

2-17-2010

[REDACTED]  
AUSA

Etc

Dear Ms [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, that 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. Again, the Special Master procedure for adjudicating outstanding fee issues was previously approved (and even proposed) by Mr. Jofesberg.

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 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 will not initiate litigation against Mr. Josefsberg. He hopes that Mr. Josefsberg agrees to further settlement discussions including joint review the bills and/or to a Special Master Agreement believing that each of those options are consistent with the NPA, in accord with the advice of his counsel, are in good faith, are reasonable particularly given the magnitude of the bills, the amount allocated to lawyers

or consultants outside the Podhurst firm, and the charges that clearly relate to litigation not settlement, and are reflective of Mr. Epstein's objective to pay whatever fees are determined to be within the NPA by a procedure that Mr. Josefsberg previously believed and hopefully currently determines is fair.

YT

RB  
MGW