

2-17-2010

[REDACTED]  
AUSA

Etc

Dear [REDACTED]

Thank you for your letter of February 11, 2010. We write to update you on ongoing efforts to reach an agreement with Robert Josefsberg regarding the amount of fees owed to him by Mr. Epstein pursuant to the NPA.

On February 16, 2010 Mr. Epstein's principal civil counsel Bob Critton advised Mr. Josefsberg in writing that he and Mr. Epstein would meet with him on two occasions between now and March 1 to review Mr. Josefsberg's outstanding bills on a line by line basis and attempt to reach a non-adversarial resolution of all outstanding fee issues. Mr. Critton also transmitted to Mr. Josefsberg a Special Master Agreement, signed by Mr. Epstein, containing terms and conditions previously agreed to by Mr. Josefsberg, which would mandate binding mediation before a neutral third party in the event the proposed settlement discussions did not resolve all outstanding issues in an expeditious manner.

We want to assure you that Mr. Epstein fully intends to fulfill his obligations under the NPA. We regret that issues remain unresolved regarding whether all of the fees being sought by the attorney representative - which now total \$1,947,000 exclusive of the \$526,466 already paid - meet the criteria set forth by the NPA. We assure you that both his prior civil counsel, Jay Lefkowitz, who, with you, was a primary negotiator of the NPA language, and Mr. Critton each strongly believe that significant amounts of the fees billed by Mr. Josefsberg are outside the scope of Mr. Epstein's NPA obligations. We hope that the fee-related issues can be resolved by further settlement discussions or by relying on the Special Master Agreement signed today by Mr. Epstein. Mr. Epstein and his counsel believe that each of these options are consistent with the NPA, are good faith alternatives to contested litigation, and are reasonable given the unexpected magnitude of the bills and their inclusion of charges for legal work that was clearly related to the preparation of litigation thus outside Par 7C of the Addendum.

Mr. Josefsberg previously advocated for settling outstanding issues through a Special Master Agreement nearly identical to the one executed

today by Mr. Epstein. In fact, Mr. Jofesberg and Mr. Epstein had each agreed in the past to a specific Master as a third party neutral to conduct proceedings to resolve the fee issues however the selected Master withdrew. We hope that this Agreement will provide a basis for a prompt resolution of any issue not resolved by the parties through further discussions.

YT

RB

MGW

CC US Atty Jeffrey Sloman

CC AUSA Robert Senior