

STATEMENT TO OUR CLIENTS ABOUT LITIGATION INTEREST CHARGES

We would like to take this opportunity to address recent media reports about expenses for litigation financing interest charged to our clients in their settlement statements, both to set the record straight about why these charges have been made against the plaintiffs' settlements and the justification for those charges.

At the conclusion of a Court hearing on June 23, 2010, Judge Alvin K. Hellerstein declared the settlement we reached is "a fair, adequate and reasonable settlement, reflecting hard bargaining and concern for fairness of varying parties. It is fair in amount, it is fair in procedure, it is fair in the continued procedures that will be used to hear and decide the various claims." Judge Hellerstein wants the attorneys involved to justify their expenses. We welcome that opportunity because every item we have charged is both fair and reasonable.

In order to be in a position to bargain for the \$712.5 million possible compensation for our clients under the settlement with the City of New York and its contractors, we had to file nearly 10,000 individual claims on our clients' behalf. To give you a rough idea of the costs for this type of litigation, the filing fees alone amounted to more than \$3.5 million dollars (\$350 per complaint). We had to obtain and pay for the services of medical, economic and scientific experts to prepare our cases and to fight an endless onslaught of motions to dismiss your cases that were brought by the defendants. We not only had to obtain hundreds of thousands of documents constituting millions of pages of information, but also had to review them and categorize them for use in opposing motions, preparing for potential trials and to strengthen our negotiating position. We also had to defend against several summary judgment motions, all the way to the United States Court of Appeals, so that your cases would not be dismissed outright.

All of this cost many tens of millions dollars, paid by our firm ahead of any recovery, with none of these expenditures tax deductible until a recovery is achieved. Millions more were spent paying the lawyers, paralegals, account managers, secretaries and others in our office a salary for seven years of litigation. *None of that overhead will be charged to the clients*, but instead will be taken out of the 25% attorneys' fees we will be receiving.

Without contingency fee arrangements, many Americans who cannot afford to pay an attorney's hourly rate still have access to the courts. But that also means that the attorneys bear the costs of these litigations up front and also bear all of the risk if they fail to achieve the best possible recovery for their clients. Those up-front costs were enormous in this massive litigation and required our firm taking out loans, as is typical in these kinds of mass tort cases. The alternative to such litigation financing means that these kinds of claims don't get filed and the injured claimants don't have the opportunity to be heard.

The rates we were charged for our financing ranged from 6% to 18%, which is far below the 36% that can be charged to finance this kind of litigation, due to the risky nature of litigation. In this case, the partners of the firm personally guaranteed these loans, meaning if there was no recovery, we attorneys would be paying back those loans out of our own pockets, with no charge to our clients.

That is why the ethical rules that govern the actions of attorneys have declared such financing allowable under the rules of professional behavior, with the proviso that they be disclosed to the clients at the outset of the attorney-client relationship. We did exactly that, complying with New York law (Rule 1.5(b); 22 N.Y.C.R.R. § 1215.21(b)) by disclosing the

basis for calculating our fees to each client at the outset of the representation, including the fact that the fees would be charged to each client on a pro rata basis and might include interest on funds borrowed to finance the litigation. If you review the retainer agreement (contract) you signed when you retained our office for this litigation, you will see the information there.

We have always *and will always* act in the best interests of our clients. If you have any specific questions about your individual case or disbursements, please feel free to call our office.