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12 *Attorneys for*
 13 *Wells Fargo Bank, National Association, as Indenture Trustee*

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

17 In re:
 18 CITY OF STOCKTON, CALIFORNIA,
 19 Debtor.

Case No. 12-32118 (CMK)
 D.C. No. OHS-15
 Chapter 9

**LIMITED OBJECTION AND RESERVATION
 OF RIGHTS OF WELLS FARGO BANK, N. A.,
 AS INDENTURE TRUSTEE TO FIRST
 AMENDED PLAN FOR THE ADJUSTMENT OF
 DEBTS OF CITY OF STOCKTON,
 CALIFORNIA (NOVEMBER 15, 2013)**

Date: March 5, 2014
 Time: 10:00 a.m.
 Judge: Hon. Christopher M. Klein

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1 NOW COMES, Wells Fargo Bank, National Association in its role as indenture trustee¹
2 (the “Indenture Trustee”) and files this limited objection and reservation of rights (the “Limited
3 Objection”) with respect to the confirmation of the *First Amended Plan for the Adjustment Debts*
4 *of City of Stockton, California (November 15, 2013)* (the “Plan”).²

5 The *Order (1) Approving Modified Disclosure Statement With Respect to First Amended*
6 *Plan for the Adjustment of Debts of City of Stockton, California (November 15, 2013); (2) Setting*
7 *Confirmation Procedures; and (3) Scheduling Filing Dates and the Confirmation Hearing* [Docket
8 No. 1220] required the City to file its Plan Supplement on or before January 27, 2014. The Plan
9 Supplement is an integral part of the Plan because it includes the transaction documents relating to
10 several settlements essential for the consummation of the Plan, including the Assured Guaranty
11 Settlement and the NPMG Settlement as well as certain other settlements. As set forth in the City’s
12 initial *Plan Supplement in Connection with the First Amended Plan for the Adjustment Debts of*
13 *City of Stockton, California (November 15, 2013)* [Docket no. 1236], the Plan Documents attached
14 to the Plan Supplement remain in draft form, are subject to revision, have not yet been approved
15 by the City Council, and may require additional approvals of the parties to such Plan Documents.
16 In addition, several of the Plan Documents were not yet ready to be filed with the Plan
17 Supplement. The Plan Supplement states that a supplemental Plan Supplement will be filed and
18 served on or prior to February 10, 2014. While the City has committed to filing its supplemental
19 Plan Supplement no later than February 10, 2014, the deadline by which the Indenture Trustee is
20 required to submit any preliminary objection to the Plan is also February 10, 2014. The Indenture
21 Trustee files this Limited Objection in an abundance of caution because the Plan Supplement,
22 together with any supplemental Plan Supplement, may not resolve the limited issues and concerns
23 the Indenture Trustee has raised with the City and the other parties to the Plan Documents.
24 Notwithstanding this Limited Objection, the Indenture Trustee and the other parties to the Plan

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27 ¹ Wells Fargo Bank, National Association serves as Indenture Trustee or fiscal agent and files this Objection with
28 respect to the securities identified on Schedule 1 hereto.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

1 Documents continue to work diligently to resolve the concerns raised by the Indenture Trustee
2 with respect to the Plan Supplement.

3 This Limited Objection is submitted in summary form, consistent with this Court's *Order*
4 *Governing the Disclosure and Use of Discovery Information and Scheduling Dates Related to the*
5 *Trial in the Adversary Proceeding and any Evidentiary Hearing Regarding Confirmation of*
6 *Proposed Plan of Adjustment* [Docket No. 1224, ¶ 52]. The Indenture Trustee reserves the right to
7 supplement this Limited Objection, if necessary, no later than April 21, 2014 (the "Supplemental
8 Objection Deadline"), pursuant to that certain *Stipulation for Order Modifying Order Governing*
9 *the Disclosure and Use of Discovery Information and Scheduling Dates Related to the Trial in the*
10 *Adversary Proceeding and any Evidentiary Hearing Regarding Confirmation of Proposed Plan of*
11 *Adjustment* [Docket No. 1239, ¶ 7].

12 The Indenture Trustee objects to the Plan to the extent the supplemental Plan Supplement
13 may modify the Plan in violation of Bankruptcy Code sections 1123 and 1129. The Plan expressly
14 provides that the Plan does not modify, amend, or alter the (a) 2006 SEB Bonds³, (b) 2004 Arena
15 Bonds, (c) 2004 Parking Bonds, (d) Pension Obligation Bonds, or the obligations of the respective
16 bond insurers to pay the principal or redemption price of, or interest on such bonds as and when
17 such amounts become due under the respective bond documents, or impair the holders of Class 10
18 and Class 11 claims because the Plan does not affect the legal, equitable, or contractual rights of
19 the holders of the such Claims. The Indenture Trustee, City and the other parties to the Plan
20 Documents have been working diligently on all of the Plan Documents, however, as of the timing
21 of filing this Limited Objection certain of the Plan Documents have not yet been finalized or in
22 certain cases even drafted and the Indenture Trustee objects to the Plan on a limited basis and
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26 ³ Holders of 2006 SEB Bond claims are classified in Class 2 in the Plan. The NPMG/SEB Settlement, as described in
27 the Disclosure Statement, states that the City will assume the lease relating to the 2006 SEB Bonds and continue to
28 comply with the 2006 Bond documents. While this summary is consistent with the Plan's classification of Class 2 as
unimpaired, there may be an inconsistent ambiguity in the NPMG term sheet attached to the Disclosure Statement in
which it also states that the City will not pay the fees and costs of the Indenture Trustee under the 2006 SEB Bond
documents.

1 reserves rights to the extent any of the proposed Plan Documents are contrary to terms of the prior
2 sentence or otherwise impermissibly modify the Plan.

3 In addition, the Plan Documents must include appropriate transfer documents to allow for
4 the consummation of the Plan, including the Assured Guaranty Settlement. The Assured Guaranty
5 Settlement, as described in the Disclosure Statement, states that the City will transfer fee title, and
6 Main Street Stockton, LLC will transfer its possessory interest, in the 400 E. Main Office Building
7 Property to Assured Guaranty or its designee. Main Street Stockton, LLC is a special purpose
8 entity formed by the Indenture Trustee that currently holds the possessory interest in the 400 E.
9 Main Office Building Property. While the parties have discussed various methods to accomplish
10 the above and the Indenture Trustee will continue to work diligently with Assured Guaranty to
11 prepare the necessary documents to transfer possessory interest in the 400 E. Main Office Building
12 Property to Assured Guaranty or its designee, these documents have not yet been prepared or
13 agreed upon.

14 **Conclusion and Reservation of Rights**

15 The Indenture Trustee continues to work cooperatively with the City and parties to the Plan
16 Documents to resolve all issues prior to the Confirmation Hearing and files this Limited Objection
17 and reservation of rights in an abundance of caution as certain of the Plan Documents have not yet
18 been finalized.

19 Dated: February 10, 2014

20 /s/ William W. Kannel
21 William W. Kannel (*admitted pro hac vice*)
22 Michael Gardener (*admitted pro hac vice*)
23 Adrienne K. Walker (*admitted pro hac vice*)
24 **MINTZ LEVIN COHN FERRIS GLOVSKY AND POPEO**
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Association, as Indenture Trustee

SCHEDULE 1

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1. City of Stockton Revenue Certificates of Participation 1998 Series A (Wastewater System Project)
2. Stockton Public Financing Authority Reassessment Revenue Bonds (Arch Road and Stockton Business Park Assessment Districts) Series 1998, including claims related to those certain:
 - a. Stockton Airport Business Park Ltd. Obligation Refunding Improvement Bonds Project 84-1 Phase IV, Series 229 (Local Obligation Bonds)
 - b. Stockton Airport Business Park Ltd. Obligation Refunding Improvement Bonds Project 84-1 Phase V, Series 230 (Local Obligation Bonds)
 - c. Stockton Airport Business Park Ltd. Obligation Refunding Improvement Bonds Project 84-1 Phase I, Series 231 (Local Obligation Bonds)
3. City of Stockton Certificates of Participation (Redevelopment Housing Projects) Series 2003A and Taxable Series 2003B
4. City of Stockton Camera Estates Community Facilities District No. 2003-1 Special Tax Bonds, Series 2003
5. City of Stockton Certificates of Participation 2003 Series A (Wastewater System Project)
6. City of Stockton Limited Obligation Improvement Bonds March Lane/Holman Assessment District 2003-1
7. City of Stockton Limited Obligation Improvement Bonds Mosher Assessment District 2003-02
8. City of Stockton Limited Obligation Improvement Bonds Waterford Estates East Phase II Assessment District 2003-03
9. Stockton Public Financing Authority Refunding Revenue Bonds (West Eighth Street Reassessment District)
10. Redevelopment Agency of the City of Stockton Revenue Bonds, Series 2004 (Stockton Events Center –Arena Project)
11. Stockton Public Financing Authority Lease Revenue Bonds, Series 2004 (Parking and Capital Projects)
12. Stockton Public Financing Authority 2005 Water Revenue Bonds, Series

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- A (Water System Capital Improvement Project)
- 13. City of Stockton South Stockton Community Facilities District No. 90-1 2005 Special Tax Refunding Bonds
- 14. Stockton Public Financing Authority Refunding Revenue Bonds (2005 Assessment Districts Refinancing) Series A Senior Lien Bonds and Series B Subordinate Lien Bonds, including claims related to those certain:
 - a. City of Stockton Limited Obligation Refunding Bond Blossom Ranch Assessment District No. 93-1 (Reassessment and Refunding of 2005)
 - b. City of Stockton Limited Obligation Refunding Bond La Morada Assessment District No. 96-4 (Reassessment and Refunding of 2005)
 - c. City of Stockton Limited Obligation Refunding Bond Morada North Assessment District No. 2002-01 (Reassessment and Refunding of 2005)
 - d. City of Stockton Limited Obligation Refunding Bond Morada Ranch Assessment District No. 2000-01 (Reassessment and Refunding of 2005)
 - e. City of Stockton Limited Obligation Refunding Bond Waterford Estates East Assessment District No. 2002-03 (Reassessment and Refunding of 2005)
- 15. City of Stockton Community Facilities District No. 90-2 (Brookside Estates) 2005 Special Tax Refunding Bonds
- 16. Stockton Public Financing Authority Revenue Bonds (Redevelopment Projects) 2006 Series A, Taxable Revenue Bonds (Redevelopment Projects) 2006 Series B, and Taxable Revenue Bonds (Housing Projects) 2006 Series C
- 17. Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds, Series A
- 18. City of Stockton Community Facilities District No. 1 (Weston Ranch) Special Tax Refunding Bonds, Series 2006
- 19. City of Stockton Spanos Park West Community Facilities District No. 2001-1 Special Tax Refunding Bonds, Series 2006
- 20. City of Stockton Community Facilities District No. 2006-1 (Riverbend) Special Tax Bonds, Series 2006
- 21. City of Stockton Community Facilities District No. 2006-3 (Northbrook) Woodside Improvement Area 1 Special Tax Bonds, Series 2007

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- 22. City of Stockton Arch Road East Community Facilities District No. 99-02 2007 Special Tax Bonds
- 23. Stockton Public Financing Authority Variable Rate Demand Lease Revenue Bonds, 2007 Series A and 2007 Series B (Taxable) (Building Acquisition Financing Project)
- 24. City of Stockton 2007 Taxable Pension Obligations Bonds, Series A and Series B
- 25. Stockton Public Financing Authority 2008 Refunding Revenue Bonds, including claims related to those certain:
 - a. City of Stockton Limited Obligation Refunding Bonds, Reassessment District No. 91-1R (Local Obligation Bonds)
 - b. Stockton Public Financing Authority Communities Facilities District No. 90-4 (Spanos Park) Special Tax Refunding Bonds (Local Obligation Bonds)
- 26. Stockton Public Financing Authority Water Revenue Bonds, Series 2009A (Tax Exempt) (Delta Water Supply Project) & Series 2009 B (Taxable Build America Bonds)
- 27. Stockton Public Financing Authority Variable Rate Demand Water Revenue Bonds, Series 2010A (Delta Water Supply Project)
- 28. \$12,500,000 Financial Custodian Agreement for HUD Section 108 Loan Guarantee Assistance Program – 2005
- 29. \$12,500,000 Financial Custodian Agreement for HUD Section 108 Loan Guarantee Assistance Program – 2006