



CITY OF STOCKTON NEWS RELEASE

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STOCKTON'S AB 506 PROCESS EXTENDED

(Stockton, CA) - The City of Stockton announced today that participants in the confidential neutral evaluation process, AB 506, have agreed to extend the mediation process beyond the originally scheduled 60 days, for an additional 30 days, through June 25.

“This is a good sign,” said Mayor Ann Johnston. “It means that our creditors understand our fiscal circumstances and it indicates that they believe that it is worth the investment of time and resources to work toward a solution.”

On February 28, 2012, the Stockton City Council approved moving forward with financial restructuring, using a process established under AB 506, which went into effect in January of this year. AB 506 allows financially distressed local governments to work with creditors and interested parties to restructure debt and obligations in an attempt to avoid bankruptcy. The financial restructuring involves only a portion of the City's total budget – the General Fund – which represents approximately \$155 million of the City's

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\$521 million budget.

A neutral evaluator (mediator) was selected jointly by the City and by participants at the end of March, which began the initial 60-day window for negotiations. Former United States Bankruptcy Judge Ralph R. Mabey, of Salt Lake City, Senior of Counsel to the Los Angeles Law Firm of Stutman Treister & Glatt, is the mediator. One of the provisions of AB 506, Government Code Section 53760.3 (r), allows a majority of the participants or the local government to approve an extension of 30 days, beyond the initial 60-day period.

Stockton was the first city in California to initiate mediation under the legislation. The extension of time will allow negotiations to continue through most of June.

“We are doing everything in our power to avoid bankruptcy,” continued Mayor Johnston. “Mediation is our last and best chance to come to an agreement and get the City of Stockton on firm financial footing that will restore services and allow us to become fiscally solvent.”

For additional information or questions, please visit www.stocktongov.com or call (209) 937-8827.

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