairness of  
 15 compensation including pension benefits, it is appropriate that parties in interest be able to gauge  
 16 National's own standards in this regard by examining its compensation practices.

17 According to the City's records, the City has issued the following insured bonds, which are  
 18 insured by National:

Issue	Original Principal Amount
2004 - Redevelopment Agency of the City of Stockton Revenue Bonds, Series 2004 (Stockton Events Center - Arena Project)	\$47,000,000.00
2004 - Stockton Public Financing Authority Lease Revenue Bonds, Series 2004 (Parking and Capital Projects)	\$32,785,000.00
2006 - Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A	\$13,965,000.00

1 CalPERS' proposed form of document subpoena to be issued to National is attached hereto as  
2 Exhibit A. Currently, the subpoena contemplates that National's counsel will accept service on behalf  
3 of National since CalPERS' counsel extended such professional courtesy in connection with the  
4 discovery previously sought by National from CalPERS.

5 CalPERS requests authority to issue the document requests, and to subsequently notice  
6 depositions of National and its officers, directors, and/or other employees or representatives once  
7 CalPERS has had an opportunity to review the documents produced.

8 Additionally, CalPERS respectfully requests authority to conduct similar examinations of the  
9 affiliates, predecessors, and/or successors of National as may become necessary. CalPERS reserves  
10 its rights to seek additional discovery, and further relief from this Court, if necessary. In particular,  
11 CalPERS believes it may later require discovery from the underwriters and financial advisors that  
12 were involved in the City's insured bond issuances.

13 This Court generally grants applications to conduct examinations under Bankruptcy Rule  
14 2004 on an *ex parte* basis. *See, e.g., In re Zacky Farms, LLC*, Case No. 12-37961 (Bankr. E.D. Cal.  
15 November 13, 2012) (order at Docket No. 290); *In re DeLiddo & Associates, Inc.*, Case No. 09-  
16 90452 (Bankr. E.D. Cal. June 18, 2009) (order at Docket No. 49); *In re City of Vallejo, California*,  
17 Case No. 08-26813 (Bankr. E.D. Cal. May 17, 2010) (order at Docket No. 703; reconsidered in part  
18 at Docket Nos. 758 & 768).

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**III.**

**REQUESTED RELIEF**

WHEREFORE, CalPERS respectfully requests that the Court enter an order authorizing CalPERS to conduct examinations of National and issue the document requests attached as Exhibit A hereto, and grant such other reasonable and necessary relief as the Court deems appropriate.

Respectfully submitted,

Michael J. Gearin  
Michael B. Lubic  
Michael K. Ryan  
K&L GATES LLP

Dated: April 3, 2013

By: /s/ Michael B. Lubic  
Michael B. Lubic

Attorneys for California Public Employees'  
Retirement System

# EXHIBIT A

UNITED STATES BANKRUPTCY COURT - EASTERN DISTRICT OF CALIFORNIA

In re *[Debtor Name(s)]*:

**CITY OF STOCKTON, CALIFORNIA,**

**SUBPOENA FOR RULE 2004 EXAMINATION**

Case No. \* **2012-32118**

Chapter

**TO:**  
*Name* **National Public Finance Guarantee Corporation**  
*Address* **c/o Matthew M. Walsh, Winston & Strawn LLP**  
**333 S. Grand Avenue**  
**Los Angeles, CA 90071-1543**

YOU ARE COMMANDED to appear and testify at an examination under Rule 2004, Federal Rules of Bankruptcy Procedure, at the place, date, and time specified below. A copy of the court order authorizing the examination is attached.

PLACE OF TESTIMONY

DATE AND TIME

YOU ARE COMMANDED to produce and permit inspection and copying of the following documents or objects at the place, date, and time specified below (list documents or objects):

See Attached Rider

PLACE

K&L Gates LLP  
 Attn: Brett D. Bissett  
 10100 Santa Monica Boulevard, Seventh Floor  
 Los Angeles, CA 90067

DATE AND TIME

May \_\_, 2013

ISSUING OFFICER SIGNATURE AND TITLE

/s/ Brett D. Bissett

DATE

April \_\_, 2013

ISSUING OFFICER'S NAME, ADDRESS, AND PHONE NUMBER

Brett D. Bissett, 10100 Santa Monica Boulevard, Seventh Floor  
 Los Angeles, CA 90067  
 310-552-5000

\* If the bankruptcy case is pending in a district other than the district in which the subpoena is issued, state the district under the case number.

PROOF OF SERVICE

<b>SERVED</b>	DATE	PLACE
	SERVED ON (PRINT NAME)	
SERVED BY (PRINT NAME)		MANNER OF SERVICE
		TITLE

DECLARATION OF SERVER

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Proof of Service is true and correct.

Executed on \_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE OF SERVER

\_\_\_\_\_  
ADDRESS OF SERVER

Rule 45, Federal Rules of Civil Procedure, Subdivisions (c), (d), and (e), as amended on December 1, 2007, made applicable in cases under the Bankruptcy Code by Rule 9016, Federal Rules of Bankruptcy Procedure:

(c) Protecting a Person Subject to a Subpoena.

(1) Avoiding Undue Burden or Expense; Sanctions. A party or attorney responsible for issuing and serving a subpoena must take reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena. The issuing court must enforce this duty and impose an appropriate sanction — which may include lost earnings and reasonable attorney's fees — on a party or attorney who fails to comply.

(2) Command to Produce Materials or Permit Inspection.

(A) Appearance Not Required. A person commanded to produce documents, electronically stored information, or tangible things, or to permit the inspection of premises, need not appear in person at the place of production or inspection unless also commanded to appear for a deposition, hearing, or trial.

(B) Objections. A person commanded to produce documents or tangible things or to permit inspection may serve on the party or attorney designated in the subpoena a written objection to inspecting, copying, testing or sampling any or all of the materials or to inspecting the premises — or to producing electronically stored information in the form or forms requested. The objection must be served before the earlier of the time specified for compliance or 14 days after the subpoena is served. If an objection is made, the following rules apply:

(i) At any time, on notice to the commanded person, the serving party may move the issuing court for an order compelling production or inspection.

(ii) These acts may be required only as directed in the order, and the order must protect a person who is neither a party nor a party's officer from significant expense resulting from compliance.

(3) Quashing or Modifying a Subpoena.

(A) When Required. On timely motion, the issuing court must quash or modify a subpoena that:

- (i) fails to allow a reasonable time to comply;
- (ii) requires a person who is neither a party nor a party's officer to travel more than 100 miles from where that person resides, is employed, or regularly transacts business in person — except that, subject to Rule 45(c)(3)(B)(iii), the person may be commanded to attend a trial by traveling from any such place within the state where the trial is held;
- (iii) requires disclosure of privileged or other protected matter, if no exception or waiver applies; or
- (iv) subjects a person to undue burden.

(B) When Permitted. To protect a person subject to or affected by a subpoena, the issuing court may, on motion, quash or modify the subpoena if it requires:

- (i) disclosing a trade secret or other confidential research, development, or commercial information;
- (ii) disclosing an unretained expert's opinion or information that does not describe specific occurrences in dispute and results from the expert's study that was not requested by a party; or
- (iii) a person who is neither a party nor a party's officer to incur substantial expense to travel more than 100 miles to attend trial

(C) Specifying Conditions as an Alternative. In the circumstances described in Rule 45(c)(3)(B), the court may, instead of quashing or modifying a subpoena, order appearance or production under specified conditions if the serving party:

- (i) shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship; and
- (ii) ensures that the subpoenaed person will be reasonably compensated.

(d) Duties in Responding to a Subpoena.

(1) Producing Documents or Electronically Stored Information. These procedures apply to producing documents or electronically stored information:

(A) Documents. A person responding to a subpoena to produce documents must produce them as they are kept in the ordinary course of business or must organize and label them to correspond to the categories in the demand.

(B) Form for Producing Electronically Stored Information Not Specified. If a subpoena does not specify a form for producing electronically stored information, the person responding must produce it in a form or forms in which it is ordinarily maintained or in a reasonably usable form or forms.

(C) Electronically Stored Information Produced in Only One Form. The person responding need not produce the same electronically stored information in more than one form.

(D) Inaccessible Electronically Stored Information. The person responding need not provide discovery of electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or for a protective order, the person responding must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.

(2) Claiming Privilege or Protection.

(A) Information Withheld. A person withholding subpoenaed information under a claim that it is privileged or subject to protection as trial-preparation material must:

- (i) expressly make the claim; and
- (ii) describe the nature of the withheld documents, communications, or tangible things in a manner that, without revealing information itself privileged or protected, will enable the parties to assess the claim.

(B) Information Produced. If information produced in response to a subpoena is subject to a claim of privilege or of protection as trial-preparation material, the person making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information to the court under seal for a determination of the claim. The person who produced the information must preserve the information until the claim is resolved.

(e) Contempt.

The issuing court may hold in contempt a person who, having been served, fails without adequate excuse to obey the subpoena. A nonparty's failure to obey must be excused if the subpoena purports to require the nonparty to attend or produce at a place outside the limits of Rule 45(c)(3)(A)(ii).

## ATTACHMENT A

### I. DEFINITIONS

For purposes of these requests, the following definitions shall apply:

1. The term “Bond Insurance” means any insurance or other financial products offered by You in connection with municipal bond issuances or other types of municipal financing transactions.

2. The term “CalPERS” means the California Public Employees’ Retirement System.

3. The term “Capital Markets Creditor” refers either individually or collectively to the following entities: (1) Assured Guaranty Corp. and Assured Guaranty Municipal Corp., including predecessor in interest Financial Security Assurance Inc.; (2) National Public Finance Guarantee Corporation, including Financial Guaranty Insurance Company and MBIA Inc. and its affiliates; (3) Franklin High Yield Tax Free Income Fund and Franklin Corporation High Yield Municipal Fund; and (4) Wells Fargo Bank, National Association, in its capacity as an indenture trustee.

4. The term “Communication” means, without limitation, all discussions, conversations, negotiations, agreements, understandings, meetings, telephone conversations, letters, notes, electronic mail, facsimile transmissions, memoranda, telegrams, advertisements, or other forms of information exchanged, whether oral, written, or electronic.

5. The term “Document” means, without limitation, writings of every kind, source, and authorship, both originals and oral non-identical copies thereof, in your possession, custody, or control, or known by you to exist, irrespective of whether the writing is one intended for or transmitted internally by you, or intended for or transmitted to any other Person, including, without limitation, any government agency, department, administrative entity, or personnel. The term shall include handwritten, typewritten, printed, photocopied, photographic, or recorded matter, as well as Electronically Stored Information. It shall include communications in words, symbols, pictures, sound recordings, films, tapes, and information stored in, or accessible

through, computer or other information storage or retrieval systems, together with the codes and/or programming instructions and other materials necessary to understand and use such systems. For purposes of illustration, and not limitation, the term shall include:

correspondence, including e-mail and facsimile transmissions; transcripts of testimony; letters; notes; reports; papers; files; books; other communications sent or received; diaries; calendars; logs, notes, or memoranda or telephonic or face-to-face conversations; drafts; work papers; agendas; bulletins; notices; circulars; announcements; instructions; schedules; minutes, summaries, notes, and other records and recordings of any conferences, meetings, visits, statements, interviews, or telephone conversations; bills, statements, and other records of obligations and expenditures; canceled checks, vouchers, receipts, and other records of payments; ledgers, journals, balance sheets, profit and loss statements, and other sources of financial data; analyses; statements; interviews; affidavits; printed matter (including published books, articles, speeches, and newspaper clippings); press releases; charts; drawings; specifications; manuals; brochures; parts lists; memoranda of all kinds to and from any Person, technical and engineering reports, evaluations, advice, recommendations, commentaries, conclusions, studies, testings, manuals, procedures, data, reports, and results; records of administrative, technical, and financial actions taken or recommended; and all other writings, the contents of which relate to, discuss, consider, or otherwise refer to the subject matter of the particular discovery requested.

6. “Electronically Stored Information” or “ESI” shall include sound recordings, images, and other data or data compilations stored in any medium from which information can be obtained, translated into reasonably usable form, including any original, reproduction, duplicates or earlier versions, whether or not containing material or non-material changes or alterations of earlier or duplicate versions of the ESI and whether or not in tangible or electronic form.

7. The term “Financial Condition” means the status of a Person’s assets, liabilities and equity positions, often described in a financial statement.

8. The term “Insured Bonds” means the following municipal bond issues:

<b>Issue</b>	<b>Original Principal Amount</b>
2004 - Redevelopment Agency of the City of Stockton Revenue Bonds, Series 2004 (Stockton Events Center - Arena Project)	\$47,000,000.00
2004 – Stockton Public Financing Authority Lease Revenue Bonds, Series 2004 (Parking and Capital Projects)	\$32,785,000.00
2006 – Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A	\$13,965,000.00

9. The term “Municipality” shall have the meaning provided in § 101(40) of title 11 of the United State Code,

10. The term “Person” includes any natural or legal person, including but not limited to any public entity, partnership, corporation, association, firm, trust, joint venture, agency, board, authority, commission, Municipality, or other such entity.

11. The term “Rating” means a credit rating provided by a Rating Agency, such as “AAA” or “Aaa.”

12. The term “Rating Agency” means any bond rating agency, including Moody’s Investors Service, Inc., a/k/a Moody’s Analytics, Inc., a/k/a Moody’s and/or its predecessors, their affiliates and licensors and Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc, a/k/a S&P and/or a/k/a Standard & Poor’s Ratings Services, and/or its predecessors, their affiliates, and licensors.

13. The term “Stockton” means the City of Stockton, California, together with its affiliated agencies or instrumentalities, employees, officers, agents, financial advisors or other professionals, and elected or appointed officials, including but not limited to (a) the Stockton City Council, any member of the City Council, together with its affiliated agencies or instrumentalities, employees, officers, agents, and elected or appointed officials; (b) the Stockton Public Financing Authority, together with its affiliated agencies or instrumentalities,

employees, officers, agents, and elected or appointed officials, and (c) the Redevelopment Authority of the City of Stockton, together with its affiliated agencies or instrumentalities, employees, officers, agents, and elected or appointed officials.

14. The term “Stockton Chapter 9 Case” refers to In Re City of Stockton, Case No. 12-32118 (Bankr. E.D. Cal.).

15. “Underwriter” means any securities dealer involved in any way in bringing or attempting to bring any municipal bonds or other municipal financial products to market.

16. “You” and “Your” means National Public Finance Guarantee Corporation and all of its agents, employees, representatives, beneficiaries, attorneys, advisors, predecessors in interest, successors, assigns, officers, directors, partners, shareholders, associates, members, parents, subsidiaries, and affiliates.

## II. INSTRUCTIONS

1. The words “and” and “or” shall be construed conjunctively or disjunctively as necessary to make the request inclusive rather than exclusive.

2. The word “any” means all and the word “all” means any. The words “any” and “all” shall be construed as necessary to make a request inclusive rather than exclusive.

3. The terms “referring to,” “relating to,” “regarding,” and “concerning” as used herein are to be broadly construed and shall mean, without limitation, comprising, constituting, reflecting, regarding, containing quantitative data relating to, pertaining to, commenting upon, indicating, showing, describing, evidencing, discussing, mentioning, embodying, supporting, or computing.

4. The terms “including,” “include” or “includes” mean including without limitation.

5. Any noun used in the singular form shall be construed and applied so as to include the plural form also, and vice versa.

6. Each Document request should be considered as including a request for separate production of all copies, drafts, and prior or superseded versions of the Document that differ in any respect from the original or from each other (e.g., by reason of differences in form or content or by reason of handwritten notes or comments having been added to one copy of the Document but other copies). If Documents responsive to any request herein have previously been produced by You in response to a discovery request issued by Stockton in the Stockton Chapter 9 Case, such Documents do not need to be produced again in response to the requests herein; provided, however, Your response should make it clear that You have previously produced to Stockton any or all Documents responsive to a particular request herein and provide the bates numbers for each such document.

7. In responding to this subpoena, You are requested to produce all Documents in Your possession, custody, or control, wherever located, including any Document available to You upon request from Your parents, affiliates, subsidiaries, employees, officers, directors, attorneys, accountants, advisors, consultants, private investigators, or other agents or persons acting or purporting to act on Your behalf.

8. All Documents produced in response to this subpoena should be produced as maintained in the ordinary course of business. Your responses should indicate, by bates number or other appropriate means, which Documents are responsive to each Document request.

9. Responsive ESI shall be produced in single page Tagged Image File Format (“TIFF”) with multi-page optical character recognition (“OCR”) in accordance with the K&L Gates Production Requirements for Native Documents (Appendix A) and the K&L Gates production Requirements for TIFFed Documents (Appendix B). Responsive hard copy documents shall be produced in TIFF format in accordance with Exhibit B. Spreadsheets and other structured data (i.e., database files) shall be produced in native format.

10. If any part of a Document is responsive to any request herein, produce the entire Document, including any attachments or exhibits.

11. If You are not producing any Documents in response to any of the requests

herein, Your response should make it clear that You are not producing any Documents in response to that request.

12. If You seek to withhold any Documents on an assertion of privilege, You must provide a statement of the claim of privilege and all facts relied upon in support of that assertion, along with a privilege log listing all Documents withheld or redacted on grounds of privilege, with the log entry for each withheld or redacted Document listing the author of the Document, all recipients of the Document (whether directly or via a 'cc' or 'bcc'), the date of the Document's creation, the title of the Document, a description of the Document sufficient to evaluate the claim of privilege asserted, and the nature of the privilege(s) asserted (*e.g.*, attorney-client privilege, work product, etc.).

13. If only a part of a request is objectionable, the response shall identify with particularity any Document or other tangible thing falling within any category of item in the request to which an objection is being made, and shall set forth clearly the extent of and the specific ground for the objection.

14. Each request shall be construed independently, and no request shall be viewed as limiting the scope of any other request.

15. Unless a different time is specified, the relevant time period for each request is June 1, 2002, through the date of this subpoena.

### **III. DOCUMENTS REQUESTED**

1. Any Documents evidencing or constituting a Communication between and among You and any of the following: (i) Stockton, (ii) any Underwriter; (iii) any Ratings Agency; and (iv) Capital Markets Creditor concerning the Insured Bonds or Bond Insurance for the Insured Bonds, including transcripts, closing books, marketing materials, solicitations to provide Bond Insurance on the Insured Bonds, or meeting transcripts.

2. All Documents and/or Communications concerning the actual, expected, and possible impact of insurance on the Rating of the Insured Bonds or interest rates payable on the

Insured Bonds, including, without limitation, Documents concerning the “shadow rating” of the Insured Bonds, reflecting potential Ratings in the absence of Bond Insurance, or the Rating of municipal bonds as compared with corporate bonds.

3. All Documents concerning Your Financial Condition, including financial statements, tax returns, earnings reports, 10-K and 10-Q filings, investor prospectuses, annual and quarterly statutory reports, operating supplements, and analyses related thereto.

4. All Documents and/or Communications that refer or relate to Your marketing of Bond Insurance generally (*i.e.*, not limited to the Bond Insurance provided with respect to the Insured Bonds), including copies of the actual materials and any drafts of or Communications relating to any such materials.

5. Any Documents evidencing any payments made by You to any Person relating to the Insured Bonds.

6. All Documents evidencing or constituting a Communication or statement, formal or informal, between You and any Person, including any Capital Markets Creditor, other than Stockton, including news media, regarding or concerning the Insured Bonds, CalPERS, the Stockton Chapter 9 Case, or “zero loss” contingencies.

7. All Documents reflecting, evidencing, or analyzing the risk of default by Stockton on any of the Insured Bonds, including any Documents concerning (i) the financial condition of Stockton; (ii) Your analyses of the potential need to make any payments on claims on the Insured Bonds; (iii) Your analyses of the potential need to draw from any reserve on account of the Insured Bonds; (iv) Your underwriting, supporting analyses, and diligence with respect to the Insured Bonds and Bond Insurance; (v) Your surveillance reviews and minutes of any surveillance committee and/or loss committee meetings concerning the Insured Bonds; (vi) actual or potential payment deferrals by Stockton with respect to the Insured Bonds; and (vii) the Financial Condition and/or investment portfolio of CalPERS.

8. All Documents reflecting all payments, including projected payments, to or for the benefit of the holders of the Insured Bonds.

9. Any court judgments concerning the Insured Bonds.
10. All Documents reflecting any review or analysis of the liability of Stockton or any municipality in California to CalPERS, but not limited to, any analysis of the priority of CalPERS' claim in a chapter 9 bankruptcy filed by Stockton or any municipality in California.
11. All Documents concerning Your claims and rights in the Stockton Chapter 9 Case or any other chapter 9 municipal bankruptcy case.
12. All Documents reflecting the exposure of any Person that provides Bond Insurance to subprime mortgages, mortgage-backed securities (MBS) or collateralized debt obligations (CDOs).
13. All Documents reflecting or relating to the Rating of any Person that provides Bond Insurance or the Rating of any Insured Bond from any Rating Agency and the basis for any such Rating.
14. Any distribution lists prepared in relation to the Insured Bonds.
15. All Documents constituting or concerning communications between or among You, any Underwriter or any Rating Agency regarding the Rating of municipal bonds as compared with corporate bonds.
16. All Documents regarding or relating to Communications between You and any municipal, state, or federal elected officials, staffers, committees, agencies, or administrative bodies concerning public employee pensions.
17. All Documents relating to the decision by You not to modify adjust or reduce Stockton's obligations to You, including Communications between or among You, any Underwriter and/or any Capital Markets Creditor regarding modifying, adjusting or reducing Stockton's obligations to You.
18. All Documents provided to, or relied upon in any way by, any expert that You have retained in this matter, including but not limited to draft expert reports and/or calculations.
19. All Communications between You and any expert that You have retained in this matter that relates in any way to this proceeding.

20. A listing or other Documents that identify: (i) all bond insurance policies that You have ever (*i.e.*, including the time-frame prior to June 1, 2002) offered or provided with respect to bonds issued by any Municipality other than Stockton; (ii) the premiums charged for all bond insurance policies ever issued by You with respect to bonds issued by any Municipality other than Stockton; and (iii) all claims ever paid by You under any insurance policies issued with respect to bonds issued by any Municipality other than Stockton

21. A listing of Documents that identify all bond insurance policies, including those issued by You, that relate in any way to pension obligations.

22. To the extent permissible under applicable court rulings, all Documents relating to Your participation in the AB 506 Mediation Process, including all Communications between You and any Person, including Stockton and/or Capital Markets Creditors, regarding the AB 506 Mediation Process, or Documents regarding discussions or negotiations about Stockton's obligations to You.

23. A list of all current and former members of Your Board of Directors and Executive Committee, and list of all compensation, including salary, incentives, benefits, and bonuses, paid to each member of your Board of Directors and Executive Committee on a year-by-year basis.

24. Communications with any Municipality, Underwriter and/or other Person, including but not limited to any Capital Markets Creditor, regarding any chapter 9 bankruptcy proceeding.

25. All Documents constituting or evidencing a transcript of any investor calls at which Stockton, the Insured Bonds, or any chapter 9 bankruptcy proceeding were discussed.

26. Any listing or other Documents identifying any chapter 9 bankruptcy proceeding in which You have or previously had a potential claim, whether or not such claim was formally asserted.

27. All Documents relating to any litigation brought by You, directly or indirectly, against Stockton.

28. All minutes from meetings of Your Board of Directors or Your Executive Committee in which pensions or chapter 9 bankruptcies, including but not limited to the Stockton Chapter 9 Case, were discussed.

29. All Documents relating to Your contention that CalPERS is the largest creditor in the Stockton Chapter 9 Case.

30. All Documents relating to Your understanding of the term “impairment” as You have used it with respect to CalPERS.

31. All Documents relating to Your contention that You are being treated “unfairly” in the Stockton Chapter 9 Case.

32. All Documents relating to any statements made by any member of Your Board of Directors or Executive Committee regarding pensions.

33. All Documents relating to any review or analysis by You of Your expected recovery in the Stockton Chapter 9 Case, with and without impairment of CalPERS.

34. All Documents reflecting any review or analysis by You of Stockton's ability to adopt an alternative defined benefit plan.

35. All Documents relating to your decision to not pay for any costs of the AB 506 Mediation Process as required by Cal Gov Code §53760.3(s).

36. An organizational chart showing Your relationship with any parent, subsidiary, sister, or otherwise affiliated entity.

37. All Documents constituting formation documents for any of Your parent, subsidiary, sister, or otherwise affiliated entities.

38. All Documents relating to analysis of the revenue or value of any collateral securing Stockton’s obligations under the Insured Bonds.

39. All Documents relating to Your contention that CalPERS is a “similarly-situated creditor” to You.

## Appendix A

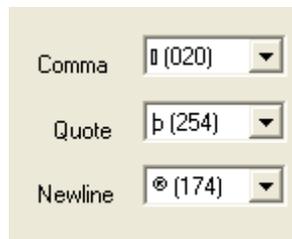
# K&L Gates Litigation Support Tool Requirements

Ringtail/Concordance

## 1) Data Format

ALL received data must adhere to the following:

- Group 4 single page TIFFs with .OPT file supplied for loading images
- OCR must be supplied as multi page text files named after BEGDOC. Text files will reside in the same folder as their corresponding images
- Processed natives will be provided and named after BEGDOC. Native files will reside in the same folder as their corresponding images
- The DAT file delimiters will be:



The image shows a screenshot of a configuration interface with three dropdown menus. The first menu is labeled 'Comma' and has a value of '020'. The second menu is labeled 'Quote' and has a value of '254'. The third menu is labeled 'Newline' and has a value of '174'.

## 2) .DAT file

**Standard fields to be provided in the DAT file will be:**

DOCID	Text	60	Vendor generated tracking number
PARENTID	Text	60	The parent's DOCID is reflected in the children's PARENTID field
BEGDOC	Text	60	BEGINNING "soft" control number - does not appear on the image
ENDDOC	Text	60	ENDING "soft" control number - does not appear on the image
ATT	Numeric	5 0	Number of attachments contained by parent
ATTRANGE	Paragraph	16	Soft "family" range for docs with attachments: will combine BEGATT-
BEGATT	Text	60	Beginning "soft" number of family range
ENDATT	Text	60	Ending "soft" number of family range
IMAGERANGE	Paragraph	16	Document range
FILEORSUB	Paragraph	16	Subject from email or Filename of attachment
EXTENSION	Text	60	File type extension
FILESIZE	Numeric	10 0	File size in Bytes
DESCRIPTION	Text	60	Document type: message, spreadsheet, bitmap graphics, etc
DOCDATE	Date	M	MM/DD/YYYY. Email sent date or document creation date (if valid)
LASTMODIFIED	Date	M	MM/DD/YYYY. Last modified date
LASTACCESSED	Date	M	MM/DD/YYYY. Last accessed date

CUSTODIAN	Paragraph 16	Custodian info
AUTHOR	Paragraph 16	Author of stand-alone document
TITLE	Paragraph 16	Title of stand-alone document
PAGECOUNT	Numeric 5 0	Number of processed pages
TO	Paragraph 16	Recipient(s)
FROM	Paragraph 16	Author
CC	Paragraph 16	Copyee(s)
BCC	Paragraph 16	Blind CC
SUBJECT	Paragraph 16	Re or Subject line
RECEIVEDDATE	Date M	MM/DD/YYYY. Date email received
DATESENT	Date M	MM/DD/YYYY. Date email sent
VENDORPROD	Paragraph 16	Title of Media volume produced to K&L Gates
DOCSOURCE	Paragraph 16	Original path of native file
MEDIANAME	Paragraph 16	PST name/name of email container of processed data
MSG_UID	Paragraph 16	Extracted message UID information
EX_PATH	Paragraph 16	Extracted path
MD5 Hash	Paragraph 16	MD5 Hash value

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### 3) .OPT file

Please provide an Opticon (.OPT) file that contains the full path and related BEGDOC number for each image as shown below. The OPT should also include the standard OPT format document composition notation:

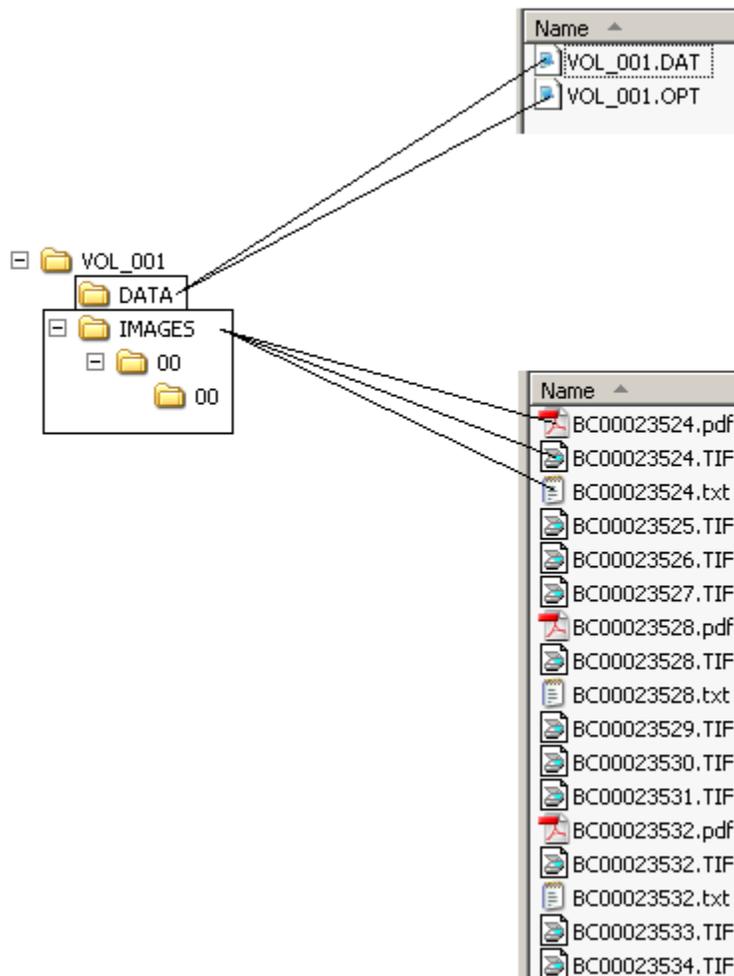
For example :

**TEST-0000001,TEST\_001,\IMAGES\TEST\_001\IMAGES\001\TEST-0000001.tif,Y,,,2**  
**TEST-0000002,TEST\_001,\IMAGES\TEST\_001\IMAGES\001\TEST-0000002.tif,,,,**

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Folder structure shown below. DATA folder contains the DAT and OPT files. IMAGES folder contains the native files, multi-page OCR .txt files, and single-page .tif image files.



Appendix B

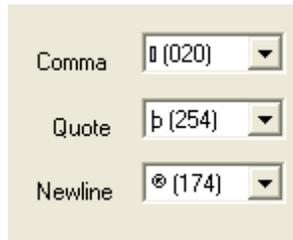
# K&L Gates Litigation Support Tool Requirements

Ringtail – Scanned Hardcopy

## 1) Data Format

ALL received data must adhere to the following:

- Group 4 single page TIFs w/ .OPT file supplied for loading images into image viewer. Keep document composition within output folders (Do not split documents across folders)
- OCR must be supplied as multi page text files named after BEGDOC. Text files will reside in the same folder as their corresponding images
- The DAT file delimiters will be:



## 2) .DAT file

Standard fields to be provided in the DAT file will be:

BEGDOC	BEGINNING "soft" control number - does not appear on the image
ENDDOC	ENDING "soft" control number - does not appear on the image
PAGECOUNT	Number of processed pages

## 3) .OPT file

Please provide an Opticon (.OPT) file that contains the full path and related BEGDOC number for each image as shown below. The OPT should also include the standard OPT format document composition notation:

For example :

```
TEST-00000001,TEST_001,\IMAGES\TEST_001\IMAGES\001\TEST-00000001.tif,Y,,,2
TEST-00000002,TEST_001,\IMAGES\TEST_001\IMAGES\001\TEST-00000002.tif,,,
```