



Renaissance One
Two North Central Avenue
Phoenix, Arizona 85004-2391
602.229.5200
Fax 602.229.5690
www.quarles.com

Attorneys at Law in
Chicago
Indianapolis
Madison
Milwaukee
Naples
Phoenix
Tampa
Tucson
Washington, D.C.

Writer's Direct Dial: 602.229.5274
E-Mail: hector.diaz@quarles.com

December 5, 2018

BY ECF

The Honorable Nicholas G. Garaufis
United States District Judge
United States District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, NY 11201

RE: United States of America v. Lauren Salzman, 18 Cr. 204 (NGG)

Dear Judge Garaufis:

Pursuant to the Court's December 3, 2018 Order, we submit this letter in response to the Government's letter dated November 30, 2018 alleging a potential conflict of interest involving undersigned counsel arising from the third party payment of legal fees (the "Letter"). (*See* DKT. 120). As discussed below, and reserving our objection to the government's assertion of a potential conflict, Lauren Salzman ("Lauren") consents to a hearing pursuant to *United States v. Curcio*, 680 F.2d 881 (2d Cir. 1982).

I. Background.

On or about April 20, 2018, the government obtained its Initial Indictment against Keith Raniere and Allison Mack charging them with sex trafficking, sex trafficking conspiracy, and forced labor conspiracy. (DKT. 14). Thereafter, when Lauren had reason to believe that she too had become a target of the government's investigation, Lauren retained undersigned counsel for the purposes of assisting with the government investigation and potential criminal prosecution related to *United States v. Raniere*, 18-cr-204. On or about July 23, 2018, the government obtained a Superseding Indictment ("Indictment"), adding four more defendants, Clare Bronfman, Nancy Salzman, Kathy Russell, and Lauren, and alleging a RICO Conspiracy, among other claims. (Indictment, DKT. 50). Undersigned counsel was admitted *pro hac vice*, filed a Notice of Appearance, and is counsel of record for Lauren.

The Honorable Nicholas G. Garaufis
December 5, 2018
Page 2

Upon formalizing legal representation, an irrevocable trust (the “Trust”) served as the source of payment for any legal fees in connection with counsel’s representation of Lauren, who is a beneficiary of this Trust. Before establishing this payment arrangement, counsel confirmed that such arrangement would satisfy counsel’s ethical obligations owed to Lauren in connection with third party payment of legal fees: (i) informed consent; (ii) no interference with the lawyer’s independent professional judgment or with the client-lawyer relationship; and (iii) client’s confidential information is protected as required. *See* New York Rule of Professional Conduct 1.8(f). Counsel has discussed the third party payor arrangement with Lauren, and she is keenly aware of all risks and benefits associated with this payment arrangement. To the extent that the Court determines a potential conflict exists, Lauren will waive this potential conflict. Given that counsel has complied with our ethical obligations, coupled with the composition and nature of the Trust (irrevocable), the government’s request for a *Curcio* hearing is not supported by the circumstances in this case.

II. While We Refute that Any Potential Conflict Exists, Lauren Will Consent to a *Curcio* Hearing.

In its Letter, the government alleges that the payment of Lauren’s legal fees from the Trust creates a potential conflict of interest. In particular, the government argues that a potential conflict exists because co-defendant Clare Bronfman is the primary contributor to the Trust. Despite knowing about the Trust and the unique nature of the Trust for months, the Government now alleges for the first time that all counsel for each of the defendants (with the exception of Clare Bronfman’s counsel) has a potential conflict of interest.

We disagree that any potential conflict of interest exists under these circumstances; and we object to the government’s characterization that the nature of the payment arrangement for legal fees is being used to influence witnesses and divide loyalties. (DKT. 120 at 6). These assertions are misplaced and raise serious questions as to the government’s appreciation of the underlying intricacies of this case. Any funds that Clare Bronfman has purportedly contributed to the Trust are now Trust assets, and as such, only the trustee has control over those assets. Indeed, the trustee plays no role in our defense strategy nor with regard to the advice we provide to our client.

Despite counsel’s stated objection to the potential conflict, in order to expeditiously resolve the government’s concerns, we consent to the Court conducting a *Curcio* hearing. To avoid a fishing expedition, counsel will work with the government to formulate the appropriate and agreed-upon parameters for such a hearing.

The Honorable Nicholas G. Garaufis
December 5, 2018
Page 3

Respectfully submitted,

/s/ Hector J. Diaz
Hector J. Diaz
Andrea S. Tazioli
602.229.5274

HJD:vl
CC: All Attorneys of Record by ECF