

Dear Frank:

In response to your outline of a proposal for resolving open matters between IGY, Andrew Farkas and their affiliates ("IGY") and Jeffrey Epstein and his affiliates ("Epstein") regarding American Yacht Harbor ("AYH"), set forth below is an outline of a counter-proposal which we believe more fairly resolves these matters. As the parties have already agreed, this counter-proposal is intended as a settlement proposal for discussion purposes only. It is without prejudice to the rights and claims of Epstein against IGY and shall not be used or admissible in any future legal proceedings or arbitrations.

1. For the term of the current office lease at AYH, including all optional extensions of the term thereof, rent shall be fixed at \$25 per square foot, and common area maintenance charges shall be fixed at \$9 per square foot.
2. The percentage rate of the management fee at AYH under Section 12.01 of the Amended and Restated Limited Liability Company Agreement (the "Operating Agreement") of IGY-AYH St. Thomas Holdings, LLC (the "Company") shall be reduced from 7.5% to 5%, effective on the first day of the calendar month following the parties' execution of a formal agreement. In addition, no performance bonus shall be paid to AYH's manager under Section 12.01(a)(ii) of the Operating Agreement without the prior written consent of Jeffrey Epstein in his sole discretion. In addition, all other AYH fees under Section 12.01 of the Operating Agreement (including brokerage service fees, retail leasing service fees, and development management fees) shall be similarly reduced by 33%, effective on the first day of the calendar month following the parties' execution of a formal agreement. All AYH fees under Section 12.01 of the Operating Agreement, including, but not limited to, the management fees, the development management fees, the brokerage services fees and the retail leasing services fees, are referred to in this proposal as "AYH Fees".
3. No AYH Fees shall hereafter be charged in respect of any revenues, including, but not limited to, revenues in respect of office space rentals, slip rentals, fuel purchases and any other marina services, materials and charges, derived from Epstein.
4. At least three business days prior to the payment of any AYH Fees, IGY will provide Jeffrey Epstein with a written notice of the detailed calculations made to determine the AYH Fees proposed to be paid.
5. IGY shall make a cash payment to Jeffrey Epstein within 10 business days of executing the formal agreement with Jeffrey Epstein. The cash payment shall be a total amount equal to the sum of all of the following amounts:

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- \$165,473, plus interest on such amount at the rate of 9% per annum from May 29, 2007 until the cash payment is made to Jeffrey Epstein.
  - An aggregate amount to reflect the retroactive reduction from 7.5% to 5.0% in the AYH management fees paid during the period from May 29, 2007, the date Jeffrey Epstein acquired his 50% interest, to the date the parties execute a formal agreement. For each AYH management fee paid during that period, the reduction will be equal to 50% of the portion of that AYH management fee that was in excess of 5%, plus interest on such portion at the rate of 9% per annum from the date of payment of that AYH management fee until the date on which the cash payment is made to Jeffrey Epstein hereunder. The aggregate amount of all such reductions, plus interest, shall be payable as part of the cash payment to Jeffrey Epstein.
  - An aggregate amount to reflect a retroactive 33% reduction in each of the AYH Fees (other than the AYH management fees) paid during the period from the date Jeffrey Epstein acquired his 50% interest to the date the parties execute a formal agreement. For each such AYH Fee paid during that period, the reduction will be equal to 50% of 33% of such AYH Fee, plus interest on such amount at the rate of 9% per annum from the date of payment of such AYH Fee until the cash payment is made to Jeffrey Epstein hereunder. The aggregate amount of all such reductions, plus interest, shall be payable as part of the cash payment to Jeffrey Epstein.
  - An aggregate amount to reflect any and all portions of the AYH Fees paid during the period from the date Jeffrey Epstein acquired his 50% interest to the date the parties execute a formal agreement that were attributable to any revenues derived from Epstein. For each AYH Fee paid during that period, the reduction will be equal to 50% of the portion of that AYH Fee that was attributable to any revenues derived from Epstein, plus interest on such portion at the rate of 9% per annum from the date of payment of that AYH Fee until the date on which the cash payment is made to Jeffrey Epstein hereunder. The aggregate amount of all such reductions, plus interest, shall be payable as part of the cash payment to Jeffrey Epstein.
6. Subject to the terms of this proposal, the arrangement with Jeffrey Epstein, as memorialized by the letter agreement dated May 29, 2007, for the provision of 75 linear feet of dock space at AYH shall remain in place.
7. For so long as the Company or IGY continues to directly or indirectly own AYH, Epstein shall continue to receive a 10% slip rental discount on all existing boat slips and shall be entitled to a 10% slip rental discount on any future slip rentals for vessels now or hereafter owned by Epstein.

8. For so long as the Company or IGY continues to directly or indirectly own AYH, Epstein shall be permitted to purchase fuel of all types available at AYH at a 25% discount to AYH's published prices. Payment for fuel would be due by the end of the third business day following the date of purchase.

9. In connection with the Banco Popular bank loan to the Company that is scheduled to mature in 2017, IGY will assume all liability and responsibility for and shall indemnify and hold Jeffrey Epstein harmless from and against responsibility or liability for any sums required for funding any balloon payments, and for funding any shortfalls that may occur in connection with any necessary refinancing at AYH; provided, however, that regardless of any payments required to be made by IGY pursuant to this Section 9, Jeffrey Epstein's ownership percentage of the Company will remain at 50%.

10. The parties will amend the Operating Agreement to include improved financial controls, reporting and accountability with respect to the Company and AYH, including, without limitation:

- Yearly provision to Jeffrey Epstein of a detailed Annual Budget for his advance approval
- Provision to Jeffrey Epstein of Quarterly Financial Statements and Budget Reports showing variance between budgeted line items and actual receipts and expenditures
- Independently Audited financial statements as well as any auditor-issued internal control and management comment letters to be delivered to Jeffrey Epstein 4 months after the close of each fiscal year.
- Selection of the Company's Independent Auditors to be subject to Jeffrey Epstein's consent which shall be granted or withheld in his reasonable discretion.
- Jeffrey Epstein's prior written approval in his discretion for any line-item variances between budgeted line items and actual receipts and expenditures in excess of \_\_%, and an overall variance in excess of \_\_% [JEE to determine percentage]
- Jeffrey Epstein's prior written approval in his discretion for any unbudgeted expenditures in excess of \$20,000, including, without limitation, unbudgeted additions, alterations or improvements to the AYH facilities.

11. The formal agreement to be executed by the parties shall include mutual releases.