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9 UNITED STATES BANKRUPTCY COURT
10 EASTERN DISTRICT OF CALIFORNIA
11 SACRAMENTO DIVISION
12

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

Case No. 12-32118
D.C. No. OHS-1
Chapter 9

16 **STIPULATION AND ORDER**
17 **REGARDING ADMISSION OF POLICE**
18 **EVIDENCE AT EVIDENTIARY**
19 **HEARING ON OBJECTIONS TO THE**
20 **CITY'S ELIGIBILITY FOR RELIEF**
21 **UNDER CHAPTER 9 OF THE**
22 **BANKRUPTCY CODE**

23 IT IS HEREBY STIPULATED AND AGREED by the undersigned parties in interest in the
24 above-captioned bankruptcy case (collectively, the "Parties"), namely the City of Stockton,
25 California (the "City"), Assured Guaranty Corp., Assured Guaranty Municipal Corp. (with Assured
26 Guaranty Corp., "Assured"), Wells Fargo Bank, National Association as Indenture Trustee,
27 National Public Finance Guarantee Corporation ("National"), and Franklin High Yield Tax-Free
28 Income Fund and Franklin California High Yield Municipal Fund (collectively, the "Objecting
Parties"), that the following provisions shall govern the treatment of certain evidence during the

RECEIVED

March 18, 2013

CLERK, U. S. BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
0004706282

1 March 25, 2013 evidentiary hearing concerning the objections to the City's eligibility for relief
2 under chapter 9 of the Bankruptcy Code filed in this bankruptcy case (the "Evidentiary Hearing"):

3 1. The City submits the Declaration and Report of Justin McCrary [Docket No. 709],
4 and associated exhibits and deposition testimony, in lieu of direct testimony at the Evidentiary
5 Hearing. The Objecting Parties will be free to designate portions of the March 12, 2013 deposition
6 testimony of Justin McCrary as cross-examination of Justin McCrary. By March 18, 2013, the City
7 may counter-designate portions of the March 12, 2013 deposition testimony of Justin McCrary as
8 re-direct of Justin McCrary. Unless the Court otherwise directs, Justin McCrary does not need to
9 appear at the Evidentiary Hearing.

10 2. The Objecting Parties submit the Declaration and Report of Joseph Brann [Docket
11 Nos. 643, 644] and the Declaration and Report of David Neumark [Docket No. 637], and their
12 associated exhibits and deposition testimony, in lieu of their direct testimony at trial. The City will
13 be free to designate portions of the January 24, 2013 deposition testimony of Joseph Brann and the
14 February 5, 2013 deposition testimony of David Neumark as its cross-examination of these two
15 individuals. By March 18, 2013, the Objecting Parties may counter-designate portions of the
16 January 24, 2013 deposition testimony of Joseph Brann and the February 5, 2013 deposition
17 testimony of David Neumark as re-direct of these two individuals. Unless the Court otherwise
18 directs, these individuals do not need to appear at the Evidentiary Hearing. (The various
19 Declarations and reports of Messrs. Brann, Neumark, and McCrary, along with associated exhibits
20 from their reports and any designated portions of their deposition testimony, are called the "Police
21 Evidence").

22 3. All Daubert motions filed with respect to Messrs. Brann, Neumark, and McCrary
23 shall be deemed withdrawn. The City's Objections to the evidence presented by Messrs. Brann and
24 Neumark shall be deemed withdrawn, and the Objecting Parties' Objections to the evidence
25 presented by Mr. McCrary shall be deemed withdrawn.

26 4. The parties are free to make arguments based on the Police Evidence as submitted.

27 5. The Court as fact finder will consider evidentiary issues in the context of making its
28 rulings in this case and will give the evidence the weight the Court believes it deserves, and the

1 parties are free to comment upon the perceived reliability, or lack thereof, of any of the Police
2 Evidence. Nothing in this agreement may be construed as a waiver by any party of its right to
3 assert evidentiary objections or Daubert objections in subsequent contested matters or adversary
4 proceedings, including plan confirmation.

5 6. Notwithstanding anything to the contrary above, this Stipulation and Order shall
6 have no impact on the *Motion In Limine Of Assured Guaranty Corp. And Assured Guaranty*
7 *Municipal Corp. To Exclude Hearsay Statements In Declaration Of Eric Jones* [Docket No. 773],
8 *National Public Finance Guarantee Corporation's Motion In Limine #1 To Exclude Any Evidence*
9 *Or Argument Concerning The Rationale For The City Of Stockton, California's Decision Not To*
10 *Negotiate With Or To Seek To Impair The California Public Employees' Retirement System Prior*
11 *To The Filing Of This Chapter 9 Petition* [Docket No. 757] or *National Public Finance Guarantee*
12 *Corporation's Motion In Limine #2 To Exclude Any Evidence Generated Postpetition Concerning*
13 *The Rationale For The City Of Stockton, California's Decision Not To Negotiate With Or To Seek*
14 *To Impair The California Public Employees' Retirement System Prior To The Filing Of This*
15 *Chapter 9 Petition* [Docket No. 764] (collectively, the "Motions"), which are scheduled to be heard
16 by this Court on March 20, 2013. To the extent any Motion is granted, notwithstanding this
17 Stipulation and Order the parties reserve their ability to argue, based on the ruling(s) on that
18 Motion(s), that Police Evidence is therefore inadmissible, but any such arguments shall be based
19 only on the ruling(s) at issue and shall not otherwise disturb this Stipulation and Order. For the
20 avoidance of doubt, parties are free to cite to the Police Evidence in connection with the Motions or
21 response thereto, and a party may argue that the Police Evidence implicated by such Motions, if
22 any, is not admissible in the context of such Motions and responses.

23 MISCELLANEOUS

24 7. Any failure of a Party to comply timely with this order may result in one or more of
25 the following sanctions: judgment against such Party, removal of the Evidentiary Hearing from
26 calendar, exclusion of evidence or imposition of monetary or non-monetary sanctions under Fed. R.
27 Bankr. P. 7016.

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1 8. Upon good cause shown, and on notice to all Parties, any Party may seek to have this
2 Order modified by the Court.

3 9. This Stipulation and Order may be executed in multiple counterparts by facsimile or
4 .pdf signature, all of which shall constitute one agreement and which shall be binding on all Parties
5 hereto.

6 **IT IS SO STIPULATED.**

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8 Prepared by: ORRICK, HERRINGTON & SUTCLIFFE LLP

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10 Dated: March 18, 2013 By /s/ Norman C. Hile
Norman C. Hile
Attorneys for City of Stockton, Debtor

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12 Approved as to Form and Content: SIDLEY AUSTIN LLP

13
14 Dated: March 18, 2013 By /s/ Guy S. Neal
Guy S. Neal
Attorneys for Assured Guaranty Corp. and
Assured Guaranty Municipal Corp.

15
16 Approved as to Form and Content: WINSTON & STRAWN LLP

17
18 Dated: March 18, 2013 By /s/ Matthew M. Walsh
Matthew M. Walsh
Attorneys for National Public Finance
Guarantee Corporation

19
20 Approved as to Form and Content: JONES DAY

21
22 Dated: March 18, 2013 By /s/ Joshua D. Morse
Joshua D. Morse
Attorneys for Attorneys for Franklin High Yield Tax-
Free Income Fund and Franklin California High Yield
Municipal Fund

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1 Approved as to Form and Content:

MINTZ LEVIN COHN FERRIS GLOVSKY AND
POPEO P.C.

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3 Dated: March 18, 2013

By /s/ Michael Gardener
Michael Gardener
Attorneys for Wells Fargo Bank,
National Association

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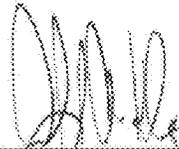
ORDER

PURSUANT TO THE STIPULATION OF THE PARTIES,

IT IS HEREBY ORDERED that the *Stipulation And Order Regarding Admission Of Police Evidence At Evidentiary Hearing On Objections To The City's Eligibility For Relief Under Chapter 9 Of The Bankruptcy Code* entered into by the Parties to this action is deemed an Order of the Court.

IT IS SO ORDERED.

Dated: March 18, 2013



United States Bankruptcy Judge

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