

Jim, I am following up on our conversation on the afternoon of December 10, 2008, during which you asked that I send an email to you outlining facts which separate my clients' claims from others now pending.

This email is sent with our agreement that it is for settlement purposes only and is not to be used by you or your clients for any other purpose, including, without limitation, in any manner in any subsequent arbitration or other legal proceeding.

Specifically, without limiting the claims of my clients in any manner, you should be aware of the following:

1. Mr. Epstein has had virtually no experience in debt securities. This is readily verifiable by Mr. Epstein's trading accounts and was well known by Warren Spector and Jimmy Cayne, particularly Mr. Cayne, with whom Mr. Epstein has had a close personal and business relationship for almost 30 years.
2. In December 2003, Mr. Spector made an unsolicited call on Mr. Epstein to sell Mr. Epstein an investment in the High-Grade Fund. Mr. Spector specifically told Mr. Epstein that the Fund traded exclusively in A or better rated paper, with low risk, and that Mr. Spector was investing his own money in the Fund.
3. Mr. Epstein contacted Mr. Cayne to confirm Mr. Spector's statements, reminding Mr. Cayne of Mr. Epstein's inexperience with debt securities. Mr. Cayne confirmed Mr. Spector's statements to Mr. Epstein, specifically advising Mr. Epstein that Mr. Spector is "super cheap" and will not only be watching the risk for the Fund, but as Mr.

Spector's own money was being invested in the Fund, Mr. Spector would watch the Fund "like a hawk."

4. In the summer 2006, Mr. Spector made another unsolicited call on Mr. Epstein soliciting Mr. Epstein to transfer FTC's entire investment in the High-Grade Fund into the Enhanced Leverage Fund. Once again, Mr. Spector specifically told Mr. Epstein that Mr. Spector would be investing his own money in the Enhanced Leverage Fund.
5. In March 2007, when the Enhanced Leverage Fund was down 10%, Mr. Epstein called Mr. Spector and told Mr. Spector that Mr. Epstein wanted out of the Enhanced Leverage Fund. Mr. Spector persuaded Mr. Epstein not to redeem FTC's investment, specifically telling Mr. Epstein that the so-called loss in the Enhanced Leverage Fund was attributable only to bad marks, and that, in fact, Mr. Spector was going to invest more of Mr. Spector's own money in the Enhanced Leverage Fund.
6. After the collapse, when Mr. Epstein asked how this was possible, Mr. Epstein was advised, among other things, that Mr. Spector did put an additional \$25 Million into the Enhanced Leverage Fund, but the money was not personal funds of Mr. Spector; rather Mr. Spector invested \$25 Million of Bear Stearns funds in the Enhanced Leverage Fund and did so without firm approval.
7. Mr. Epstein has never re-negged on a trade in over thirty years. He has never claimed against a bad trade in thirty years. This can be confirmed with Ace Greenburg.

I look forward to hearing from you shortly to see whether we can

resolve this without legal proceedings.