

From: FS [mailto:fsbayrock@yahoo.com]
Sent: 28. January 2008 02:45
To: Richard Beenstock richard@stodir.is
Cc: Örvar Kærnested orvar@stodir.is
Subject:

Dear Richard and Orvar,

How have both of you been? I hope better than me. Anyway let me get right to the heart of the matter. On Thursday Julius told iStar that I have a large economic interest in Bayrock. This is very problematic and could cause damage. I think he did it to get me out fast, since he instantly told Richard, Tefvik and Jody about it as well as me. He then proceed to tell me to resign quickly and do the family trust thing on Monday the latest, or else the banks could start default (mostly not true). His head is not on straight after Wednesday when Trump and Sapir abused him in a meeting about him being a good lawyer but a terrible developer. Sapir trying to take advantage of the situation and take managing member status for themselves, and Donald who saw an opportunity to try and get development fees for himself since he knows we will not give it to Sapir so he figures both sides give it to him. Unfortunately Julius did not tell Richard about this meeting only the bank call. He has now told Tefvik that the banks may come after him for failure to disclose. That is not true as I have an economic interest not an undisclosed principal. He is also very upset that last week he stuck a piece of paper in front of me increasing his interests and I refused to sign it. So I guess he feels if he cant get it no one else should either. Anyway the situation may get bad and Tefvik is thoroughly freaked out and wants out.

I would like to make the following proposals to get this moving along.

1. We speed up everything to getting done this week.
2. Give Tefvik \$1 million now and \$2 million in 60 days pending full DD and obviously offset by any unknown but discovered liabilities (I don't believe there are any).

3. Take 100% of Bayrock and give my family Trust an option at some low price to exercise in 5 years into 30% equity (less Jody 6%), with participation on profit distributions during the 5 years, that way even if it has to be disclosed no one (especially current banks) cares what happens in 5 years after they get paid off. And by then no one else will care either.
4. Transfer funds from Bayrock into International Company, which i have ready to go and will describe to you tomorrow. My ownership there will also be in a family trust, with an employment contract. I am starting to get hyper sensitive to being involved as principal directly. I appreciate your support but there is no need to have to keep dealing with this nonsense. i think some time has to pass and then no one will care, now its like an open sore, and I don't want to give people like Julius the ability to try and trip me up or have these things trip you up by supporting me.
5. I resign this week after we do the paperwork and transfer employment to international.
6. We bring in Jody who is happy to help, and does not want to see Bayrock fail or the lender relationships he put in place ruined and be blamed for it. If Jody goes to the banks who he still speaks to and says FL bought out Tevfik, and Felix is no longer there, and Jody is staying for continuity purposes it will be a good thing. Even better if we have a new President in place as well. He will stay as a consultant for 2 years, full time at first, less after we hire a president. We need to have someone in the transition period who knows where everything is and understands all the players. I promised Jody a piece of my end for him to stay and help Bayrock flourish, which he helped me build from day 1. I am cutting into my end for Jody because I want to see this situation resolve fast and we can all go on to make money together. At least unlike Julius he can be trusted not to play games or double deal and all the banks know him and would be comfortable.
7. We hire Glen or bring in a high end headhunter to find a President, in the interim the rest of the team is in place and Jody will help manage the situation and help us find the right President.

He really wants to see Bayrock flourish. As do we.

Lets speak in the am about the above. I know its faster than anticipated but I don't believe the above is inconsistent with our overall plans.

I am sorry my situation is causing so much grief, but I promise you I will work very hard to make it up to you.

Thank You,
Felix