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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

**SUPPLEMENTAL LIMITED
 OBJECTION 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: May 12, 2014
 Time: 9:30 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 submits this supplemental limited objection (the “Supplemental
3 Objection”) to its *Limited Objection of Wells Fargo Bank, N.A., as Indenture Trustee to First*
4 *Amended Plan for the Adjustment of Debts of City of Stockton, California (November 15, 2013)*.
5 The Indenture Trustee supplements its limited objection to the confirmation of the *First*
6 *Amended Plan for the Adjustment of Debts of City of Stockton, California (November 15, 2013)*
7 the “Plan”)² on a limited basis because certain Plan documents have not yet been filed that are
8 essential to Plan implementation. In support of this Supplemental Objection, the Indenture
9 Trustee states as follows:

10 SUPPLEMENTAL OBJECTION

11 1. The Plan expressly provides that the Plan does not modify, amend, or alter the (a)
12 2006 SEB Bonds, (b) 2004 Arena Bonds, (c) 2004 Parking Bonds, (d) Pension Obligation Bonds,
13 or the obligations of the respective bond insurers to pay the principal or redemption price of, or
14 interest on such bonds as and when such amounts become due under the respective bond
15 documents, or impair the holders of Class 10 and Class 11 claims because the Plan does not
16 affect the legal, equitable, or contractual rights of the holders of the such Claims. The Indenture
17 Trustee objects to the Plan on a limited basis and reserves rights to the extent any of the proposed
18 Plan Documents not yet reviewed by the Indenture Trustee or filed with this Court are contrary
19 to terms of the prior sentence or otherwise impermissibly modify the Plan.

20 2. Subsequent to filing its Plan, the City filed two plan supplements [Docket Nos.
21 1236 and 1259], which included many, but not all, of the transaction documents necessary for
22 implementation of the Plan. Upon information and belief, the City intends to file one or more
23 additional plan supplements prior to the confirmation hearing (together with the previously filed
24 plan supplements, the “Plan Supplements”). Because it is unclear whether the Plan Supplements

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27 ¹ Wells Fargo Bank, National Association serves as Indenture Trustee or fiscal agent and files this Supplemental
28 Objection solely with 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 will fully resolve issues relating to the implementation of the Plan, the Indenture Trustee submits
2 this Supplemental Objection to object to the Plan to the extent the Plan fails to provide effective
3 implementation of the Plan.

4 3. A condition precedent to the Effective Date of the Plan is that “all agreements and
5 instruments contemplated by, or to be entered into pursuant to, this Plan shall be in form and
6 substance acceptable to the City (and in the case of all agreements and instruments between the
7 City and Ambac, Assured Guaranty, NPMG, and the Indenture Trustee, acceptable to Ambac,
8 Assured Guaranty, NPMG, and the Indenture Trustee . . .” *See* Plan, pg. 55-56. The Indenture
9 Trustee, City and the other parties to the Plan Documents have been working diligently on all of
10 the Plan Documents, however, as of the timing of filing this Supplemental Objection, certain of
11 the Plan Documents have not yet been finalized, including the following:

12 i Assured Guaranty Settlement; Transfer of Possessory Interest. The Plan
13 Documents contemplate transfer documents that allow for the consummation Assured Guaranty
14 Settlement. The Assured Guaranty Settlement, as contemplated in the Plan Supplement [Docket
15 No. 1259], provides that Assured Guaranty will have an option to acquire fee simple title in the
16 400 E. Main Office Building Property, and possessory interest in the 400 E. Main Office
17 Building Property will transfer with the consent of the City to a receiver appointed by a State
18 Court order. Presently, Main Street Stockton, LLC, a special purpose entity formed by the
19 Indenture Trustee, holds the possessory interest in the 400 E. Main Office Building Property by
20 assignment from the Indenture Trustee, pursuant to a Judgment of Possession ordered by
21 Superior Court of California, County of San Joaquin, case no. 39-2012-00280741-CU-UD-STK.
22 Upon information and belief, it is anticipated that the Assured Guaranty Settlement will provide
23 that the Judgment of Possession will be satisfied or otherwise resolved to the Indenture Trustee’s
24 satisfaction and that Main Street Stockton, LLC will have no possessory interest in 400 E. Main
25 Office Building Property after the Effective Date. Although the parties anticipate that the
26 receiver will be appointed and the possessory interest will transfer to the receiver on the
27 Effective Date, these actions require the involvement of the State Court, which has not yet
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1 occurred. The Plan must provide means of implementation to make clear that the Main Street
2 Stockton, LLC and/or the Indenture Trustee's possessory interest in the 400 E. Main Office
3 Building Property is assigned under the Plan no later than the Effective Date, regardless of
4 whether a receiver is appointment.

5 ii Assured Guaranty Settlement; Direction Letters. The Indenture Trustee
6 has advised Assured Guaranty that it requires appropriate direction letters concerning both the
7 2007 Office Building Bonds Claims and Pension Obligation Bonds Claims with respect to the
8 implementation of the Assured Guaranty Settlement, prior to the Indenture Trustee taking any
9 actions contemplated by the Assured Guaranty Settlement. While draft direction letters have
10 been circulated, the Indenture Trustee has not finalized same with Assured Guaranty. The Plan
11 may not become effective without such acceptable direction letters.

12 **Conclusion**

13 The Indenture Trustee will continue to work with all the parties to the Plan Documents
14 to resolve the above supplemental limited objections. The Indenture Trustee reserves the right to
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1 submit a supplemental objection on or prior to the confirmation hearing to the extent any
2 supplemental Plan Supplements fail to resolve these limited objections to the Indenture Trustee's
3 satisfaction.

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5 Dated: April 25, 2014

6 /s/ William W. Kannel
7 William W. Kannel (*admitted pro hac vice*)
8 Michael Gardener (*admitted pro hac vice*)
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17 Attorneys for Wells Fargo Bank, National
18 Association, as Indenture Trustee
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SCHEDULE 1

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 A (Water System Capital Improvement Project)

- 1 13. City of Stockton South Stockton Community Facilities District No. 90-1 2005
2 Special Tax Refunding Bonds
- 3 14. Stockton Public Financing Authority Refunding Revenue Bonds (2005
4 Assessment Districts Refinancing) Series A Senior Lien Bonds and Series B
5 Subordinate Lien Bonds, including claims related to those certain:
 - 6 a. City of Stockton Limited Obligation Refunding Bond Blossom Ranch
7 Assessment District No. 93-1 (Reassessment and Refunding of 2005)
 - 8 b. City of Stockton Limited Obligation Refunding Bond La Morada Assessment
9 District No. 96-4 (Reassessment and Refunding of 2005)
 - 10 c. City of Stockton Limited Obligation Refunding Bond Morada North
11 Assessment District No. 2002-01 (Reassessment and Refunding of 2005)
 - 12 d. City of Stockton Limited Obligation Refunding Bond Morada Ranch
13 Assessment District No. 2000-01 (Reassessment and Refunding of 2005)
 - 14 e. City of Stockton Limited Obligation Refunding Bond Waterford Estates East
15 Assessment District No. 2002-03 (Reassessment and Refunding of 2005)
- 16 15. City of Stockton Community Facilities District No. 90-2 (Brookside Estates) 2005
17 Special Tax Refunding Bonds
- 18 16. Stockton Public Financing Authority Revenue Bonds (Redevelopment Projects)
19 2006 Series A, Taxable Revenue Bonds (Redevelopment Projects) 2006 Series B,
20 and Taxable Revenue Bonds (Housing Projects) 2006 Series C
- 21 17. Stockton Public Financing Authority 2006 Lease Revenue Refunding Bonds,
22 Series A
- 23 18. City of Stockton Community Facilities District No. 1 (Weston Ranch) Special
24 Tax Refunding Bonds, Series 2006
- 25 19. City of Stockton Spanos Park West Community Facilities District No. 2001-1
26 Special Tax Refunding Bonds, Series 2006
- 27 20. City of Stockton Community Facilities District No. 2006-1 (Riverbend) Special
28 Tax Bonds, Series 2006
21. City of Stockton Community Facilities District No. 2006-3 (Northbrook)
Woodside Improvement Area 1 Special Tax Bonds, Series 2007
22. City of Stockton Arch Road East Community Facilities District No. 99-02 2007
Special Tax Bonds

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- 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