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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)
Chapter 9

15 **STIPULATION FOR ORDER**
16 **CONFIRMING LACK OF**
17 **PREJUDICE TO FRANKLIN HIGH**
18 **YIELD TAX-FREE INCOME FUND**
19 **AND FRANKLIN CALIFORNIA**
20 **HIGH YIELD MUNICIPAL FUND**
21 **AND LACK OF PREJUDICE TO**
22 **RETIRES BY NOT OBJECTING**
TO THE ALLOWANCE OF
RETIREE HEALTH BENEFIT
CLAIMS LISTED ON THE
AMENDED CREDITOR LIST

Date: May 12, 2014
Time: 9:30 a.m.
Dept: Courtroom 35
Judge: Hon. Christopher M. Klein

1 The City of Stockton, California (the “City”), the debtor in the above-captioned chapter 9
 2 bankruptcy case, Franklin California High Yield Municipal Fund and Franklin High Yield Tax-Free
 3 Income Fund (collectively “Franklin”), and the Official Committee of Retirees appointed in this
 4 bankruptcy case (the “Retirees Committee,” and, together with the City and Franklin, the
 5 “Stipulating Parties”), by and through their respective attorneys of record, seek an order approving
 6 the following stipulation (this “Stipulation”) regarding the *Amended List of Creditors And Claims*
 7 *Pursuant To 11 U.S.C. §§ 924 and 925 (Retiree Health Benefit Claims)* [Docket No. 1150] (the
 8 “Amended List of Creditors”):

9 **RECITALS**

- 10 1. On October 16, 2013, the City filed the Amended List of Creditors.
- 11 2. On February 26, 2014, Franklin filed the *Summary Objection Of Franklin California*
 12 *High Yield Municipal Fund And Franklin High Yield Tax-Free Income Fund To Confirmation Of*
 13 *First Amended Plan Of Adjustment Of Debts Of City Of Stockton, California (November 15, 2013)*
 14 [Docket No. 1273] (the “Summary Objection”).
- 15 3. Pursuant to the Summary Objection, Franklin, among other things, objects to the
 16 manner in which the Retiree Health Benefit Claims¹ are calculated by agreement of the City and the
 17 Retirees Committee as set forth on the Amended List of Creditors. Specifically, Franklin objects to
 18 the fact that the City did not discount to present value its alleged liability in respect of the Retiree
 19 Health Benefit Claims.
- 20 4. The hearing before the Bankruptcy Court to consider confirmation of the Plan is
 21 scheduled to begin on May 12, 2014 (the “Confirmation Hearing”). Franklin intends to pursue its
 22 objection to confirmation of the Plan at the Confirmation Hearing, based in part on the manner in
 23 which the Retiree Health Benefit Claims have been calculated by the City.
- 24 5. As a party in interest in this bankruptcy case, Franklin has the right to object to the
 25 allowance of the Retiree Health Benefit Claims listed on the Amended List of Creditors and is
 26 prepared to do so.

27 ¹ Capitalized terms not defined have the meanings given to them in the *First Amended Plan For The Adjustment Of*
 28 *Debts Of City Of Stockton, California (November 15, 2013)* [Docket No. 1208] (the “Plan”).

STIPULATION

In order to avoid the inefficiency, confusion and expense that would result from the prosecution of claim objections against approximately 1,100 individual Retiree Health Benefit Claimants, the Stipulating Parties hereby agree as follows:

A. Neither the City nor the Retirees Committee shall argue or contend that Franklin’s failure to object to the allowance of the Retiree Health Benefit Claims listed on the Amended List of Creditors on the grounds that they have not been discounted to present value has estopped or otherwise prejudiced Franklin from arguing that such claims should be discounted to present value in the context of prosecuting its objection to confirmation of the Plan at the Confirmation Hearing.

B. Any ruling made by the Court regarding the Retiree Health Benefit Claims in the context of confirmation shall not constitute an order of disallowance or modification of the Retiree Health Benefit Claims and shall not preclude any Retiree Health Benefit Claimant from asserting that Retiree Health Benefit Claims should not be discounted to present value in any objection to a Retiree Health Benefit Claim or in connection with any other action or proceeding to change the allowed amount of any Retiree Health Benefit Claim. Any objection to the allowance of the Retiree Health Benefit Claims, or any modification of the Amended List of Creditors, shall be made on notice to the holders of such claims in accordance with the applicable provisions of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure.

Dated: April 11, 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*

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Dated: April 11, 2014

ORRICK, HERRINGTON & SUTCLIFFE LLP

By: /s/ Marc A. Levinson
Marc A. Levinson

Attorneys for the City of Stockton

Dated: April 11, 2014

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