

SUPERIOR COURT OF THE STATE OF CALIFORNIA

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TOBACCO CASES.)
Including Actions:)
Cordova vs. Liggett Group, Inc.) San Diego Superior Court
No. 651824)
Ellis vs. R.J. Reynolds Tobacco Co.) San Diego Superior Court
No. 706458)
County of Los Angeles vs. R.J.) San Diego Superior Court
Reynolds Tobacco Co.) No. 707651)
The People vs. Philip Morris, Inc.) San Francisco Superior
Court No. 980864)
The People ex rel. Lungren vs.)
Philip Morris, Inc.) Sacramento Superior Court
No. 97AS 03031)
_____)

MEMORANDUM OF UNDERSTANDING

1 This Memorandum of Understanding ("MOU") is entered into by
2 and among counsel representing plaintiffs The People of the State
3 of California, the City and County of San Francisco, the City of
4 Los Angeles and the City of San Jose, and the Counties of Alameda,
5 Contra Costa, Marin, Riverside, Sacramento,. San Bernardino, San
6 Diego, San Mateo, Santa Barbara, Santa Clara, San Luis Obispo,
7 Shasta, Monterey, Santa Cruz and Ventura; the American Cancer
8 Society, California Division; the American Heart Association,
9 California Affiliates; the California Medical Association; the
10 California District of the American Academy of Pediatrics; Julia L.
11 Cordova; the County of Los Angeles and Zev Yaroslavsky; and James
12 Ellis and Gray Davis, in their coordinated action against the
13 tobacco industry.

14 WHEREAS the following actions were brought:

15 1. Cordova v. Liggett Group, Inc., San Diego Super. Ct. No.
16 651824 (filed May 12, 1992).

17 Plaintiff: Julia L. Corodva, a private individual suing
18 on behalf of the general public. Cordova, Second Amended
19 Complaint, ¶6.

20 Plaintiff's Counsel: Milberg Weiss Bershad Hynes &
21 Lerach LLP, in association with three other law firms. Id. at 1.

22 Defendants: Philip Morris, Reynolds, Brown &Williamson,
23 Lorillard, TI, CTR, United States Tobacco Company, Hill & Knowlton,
24 Inc., Liggett Group, Inc. Id.

25 Factual Allegations: Defendants engaged in a decades-
26 long conspiracy to deceive the public about the. health risks of
27 smoking and the "addictive" nature of nicotine, and suppressed the
28 development of "safer" cigarettes. Id. ¶¶20-74.

Causes of Action: The complaint consists of two causes of action for violations of California's Unfair Competition Act codified at Bus. & Prof. Code §§17200 et seq. ("UCA"). Id. ¶¶75-85.

Relief Requested: Disgorgement of "hundreds of millions of dollars" in "ill-gotten gains"; prohibitory and mandatory injunctive relief. 80(c)-(d), 83, 85(c)-(d); id. at 47.

Judge: The Honorable Robert E. May.

State of Pleadings: Settled.

Trial Date: February 5, 1999. Order Setting Trial; at 2 (San Diego Super. Ct. Aug. 8, 1997).

2. Ellis v. R.J. Reynolds Tobacco Co., San Diego Super. Ct. No. 706458 (filed July 24, 1996; refiled after voluntary dismissal, on Dec. 17, 1996).

Plaintiffs: James Ellis and Gray Davis, suing as private individuals on behalf of the general public. Ellis, Third Amended Complaint, ¶4.

Plaintiffs' Counsel: Robinson, Calcagnie & Robinson in association with a number of other firms. Id. at 1.

Defendants: Philip Morris, Reynolds, Brown & Williamson, Lorillard, TI, CTR, B.A.T. Industries p.l.c., British American Tobacco Company, Ltd., Batus Holdings, Inc., Batus, Inc., Liggett & Myers. Id.

Factual Allegations: Defendants engaged in a decades-long conspiracy to deceive the public about the health risks of smoking and the "addictive" nature of nicotine (id. ¶¶1, 23-60), suppressed the development of "safer" cigarettes (id. ¶¶154-79),

1 wrongfully manipulated nicotine levels in cigarettes and
2 intentionally marketed their products to minors (id. ¶¶209-44).

Causes of Action: The complaint consists of two causes
of action for violations of the UCA. Id. ¶¶253-64.

Relief Requested: Disgorgement of "hundreds of million:
of dollars" in "ill-gotten gains" (id. ¶¶256-57, 263-64)
prohibitory injunctive relief (id. at 81-82); and mandatory
injunctive relief requiring (1) disclosure of all research relating
to smoking, health, and addiction, (2) funding of smoking-cessation
programs, and (3) disclosure of nicotine yields of all products
(id. at 82).

Judge: The Honorable Robert E. May.

State of Pleadings: Settled.

Trial Date: February 5, 1999. Order Setting Trial, at
2 (San Diego Super. Ct. Aug. 8, 1997).

3. County of Los Angeles v. R.J. Reynolds Tobacco Co., San
Diego Super. Ct. No. 707651 (filed Aug. 5, 1996).

Plaintiffs: Los Angeles County Supervisor Zev
Yaroslavsky, on behalf of the general public, and the County of Los
Angeles. County of Los Angeles, Fifth Amended Complaint, ¶3.

Plaintiffs' Counsel: Robinson, Calcagnie & Robinson, in
association with a number of other firms. Id. at 1.

Defendants: Philip Morris, Reynolds, Brown & Williamson,
Lorillard, TI, CTR, B.A.T. Industries p.l.c., British American
Tobacco Company, Ltd., Liggett & Myers, Inc. Id.

Factual Allegations: Defendants engaged in a decades-
long conspiracy to deceive the public about the health risks of
smoking and the "addictive" nature of nicotine (id. ¶¶1, 23-59).

1 suppressed the development of "safer" cigarettes (id. ¶¶153-78),
2 wrongfully manipulated nicotine levels in cigarettes (id. ¶¶198-
3 206), and intentionally marketed their products to minor (id.
4 ¶¶208-43).

5 Causes of Action: The complaint consists of two causes
6 of action for violations of the UCA (id. ¶¶257-63), one cause of
7 action for violations of the False Advertising Law codified at Bus
8 & Prof. Code §§17500 et seq. ("FAL") (id. ¶¶264-68), and claims for
9 negligence, strict liability, fraud, and breach of warranty (id.
10 ¶¶269-302).

11 Relief Requested: The UCA and FAL causes of action seek
12 disgorgement of "hundreds of millions of dollars" in "ill-gotter
13 gains" (id. ¶¶255-56, 263, 268), prohibitory injunctive relief (id.
14 at 94), and mandatory injunctive relief requiring (1) disclosure of
15 all research relating to smoking, health and addiction, (2) funding
16 of smoking-cessation programs, (3) disclosure of nicotine yields of
17 all products, and (4) cessation of advertising campaigns allegedly
18 targeting minors (id. at 94-95). The causes of action for negli-
19 gence, strict liability, breach of warranty, and fraud seek money
20 damages in the amount of the County's health-care expenditures for
21 alleged smoking-related illnesses. Id. at 96.

22 Judge: The Honorable Robert E. May.

23 State of Pleadings: Settled as to UCA and FAL.

24 Trial Date: February 5, 1999 (as to the UCA and FAL
25 claims) The causes of action seeking to recoup health-care
26 expenditures are scheduled to be tried at some date after February
27 5, 1999

28

4. People v. Philip Morris. Inc., San Francisco Super. Ct. No. 980864 (filed Sept. 5, 1996).

Plaintiffs: The City and County of San Francisco, seventeen other cities and counties on behalf of the People of the State of California and four medical organizations. People, Second Amended Complaint, ¶¶6-10.

Plaintiffs' Counsel: Louise Renne, the City Attorney for the City and County of San Francisco, Lieff, Cabraser, Heimann & Bernstein, LLP and Milberg Weiss Bershad Hynes & Lerach LLP.

Defendants: Philip Morris, Reynolds, Brown & Williamson, Lorillard, TI, CTR. People, Second Amended Complaint, at 1.

Factual Allegations: Defendants engaged in a decades-long conspiracy to deceive the public about the health risks of smoking and the "addictive" nature of nicotine (id. ¶¶1-3, 130-71), suppressed the development of "safer" cigarettes (id. ¶¶2, 72-93), wrongfully manipulated nicotine levels in cigarettes (id. ¶¶1, 98-101), and intentionally marketed their products to minors (id. ¶¶1, 104-37).

Causes of Action: The complaint consists of three causes of action for violations of the UCA and one cause of action for violation of the FAL. Id. ¶¶141-64.

Relief Reouested: Disgorgement of "all profits" acquired by means of the alleged conduct (id. at 46); civil penalties (id.); prohibitory injunctive relief (id. at 45); and mandatory injunctive relief requiring (1) disclosure of all research relating to smoking, health, and addiction; (2) funding of smoking-cessation programs; (3) disclosure of nicotine yields of all products; (4) cessation of advertising campaigns allegedly targeting minors;

and (5) the funding of a "corrective public education campaign" (id. at 46).

Judge: The Honorable Paul H. Alvarado.

State of Pleadings: Settled

Trial Date: March 1, 1999. Minute Order ¶1 (San Francisco Super. Ct. Apr. 28, 1997).

5. People ex rel. Lungren v. Philip Morris, Inc. (the "AG case"), Sacramento Super. Ct. No. 97 AS 03031 (filed June 12, 1997)

Plaintiffs The People of the State of California ex rel. Daniel E. Lungren, Attorney General of the State of California and S. Kimberly Belshe, Director of Health Services of the State of California. AG, First Amended Complaint, ¶¶1-2.

Plaintiffs' Counsel: The Attorney General of the State of California. Id. at 1.

Defendants: Philip Morris, Reynolds, Brown & Williamson, Lorillard, CTR, TI, B.A.T. Industries p.l.c., United States Tobacco Company, Smokeless Tobacco Council, Inc., British American Tobacco Company, Hill & Knowlton, Inc. Id.

Factual Allegations: Defendants engaged in a decades-long conspiracy to deceive the public about the health risks of smoking and the "addictive" nature of nicotine (id. ¶¶26-48), suppressed the development of "safer" cigarettes (id. ¶¶36-43), wrongfully manipulated nicotine levels in cigarettes (id. ¶¶47, 59, 60, 69), intentionally marketed their products to minors (id. ¶¶48-54), and knowingly making false claims or statements to avoid fines and penalties for violations of statutes. (Id. ¶¶26-54)

1 Causes of Action: The complaint consists of one cause of
2 action for violations of the UCA (id. ¶¶82-82), one cause of action
3 for recovery of Medi-Cal costs (id. ¶¶56-69), and one cause of
4 action for violation of the Cartwright Act (id. ¶¶70-74) and one
5 cause of action for violations of the False Claims Act. (Id. ¶¶75-
6 80).

7 Relief Requested: Prohibitory injunctive relief (id. at
8 23-24); civil fines and penalties under the UCA and the California
9 False Claims Act (Cal. Gov't Code §§12650-12655) (id. at 24); and
10 damages equivalent to the State's Medi-Cal expenditures for alleged
11 smoking-related illnesses for the last three years (id. at 23).

12 Judge: The Honorable John R. Lewis (for law and motion
13 matters)

14 State of Pleadings: As to UCA and predicate antitrust
15 claims settled.

16 Trial Date: The court has not set a trial date.
17 However, the court has ordered that the case be disposed of by
18 August 31, 2000.

19 WHEREAS, provided trial of the cases is not materially
20 delayed, the parties agree that the cases should be coordinated and
21 consolidated for a single trial of all of the UCA and FAL claims
22 because coordination and consolidation will promote the ends of
23 justice.

24 WHEREAS, the undersigned parties acknowledge the coordination
25 of civil actions sharing a common question of fact or law is
26 appropriate where "one judge hearing all of the actions for all
27 purposes will promote the ends of justice." Cal. Civ. Proc.
28 Code §404.1. The determination of whether coordination will

1 "promote the ends of justice," involves the consideration of the
2 following factors set forth in Code of Civil Procedure §404.1,
these factors are: (1) "whether the common question of fact or law
4 is predominating and significant to the litigation;" (2) "the
5 convenience of parties, witnesses, and counsel"; (3) "the relative
6 development of the actions and the work product of counsel";
7 (4) "the efficient utilization of judicial facilities and
8 manpower"; (5) "the calendar of the courts"; (6) "the disadvantages
9 of duplicative and inconsistent rulings, orders, or judgments"; and
10 (7) "the likelihood of settlement of the action without further
11 litigation should coordination be denied." The parties agree that
12 these five actions satisfy the above conditions.

13 WHEREAS, these cases present significant and predominating
14 common questions of fact and law. All five of the cases seek to
15 determine whether aspects of the tobacco industry defendants'
16 research, manufacturing, and marketing practices over the last
17 forty years constitute unfair competition, an illegal combination
18 in violation of antitrust laws and whether the people of California
19 are entitled to relief. In all of the cases, the courts will
20 confront similar factual questions including:

21 . Whether the Tobacco Industry misrepresented or concealed
22 facts known to them about the health risks of smoking

23 Whether the Tobacco Industry misrepresented or concealed
24 information about the "addictive" nature of nicotine

25 Whether California consumers were deceived or likely to
26 be deceived by misstatements or the concealment of facts
27 about health and smoking by the Tobacco Industry

28 Whether the Tobacco Industry "manipulated" nicotine
content or delivery of nicotine in their products

Whether the Tobacco Industry acted in concert to suppress development of a "safer" cigarette, and the effects of any such coordinated action

Whether the Tobacco Industry violated state antitrust laws

Whether the marketing practices of the cigarette companies deliberately or unfairly targeted or induced minors to smoke

WHEREAS the initial trial of the UCA and FAL claims involve many significant identical legal questions including:

- . Whether the Tobacco Industry's conduct amounts to an "unfair" business practice within the meaning of the UCA
- . Whether the Tobacco Industry's conduct amounts to an "unlawful" business practice within the meaning of the UCA
- Whether the Tobacco Industry's conduct amounts to a "fraudulent" business practice within the meaning of the UCA
- . Whether the Tobacco Industry's conduct amounts to an illegal combination in violation of the Carwright Act and the UCA
- . Whether the Tobacco Industry's conduct amounts to false or deceptive advertising within the meaning of the FAL.
- . Whether any applicable statute of limitations has barred any claims wherein an ongoing conspiracy has been charged

WHEREAS, the convenience of parties, witnesses, and counsel will be served by coordination between the parties and discovery can be freely exchanged with the additional manpower focused on discrete areas to ensure proper preparation of the coordinated actions for trial.

WHEREAS by centralizing the actions in a single court, a coordinated action will preserve judicial resources.

WHEREAS, coordination by the parties helps in the overall-preparation for trial and may improve the chances for resolving these cases prior to trial, or otherwise obtaining significant

monetary and public health relief. Further, the actions we--e ordered coordinated. See Order Re: Coordination No. JCCP4041.

NOW, THEREFORE, it is agreed as follows:

1. EXECUTIVE COMMITTEE: An Executive Committee will be formed to review, consider and make all significant and/or material decisions in the litigation. The Executive Committee will consist of a representative from the Attorney General's office, Milberg Weiss Bershad Hynes & Lerach LLP, Lieff, Cabraser, Heimann & Bernstein LLP, Robinson, Calcagnie & Robinson, the City Attorney's office for the City and County of San Francisco and Los Angeles County Counsel. Each member of the Executive Committee shall play a significant role in the trial of this matter. The Attorney General is hereby designated by the Executive Committee as liaison counsel pursuant to California Rules of Court, Rule 1541.

2. **FUNDING OF EXPENSES:** The undersigned parties agree to share Funding of Expenses with each of the following entities responsible for one quarter of the expenses: The Attorney General's office, Milberg Weiss Bershad Hynes & Lerach LLP, Lieff, Cabraser, Heimann & Bernstein, LLP, and Robinson, Calcagnie & Robinson. To that end, an initial fund of \$500,000 shall be established with each of the above entities placing \$125,000 into the fund. The fund shall be established in the city in which the action is coordinated.

3. SHARING OF INFORMATION: The undersigned parties shall provide full and complete access to each other of all material in the respective possession or control with respect to the coordinated claims.

4. **PROTECTION OF CONFIDENTIAL INFORMATION:** The undersigned parties recognize that there is a mutuality of interest in the

1 common representation of their respective claims and that it is in
2 the parties interest to share information. The parties agree to
continue to pursue their common interests and to avoid any
4 suggestion of waiver of privileged communications. Accordingly, it
is the parties' intention and understanding, and they hereby agree,
6 that communications of information and joint interviews among the
parties in connection with the UCA, antitrust and FAL claims are
8 confidential and are protected from disclosure to any third party
9 by the attorney-client privilege and the work-product doctrine.
10 The parties agree that all information, documents or materials,
11 including, but not limited to, all client and witness statements,
12 interviews conducted separately or jointly by the parties,
13 memoranda of law, debriefing memoranda, factual summaries,
14 transcript digests, and other such materials and information which
15 would otherwise be protected from disclosure to third parties
16 (hereinafter referred to as "Confidential Material"), and which are
17 exchanged among any of the parties pursuant to this agreement,
18 shall remain confidential and protected from disclosure to any
19 third party by the attorney-client privilege and the work-product
20 doctrine.

21 Further, because the exchange of Confidential Material is
22 essential to the effective representation of the parties, the
23 parties believe that the Confidential Material is protected by the
24 attorney-client privilege and the attorney work-product doctrine.
25 The exchange of Confidential Material pursuant to this Agreement is
26 not intended to waive any attorney-client privilege or work-product
27 protection otherwise available. Moreover, any inadvertent or
28 purposeful disclosure of Confidential Material exchanged pursuant

to this Agreement which is made by a party to this Agreement shall not constitute a waiver of any privilege or protection of any other party to the Agreement. The Agreement applies equally to Confidential Material that has been exchanged or provided among the parties to date under an oral understanding consistent with the terms of this Agreement.

5. ALLOCATION BETWEEN LEGAL CLAIMS: In the event of recovery either by judgment after trial or by settlement, including a resolution of claims through federal legislation, it is the reasoned opinion of all parties to this agreement based on the current status and viability of all claims currently pending against the tobacco defendants when balanced against the claims that are currently on appeal, that 100% of the recovery shall be allocated to the UCA, antitrust and FAL claims.

6. ALLOCATION OF ANY RECOVERY:

a. The recovery, as allocated to the UCA, Antitrust and FAL claims, shall be exclusively divided between the state, cities and counties as follows:

i. 50% of the total recovery to the State of California.

ii. 50% of the total recovery to the cities and counties of California. Direct recovery to cities shall be restricted to cities whose city attorneys could have maintained an independent action under Business and Professions Code section 17204 to wit: Los Angeles, San Diego, San Francisco and San Jose (hereinafter the "eligible cities"). The recovery to the cities and counties shall be distributed as follows: ten percent (10%), distributed equally to the eligible cities (2.5% each) on a yearly

basis; the remaining ninety percent (90%) distributed yearly to the 58 counties within the State of California, on a per capita basis, calculated using the most current official United States Census numbers. In the event of a settlement of the State of California's claims, the sharing of the recovery by eligible cities and the counties will be conditioned upon a release by each city and county of all tobacco related claims consistent with the extent of the state's release and a dismissal with prejudice of any city or county's pending action. The monies payable under this agreement to settle the claims of the state, cities and/or counties shall be payable directly or through a qualified settlement fund pursuant to Section 468B of the Internal Revenue Code of 1986, and Treas. Reg. Section 1.468B or any similar tax exempt equivalent set up specifically for the purpose of making payments to each of these entities based on the formula agreed upon herein. Further, any monies the state, cities or counties receive under the provisions of this MOU are independent of any federal, state or other monies the participating state, city or county would otherwise receive and shall not be considered a recovery or reimbursement of any federal monies. In the event a city or county chooses not to participate in a settlement, and opts instead to pursue its respective litigation, that entity agrees not to share in the recovery pursuant to the distribution set forth in this MOU. In such case, that portion of the total recovery that would otherwise have been allocated to that entity shall be allocated 50% to the state, and 50% to the remaining cities and counties, in accordance with the allocation formula set forth above. Should any city or county choose not to participate in a settlement and elect instead to

1 pursue its respective litigation against the settling defendant-,
2 any final judgment, from which no appeal may be taken, obtained by
3 the city or county in such litigation may be credited against the
4 amounts to be paid by the settling defendants to the state and the
5 participating cities and counties under the terms of such
6 settlement and this MOU.

7
8 iii. In the event the federal government asserts a
9 claim over any monies obtained through a settlement, judgment or
10 other recovery against the tobacco product manufacturers or
11 otherwise acts to reduce the amount it provides the State of
12 California under 42 U.S.C. §1396b(d) (2) (B) on account of any monies
13 received pursuant to a recovery against the tobacco product
14 manufacturers, such reduction shall be borne proportionally by the
15 state and the cities and counties that will receive a distribution
16 as proposed under this MOU. This event may be triggered at any
17 time, and the parties agree that no restriction shall be imposed on
18 the timing, frequency or amount of such adjustments as between the
19 state and the cities and counties, and that such adjustments shall
20 apply retroactively or prospectively as the need arises by virtue
21 of federal action, but that any such adjustment shall be confirmed
22 by the court where the consent decree is entered.

23 iv. The distribution of funds pursuant to this MOU
24 is not subject to alteration by legislative, judicial or executive
25 action at any level. If such action occurs and alters the
26 distribution of these funds pursuant to this MOU, and survives all
27 legal challenges to it, the distribution of these funds shall be
28 modified to offset such action and shall be borne proportionally
by the state and the cities and counties.

1 7 ATTORNEYS FEES:

2 a. Government Attorneys Fees and Costs -- It is
3 contemplated that a settlement of the State of California's claims
4 may provide for the reimbursement of the Office of the Attorney
5 General and other appropriate agencies of the state, cities or
6 counties, including city attorneys, county counsel offices and the
7 Department of Health Services for the reasonable costs and expenses
8 incurred in connection with the litigation or resolution of pending
9 tobacco related claims, excluding: (i) costs and expenses relating
10 to lobbying activities, and (ii) fees and costs of outside counsel.
11 Such reimbursement shall be calculated based upon hourly rates
12 equal to the local market rate for private attorneys, paralegals,
13 clerks, executives, analysts or other staff of equivalent
14 experience and seniority. The attorney general, its appropriate
15 agencies and participating political subdivisions shall provide
16 appropriate documentation of all costs, expenses and attorneys'
17 fees for which payment is sought, and shall be subject to audit.
18 This reimbursement shall be paid separately and apart from any
19 other amounts due pursuant to any settlement by the state.
20 Further, to the extent a settlement does not provide for
21 reimbursement (or provides for less than full reimbursement) to the
22 above agencies, such reimbursement shall come off the top before
23 any distribution of monies contemplated in §§6.a.i and ii.
24 Finally, a one time payment of one million dollars (\$1,000,000)
25 shall be distributed to the "The False Claims Act Fund" (Government
26 Code Section 12652 (j)) before any distribution of monies
27 contemplated in §§6.a.i. and ii.

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b. Private Outside Counsel --

i. The Attorney General of the State of California has not employed private outside counsel to assist in the Prosecution of The People ex rel. Lunsren vs. Philip Morris, Inc., Sacramento Superior Court No. 97AS03031.

ii. The following public entity or benefit cases have arrangements with private outside counsel to assist them in prosecuting their respective claims: Cordova v. Liggett Group, Inc., SDSC No. 651824 ("Cordova"); Ellis v. R.J. Reynolds Tobacco co., SDSC No. 706458 ("Ellis"); County of Los Anseles v. R.J. Revnolds Tobacco Co., SDSC No. 707651 ("Los Angeles"); The People v. Philip Morris, Inc., SFSC No. 980564 ("San Francisco"). Private counsel representing these plaintiffs are sensitive to the issue of private counsel representing public parties in tobacco litigation and their appropriate compensation. While this agreement in no way abrogates, changes or attempts to modify any fee agreement private counsel may have, all private counsel in the above listed actions agree to the following procedures in seeking to obtain fees or enforce any fee agreements with their respective clients: In addition to using best efforts to recover fees from defendants, in the event of a settlement of the State of California's claims, and to the extent a city or county agrees to release its claims in return for its share in the recovery pursuant to this MOU, private outside counsel agree to seek fees, costs and expenses in accordance with any mechanism set up pursuant to such settlement. Private counsel seeking reimbursement shall provide appropriate documentation of their costs and expenses, and shall be subject to audit. Payments received pursuant to this mechanism shall be paid

1 separately and apart from any other amounts due pursuant to any
2 settlement by the state and shall in no way go to reduce the
3 state's recovery. Private counsel agree that any fees, expenses or
4 costs recovered by private counsel in consideration for services to
5 or representation of their public entity clients pursuant to such
6 mechanism shall be deducted from any fees, costs or expenses
7 payable under fee agreements with their respective clients. All
8 private counsel acknowledge that their fee service contracts are
9 subject to Rule 4-200 of the Rules of Professional Conduct of the
10 State Bar of California which bars members of the Bar from charging
11 or collecting an unconscionable fee. The Attorney General asserts
12 that any fee dispute between private counsel and their respective
13 clients should be submitted to the trial judge in the manner of a
14 Code of Civil Procedure 51021.5 proceeding. Private counsel agree
15 that any fee dispute shall be submitted to the trial judge.
16 Private counsel, however, do not agree that such submission be
17 limited in the manner of a Code of Civil Procedure 51021.5
18 proceeding.

19 8. SETTLEMENT: Should any party enter into settlement
20 discussions with defendants or their counsel, that party shall, to
21 the extent possible and in a timely manner, inform the other
22 parties of the scope and nature of the settlement discussions. In
23 no event shall any party attempt to settle claims which that party
24 has no legal authority to settle.

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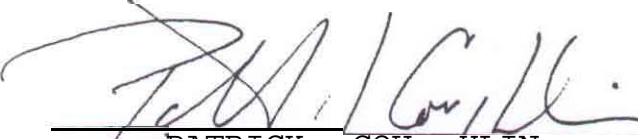
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1 DATED : August 5, 1998


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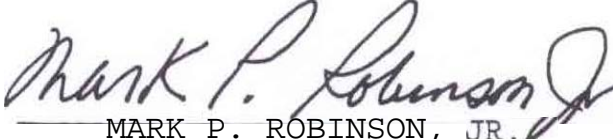
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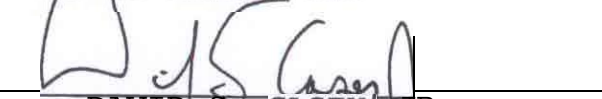
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