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## **FOR IMMEDIATE RELEASE**

### **Mayor and Common Council approve settlement with pension bondholders**

*The settlement will reduce payments by approximately \$45 million.*

SAN BERNARDINO, CA – March 29, 2016 – Following a closed session meeting of the Mayor and Common Council on March 21, 2016, City Attorney Gary Saenz announced the approval of a settlement in its Chapter 9 bankruptcy case between the City and the holders of City-issued 2005 pension obligation bonds. The settling creditors are COMMERZBANK Finance & Covered Bond S.A. (formerly known as Erste Europäische Pfandbrief-Und Kommunalkreditbank AG in Luxemburg), and municipal bond insurer Ambac Assurance Corporation.

The settlement reduces the City's payments to the pension bondholders by approximately \$45 million. The payments will be made over a 30-year period starting one year after the City's Chapter 9 plan is confirmed. The 30-year term will afford the City with vital cash flow to implement important community priorities such as a five-year police plan, infrastructure maintenance, beautification projects, and reinvestment in parks and community services. The settlement document will be posted on the City's website once it has been signed by all parties.

"The settlement will end the costly legal battles between the City and the settling creditors over confirmation of the City's Chapter 9 Plan of Adjustment, as well as how much the creditors are to be paid," City Attorney Gary Saenz said.

Under the settlement, the pension bondholders will receive payment equal to approximately 40 percent of their debt on a present value basis, discounted using the existing coupon rate. This settlement provides the City with the following benefits:

- Reduces the City's obligations and allows for additional funding for investment in public safety of approximately \$2 million per year
- Ends a very expensive litigation with one of the City's largest creditor constituencies
- Saves millions in costs and gets the City out of bankruptcy much faster than under continued litigation

The Honorable Gregg W. Zive, United States Bankruptcy Judge for the District of Nevada, acted as the mediator and presided over the settlement negotiations between the parties. After the parties reached the tentative settlement, Judge Zive stated that, based upon his participation, the settlement is "a reasonable compromise of the various legal and financial issues" in the case.

The settlement represents an important step for the City toward obtaining Judge Jury's confirmation of its Chapter 9 Plan of Adjustment and exiting bankruptcy.

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