

Dear Jay:

This letter is for the purpose of settlement discussions only. This letter and all statements made herein shall be subject to all of the protections available under Virgin Islands law, Rule 408 of the Federal Rules of Evidence and any other rules and/or privileges applicable to settlement discussions and communications, and shall not be admissible for any purposes in any litigation or other proceedings involving any of Mr. Epstein, L.S.J., LLC, Juan Pablo Molyneux or J.P. Molyneux Studio, Ltd., among others. Please be advised that nothing provided by this letter is intended or should be construed as a waiver by my clients of any rights they may have, including, without limitation, any rights, claims or defenses under the Agreement for Design Services or the Settlement Agreement between our respective clients, all of which are hereby expressly reserved.

There are numerous uncorrectable issues relating to the Office Pavilion, which remains unfinished almost a full year after the parties entered into their settlement agreement and more than four years after Mr. Molyneux began working on this project. Moreover, it is now clear that Mr. Molyneux induced my clients to enter into that settlement agreement through continuing fraudulent misrepresentations and omissions, as a result of which the settlement agreement is clearly voidable by my clients. Under the circumstances, engaging in negotiations with your clients over a punch list of items which we now understand could not be adequately corrected in the first place is a pointless exercise. Instead, I provide below several examples of serious misconduct by your clients that would provide ample grounds for legal action by Mr. Epstein and L.S.J., LLC.

During the course of numerous discussions and in-person meetings with Mr. Epstein beginning in July 2005, Mr. Molyneux made numerous and repeated misrepresentations to Mr. Epstein. Mr. Molyneux misrepresented that he was an "architect". He further misrepresented that he and his firm had the extensive knowledge, skill and experience to provide comprehensive building design, interior design, hard landscape design, interior architecture and planning services for the development of the large-scale multi-structure, high-end residential structures proposed to be built on Little St. James Island. Mr. Molyneux bolstered these misrepresentations, among other things, with false claims regarding high-end residential architectural work he purportedly had performed for Mr. and Mrs. Paul Desmarais for their residence in Canada.

In fact, as an example of the residential architectural services Mr. Molyneux represented he and his firm would perform for Mr. Epstein, Mr. Molyneux provided Mr. Epstein with a copy of an agreement extensively detailing the architectural services claimed to have been provided by him and his firm to the Desmarais family. However, neither Mr. Molyneux nor his firm provided such services. ~~The architectural work for the Desmarais home was actually provided by a member of the Desmarais family, and Mr. Molyneux provided nothing more than interior decorating services for that project.~~

Unfortunaelty. As I believe you know, Mr. Molyneux's has a history of misrepresenting his and his firm's architectural capabilities and expertise. This has been corroborated by Mr. John Saca in his complaint against Mr. Molyneux and [REDACTED]. Molyneux Studio brought in the United States District Court for the Eastern District of California. In that complaint, Mr. Saca describes a pattern of fraudulent and deceitful conduct by Mr. Molyneux which is nearly identical to the misconduct engaged in by Mr. Molyneux in this case. We believe Mr Saca, will gladly provide a cooraborating statement upon being deposed.

In that case, Mr. Molyneux represented himself as an architect, and claimed that he and his firm had substantial experience in providing comprehensive architectural services for large residential properties. As in Mr. Epstein's case, Mr. Molyneux provided to Mr. Saca what he claimed to be samples of other high-end residential architectural and design work, and claimed that he would deliver to Mr. Saca comprehensive blueprints of architectural and design drawings with extensive detail sufficient to construct Mr. Saca's home and obtain a building permit for the same. Mr. Molyneux promised to complete the initial design and subsequent architectural plans within seven months, but in more than 17 months' time, and after receiving \$250,000 of payments from Mr. Saca, Mr. Molyneux produced nothing but wholly deficient plans. These plans were rejected three consecutive times by the local building authorities as being deficient in detail to properly construct the residence or obtain the building permit for the same. Among the 118 deficiencies initially cited, were that the plans did not completely dimension the rooms, did not show windows and door sizes and types and did not specify the ceiling heights of all the rooms.

Similarly, in Mr. Epstein's case, Mr. Molyneux initially promised Mr. Epstein that Mr. Molyneux would provide comprehensive architectural and design work for the entire project, consisting of the existing compound, a main house, a library building, a mechanical building, the office pavilion and several other structures, so that construction of the entire project would be completed in not more than five years. However, in the more than three years that followed leading up to our May 2009 settlement talks, Mr. Molyneux failed to provide anything that was usable. In fact, despite payments to Mr. Molyneux of over \$4 Million, only two structures from that project, the office pavilion and the mechanical building, are currently under construction, and neither of them are complete. As to both of those structures, despite Mr. Molyneux's agreement to provide engineering drawings as part of Mr. Molyneux's \$80,000 per month fee, at Mr. Molyneux's direction, in order to move the project forward, Mr. Epstein had no choice but to pay the Maguire firm well over \$700,000 to provide those very same services.

As with the Saca case, the work actually provided by Mr. Molyneux's firm demonstrated total incompetence and was completely unusable. Mr. Molyneux's plans were entirely out of scale and inconsistent with existing structures on Little useless , as he had no knowledge of the builkdng code nor did he seek the

knowledge of the local authorities. St. James Island; existing floor elevations in his plans did not match up, roof heights did not match up and Mr. Molyneux's designs called for ~~inappropriate grand~~ staircases leading to nowhere. ~~In addition, his designs failed to account for parking, servicing areas, housekeeping, infrastructure, and adequate mechanical spaces, among other things.~~ As but one typical example of Mr. Molyneux's astonishing incompetency, Mr. Molyneux delivered to Mr. Epstein plans that were dimensioned totally improperly, apologized over and over, but in the end and he could provide no explanation to Mr. Epstein why, among other things, those plans depicted a sunken bathtub hanging from the ceiling of the structure that he had supposedly designed. Mr. Molyneux's former employees are willing to confirm this.

As you know, the one building for which Mr. Molyneux performed any significant services is the office pavilion. In performing these services, however, Mr. Molyneux has continuously engaged in pattern of deceit and other misconduct, particularly in relation to the library cabinets for the office pavilion. As the extensive email traffic between Mr. Epstein and Mr. Molyneux will show, from the beginning of this relationship, Mr. Epstein has been very specific with Mr. Molyneux regarding the look, proportions and finish of that cabinetry, and Mr. Molyneux has continually deceived Mr. Epstein regarding the same, frustrating every attempt by Mr. Epstein to achieve the required result. The cabinetry was to be an exact copy of cabinetry from the library in El Escorial, the historic residence of the King of Spain. More than two years ago, when Mr. Molyneux met with Mr. Epstein in Paris to view a proposed sample of the reproduction of the cabinetry, Mr. Epstein observed that the proportions of the sample were terrible and Mr. Epstein immediately complained to Mr. Molyneux about this. Mr. Molyneux had specifically represented that he would send his own people to Spain to measure the exact dimensions of the original cabinetry in El Escorial and to copy those dimensions exactly, but, obviously, he never did so.

Mr. Molyneux also represented to Mr. Epstein that the cabinetry was to be fabricated in France by French carpenters, ~~and then driven to Italy for assembly.~~ When it came time to view the cabinets, he claimed that they had to be driven to Italy to be put together. This too did not occur, as the cabinetry was fabricated in Italy by Italian carpenters. The statements of people with knowledge of what has happened, will confirm that this was also a lie. The utter lack of craftsmanship in the cabinetry erected on Little St. James speaks volumes regarding Mr. Molyneux's unilateral decision to disregard his agreement with Mr. Epstein to have the cabinetry made in France. Though Fanceli's installers have been to the Island two times to correct numerous defects in the fabrication of the cabinetry, the number and extent of the defects that remain is shocking and cannot be addressed by a simple punch list. The photos that were previously sent, will be an exhibit. I attach ones taken yesterday for your review. The claim that these are high quality finished cabinets for three quarters of a million dollars will be clear for all to see. For example, what were supposed to be tortoise shell inlays in the cabinets are nothing more than painted plastic. Instead of materials with a refined antique appearance

duplicating the cabinetry in El Escorial, the cabinets are built of rough and splintery wood, and have unsanded and unfinished decorative holes with carpenters guides still evident. Wood animal sculptures applied to the cabinetry that were supposed to be elegantly designed and appear aged are nothing but rough and simplistic carvings, newly applied to the wood as an afterthought. These are but few examples of the pervasive fabrication defects in this centerpiece of the multi-million dollar office pavilion.

From the very beginning when Mr. Epstein viewed that original cabinetry sample in Paris, Mr. Epstein was adamant that the cabinetry needed to be dark stained walnut consistent with the original cabinetry in the El Escorial library and as originally rendered by Mr. Molyneux. In fact, the original purchase order for the cabinetry calls for stained walnut with a wax finish. The delivered cabinetry is light oak (unduly susceptible to terminate destruction and completely inappropriate for the locale), contrary to both the original purchase order and the original rendering, and looks nothing like the cabinetry in El Escorial. Time and again, Mr. Epstein requested photos of the finished cabinetry pieces to ensure that the work would conform to these specific requirements, but Mr. Molyneux refused in an email to allow anyone else to take photos of the cabinets, claiming that Mr. Molyneux must go to Italy himself to photograph the finished cabinetry. When Doug Schoettle traveled to Pisa to view the cabinetry and brought back photos of the cabinetry, Mr. Epstein immediately advised Mr. Molyneux that the finish of the cabinetry in the photos was completely unacceptable and nothing like what was agreed to and ordered. Claims that Mr. Schoettle somehow approved the cabinetry when he viewed it in Italy are belied by the extensive email traffic from Mr. Epstein, beginning immediately after Mr. Epstein received those photos, repeatedly and specifically rejecting the cabinetry depicted in the photos.

Again, Mr. Molyneux refused to remedy the obvious violation of his agreement with Mr. Epstein, insisting that the cabinetry must be refinished on site at the Island and that, after it was refinished, it would be to Mr. Epstein's complete satisfaction. Even after installation of the cabinets began on the Island and Mr. Epstein continued repeatedly to advise Mr. Molyneux that the finish was unacceptable, Mr. Molyneux insisted to Mr. Epstein that the cabinetry could and would be refinished to his satisfaction. Mr. Molyneux representations led to Mr. Epstein's agreement to extend the completion deadline for the office pavilion two times from January 1, 2010 to April 15, 2010.

In January 2010, Mr. Epstein personally met with Mr. Molyneux on Little St. James to reiterate the requirement that the cabinetry be a of a dark stain and antique finish consistent with the original cabinetry in El Escorial and as originally rendered by Mr. Molyneux. At that time, Mr. Epstein rejected a light stain sample offered by Mr. Molyneux as one which looked nothing like the original cabinetry in Escorial. Mr. Epstein sought to assist Mr. Molyneux to achieve the required result that he and Mr. Molyneux agreed upon more than two years earlier by requesting 6 samples of dark stained cabinetry with various finishes. After waiting several weeks

and sending numerous emails requesting even photographs of these samples, Mr. Epstein finally received only a single sample board with five light stains of the same finish, and nothing that Mr. Epstein requested.

Three weeks ago, and less than one month before the twice-extended completion deadline, Mr. Molyneux advised Mr. Epstein for the first time that Fanceli required specific humidity levels and moisture content in order to refinish the cabinets, and that because those levels were exceeded, Fanceli could not then finish the cabinetry. He then offered to stain the cabinets but only if he received a general release. He claimed that Mr. Epstein acted in bad faith, though Mr. Epstein has continued to work with Mr. Molyneux to satisfy his obligations, extending the completion deadline for the office pavilion two times previously. Mr. Molyneux blamed Mr. Epstein for not maintaining the proper conditions on site, even though it was Mr. Molyneux's and his team's obligation, as the designer and refinishers, to advise Mr. Epstein's people of those requirements well in advance, so as to ensure that the proper conditions existed when Fanceli arrived on site to begin the work. Mr. Molyneux attempted to excuse his and his team's failure to do so based on their own assumptions which they failed to confirm with Mr. Epstein's people. ~~Mr. Molyneux also claimed that all carpentry work on the cabinetry was satisfactorily completed, when even a cursory inspection revealed that the cabinetry remained in shoddy condition.~~

In response to Mr. Molyneux's many delays, failures and excuses, Mr. Epstein brought in a wood specialist to inspect the cabinetry and received a shocking report. Among other things, Mr. Molyneux failed to ever inform Mr. Epstein that the cabinetry wood had been limed, a fact which Mr. Molyneux had known all along, well before entering into the settlement with Mr. Epstein. As a result of the liming, the cabinetry would not accept the dark stain and finish that the parties agreed to in 2006. Extensive stripping and sanding would be required, further worsening the appearance of the cabinetry, with no reasonable expectation that the required result would ever be achieved. This explains Mr. Molyneux's repeated delays, resistance and failures to timely finish the cabinetry in the manner originally agreed to, despite Mr. Epstein's repeated demands for over two years. It explains why, though contrary to his original agreement, contrary to his original purchase order, contrary to his renderings and contrary to the actual appearance of the original cabinetry in El Escorial, Mr. Molyneux has continued, impossibly, to maintain that the finish of the cabinetry is adequate: because once the cabinetry had already been limed, Mr. Molyneux was unable to do anything to change it. The fact that he accepted your suggestion (which I understand you made based only on the supposed humidity issues) to request a release from Mr. Epstein only confirms his continuing intention to avoid liability for this egregious error; an irreversible error that was made well before Mr. Molyneux induced Mr. Epstein to settle by agreeing, falsely and in bad faith, to satisfactorily install and finish the cabinetry.

There are numerous other examples of outrageous and fraudulent misconduct by Mr. Molyneux that will further support Mr. Epstein's claims. For

example, Mr. Molyneux ~~and conspired with~~ Carlton Hobbs ~~to~~ substantially overcharged Mr. Epstein for fake antiquities, including two statues, as well as what they falsely claimed was a Lichtenstein desk (but which Mr. Epstein later discovered to be a fake). Moreover, in any legal action brought by Mr. Epstein, Mr. Molyneux will be required to produce his billing and accounting records, ~~payments to and form Hobbs,~~. These records will show, among other things, that Mr. Molyneux demanded over 1.4 Euros of millwork deposits from Mr. Epstein, falsely claiming that he needed to pay the millworkers this money in advance, but actually using this money for other purposes. The billing records will also show that Mr. Molyneux fraudulently attempted to charge Mr. Epstein a percentage fee on certain invoices he sent to Rich Kahn for the balance of the office cabinetry. He did this even though Mr. Molyneux's agreement, as evidenced by the original purchase order, was that he would not charge Mr. Epstein a fee on purchases, but would invoice them at cost.

These are but a few of the many examples of Mr. Molyneux's fraudulent and otherwise improper conduct. We believe they provide substantial grounds for civil claims against Mr. Molyneux and his firm, including, among other things, claims for fraud and violations of the Virgin Islands CICO statute. As I have informed you, Mr. Epstein intends to commence legal action in the Virgin Islands against Mr. Molyneux, his firm, and Fanceili, as well as Carlton Hobbs, and potentially others, to recover civil damages in the event that Mr. Epstein is unable to amicably resolve his claims. Should that be necessary, Mr. Epstein will seek to recover punitive damages for fraud, treble civil damages under the CICO statute, and attorneys fees which I understand are typically granted by the courts in the Virgin Islands. Considering the amounts involved, we believe the recovery should be ~~between \$5 Million to \$10 Million over 10 million dollars.~~

If, as you have told me, Mr. Molyneux would prefer to avoid costly and time consuming litigation over Mr. Epstein's substantial claims, it is incumbent upon him to settle now with Mr. Epstein. Candidly, even if it was possible to for Mr. Molyneux to remedy his numerous and repeated performance failures (and it does not appear that it is), based on the information we have recently learned and Mr. Molyneux's pattern of misconduct from the beginning of this matter, there is no reason to believe that we could ever rely upon him to do so. Under the circumstances, a one-time monetary settlement is required. As I advised you last Thursday, Mr. Epstein is prepared to forego all claims against Mr. Molyneux and the other parties involved in this matter in exchange for the payment of \$2 Million.

I recommend that we hold a telephone settlement conference, subject to Section 408 of the Federal Rules of Evidence and other rules and privileges relating to settlement discussions under Federal and Virgin Islands law, to discuss this matter further and attempt to reach a final resolution. Mr. Epstein would like to participate in that conference and discuss this matter directly with you. The April 15 completion deadline is on Thursday, so please let me know when I may set up the conference call.

Sincerely,