

Dear Ms Reich.

I write this to response to your February 17, 2009 Memorandum to me. In my February 13, 2009 email, I indicated that I was promised that Mr Lefcourt would call me. That was now over a week ago. I am under strict instructions that this matter not be brought to Mr. Epstein until your firm and I have agreed on the amounts and the facts. Unfortunately, it still appears that after being shown numerous errors in your statements and invoices, you have yet to understand the accounting errors, inaccuracies, and the history of the billing issues.

First, let me assure you that I know Mr Epstein has the greatest affection for Mr. Lefcourt. He has never spoken about him or your firm in anything but glowing terms. That being said, however, on at least two separate occasions, Mr. Epstein, at my prompting, brought to Mr Lefcourt's attention the seemingly impossible rate at which bills were accumulating at your firm, and questioned the overly large amounts billed by your firm in comparison to every other firm that was billing Mr. Epstein.

Contrary to the assertions in your Memo regarding your firm's method of billing, Mr. Epstein never discouraged your firm from sending bills. Like every other firm, your firm was merely asked not send detailed annotations of the time billed, as the bills would not be privileged. As I said, we questioned the overly large amounts billed by your firm, and, on at least two separate occasions, Mr. Epstein asked Mr. Lefcourt to review your firm's bills for accuracy. Both of those times, Mr Lefcourt responded that he had checked and re-checked the bills carefully and that they were accurate. Mr. Lefcourt stated that "the whole firm was working on Mr. Epstein's matter, Mr. Epstein should expect the amounts billed to be that large.

I would note that, as the billings and Mr. Epstein's payments in question were in 2006 and early 2007, tax returns filed for those years must have reflected errors of serious proportions. In much larger firms with a multiple of your firm's annual billings an error of even \$50,000 would not have gone unnoticed, let alone one as large as three quarters of a million dollars. In a small firm such as yours, an error of that magnitude seems unexplainable, particularly in light of Mr. Epstein's requests to verify the accuracy of your firm's bills on more than one occasion. I would also note that as Mr. Epstein's attorneys, your firm had a duty to review your bills and confirm their accuracy before ever sending them to Mr. Epstein and, certainly, to carefully review them, upon Mr. Epstein's request based on his expressed concerns over possible overbilling.

Your claim that you discovered the billing error and voluntarily disclosed it to Mr. Indyke is simply not the case. I have confirmed with Mr. Indyke that in December 2008, Mr. Indyke telephoned Mr. Lefcourt to inquire about the details of approximately three quarters of a million dollars of entries in your invoices labeled "GBL". At that time, Mr. Lefcourt claimed not to have noticed those entries and had no explanation for what they are. Only after Mr. Indyke inquired about these entries

did Mr. Lefcourt call Mr. Indyke back, and then turned the telephone over to your bookkeeper to explain what amounted to a massive unjustified overbilling.

And let's be clear here, this was not a matter of failing to credit internal transfers to the firm. The "GBL" entries in your invoices reflected withdrawals from the firm by Mr. Lefcourt that were expressly billed to Mr. Epstein without any basis whatsoever. These phantom expenses should have been detected by Mr. Lefcourt before they were ever billed to Mr. Epstein, and you certainly should not assign any responsibility to Mr. Epstein for your firm's improper billing practices. At some time in 2007, the practice stopped. Your firm was obviously on notice at that time.

As another example of what seems to be your continuing unfamiliarity with your own firm's billing, you have made the incomprehensible request that I present you with backup for an entry on your invoices labeled "retainer for Epstein ". This entry is not on my books; it is on **YOURS**. Yet, somehow you are now asking me to give you back up for your own erroneous billing. In addition, we are not questioning the bills of Klores, which totaled \$125,000. However, your firm's invoices indicate that YOU paid Klores \$75,000 as a retainer, and then on a single day in August billed Mr. Epstein for the same 75 k in three \$25,000 invoices on the same day. There was obviously no balancing of your own books.

In your Memo you have referenced the solid performance of your firm in the Citibank matter, with which we take no issue. However, I feel constrained to remind you in no uncertain terms that when your firm initially got involved in Mr. Epstein's criminal matter, he had a signed agreement for a single felony count, with three years probation, and, most significantly, no sex registration. This was a deal that the police had reluctantly signed on to and thus, one to which they would have raised no objection. It is no secret that the final outcome of your firm's involvement in Mr. Epstein's criminal matter was the transformation of Mr. Epstein's probation to a jail sentence, plus registration as a sex offender. There are no proud attorneys on Mr. Epstein's team, and, as the lead attorneys in this case, your firm, least of all, should be in a self-congratulatory mode. In fact, there has been a general acknowledgement by every other firm involved that the results were far less than stellar, and all have made, substantial reductions in their billings.

As Mr. Epstein's accountant, and as I have previously expressed on numerous occasions, this is obviously not my concern. It is between Mr. Lefcourt and Mr. Epstein. I reiterate that my sole concern in this matter is that in 2007-2008 we were overbilled by \$800,000, which is not an insignificant amount.

You have asked me to accept your word that your hourly billings are accurate. Although we have not reviewed your hourly billing, if the review we have done of your expenses is any guide, it would be totally irresponsible of me to make that recommendation to Mr. Epstein at this time.

Please wire the overbilled amount to /

