

DRAFT

February 12, 2010

FOR SETTLEMENT PURPOSES ONLY; NOT ADMISSIBLE; FRE 408

Sent by E-Mail Only

Aaron Podhurst, Esq.
Robert Josefsberg, Esq.
Podhurst Orseck, P.A.
25 West Flagler Street, Suite 800
Miami, FL 33130

Re: **Epstein Matter – Revised Agreement for Special Master**

Dear Aaron and Bob:

Thank you both for meeting with Mr. Epstein, Alan Dershowitz and me at your offices in Miami.

As of February 11th, 2010, I had received legal bills and associated costs relating to Bob Josefsberg's role as the attorney representative through October 31, 2009. I had no bills in my possession subsequent to that date. Separate and apart from bills which I received from the Podhurst Orseck firm, I also received bills from Ms. Ederi and Ms. Bennett. In reviewing their resumes, it became clear to me that they were both acting as independent contractors relating to these cases. The information which was provided to me on October 31st reflected: (a) billed \$534,303.64, (b) unbilled \$1,477,856.51 for a total of \$2,012,016.15. These amounts were confirmed in Bob's December 26, 2009 letter to me, and apparently included Ederi and Bennett bills. Mr. Epstein has paid \$_____ to date.

As you know, in our meeting in late September, we reached a tentative agreement to resolve eleven of the 12 claims. By October 13th, we had confirmed the amounts, although there were some details that still had not been completed. I forwarded \$600,000 on October 14th to fund settlements for Does 101 and 102 to your trust account, and advised you shortly thereafter that I had the remaining funds in my trust account to resolve the other nine cases pending final settlement documents. From a legal standpoint, other than requesting extensions of time and advising the court we are in the process of settling Does 101 and 102, finalizing settlement documents and transferring money, there was no significant legal work that was necessary. I, with my client, finalized the settlement documents from our standpoint. On the other hand, I dealt with Bob, Kathy, Amy, and from looking at the bills, Susan and probably other individuals unbeknownst to me. At most, I would not have anticipated over another \$15,000 to \$30,000 in legal fees to finalize the closing documents to put these cases to bed. However, in looking at the bills, for the month of October, November and December, including the outside contractors, they total over \$_____.

I am enclosing a signed Special Master Agreement to resolve the fee issues. I have removed provision which would have required court action prior to a Special Master deciding the issue. We are prepared to provide three names of an out of state Special Master within one week of your signing the agreement and returning it to me. In this manner, the fee issue would be decided more expeditiously than with litigation in a court proceeding, would be final and would assist in keeping all of the issues, including your client's identity and their issues, private, rather than public, which has been your stated goal.

With your most recent bills for November and December of 2009, the total fees and costs are: \$_____. A review of the NPA required Mr. Epstein to pay for the attorney representative to perform those tasks set forth in the NPA and in the letter outlined from Mr. Sloman to retired Judge Davies. In addition to setting forth a reasonable mechanism, i.e. the Special Master Agreement enclosed, my client is also extending an offer to resolve all fee and cost issues through the current date as it relates to all of your clients, including AH. We recognize that we were unable at least at this point to resolve AH, but we did have discussions regarding her case. Her demand is, as we all acknowledged, makes settlement an impossibility at least at this point. However, based on any conversation that you have with AH, we would like to continue the dialogue to see if the matter can be resolved if her demand falls in line with what you believe to be potentially reasonable.

The choice to hire outside consultants, your daughter and her friend, Susan Bennett, was yours and yours alone. We do not believe that was contemplated by the NPA.

However, without going through the bills at great length, and is as applied under 11th Circuit law regarding attorneys' fees, we believe, taking the total billings as a whole, that a _____% reduction is fair and reasonable under the circumstances. Therefore, the reduction has been taken as to the total billing, which includes the outside consultants at what we consider to be very unreasonable rates, with very unclear and unspecific records as to the tasks relating to the specific plaintiff and are offering the sum of \$ _____ in full and final settlement of all fee bills and costs incurred as of the current date. We believe this offer is overly fair and reasonable. If we do not resolve the fee issue, our position is that a true reasonable fee are substantially below this offer. This excludes any future additional true settlement related fees and costs that may be incurred relating to AH, if settlement discussions are reinstated. Since our meeting in September, there had been no discussions regarding resolution of AH and therefore would not anticipate that there are any additional fees or costs associated with her post our meeting.

A check in the amount of our offer (less the \$ _____ paid to date) is enclosed made payable to your trust account. If this offer is acceptable, you may deposit the check. If this is not acceptable, return the check to me immediately.

This settlement offer which we are making, we believe is both reasonable and justified when taking in account all the facts and circumstances including the factors that the Florida Bar and the 11th Circuit would apply in examining attorneys fees and costs. The offer is being made, on behalf of Mr. Epstein, in consultation with his attorneys to avoid the costs of litigation, to put this matter behind him, to fulfill his obligations under the NPA and obviously to pay your firm and whomever else you have chosen to involve in this matter, a significant sum. Ten of the 11 settlements, excluding V.R., have an average of less than \$90,000 per settlement. This is particularly important in that each of these individuals, under a worst case scenario, all would have been paid \$50,000 based on a simple phone call from Bob to Jay Lefkowitz back at the time saying, "pay client 'X' \$50,000 and we are done." While I agree that you would have been required to do some due diligence to fulfill your responsibility in looking out for the interest of a particular prospective plaintiff, if that was her choice, i.e. I don't want you to do any investigation, I want to resolve my case for \$50,000 and move on with my life, that would have been her choice.

Please advise if the fee/cost issues have now been resolved.

Cordially yours,

Robert D. Critton, Jr.

RDC/clz