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15 *Counsel for*
16 *Franklin Advisers, Inc.*

17 UNITED STATES BANKRUPTCY COURT
18 EASTERN DISTRICT OF CALIFORNIA
19 SACRAMENTO DIVISION

20 In re:
21 CITY OF STOCKTON, CALIFORNIA,
22 Debtor.

23) Case No. 12-32118 (CMK)
24)
25) DC No: OHS-1
26)
27) Chapter 9

28) **FRANKLIN ADVISERS, INC.'S OBJECTION**
29) **TO (A) THE CITY OF STOCKTON'S**
30) **STATEMENT OF QUALIFICATIONS AND**
31) **ELIGIBILITY TO BE A CHAPTER 9**
32) **DEBTOR PURSUANT TO SECTIONS 109(c)**
33) **AND 921(c) OF THE BANKRUPTCY CODE;**
34) **AND (B) ENTRY OF AN ORDER FOR**
35) **RELIEF PURSUANT TO SECTION 921(d) OF**
36) **THE BANKRUPTCY CODE**

37) Status Conference

38) Date: Thursday, August 23, 2012
39) Time: 10:00 a.m.
40) Place: United States Courthouse,
41) Dept. A, Courtroom 28
42) 501 I Street
43) Sacramento, CA 95814

1 In accordance with the Court's *Order Directing And Approving Form Of Notice And Setting*
2 *Deadline For Filing Objections To The City Of Stock, California's Petition* [Docket No. 299],
3 Franklin Advisers, Inc. ("Franklin"), a creditor of the City of Stockton (the "City"), hereby objects to
4 (A) the *Statement Of Qualifications Under Section 109(c)* [Docket No. 5 / OHS-1] (the "Statement")
5 filed by the City on June 28, 2012 (the "Petition Date") and the City's *Voluntary Petition* (the
6 "Petition") pursuant to chapter 9 of title 11 of the United States Code (the "Bankruptcy Code"); and
7 (B) the entry of an order for relief under section 921(d) of the Bankruptcy Code, in each case on the
8 ground that the City has not proven that it qualifies to be a debtor under sections 109(c) and/or
9 section 921(c) of the Bankruptcy Code.

10 In support of this Objection, Franklin answers the Statement as follows:

11 1. Franklin admits the allegation in paragraph 1 of the Statement that "[t]he City is a
12 municipality, as such term is defined in Section 101(40)" of the Bankruptcy Code.

13 2. Franklin denies the allegation in paragraph 2 of the Statement that "[t]he City is
14 specifically authorized in its capacity as a municipality to be a debtor under chapter by the laws of
15 the State of California." Specifically, Franklin denies that "the City has negotiated in good faith" in
16 the "neutral evaluation process" conducted pursuant to section 53760 of the California Government
17 Code, as alleged in the second sentence of paragraph 2 of the Statement. Among other things,
18 Franklin alleges that the City's failure to negotiate with, and to seek any concessions from, the
19 California Public Employees' Retirement System ("CalPERS") during and as part of the neutral
20 evaluation process disqualifies the City from authorization under section 53760 of the California
21 Government Code. Franklin notes that the City has not responded to informal discovery requests
22 made by Franklin and other constituents intended, in part, to enable Franklin to test the City's
23 allegation of good faith.

24 3. Franklin lacks knowledge or information sufficient to form a belief as to the truth of
25 the allegation in paragraph 3 of the Statement that "[t]he City is insolvent within the meaning of
26 Section 101(32)(C)" of the Bankruptcy Code and on that basis denies such allegation. Franklin notes
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28

1 that the City has not responded to informal discovery requests made by Franklin and other
2 constituents intended, in part, to enable Franklin to test the City’s allegation of insolvency.

3 4. Franklin admits the allegation in paragraph 4 of the Statement that “[t]he City desires
4 to effect a plan to adjust its debts.”

5 5. In response to subsection (a) of paragraph 5 of the Statement, Franklin denies the
6 allegation that the City “has negotiated in good faith” with its creditors. Among other things,
7 Franklin alleges that the City lacks good faith due to its failure to negotiate with, and to seek any
8 concessions from, CalPERS during its pre-bankruptcy negotiations with creditors. Franklin notes
9 that the City has not responded to informal discovery requests made by Franklin and other
10 constituents intended, in part, to enable Franklin to test the City’s allegation of good faith. Franklin
11 lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained
12 in subsection (b) of paragraph 5 of the Statement and on that basis denies them.

13 6. The foregoing objections are based on information currently available to Franklin.
14 Additional information has been requested from the City. As of the date hereof, however, the City
15 has not provided such information to Franklin. Franklin therefore expressly reserves the right amend
16 this Objection to allege additional objections and/or defenses to the Statement and the City’s Petition
17 based upon information obtained in its ongoing investigation of the City and in discovery regarding
18 this matter.

19 7. Franklin further joins in the objections filed by Assured Guaranty Corp., Assured
20 Guaranty Municipal Corp., and National Public Finance Guarantee Corporation. Franklin also
21 expressly reserves the right to amend this Objection to allege additional objections and/or defenses
22 to the Statement and the Petition based on grounds raised by other parties in interest or otherwise.

1 WHEREFORE, for the foregoing reasons, Franklin objects to the City's Statement and
2 Petition and to the entry of an order for relief under section 921(d) of the Bankruptcy Code, in each
3 case on the ground that the City has not proven that it qualifies to be a debtor under sections 109(c)
4 and/or 921(c) of the Bankruptcy Code.

5
6 Dated: August 9, 2012

JONES DAY

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8 By: /s/ James O. Johnston

James O. Johnston

9 Joshua D. Morse

10 *Counsel for*
11 *Franklin Advisers, Inc.*