

VIRGIN ISLANDS GUNITE POOLS



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Date: January 3, 2012

Mr. Jeffery Epstein
Mr. Bryce Gordon
LSJ, LLC

Dear Mr. Epstein and Mr. Gordon:

The offer made to release \$20,000.00 and have Virgin Islands Gunite Pools re-plaster the flagpole pool and tile the main pool is the same thing we have disagreed on for the past three months. Mr. Epstein has stated that the finishers used to plaster the pool were not qualified for the job and that our workmanship is the worst he has ever seen.

We are very concerned that after chip out the flagpole pool and re-plaster with Diamond Brite Blue, Mr. Epstein may continue to be unsatisfied with the flagpole pool, which will lead to non-payment. Virgin Islands Gunite Pools has offered to tile the flagpole pool and supply labor at no additional cost to LSJ for this particular reason. All we are asking is that LSJ supply the tile material for the flagpole pool. We are confident that Mr. Epstein will be satisfied with the all glass tiled flagpole pool when we are finished with it. We do not have as much confidence in Mr. Epstein being completely satisfied if we were to re-plaster the pool with Diamond Brite Blue. We only want to do this once more and we would rather not even take the chance on the Diamond Brite if at all possible.

We are taking full responsibility for the interior finish of the flagpole pool and agree that it is not to standards due to the cold joint being unsightly and the color variation in the finish. We are asking that we receive a draw of \$20,000.00 off the contract balance owed upon agreeing to let Virgin Islands Gunite Pools come in and tile the pool. The remaining balance of \$14,742.19 will be due upon completion of the job.

As for the main pool, Mr. Epstein has not been happy with the color from day one. With that being said, we had to tell 15 plaster finishers the flagpole pool was cancelled due to a color change. Mr. Epstein came to Bart and stated he wanted to paint the pool blue. We feel that even if the finish on the pool was perfect, Mr. Epstein was never going to be happy with it due to the color. With that being said, Virgin Island Gunite Pools submitted a bid on December 6, 2011 (change order #11) for the labor to tile the main pool for a total of \$42,600.00. As stated on the bid, LSJ is to supply all the materials needed to tile the pool and the draw schedule was to be as followed: \$20,000.00 due upon signing of the contract with the remaining balance to



be paid upon completion of the contract. I have attached a copy of change order #11, dated December 6, 2011 for you to review.

We also want to let you know that we have been in touch with Pentair in regards to the heat pumps. The technical support division from Pentair has advised us that the heat pumps will need to be moved outside.

We believe all concerns have been addressed in this letter. We do not understand why we are being asked to work for zero profit and a possible loss in re-tiling the main pool when it is well known that the issue with the main pool is the color. If all parties were to be honest and stand behind their work and decisions made, we can move forward and make this a win-win situation for all parties. We look forward to your response and hope you are having a great day.

Sincerely,

Bart Wolterman
Owner