

**VIA E-MAIL**

Dear Jeffrey:

The CORE: journey began in 2001 and with your support, engagement and collaboration, together we have built a truly unique and private setting for the Club's members to work, relax and entertain. Since we opened the Club's doors in September 2005, CORE: has been dedicated to creating, curating and executing unique experiences for its members, providing the highest level of services, and fostering a community among innovative global leaders. We could not have achieved these successes without your unwavering commitment. Your Founding Membership provided CORE: with the opportunity to begin this journey, and your continued support has allowed us to keep true to our vision and mission.

As CORE: enters its 10th year of operations, we seek to maintain our world-class standard of operations, as we seek to position the Club for national and international expansion for the benefit of our members. The Club's management and operations are more efficient and streamlined than ever, and many of our members have told us that the service levels and offerings to our membership have never been better. Nevertheless, there are certain legacy financial issues that the Club must resolve before we can accomplish our goals. We are writing to you today, as our valued Founding Members, to ask for your participation in the restructure of the Club's current debt and lease obligations, to inform you of the revised Founding Member discount program, and to explain why this is all necessary. After consulting with various tax, financial and legal experts, we have determined that it is in the best interests of CORE: and its members to implement the changes outlined in this letter. As always, we encourage you to consult with your own legal and tax advisors regarding the implications to you of the matters outlined in this letter. We must all work together to ensure the Club's continued success.

**Restructure of Debt and Lease Obligations**

You may recall that five years ago we embarked on a similar effort together, which included negotiations with AES Holding, LLC, one of the Club's primary lenders, regarding the Club's loan with AES, and with our Founding Members regarding their promissory notes. Although the AES debt restructuring was not completed five years ago, the Club continued to expand the benefits provided to the Founding Members. In fact, since its inception, we are proud to say that CORE: has acknowledged the value of its Founding Members' support with benefits reserved specifically for the Founding Members, including discounted dues and club service discounts and credits, that have averaged more than \$158,000 per Founding Member. A detailed description of these benefits is set forth on Exhibit A to this letter.

Over time, including several significant economic downturns, the Club's discount program to the Founding Members as well as its debt to the Founding Members, debt to its primary lenders and other debt obligations have materially and adversely impacted the Club's ability to pay all of its obligations and remain a viable operation. As an example, as of the end of November, the Club owes its landlord approximately \$6.8 million in past due rent. This amount reflects an approximately \$1 million per year accrual of rent, real estate taxes and common area charges.

In an effort to lower the Club's debt service obligations and free up cash to satisfy the Club's monthly loan and lease obligations, we have again been actively engaged in discussions with AES regarding a restructure of the Club's various obligations to AES and its affiliates. If we fail to reach agreement with AES and its affiliates and improve the Club's cash flow, our inability to timely pay our rent may result in our landlord taking steps to terminate the Club's lease. Fortunately, at this point, we are pleased to share with you that we have negotiated a non-binding term sheet as to the potential debt restructuring, which, in the spirit of fairness and compromise, if achieved, would include the waiver of approximately \$20 million in principal and interest owed by the Club to AES, and a deferral of over \$6 million in unpaid rent owed to the Club's landlord, as well as debt relief on other obligations. The term sheet is non-binding and neither AES nor any of its affiliates will be bound unless and until, among other things, definitive documentation has been agreed to and executed and delivered by all appropriate persons and the Club adequately demonstrates that it will be financially viable.

The Club has determined that in order to become financially viable, it must implement a revised Founding Members discount program and confirm the cancellation of the outstanding Founding Members promissory notes. Unless a sufficient number of Founding Members agree to participate in the Founding Member debt restructure (as described below), the Club will not reach viability and will not be able to take advantage of this opportunity to obtain significant debt relief from its lender and landlord.

### **Founding Member Program**

Accordingly, we now request your support in improving our Club's financial position by affirming the cancellation of your Founding Member promissory note, effective December 31, 2014. To the extent you have taken full advantage of your Founding Member benefits, you know we have taken pleasure in working thoughtfully and creatively with you to provide personalized value to you and, in many cases, your family members and business associates. If you have not yet done so, we encourage you to contact us so that we can help you maximize your Founding Member experience.

Accordingly, to cancel your promissory note and assist the Club in receiving the approximately \$20 million of debt forgiveness, please review, sign and return the Settlement Agreement and General Release, which is attached to the same e-mail as this letter, to the Club by no later than December 31, 2014. In addition, please return your original Founding Member promissory note or, if you are unable to locate the original note, please sign and return a Lost Note Affidavit in the form provided as Exhibit B to this letter. Once again, we encourage you to consult with your own legal and tax advisors regarding the implications to you of the actions outlined in this letter and the Settlement Agreement.

Based upon the Club's own financial analysis, the Club has determined that in order to reach viability, among other things, it needs at least 90% of our Founding Members to execute and return the Settlement Agreement and affirm the cancellation of their promissory notes, and agree to the Club's revised discount program as described below.

Please bear in mind that the request to cancel your Founding Member promissory note comes to you directly from the undersigned on behalf of the Club, and not from anyone else. We also

want you to know that we are actively seeking a strategic investor to bring in fresh capital to improve the financial stability of the Club and acquire the interests held by RFD Steam LLC in the Club. The potential strategic investors we have spoken with have also told us that the debt and Founding Member program restructure in this letter must occur prior to any purchase of the interests in the Club held by RFD Steam.

In the event you choose to cancel your promissory note (including execution of your Settlement Agreement), you can look forward to a lifetime of Founding Member benefits and discounts as further detailed on Exhibit A, or the sale or transfer of your membership, as follows:

1. **Reduced Dues Rates:** Your 2015 Founding Member annual dues will be \$7,600, which is predicated on the assumption that at least 150 of our Founding Members will participate in the Founding Member debt restructure. This represents a 55% discount in 2015 and this annual dues rate will be capped in perpetuity (subject to an adjustment to reflect any increase in the CPI, which adjustment will be made every three years). This rate will remain significantly lower than the rate paid by our non-Founding Members (\$16,000+), and at the same time, will allow the Club to maintain financial viability.
2. **Utilization Discounts:** As an added benefit, your Founding Member utilization discounts may now be used for your personal and corporate events.

	<u>Food &amp; Beverage</u>	<u>Corporate Events</u>	<u>Suites</u>	<u>Spa &amp; Fitness</u>
2015	50%	20%	20%	20%
2016	35%	20%	20%	20%
2017 and thereafter	25%	25%	25%	20%

3. **\$5,000 Annual Stipend:** For those of you who remember our negotiations five years ago, you may recall discussions regarding equity in the Club as an additional benefit for the Founding Members. Since then, the Club has encountered various city and state tax issues that have ultimately prevented the possibility of our Founding Members receiving equity in the Club. As an alternative, we have devised a unique preferential benefit for our Founding Members, which will become effective once 90% of our Founding Members have signed and returned their Settlement Agreements and promissory notes.

For the next ten years, beginning with the year 2015, the Club will provide you with an annual spending stipend of \$5,000, which will be posted to your Club account each year for use towards Club goods and services during that year (at the end of each year, any unused portion will expire and will not be available for use during any subsequent year).

4. **Sell your membership:** If you are interested in selling your membership, we will proactively attempt to facilitate the sale of your membership into the dues paying community. If you have a prospective buyer in mind, the Club must review and approve your buyer before you consummate the sale of your membership. All buyers will be required to execute all standard Club membership agreements and, as new members, will pay the Founding Member dues set forth in this letter and receive the benefits associated with the Founding Membership, as they may be amended from time to time.

5. **Transfer your membership:** The Club welcomes the transfer of your Founding Membership to any of your relatives or business partners (subject in all cases to prior written approval by management). Once approved, the transferee will be required to execute the standard Club membership agreements, and as new members, will pay the Founding Member dues set forth in this letter and receive the benefits associated with the Founding Membership, as they may be amended from time to time.

We are, as always, standing by to assist with whichever path you determine makes the most sense for you.

Please direct any questions regarding this letter or the Settlement Agreement to Daniel Rabia at 212-381-7802 or via e-mail at [daniel.rabia@coreaccess.net](mailto:daniel.rabia@coreaccess.net). Alternatively, you may reach out to Anthony Scaramucci, who can be reached at 917-439-3646. Your prompt attention to this request is greatly appreciated. Please return the executed Settlement Agreement to the Club no later than December 31, 2014 at The Core Club 55<sup>th</sup> Street LLC, 66 East 55<sup>th</sup> Street, New York, NY 10022, Attention: Daniel Rabia, Facsimile: (212) 381-7801, E-mail: [daniel.rabia@coreaccess.net](mailto:daniel.rabia@coreaccess.net).

By implementing the actions and plan we have outlined above, we will all have a viable club that can continue to be true to its mission, and more importantly, something that you will value being a part of for years to come. The faith and backing of the Club's members – especially its Founding Members – is essential, and we are incredibly appreciative of, and strengthened by, your continued support.

*[Signatures appear on the following page]*

Sincerely,



Jennie Enterprise  
Founder  
The Core Club 55<sup>th</sup> Street LLC



Daniel Rabia  
Chief Financial Officer/Chief Operating Officer  
The Core Club 55<sup>th</sup> Street LLC



Anthony Scaramucci  
Founding Member and Chairman, Membership Committee  
The Core Club 55<sup>th</sup> Street LLC

EXHIBIT A

DETAILED DESCRIPTION OF PAST AND FUTURE FOUNDING MEMBER BENEFITS

**FM Subordinated Note  
Sept 2005 - April 2009**

**FM Subordinated Note  
May 2009 - Dec 2014**

**FM Subordinated Note  
Effective 1/1/2015**

Subordinated Note &  
Unsecured Loan

Principal - \$100,000	Cancellation of Debt (principal & accrued interest) in exchange for equity. Equity has no value.	Cancellation of Debt (principal & accrued interest and penalty interest). Equity cannot be issued. Material issue with respect to NYS advisory opinion and potential material exposure for any FM. Equity has no value.
Interest – 12% simple interest payable at maturity	No penalty interest as note was deemed to be cancelled.	Interest - note accrues penalty interest in accordance with the note terms through 12/31/14
Maturity – 5 years	Maturity – with cancellation of debt	Maturity – with cancellation of debt
No security – unsecured loan	No security – unsecured loan	No security – unsecured loan
Ranking – subordinated to senior debt	Ranking – subordinated to senior debt	Ranking – subordinated to senior debt
Tax treatment – A 1009-OID and a 1099-INT are issued each year for the term of the note which represents passive income to the noteholder related to the waived dues and monthly spending credit	Tax treatment – Each FM should consult with his/her tax advisor in connection with cancellation of the debt and any associated investment loss. [Note: 1099's will no longer be issued.]	Tax treatment – Each FM should consult with his/her tax advisor in connection with cancellation of the debt and any associated investment loss. [Note: 1099's will no longer be issued.]

**FM Membership Plan  
Sept 2005 - April 2009**

**FM Membership Plan  
May 2009 - Dec 2014**

**FM Membership Plan  
Effective 1/1/2015**

Annual Dues

Spending Credit

Annual Stipend

Discount

Membership Rights

Initiation Fee

Guest Visits

Reciprocity

Sale of Membership

Transfer of  
Membership

Founding Member and Spouse – waived for 5 years then same as Regular Members.	\$2,500 for Founding Member and Spouse subject to overall annual increases in lockstep with other members (currently at \$2,700 per year).	\$7,600 per year for Founding Member and Spouse representing a 55% discount to the full rate and this rate will be capped in perpetuity (subject to an adjustment to reflect any increase in CPI, which adjustment will be made every 3 years).
\$700 for all goods and services; unused monthly credit does not roll over except in the case of out of town members who receive the credit quarterly	Eliminated due to tax consequences	N/A
N/A	N/A	An annual stipend of \$5,000 posted to the member club account each year for 10 years. Stipend does not roll over from year to year.
10% on all goods and services for duration of membership	75% of F&B and 20% of all other services to include fitness, spa and suites.	Continued discounts on club goods and services reducing in 2015 to 50% of F&B; 20% off corporate events, suites, spa & fitness and gradually reducing over 3 years to 25% of rate card for F&B, corporate events and suites, and 20% for spa and fitness.
Regular Member benefits and usage rights in addition to benefits under this category	Regular Member benefits and usage rights in addition to benefits under this category	Regular Member benefits and usage rights in addition to benefits under this category
Waived	Waived	Waived
Guests allowed w/o Founding Member being present	Guests allowed w/o Founding Member being present	Guests allowed w/o Founding Member being present
Access to all future CORE: clubs for no additional initiation fee or annual dues	Access to all future CORE: clubs for no additional initiation fee or annual dues	Access to all future CORE: clubs for no additional initiation fee or annual dues
N/A	Secondary Market established but club not actively involved in promoting sale	Club will proactively attempt to facilitate the sale of your membership into the dues paying community.
N/A	Subject to the restrictions that: (i) any transferee of a Founding Member must execute the standard membership agreements and (ii) Club Memberships may only be transferred to relatives or business partners of Founding Members	Subject to the restrictions that: (i) any transferee of a Founding Member must execute the standard membership agreements and (ii) Club Memberships may only be transferred to relatives or business partners of Founding Members
<u>Documentation Required:</u> FM Note FM Membership Agreement	<u>Documentation Required:</u> FM Redemption & Release Agreement FM Membership Agreement - Addendum	<u>Documentation Required:</u> FM Settlement & Release Agreement FM Membership Agreement - Addendum

Value of  
Waived/Discounted  
Dues per FM

**\$49k per FM over the term**

**\$62.5k per FM over the term**

Value of Spending  
Credits/Discounts  
on goods &  
services per FM

**\$17k per FM over the term**

**\$30k per FM over the term**

Total Value of  
Discounts

**\$158.5k per FM over the term**





If a corporation, partnership or trust

\_\_\_\_\_  
**[Name of Entity]**

By: \_\_\_\_\_  
Name:  
Title:

On this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, \_\_\_\_\_,  
personally appeared \_\_\_\_\_, who acknowledged himself to be the  
\_\_\_\_\_ of \_\_\_\_\_, and that he as such \_\_\_\_\_,  
being authorized so to do executed the foregoing instrument for the purposes therein contained,  
by signing the name of the corporation by himself as \_\_\_\_\_.

In Witness Whereof, I hereunto set my hand.

\_\_\_\_\_  
Notary Public  
My Commission Expires:

[SIGNATURE PAGE TO LOST NOTE AFFIDAVIT]

If an individual

By: \_\_\_\_\_  
Name:

On this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, \_\_\_\_\_,  
personally appeared \_\_\_\_\_, who executed the foregoing instrument for the  
purposes therein contained.

In Witness Whereof, I hereunto set my hand.

\_\_\_\_\_  
Notary Public  
My Commission Expires:

[SIGNATURE PAGE TO LOST NOTE AFFIDAVIT]