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7 *Income Fund and Franklin California High*
8 *Yield Municipal Fund*

9 **UNITED STATES BANKRUPTCY COURT**
10 **EASTERN DISTRICT OF CALIFORNIA**
11 **SACRAMENTO DIVISION**

12 In re:
13 CITY OF STOCKTON, CALIFORNIA,
14 Debtor.

Case No. 12-32118 (CMK)
D.C. No. OHS-15
Chapter 9
Adv. Proceeding No. 13-02315-C

16 WELLS FARGO BANK, NATIONAL
ASSOCIATION, FRANKLIN HIGH
17 YIELD TAX-FREE INCOME FUND,
AND FRANKLIN CALIFORNIA HIGH
18 YIELD MUNICIPAL FUND,

19 Plaintiffs.

20 v.

21 CITY OF STOCKTON, CALIFORNIA,
22 Defendant.

FRANKLIN HIGH YIELD TAX-FREE INCOME FUND AND FRANKLIN CALIFORNIA HIGH YIELD MUNICIPAL FUND'S EVIDENTIARY OBJECTIONS TO DIRECT TESTIMONY DECLARATION OF SUSAN WREN IN SUPPORT OF CONFIRMATION OF 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.
Dept: C, Courtroom 35
Judge: Hon. Christopher M. Klein

1 Franklin High Yield Tax-Free Income Fund and Franklin California High Yield Municipal
 2 Fund (collectively, “Franklin”) respectfully submit the following evidentiary objections to the
 3 *Direct Testimony Declaration Of Susan Wren In Support of Confirmation Of First Amended Plan*
 4 *For The Adjustment Of Debts Of City Of Stockton, California (November 15, 2013)* [Docket
 5 Nos. 1382 and 1386 / Adv. Pro. Docket Nos. 77-78].

PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
6 7 4. <u>It is likely the Properties will be unable to</u> 8 <u>generate profit in the foreseeable future.</u> 9 <u>Substantial investment in capital improvements</u> 10 <u>and deferred maintenance is required at all of the</u> 11 <u>Properties, but even then may still not remedy the</u> 12 <u>financial performance of the Properties.</u> The 13 significant impact of the years long recession and 14 subsequent bankruptcy case have caused the City 15 to forego important maintenance and capital 16 improvement projects at the Properties. As a 17 result, the Properties are now in need of serious repair. The extent and projected cost of necessary capital improvements and deferred maintenance at the properties is detailed in the Direct Testimony Declaration Of Tom Nelson Rebutting Expert Report Of Frederick E. Chin (“Nelson DTD”) and the Direct Testimony Declaration of Michael Cera Rebutting Expert Report Of Frederick E. Chin (“Cera DTD”), which are being submitted concurrently.	Franklin objects to the underlined portions of this paragraph because they lack foundation. FED. R. EVID. 602. Franklin also objects to the admission of these statements because they contain improper opinion testimony that is not rationally based on Ms. Wren’s perception and is not helpful to clearly understand Ms. Wren’s testimony or to determine a fact in issue. FED. R. EVID. 701. Franklin incorporates herein its concurrently-filed <i>Evidentiary</i> <i>Objections To Direct Testimony</i> <i>Declaration Of Tom Nelson Rebutting</i> <i>Expert Report Of Frederick E. Chin</i> and <i>Evidentiary Objections To Direct Testimony</i> <i>Declaration of Michael Cera Rebutting</i> <i>Expert Report Of Frederick E. Chin.</i>
18 10. During my deposition on March 11, 2014, 19 counsel for Franklin asked if I was aware that the 20 City had received a response to the RFP that 21 offered to take on a lease of the courses. I 22 answered that I was not aware of such a response. 23 I was not a member of the Community Services 24 Department at the time the RFP responses were 25 received, and did not know of any response that 26 offered a lease deal. Following my deposition, I 27 investigated the responses to the RFP. <u>I learned</u> 28 <u>that in total, the City received five RFP responses.</u> <u>Four were offers to manage the courses for a fee.</u> <u>The fifth response, from Sycamore Landscaping</u> <u>Corporation (“Sycamore”), was an offer to lease</u> <u>one or both courses.</u> A true and correct copy of the pricing related portion of Sycamore’s response is attached hereto as Exhibit F . True and correct copies of the pricing-related portions of the RFP responses from Kemper, Casper Golf, FM Golf/Valley Crest, and CourseCo are attached hereto as Exhibit G .	Franklin objects to the underlined portions of this paragraph to the extent offered for the truth of the matters asserted, as they consist of inadmissible hearsay. FED. R. EVID. 801, 802.

PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
<p>11. Sycamore proposed to lease both courses for a total of \$54,000 per year (\$48,000 for Swenson and \$6,000 for Van Buskirk), with a 60/40 profit sharing for both. In its response, Sycamore estimated that the City would receive \$72,252 annually on account of the new leases. <u>This offer, which was preliminary and lacking in a number of other details such as the lease term, was not attractive to the City for a number of reasons. Primarily, the City was doubtful that the courses, which were losing money every year, would suddenly turn a profit (the RFP did not include historical operating results showing losses at the courses). Based on the insufficient consideration offered the City and on Sycamore's relative lack of experience in managing golf courses, the City chose not to pursue this offer.</u></p>	<p>Franklin objects to the statements in this paragraph because Ms. Wren's description of the Sycamore proposal is not the best evidence of the contents of that document. FED. R. EVID. 1002. Franklin objects to the underlined portions of this paragraph to the extent offered for the truth of the matters asserted, as they consist of inadmissible hearsay. FED. R. EVID. 801, 802.</p>

Dated: April 25, 2014

JONES DAY

By: /s/ Joshua D. Morse
 James O. Johnston
 Joshua D. Morse
 Charlotte S. Wasserstein

*Attorneys for Franklin High Yield Tax-Free
 Income Fund and Franklin California High
 Yield Municipal Fund*