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11 Attorneys for Defendant  
 12 City of Stockton, California

13 UNITED STATES BANKRUPTCY COURT  
 14 EASTERN DISTRICT OF CALIFORNIA  
 15 SACRAMENTO DIVISION

17 In re:  
 18 CITY OF STOCKTON, CALIFORNIA,  
 19 Debtor.  
 20  
 21 WELLS FARGO BANK, NATIONAL  
 ASSOCIATION, FRANKLIN HIGH YIELD  
 22 TAX-FREE INCOME FUND, AND  
 FRANKLIN CALIFORNIA HIGH YIELD  
 23 MUNICIPAL FUND  
 Plaintiffs,  
 24 v.  
 25 CITY OF STOCKTON, CALIFORNIA,  
 26 Defendant.

Case No. 12-32118  
 Chapter 9  
 Adv. No. 13-02315  
 OHS-1  
**PARTIAL JUDGMENT IN FAVOR OF  
 PLAINTIFFS**

27  
 28

RECEIVED

April 17, 2014

CLERK, U. S. BANKRUPTCY COURT  
 EASTERN DISTRICT OF CALIFORNIA  
 0005178505

1 Defendant City of Stockton, California (“City”), debtor in the above-captioned case and  
2 defendant in the above captioned adversary proceeding (“Adversary”), filed its *Motion For*  
3 *Judgment To Be Entered In Favor Of Plaintiffs* (“Motion”) Adv. Dkt. No. 28, on March 27,  
4 2014, wherein the City sought, among other things, to have judgment entered on counts One and  
5 Five of the *Complaint for Declaratory Relief* (“Complaint”) Adv. Dkt. No. 1. Having heard the  
6 argument of counsel, and with the consent of the City and plaintiffs Wells Fargo Bank, National  
7 Association, as indenture trustee for the \$35,080,000 Stockton Public Financing Authority Lease  
8 Revenue Bonds, 2009 Series A, Franklin High Yield Tax-Free Income Fund and Franklin  
9 California High Yield Municipal Fund (collectively, “Plaintiffs”), the Court hereby determines  
10 that it is appropriate to enter partial judgment in favor of Plaintiffs and against the City in the  
11 form, content and manner set forth herein.

#### 12 PARTIAL JUDGMENT

13 It is hereby **ORDERED, ADJUDGED** and **DECREED**:

14 1. The Site and Facility Lease, dated as of September 1, 2009, executed by the City  
15 and the Stockton Public Financing Authority (the “Authority”), a copy of which is attached as  
16 Exhibit C to the Complaint, is not an unexpired lease or executory contract within the meaning,  
17 scope and operation of sections 365 and 502(b)(6) of the Bankruptcy Code.

18 2. The Lease Agreement, dated as of September 1, 2009, executed by the City and  
19 the Authority, a copy of which is attached as Exhibit D to the Complaint, is not an unexpired  
20 lease or executory contract within the meaning, scope and operation of sections 365 and 502(b)(6)  
21 of the Bankruptcy Code.

22 3. The agreements referred to in paragraphs 1 and 2 immediately above are in  
23 economic substance a secured financing transaction.

24 4. Count Five of the Complaint is dismissed with prejudice.

25 5. Nothing in this Partial Judgment shall be construed as an admission or agreement  
26 of the City, a finding or conclusion by the Court, or binding precedent with respect to any  
27 transaction other than the transactions at issue in the Adversary Proceeding.  
28

1           6.       Counts Two, Three, and Four asserted in the Complaint are unaffected by this  
2 Partial Judgment and shall be adjudicated in accordance with the *Order Governing The*  
3 *Disclosure And Use Of Discovery Information And Scheduling Dates Related To The Trial In The*  
4 *Adversary Proceeding And Any Evidentiary Hearing Regarding Confirmation Of Proposed Plan*  
5 *Of Adjustment* [Adv. Dkt. No. 16], as amended by the *Order Modifying Order Governing The*  
6 *Disclosure And Use Of Discovery Information And Scheduling Dates Related To The Trial In The*  
7 *Adversary Proceeding And Any Evidentiary Hearing Regarding Confirmation Of Proposed Plan*  
8 *Of Adjustment* [Adv. Dkt. No. 18] and subsequent written agreements by the City and Plaintiffs.

9           7.       Except with respect to the matters subject to this Partial Judgment, the City and  
10 Plaintiffs reserve all rights with respect to confirmation of the City’s proposed *First Amended*  
11 *Plan For The Adjustment Of Debts Of City Of Stockton (November 15, 2013)* (as it may be  
12 modified or amended, the “**Plan**”) [main case docket No. 1204], and, except with respect to the  
13 matters subject to this Partial Judgment, this Partial Judgment shall not affect the rights of any  
14 other creditor or party in interest in this chapter 9 case with respect to the Plan.

15           8.       The parties have agreed, and the Court expressly determines and finds, that there is  
16 no just reason for delay in entering this Partial Judgment, and that this Partial Judgment is a final  
17 judgment as to Counts One and Five.

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1           9.       The parties shall bear their own costs.

2       **APPROVED AS TO FORM AND CONTENT**

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4       Dated: April 17, 2013

5       **JONES DAY**

6  
7       /s/ James O. Johnston

8       James O. Johnston  
9       Joshua D. Morse  
10       David Perez

11       Counsel for Franklin

12       And

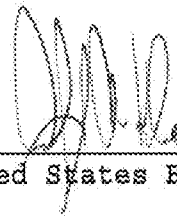
13       **MINTZ LEVIN COHN FERRIS GLOVSKY  
14       AND POPEO P.C.**

15       /s/ Adrienne K. Walker

16       Adrienne K. Walker

17       Counsel for Wells Fargo Bank, National Association,  
18       as Indenture Trustee

19       Dated: April 21, 2014



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21       \_\_\_\_\_  
22       United States Bankruptcy Judge