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**From:** Jeffrey Epstein <jeevacation@gmail.com>  
**Sent:** Saturday, November 27, 2010 9:51 AM  
**To:** David Stern  
**Subject:** Re: Daily Mail: Duchess of Debt

who talks?

On Sat, Nov 27, 2010 at 4:36 A=, David Stern <mailto:[REDACTED]> wrote:

Duchess of debt: Fergie's ultimatum to her creditors... Accept a quarte= of what I owe you or risk getting NOTHING

By RICHARD KA= <<http://www.dailymail.co.uk/home/search.html?s=y&au=hornamef=Richard+Kay+>> and GEOFFREY LEVY <<http://www.dailymail.co.uk/home/search.html?==y&authornamef=Geoffrey+Levy+>>  
Last updated at 2:08 AM on 27th November 2010

Much as it pains the Royal Family - in this of all months - the cameras are=once more turning on the Duchess of York. She is beginning, yet again, the=process of dragging herself up from that place where she says she has been=residing in recent times - 'the gutter'.

As it happens, in Fergie's case the '=utter' remains the sumptuously comfortable Royal Lodge in Windsor =reat Park, of which she is said to be still 'very much the mistres=' after four years lodging there with ex-husband Prince Andrew. Mi=d you, these days she has to make do without the dozen or so personal staf= who used to be at her beck and call.

With Windsor Castle looming ominously in the backgrou=d, Fergie has been filming the six-part documentary examining her downfall= Finding Sarah, which she is contracted to make for Oprah Winfrey'= new TV network in America.

Pleasant debt? Fergie, pictured here for America's Harper's Bazaar,=remains 'very much the mistress' of the Royal Lodge in Windsor Gre=t Park

Whether this turns out to be a personal sto=y of downfall and dishonour, or survival and redemption, we must wait and =ee. But at 51, the trampoline life of the Duchess does seem to have her bo=ncing skywards once more, though where she will land is anyone's g=ess.

Fergie has been working hard on the television series= in which she will examine her own battles with those who have been closes= to her, with her weight and, of course, with money. She is currently livi=g 'quietly — no big nights out' according to someo=e who sees her regularly.

Most people would consider this highly sensible, in v=ew of the tricky and at times bitter negotiations that have been going on =ith the Duchess's creditors. Debts of almost £2 million remai=ed even after Prince Andrew initially bailed her out with £1.5 millio= of his own money earlier this year.

Now, as the Mail revealed this week, the Duchess, in an extraordinary move, seems to have managed to sidestep the bankruptcy proceedings, which would have been an unsavoury diversion in royal wedding year, given that her two daughters will be sitting on the family pews at Westminster Abbey on April 9. So just how has she done it?

We understand that Fergie's creditors have been made an audacious offer of just 25 per cent in settlement of the money they are owed - in other words, 25p in every pound. The offer was sent to them in letters and emails on behalf of the hard-nosed City accountant Price WaterhouseCoopers, who were engaged by Prince Andrew to get to grips with his ex-wife's finances. It set a deadline for acceptance of October 20 this year.

What's more, it was conditional on all of them accepting it. Indeed, the letter spelled out that in the event of there not being universal acceptance, the Duchess might have to recourse to an '80 individual voluntary arrangement' to pay what she can over a period of five years. This could mean, the letter warned, that creditors might receive less than they were being offered now.

The offer of a mere quarter of what they were owed dismayed some creditors. In the event, most have accepted the deal, but two have refused to settle. The amount they were owed is understood to total around £150,000, and this debt could still derail the entire process and plunge Fergie back into bankruptcy proceedings.

Ironically, the two dissenters, we have learned, were not the swanky Mayfair lawyers Davenport Lyons (£204,000) or Selfridges in Oxford Street (£51,000) that featured high on the list of creditors — but are from among the Duchess's most intimate circle. One of them, we understand, is Kate Waddington, the Duchess's close friend for nearly 20 years and her long-time public relations consultant until they parted company over the humiliating tabloid sting in which Fergie attempted to sell access to

Prince Andrew in exchange for £500,000.

The other is Johnny O'Sullivan, a 42-year-old bachelor who worked for the Duchess as a personal assistant for 14 years until last year, and now lives in the U.S. Like Ms Waddington, he counted the Duchess as a friend.

Likely dissenter: Kate Waddington (left), who was Sarah Ferguson's closest friend for nearly 20 years. Indeed, O'Sullivan was the person whom Fergie referred to when she was filmed accepting a £27,000 down payment from the undercover newspaper reporter posing as a businessman anxious to get alongside government trade envoy Andrew. When her desperate ploy was exposed, the Duchess explained she wanted the money to help O'Sullivan meet the fees for a postgraduate course at a New York university he had enrolled on.

What did not emerge at that time was that O'Sullivan was among Fergie's biggest private creditors.

She is thought to have owed him more than £70,000, made up of unpaid salary and fees as well as cash, which he invested in Artmoor, the company she founded to control her business interests in the U.S. and which folded with debts of £650,000.

O'Sullivan refuses to talk about the matter, but according to friends he is 'very hurt' that he has been offered so little, especially as the money he used to help Fergie's business was his life savings.

Kate Waddington is equally adamant that she will not discuss what is clearly a distressing situation for her on a personal level and a financial one. She has had a ringside seat for most of the turbulent events in Sarah's life, from her separation and her affairs to the rollercoaster of her financial crises. She was at first on Fergie's private staff before leaving to set up her own PR company, Soho-based Sputnik Communications, in 1998 which then represented Sarah as a client.

And in recent times she also took on the Duchess's socially energetic daughters, Princess Beatrice, 22, and 20-year-old Princess Eugenie. We understand Ms Waddington is owed upwards of £70,000. If she accepted the offer from Fergie's advisers, she would receive a mere £18,000.

All the same, Miss Waddington does not consider her dispute is with the Duchess, who is her daughter Flora's godmother. According to a Buckingham Palace source intimately involved in the negotiations, her fury is directed at Prince Andrew.

This source says Ms Waddington has made it plain she feels Andrew has not recognised all the work she has done for his two daughters.

For several years, Sputnik employed someone virtually full-time on the Duchess's account, when much of the work involved the princesses, whose activities required constant organising and public relations guidance.

'Nine times out of ten, Andrew's office would ask Kate's firm to handle things,' says the Palace insider.

Meanwhile, Fergie's advisers are trying to bring the overall debt down by scrutinising and challenging some bills from certain creditors.

But these are relatively small fry. 'Without artmoor, she would not have been in this situation,' says one adviser.

For Prince Andrew, who drily describes himself as a man 'with three children' to look after, this is a tense period. He put his hand into his own pocket to help the woman from whom he has been divorced for 14 years after ten years of marriage, because he knew his daughters expected him to help out their mother.

'Beatrice and Eugenie would have been very upset if he hadn't helped out their mother - and so would the Queen,' says a courtier.

'It is still a source of some concern, and a distraction for the girls who are both at university. The general feeling is that the sooner this mess is cleared up, the better for everyone.'

Andrew's contribution helped pay off her dozen 'personal staff' who were made redundant in the spring when Fergie's finances finally spiralled out of control.

The way they were: Prince Andrew and Fergie together at Upton House in 1992 to see their daughter Beatrice, four, in a nativity play Fergie can no longer employ her own staff - but, as ever, friends continue to ride to her rescue. One is John Caudwell, the mobile phone tycoon and one of Britain's richest men. His daughter Libby has, we understand, been helping the Duchess with her charities.

Also still on the scene is Geir Frantzen, the Norwegian frozen food magnate who gave Fergie the £160,000 Bentley she can still be seen being driven in. He is understood to have offered her a bolthole for Christmas.

Fergie is dreaming now that her Oprah series will open doors to a new television career. And she is still hoping her Little Red children's book about a red-headed girl will be made into a series of money-spinning cartoons.

She also plans to kick-start herself on the lucrative=after-dinner speaking circuit. Certainly, she will have to go into high-earning mode if she is to continue=not only flying first class but routinely arriving at airports with 25 pie=es of luggage.

But even Fergie has her standards. She was offered, we can reveal, a =98monster' sum - believed to be 'well to the north of =A3200,000' - to join the so-called celebs in ITV's I =99m A Celebrity . . . Get Me Out Of Here! =he declined.

She also declined lucrative offers from American tele=ision networks to join the commentary team for the wedding of Prince Willi=m to Kate Middleton, a job for which you might think she is eminently qual=fied. She is, of course, unlikely to be on the guest list.

But because her daughters will be there with the Roya= Family, she considered that, too, to be inappropriate.

Maybe, just maybe, the erring Duchess is beginning to=acquire good judgment and restraint.

Read more: <http://www.dailymail.co.uk/news/art=cle-1333506/Duchess-debt-Fergies-ultimatum-creditors--Accept-quarter-l-owe=risk-getting-NOTHING.html#ixzz16TCPSme2> <<http://www.dailymail.co.uk/news/ar=icle-1333506/Duchess-debt-Fergies-ultimatum-creditors--Accept-quarter-l-ow=-risk-getting-NOTHING.html#ixzz16TCPSme2>>

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