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BANKRUPTCY COURT DENIES RETIREES COMMITTEE'S MOTION TO DISMISS CASE OR ESTABLISH A DEADLINE FOR CITY TO FILE PLAN OF ADJUSTMENT

Today, United States Bankruptcy Judge Michael McManus denied the motion filed by the Official Unsecured Creditors' Committee of City of Vallejo Retirees to dismiss the chapter 9 case, or, in the alternative, to establish a November 30, 2009 deadline for the City to file a plan of adjustment.

Judge McManus concluded that the Committee failed to provide a factual or legal basis in support of its motion. In his ruling, the Judge found that the City is making progress without the need for the court "unnecessarily injecting itself into the reorganization process." He also emphasized that labor costs were a significant portion of the City's finances, and that it was essential negotiations with labor continue without imposing an unrealistic deadline. On February 1, 2010 the parties will appear in court and update Judge McManus on the City's progress toward proposing a plan.

The City is pleased with the Judge's ruling, and will continue in its negotiations with the International Association of Firefighters and the International Brotherhood of Electrical Workers on defining new labor contracts. Restructuring the City's labor costs are an essential element of any plan of adjustment that will enable the City to achieve long term financial stability and to successfully emerge from bankruptcy.

More information regarding the City of Vallejo bankruptcy case can be found on the city website at www.ci.vallejo.ca.us.