

From: David Stern <[REDACTED]>

To: Jeffrey Epstein <jeevacation@gmail.com>

Subject: DRAFT Merkin

Date: Tue, 21 Jan 2014 19:48:48 +0000

Attachments: Dec_19th.rtf; Nov_14th.rtf.zip; July_26th.rtf.zip; July_23rd.rtf

Erez,

You called me this morning and informed me that the closing of the transaction as agreed between Dr Merkin and me on July 19 can not proceed because the government contract that was signed in December had only a value RMB 1 million, and Heritage was only informed about this contract amount (that you called "insignificant" sometime in December.

This is a misunderstanding on your side and here are the facts:

1. The key terms of this contract were discussed and agreed during the meeting with Dr Merkin and Adam Goldston on July 19.
I pointed out that RMB 1 million is the cut off for tendering requirements under Chinese law and explained this contract signed with a central Ministry body is a significant milestone for the business.
2. Due to the significance of these terms Adam Goldston on behalf of Heritage asked for exact wording for the term sheet. This was provided on July 23 in writing (email attached). I quote this email:
"A signed agreement between Asia Gateway Healthcare Information Technology and any governmental party under the jurisdiction of the Ministry of Human Resources and Social Security of the P. R. China, having a value of no less than **RMB 1 million**, for use of the Asia Gateway Healthcare Insurance Information Processing And Analytics System."
3. From the first Term Sheet draft sent by Adam Goldston/Heritage to me dated on July 26, the term sheet always referred to the above quoted clause which clearly stated the amount of RMB 1 million. Email and Term Sheet attached.
4. Since the first draft of the Stock Purchase Agreement until the final Heritage agreed Stock Purchase Agreement clause 6.02 c) states: "the Company or Asia Gateway shall have entered into a contract with a division of the Ministry on terms and conditions substantially identical to those set forth on Exhibit B, which contract shall bear an official chop and be valid and binding upon the parties;"
5. The first actual word for word draft of the Chinese government contract, was sent to Adam Goldston/Heritage on August 2, followed by the formal and official sending on November 14 by my attorneys to Heritage attorneys in Chinese and English for the contract to be added as Exhibit B to the Stock Purchase Agreement (email attached).
6. Due to the significance and the commitment to deliver to the government (which requires financial resources) I double checked just in a case and confirmed once again a) the government contract in its agreed form and b) the closing date of the transaction to be December 26. Both was agreed in writing by Adam Goldston/Heritage on December 18, and followed by "Congratulations" on December 19 upon the successful signing of exactly that contract.

Dr Merkin and I agreed a deal and we followed through exactly what was represented and with full clarity and transparency.

The facts are clear: the contract size was clear from day one when the agreement was made.

Re-neging now is completely unacceptable.

Regards,
David