



September 18, 2012

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VIA EMAIL AND REGULAR MAIL

Charles D. Sakai, Esq.
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350 Sansome Street, 3rd Floor
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**Re: New Employee Retirement
File No. 039166**

Dear Charles:

Following up a voice message I left for you this morning, I want to confirm that the POA selects John Robb as its interest arbitration panel member, pursuant to Charter section 1111.

Additionally, the POA is not prepared, at this time, to agree to use Judge Flaherty. The POA believes it is appropriate to follow the steps required by Charter section 1111. Accordingly, I believe the next step is for the panelists to meet to discuss selection of a neutral third panelist.

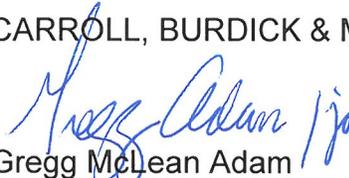
Finally, I believe the parties should get together to discuss, in more detail, the City's current proposal. The POA has a number of questions about what happens under certain circumstances under the City's proposal. We are also concerned about whether the City's proposal would constitute a legitimate defined benefit plan under IRS rules.

Charles D. Sakai, Esq.
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I look forward to discussing with you whether the City has secured any legal opinion, either direct from the IRS or from another source, about whether a proposed defined benefit plan that provides no vested benefit is permissible under the IRS rules.

Very truly yours,

CARROLL, BURDICK & McDONOUGH LLP

A handwritten signature in blue ink, appearing to read "Gregg McLean Adam" with a stylized flourish at the end.

Gregg McLean Adam

Dictated by him and signed in his absence.

GMA:jo

cc: Jim Unland, President, SJPOA
John Robb, Vice President, SJPOA
Franco Vado, Chief Financial Officer, SFPOA