

OFFICE OF
THE CITY ATTORNEY
CITY OF SAN DIEGO
MICHAEL J. AGUIRRE
CITY ATTORNEY

CIVIL DIVISION
1200 THIRD AVENUE, SUITE 1620
SAN DIEGO, CALIFORNIA 92101-4178
TELEPHONE (619) 236-6220
FAX (619) 236-7215

August 31, 2007

Kelly C. Bowers
Senior Assistant Regional Director
Securities and Exchange Commission
Los Angeles Regional Office
5670 Wilshire Blvd., 11th Floor
Los Angeles, CA 90036-3648

RE: Adverse Domination of the City of San Diego

Dear Mr. Bowers:

This letter comes in response to your letter dated July 23, 2007 to Mssrs. Hartigan and Keller. In that correspondence you noted that, to date, implementation of policies, procedures and internal controls necessary to effect the Commission's November 14, 2006 cease-and-desist order have been slow to be achieved. One of the reasons I believe for the lack of speed in implementing and updating the City's policies, procedures and internal controls is due to the fact that the City is still controlled by council members who participated in the wrongful acts that placed the City in this state.

Specifically, between 1996 and 2004, City officials engaged in a pattern of behavior designed to conceal the debt created by the granting of certain pension and retiree health care benefits while at the same time intentionally underfunding the pension system. The City officials who engaged in these unlawful acts cannot be expected to police themselves and undo their own unlawful acts. Today, the City Council has four members who took part in the acts that form the basis of the Commission's cease-and-desist order. Consequently, from 1996 to date, the City of San Diego's government has been adversely dominated by those who engaged in the unlawful conduct that needs to be set aside. These individuals are working in concert to frustrate, and have frustrated efforts to set aside the unlawful pension benefits in further violation of their fiduciary duties to the City.

I have attached a report that explains how City officials violated their fiduciary duties to the City in granting certain pension and retiree health care benefits in violation of local, state and Constitutional law. This report also explains how the City has been adversely dominated by the wrongdoing of City officials who have interfered and obstructed the ability of the City to set

aside the illegal pension and retiree health debt. Further this report shows how City officials squandered millions of taxpayer dollars in attorneys and consulting fees in a vain effort to escape responsibility for their unlawful behavior.

I ask that the Commission review and incorporate the information in the accompanying document when it reviews the upcoming report submitted by the City's monitor; and seriously consider this information in the decision making process to determine whether or not the City's policies, procedures and internal controls are adequate to prevent another securities fraud violation. I encourage the Commission to take enforcement action against those who have violated the federal securities laws.

Very truly yours,



MICHAEL J. AGUIRRE
City Attorney

MJA:meb