



January 16, 2015

Jeffrey Epstein
Owner
Nautilus, Inc.
6100 Red Hook Quarter, Suite B3
St. Thomas, U. S. Virgin Islands 00802

Via E-mail: [REDACTED]

**RE: FEE PROPOSAL FOR ARCHITECTURAL-ENGINEERING SERVICES FOR LITTLE ST. JAMES CAY,
ST. JOHN, U. S. VIRGIN ISLANDS**

Dear Mr. Epstein,

The Jaredian Design Group is pleased to submit our fee proposal for professional architectural-engineering services for Nautilus, Inc., related to Little St. James Cay, St. John, U. S. Virgin Islands. We understand the Scope as being the construction of two new structures. They are:

- The construction of a new 60 FT x 120 FT Maintenance Shop to be located near the existing engineering site area. This structure shall be a replacement structure for the existing "tunnel" workshop near the entrance dock to the island. There will need to be some site analysis studies related to the siting of this structure and its relationship to existing construction. That is to say, whether some of the existing maintenance buildings will be expanded or possibly demolished, and a new structure constructed in their stead with a larger footprint. While the maintenance building is a fairly straight forward structure, the reorganization of this site of the "Back-Of-House" operations from the main residential areas will be the key element of this project.
- The construction of a 8,000-square-foot residential structure to be located on the knoll near the existing helipad. This structure will replace the project you previously intended to do with the expansion of the existing Library at the main house. The preliminary program for this residential structure will include: a Living Room at approximately 30 FT x 60 FT, a Bathroom and Powder Room area at 30 FT x 30 FT, Bedroom to be approximately 25 FT x 25 FT, and Kitchen area approximately 20 FT x 40 FT. There will also be a courtyard area that will organize these spaces from a circulation point of view. There may be as well an additional pool incorporated into the design. It is our understanding that this structure will take advantage of the spectacular views of Pillsbury Sound to the east, north and west through the utilization of large, expansive areas of impact-resistant glass. Like all of the other structures on the island, it will be unique in its design.

In general, services to be performed by task are as follows:

PHASE I-PRE-DESIGN SERVICES AND CONCEPTUAL PLANNING:

- 1.1 The Architect will develop in conjunction with the Owner the final space plan requirements for each building. The space plan will establish the actual size of all spaces within the new buildings. The space plan program will be developed through a series of meetings with the Owner. These meetings will allow the Architect to develop the spatial requirements as well as all of the physical, electrical and mechanical criteria as well as special furnishings,

security requirements, architectural characteristics, accessibility requirements and all other features necessary to give the Owner a complete space program for the new construction.

- 1.2 The Conceptual Design will include a Master Plan and Concept Design that consists of a site plan, floor plans and Elevation Drawings. The Site Plan will show all major site components and it will depict the foot print of all adjacent existing and proposed new buildings and all structures affected by this project. The master site plan will also indicate all vehicular roads, all pedestrian walkways, all parking areas, all green spaces and all other site features that have an impact on the overall Master Plan. .

PHASE 2-PRELIMINARY DESIGN SERVICES:

- 2.1 The Architect shall provide Final Schematic Design Documents based on the mutually agreed-upon program, schedule, and budget for the overall Cost of the Work. The documents shall establish the preliminary design of the Project illustrating the scale and relationship of the Project components. The Final Schematic Design Documents shall include a site plan, and preliminary building plans, sections, elevations and renderings, as required. The Final Schematic Design Documents may also include perspective sketches, electronic modeling or any combinations of these media approaches. Preliminary selections of major building systems and construction materials shall be noted on the drawings and/or described in writing within the written Final Project Program.
- 2.2 The Architect shall assist the Owner in applying for Coastal Zone Management Permits for each building upon approval of the Preliminary Design Documents.

PHASE 3-CONSTRUCTION DOCUMENTS SERVICES:

- 3.1 The Architect shall provide Construction Documents based on the approved Preliminary Design Documents and updated budget for the Cost of the Work. The Construction Documents shall set forth in detail the requirements for construction of the Project for the development. The Construction Documents shall include Drawings and Specifications that establish in detail the quality levels of materials and systems required for the Project. These will include the following:
 - 3.1.1 Project specific Site Plan, Selective Demolitions Plans, Proposed Floor Plans, Roof Plan(s), Elevations, Sections, Interior Elevations, Structural Framing Plans, Schedules, and complete details along with complete Project Specifications.
 - 3.1.2 Secure all required Building Permits required prior to commencement of Construction.

PHASE 4-BIDDING AND NEGOTIATION SERVICES/CONSTRUCTION ADMINISTRATION SERVICES:

- 4.1 The Architect shall prepare and assist the Owner with the Bidding Documents that will consist of proposal requirements, proposed contract forms, General Conditions and Supplementary Conditions, Specifications and Drawings and any subsequent Negotiations. The Architect will assist the Owner with bidding and evaluations for contracting of the construction work.
- 4.2 The Contractor will provide Construction Phase Services. This Construction Administration Services by the Jaredian Design Group will include:
 - 4.2.1 Review and approve Building Contractor Submittals.
 - 4.2.2 Respond to the Building Contractor Requests For Information and clarification of the Construction Documents.
 - 4.2.3 Perform Substantial Completion Inspections.
 - 4.2.4 Perform Punch List Inspections.

COMPENSATION

The basis for the fee proposals prepared below by the Jaredian Design Group is developed from the effort anticipated to perform the work requested. This includes determining man-hours to be spent, and the number of drawings to be produced. In general, these costs generally range between 7-12% of the construction cost. As each construction project is different in its requirements and complexity, this is only a range to refer to in determining if the fee is within the industry standards for the work performed. At this stage of the project, only model unit costs can be used for determining the anticipated cost of construction. We anticipate the Maintenance Shop will be pre-engineered or simple metal framed structure that can be constructed for approximately \$200 per square foot, for a budget of \$1,440,000.00. The Residential Structure is specialized from a design stand point, and will be very customized in the use of its components and design features. The proposed preliminary budget for that structure is \$3,600,000.00, based on unit costs of \$450 per square foot. Thus, the Jaredian Design Group proposes the following fee proposals for the aforementioned tasks:

- **Maintenance Shop Design –**

○ Initial Payment	\$25,000.00
○ Pre-design and Conceptual Design	\$10,000.00
○ Preliminary Design Services	\$30,000.00
○ Final Design/Construction Documents	\$40,000.00
○ Bidding/Negotiations, Construction Administration Services ...	\$10,000.00

Total Design Fees/Maintenance Shop	\$115,000.00 (Approx. 8%)
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- **Residential Structure Design –**

○ Initial Payment	\$ 40,000.00
○ Pre-design and Conceptual Design	\$ 30,000.00
○ Preliminary Design Services	\$ 70,000.00
○ Final Design/Construction Documents	\$120,000.00
○ Bidding/Negotiations, Construction Administration Services ...	\$ 25,000.00

Total Design Fees/Residential Structure	\$285,000.00 (Approx. 8%)
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ACCEPTANCE OF SERVICES – To serve as acceptance of this proposal and written authorization to proceed, you may sign and return the enclosed copy of this letter.

The costs included in this proposal are valid for thirty (30) days from the date of submittal. If the contract is accepted after said period, Jaredian Design Group reserves the right to review and retain or modify the figures stated herein in order to appropriately reflect changing costs and salaries and similar economic consideration.

This document shall represent our total agreement and supersedes all prior representations. Any amendments shall be in writing and signed by Nautilus, Inc. Our understanding shall be construed under the laws of the Territory of the U. S. Virgin Islands

TIME SCHEDULES: Both projects shall be done simultaneously but will likely have different time schedules based upon their building programs. The following schedule is for each project:

- **Maintenance Shop Design –**
 - Pre-design and Conceptual Design 30 days
 - Preliminary Design 30 days
 - Final Design 45 days
 - Construction Administration Services TBD
- **Residential Structure Design –**
 - Pre-design and Conceptual Design 45 days
 - Preliminary Design 45 days
 - Final Design 60 days
 - Construction Administration Services TBD

We thank you for your consideration of the Jaredian Design Group for this project. We look forward to working with you and your Team once again on what promises to be an exciting project. Should you have any questions or comments, please feel free to call on me at 777-1600.

Very truly yours,

JAREDIAN DESIGN GROUP



John P. Woods, AIA, NCARB
Principal

Encl.: JDG's Standard Terms and Conditions

Cc: Cecile deJongh, Business Manager, Southern Financial Trust
LeRoy V. Smith, Jr., PE, Principal, Jaredian Design Group

ACCEPTANCE OF FEE PROPOSAL:

Name (Please Print)

Title (Please Print)

Date

Signature

The CLIENT and JAREDIAN DESIGN GROUP, LLC, (JDG) hereby agree as follows:

1. **CONTRACT** – The Contract is the Proposal, Agreement or Contract document that is signed and dated by JDG and the CLIENT and to which these Standard Terms and Conditions are appended by reference. This contract takes precedence over any standard conditions the client may have in place.
2. **COMPENSATION FOR SERVICES AND PAYMENT TERMS** – The CLIENT agrees to pay JDG in accordance with the payment terms in the Contract.
 - a. **FEE** – The total fee, except stated lump sum, shall be understood to be an estimate, based upon Scope Of Services, and shall not be exceeded by more than ten (10) percent, without written approval of the CLIENT. Where the fee arrangement is to be on an hourly basis, the rates shall be those that prevail at the time services are rendered.
 - b. **BILLING/PAYMENTS** - Invoices will be submitted monthly or upon completion of a specified scope, whichever is shorter, for services and reimbursable expenses and are due when received. Invoices shall be considered PAST DUE if not paid within 30 days after the invoice date and JDG may, without waiving any claim right against CLIENT, and without liability whatsoever to the CLIENT, terminate the performance of the service. Retainers shall be required for certain projects or under certain conditions and shall be credited on the final invoice. A late payment fee will be charged at 1.5% (or the legal rate) per month on the unpaid balance. In the event any portion of an account remains unpaid for 90 days after billing, the CLIENT shall pay cost of collection, including reasonable attorneys' fees and court costs.
 - c. **REIMBURSABLE EXPENSES** – Reimbursable expenses are expensed incurred directly or indirectly in connection with the project such as, but not limited to, transportation, meals, lodging for travel, long-distance telephone calls and facsimile transmissions, overnight deliveries, courier services, equipment rental, photographs and video supplies, testing laboratory services, permit and other license fees professional services, sales taxes, and the cost of reproductions beyond those normally required for coordination and information purposes. These expenses will be billed at cost plus a service charge of fifteen (15) percent.
3. **RIGHT-OF-ENTRY** – The CLIENT agrees to furnish JDG with the right-of-entry on the project site or represents and warrants, if the site is not owned by the CLIENT, that permission has been granted to make site reconnaissance, surveys, borings, and other exploration pursuant to the Scope Of Services in the Contract.

JDG will take reasonable precautions to minimize damage to the land from use of equipment, but has not included in the fee the cost for restoration of damage that may result from JDG's operations, unless specifically stated in the Contract.

4. **UNDERGROUND STRUCTURES** – Unless otherwise agreed, the CLIENT shall provide JDG with locations of buried utilities and other underground structures in areas of subsurface exploration. JDG will take reasonable precautions to avoid damage to the buried utilities and other underground structures noted. If locations are not known, are inaccurate, or cannot be confirmed by the CLIENT, then there will be a degree of risk to the CLIENT associated with conducting exploration. In the absence of confirmed underground structure locations, the CLIENT agrees to accept the risk of any damages and losses resulting from the exploration work.
5. **DOCUMENTS** – All reports, design drawings and specifications, field data and notes, laboratory test data, calculations, computer files, estimates, and other documents that JDG prepares as instruments of service shall remain JDG's property. The CLIENT agrees that JDG's services are on behalf of and for the exclusive use of the client and that all reports and other documents furnished to the CLIENT or its agents shall be utilized solely for this project.
6. **HAZARDOUS MATERIALS** – The Scope Of Services for this Contract does not include services relating to hazardous materials, as defined by federal, state and/or local laws or regulations. JDG is not insured for services related to the identification, containment or removal of asbestos or hazardous waste including pollutants, nor will we assume any liability for damages or costs related to these materials. If such materials are discovered during JDG's services, the CLIENT agrees to negotiate appropriate revisions to the Scope Of Service, the budget estimate, and the terms and conditions of the Contract. When such hazardous materials are suspected, JDG will have the option to stop services until a new agreement is reached. If a mutually satisfactory agreement cannot be reached between both parties, the Contract shall be terminated. The CLIENT agrees to pay JDG for all services rendered, including any costs associated with termination. The ownership of and responsibility for all contaminated materials, hazardous materials, and hazardous substances generated, released, uncovered, transported, and/or collected during JDG's services for the Contractor work tasks referred to herein will not be with JDG.
7. **CONSTRUCTION SERVICES** – The CLIENT recognizes that retaining JDG to perform construction phase engineering services such as the review of shop drawings and product submittals, and full-time construction observation services, is a normal and integral part of engineering services for the project, and that retaining JDG for these services can provide for the CLIENT a greater degree of confidence that the completed work of the Contractor will conform generally to the Contract Documents, that the integrity of the design concept as reflected in the Contract Documents has been implemented and preserved by the Contractor, and to minimize problems during construction. The CLIENT also recognizes that no entity is as familiar with the Contract Documents and their intent as JDG. Therefore, the CLIENT is urged to retain JDG to provide construction phase engineering services.

If JDG's construction observation services are included as part of the Scope Of Services in the Contract, JDG will provide personnel to observe construction to ascertain that it is being performed, in general, in accordance with the plans and specifications.

It is understood that, in accordance with generally accepted construction practices, the contractor and any

subcontractors will be solely and completely responsible for all construction activities, working conditions on the job site, including safety of all persons and property during the performance of the work, compliance with OSHA regulations, and quality of the work. Any monitoring of the contractor's performance conducted by JDG personnel is not intended to include review of the adequacy of the contractor's safety measures, in on, or near the construction site.

It is further understood that field services provided by JDG personnel will not relieve the contractor and any subcontractors of responsibilities for performing the work in accordance with applicable laws and regulations and in accordance with the Contract Documents.

Should the CLIENT not execute an agreement with JDG to provide construction phase engineering services, then the CLIENT agrees to indemnify and hold JDG harmless against any claims, liability and responsibility for construction problems or problems arising after construction is complete attributed to construction and the Contractor's performance, and failure of the contractor to follow the design intent and construct the project in accordance with the Contract Documents.

8. STANDARD OF CARE – JDG's services will be performed in accordance with generally accepted practices of professional engineers providing similar services at the same time, in the same locale, and under like circumstances. The CLIENT agrees that services provided will be rendered without any other warranty, expressed or implied.

9. INSURANCES – JDG maintains Worker's Compensation Insurance. JDG will furnish certification upon written request. The CLIENT agrees that JDG will not be liable or responsible to the CLIENT for any loss, damage, or liability beyond the amounts, limits, exclusions, and conditions of such insurance.

10. PROFESSIONAL LIABILITY – The CLIENT agree to limit liability and require a like limitation from any construction contractor or subcontractor who performs work for which JDG has provided reports, plans, and specification, in an amount of \$50,000 or JDG's fee, whichever is smaller.

11. SUSPENSION OF SERVICES – This agreement may be terminated upon ten (10) days written notice by either party should the other fail to perform his obligations hereunder. The CLIENT shall remain fully liable for and shall promptly pay JDG the full amount for all services rendered by JDG up to the date of suspension of services plus suspension charges. Suspension charges shall include the cost of putting documents and analyses in order, personnel and equipment rescheduling or reassignment adjustments, and all other related and charges directly attributable to suspension.

If payment of invoices by the CLIENT is not maintained on a thirty (30) day current basis, JDG may, by providing a ten (10) day written notice to the CLIENT, suspend further services until payments are restored to a current basis. In the event JDG engages counsel to enforce overdue payments, the CLIENT shall reimburse JDG for all reasonable attorney's fees and court costs related to enforcement of overdue payments. The CLIENT shall indemnify and save harmless JDG from any claim or liability resulting from suspension of services due to client's non-current payments.

12. INDEMNIFICATION – The CLIENT shall defend, indemnify, and hold harmless JDG and all of its personnel from and against any and all claims, damages, losses and expenses (including reasonable attorneys fees) and consequential damages arising out of or resulting from the performance of the services, provided that any such claims, damages, losses or expenses are caused in whole or in part by the negligent act or omission and/or strict liability of the CLIENT, anyone directly or indirectly employed by the CLIENT (except JDG) or anyone for whose acts any of them may be liable.

13. OUTSIDE CONSULTANTS – On occasion, JDG engages the specialized services of individual consultants or other companies to participate in a project. When considered necessary, these firms or other consultants will be used. The cost of other consultants will be billed at cost plus a 15% administration charge.

14. LITIGATION – It is understood that unless expressly implied, the services outlined in this Agreement do not include the cost of professional services provided for any legal action or suit. Fees for court preparation, depositions, pretrial conference and in court non-testimony time will be billed at two (2) times the normal billing rate. Fees for in-court testimony will be billed at three (3) times the normal billing rate.

15. APPLICABLE LAW – Unless otherwise specified, this Agreement shall be governed by the laws of the principal place of business of JDG.

16. OPINION OF PROBABLE CONSTRUCTION COSTS – JDG's opinion of probable construction costs, if rendered as a service under this Agreement, is based on assumed labor costs and approximate quantities of material and equipment, and therefore is of a conditional character. JDG cannot guarantee the cost of work to be performed by others since market or bidding conditions can change at any time and changes in the scope or quality of the Project may affect estimates.

17. VALIDITY – Should any one or more of the terms and conditions stated herein be deemed unenforceable or invalid, either in whole or in part, by judgment or court order, that shall not affect the remaining terms and conditions or parts thereof and they shall remain full force and effect.

18. SCHEDULE – If in this Agreement, specific periods of time for rendering services are set forth or specific dates by which services are to be completed are provided, and if such periods of time or dates are changed through no fault of JDG, the rates and amounts of compensation provided for herein shall be subject to equitable adjustment. If CLIENT has requested changes in the scope, extent, or character of the Project, the time of performance of JDG's services shall be adjusted equitably.

Jaredian Design Group, LLC, cannot be held responsible for delays in rendering services caused by issues beyond Jaredian Design Group's control.