



December 17, 2007

Mr. Rich Kahn  
New York Strategy Group LLC  
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Fourth Floor  
New York, NY 10022  
tel [REDACTED]  
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Dear Mr. Kahn,

I am in receipt of the updated spreadsheet regarding the potential loss of income that American Yacht Harbor (AYH) will suffer as a result of leasing additional slips to Little St. James (LSJ). While I agree with you that \$210,600 is the gross revenue estimate and does not reflect cost of sales and true NOI, I am confident that our potential damage is greater than \$76,500.

The spreadsheet identifies gross revenues based on actual charges for clients that were tracked by vessel in our accounting system. However, the spreadsheet does not take into account ancillary products that were purchased on a cash basis by crew members, nor does it calculate revenue losses suffered by our tenants in the upland facility, thereby compromising our ability to charge premium lease rates for retail and restaurant space.

As you can see from the spreadsheet, the greatest compromise for our operation is the loss of key slips July – October, during Sport Fishing Season. As it stands now, we have lost the ability to lease slips P-01 (LSJ Barge) and C-10, and by entering into long term dockage contracts with LSJ for C-8 and C-15 we will lose 2 additional key slips.

AYH has a very limited number of slips above 65 feet in length and the larger vessels are very important to our operation. The 4 slips in question represent 10% of our seasonal rentals, and all but one can accommodate vessels above 70' in length. If we suffer the loss of 10% percent of our sport fishing fleet, an irreversible chain reaction could ensue. The largest vessels in the fleet have the most experienced and influential captains and will very likely encourage other vessels to join them in their new port of call.

LSJ's current vessels, except the barge, are all 40' or less in length. As such, small vessels occupying large slips give the appearance that the marina is empty, or is only accommodating to small vessels. As with many service related businesses, the appearance of vacancy is detrimental to all aspects of the operation.

I would like to suggest a different arrangement that could possibly be a better solution for both parties;

1. LSJ remain in slip C-12, C-14 & B-19 based on the current annual lease less an 11% discount on dockage fees.
2. LSJ vacate slip C-10 and be reassigned to slip B-14 based on the current annual lease less an 11% discount on dockage fees.
3. LSJ Lease slip B-16 (as opposed to slip C-8) based on an annual lease less an 11% discount on dockage fees.
4. LSJ lease B-24 based on an annual lease less an 11% discount on dockage fees.
5. LSJ lease slip C-15 based on an annual lease at the full published rate.

I am confident that AYH will meet the needs of LSJ by providing the additional slips suggested above. In the event this arrangement is acceptable to LSJ, I recommend no additional offset fee. The savings to Mr. Epstein will be \$76,500-\$210,000 per year and AYH will continue to thrive as a busy marina.

Best Regards,

Chris Petty  
General Manager

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