

March 20, 2015

Via E-mail and Overnight Mail

Anthony R. Taylor, Esq.
Aleshire & Wynder LLP
18881 Von Karman Avenue
Suite 1700
Irvine, CA 92612
ataylor@awattorneys.com

RE: Gafcon, Inc.

Dear Mr. Taylor:

The City of Irvine's (the "City") website now publicizes the imminent release of the final audit report and the report's discussion is listed on the City Council's agenda for Tuesday, March 24, 2015. You have failed to honor your agreement to provide Gafcon with notice of the allegations and evidence against it and permit any meaningful opportunity to respond. It is deeply concerning that your office and HSNO are issuing audit findings without seeking responses, much less testimony, from Gafcon regarding material issues concerning Gafcon that are to be addressed in your report. The audit process has been biased and politically-motivated, and you have not engaged in legitimate fact-finding procedures.

The City announced the involvement of retired Judge Nancy Wieben Stock in this audit to add legitimacy to the process. Thereafter, Gafcon twice requested a meeting with Judge Wieben Stock in letters dated February 23, 2015 and March 17, 2015. Yesterday, I sent an e-mail to Judge Wieben Stock again requesting a meeting. I received the following response from Judge Wieben Stock this morning declining to meet with Gafcon:

It appears that the timing will not permit a meaningful endeavor such as this, as I am informed that the Final Audit Report(s) prepared by Aleshire & Wynder and HSNO have just been agendaized for the City Council's consideration this Tuesday. This morning I received a copy of the Staff Report indicating this. A copy would be available on the City website.

Gafcon is deeply disappointed that it was not provided an opportunity to meet with Judge Wieben Stock despite making three requests. We understand that Judge Wieben Stock met with other interested parties to this audit whose meeting requests were made after Gafcon made its initial request. As Judge Wieben Stock has been touted by the City as adding legitimacy to this audit, your final report should reflect that Judge Wieben Stock did not respond to Gafcon's requests to meet until

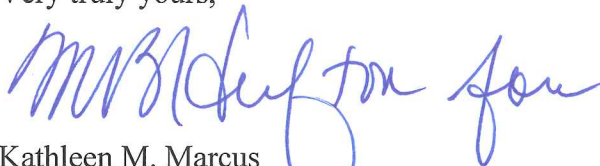
Anthony R. Taylor, Esq.
March 20, 2015
Page Two

it was too late for any meeting to be “meaningful.”

Finally, on Monday, March 16, 2015, you provided a letter dated February 5, 2015 from counsel to Bovis Lend Lease (“Bovis”) which makes a vague and general reference to some alleged “billing irregularities” by the Design Studio. Your cover e-mail suggested that Gafcon may want to respond to this letter “for the audit.” You provided this letter with no context, no details about the allegation to which Bovis’ counsel was responding, and no information about which invoices are being discussed or when such billing issues occurred. In effect, you provided Gafcon with a generally negative statement by Bovis’ counsel to which Gafcon cannot possibly counter without further details. This does not constitute full notice of an allegation, and does not fulfill your agreement with Gafcon.

Moreover, despite having possessed this letter for more than one month, you failed to provide it to Gafcon until this week, just one day before the letter was released to the public as an exhibit to Mayor Larry Agran’s deposition. Given that your final audit report will be released by Tuesday, and presumably already is in final or near-final form, it is clear you are not actually seeking to audit any billing irregularities or make any factual determinations about a potential disagreement between City contractors. Any reference to this Bovis letter in your final audit report will be a blatant example of this audit’s lack of due process, diligence and legitimate investigation into the facts.

Very truly yours,



Kathleen M. Marcus
STRADLING YOCCA CARLSON & RAUTH, P.C.

KMM:mbh