Mr. Patrick J. Saidi
4 Selborne Chambers
(Liability limited by a scheme approved under Professional Standards Legislation)

4th Floor
174 Phillip Street,
SYDNEY. 2000
DX 531 SYDNEY

Telephone: 9233.1604
Mobile: 0414-233160
Facsimile: 9233.6469
Email: saidi@selbornechambers.com.au

10th November, 2009

Mr I V Knight
Crown Solicitor
DX 19 SYDNEY

Dear Evangelos,

Re: State of New South Wales ats. AIL & Ors.
Att: Mr. Evangelos Manollaras

I refer to my recent email to you dated 6th November last with respect to the abovementioned matter.

I confirm the matters contained within the email. Based upon my discussions with Ms. Wall of Counsel, it would appear that it is going to be very difficult indeed for the Defendant to be able to resolve these matters on any realistic or meaningful basis. To assess each of these plaintiffs as being worth $200,000 at a minimum (although subject to further negotiation) in my view shows a lack of reality in the assessment of the claim of each of the plaintiffs. I should add that the initial assessment made by the lawyers was that each of the plantiffs was worth $400,000 or more, and the sum of $200,000 was a discounted figure to take into account the uncertainties of the litigation.

I have suspected for some time now that the lawyers acting on behalf of the plaintiffs, at least in relation to some of the plaintiffs, are not receiving instructions from those plaintiffs in any meaningful manner. This has been further confirmed by what Ms. Wall told me in terms of the solicitors being out of communication with some of the plaintiffs, who are apparently somewhere in the outback or country New South Wales and are allegedly uncontactable.

There may well be an element of the solicitors involved in these proceedings, at least insofar as some of the plaintiffs are concerned, acting without any definite instructions being forthcoming from those clients.

Ms. Wall advised me that each of the plaintiffs had made a VCT claim and each had received $50,000. According to her, that would be the starting point for any Offers of Settlement to become attractive to any plaintiff, because such sum of money would need to be repaid to the VCT.

I have severe doubts as to whether all fifteen plaintiffs have in fact made a claim to the VCT. I say this because one knows that in relation to at least one or two plaintiffs there are no medical reports which have been served upon the defendant. Whilst that factor does not necessarily mean that no such claim has been made, it is considered at least a good indicator.

I note that a conference is to be had on the morning of Thursday, 12th November next in this matter. In my view, what should be carefully discussed during the course of the conference would include the following, inter alia:-

(i) What further investigations and inquiries should be undertaken in relation to any application made by any plaintiff for leave to extend the limitation period.

(ii) Whether or not the plaintiffs should be referred for a medico-legal opinion at this point of time in anticipation of the leave applications being heard. If so, on what terms should they be so examined, and what instructions should be given to the doctors examining the plaintiffs?

(iii) The VCT documentation in relation to each of the plaintiffs should be obtained. This would allow a careful study to be made of each such claim. Given that the plaintiffs have made a VCT claim, one would be particularly interested in the date(s) when such claims were made, if the previous solicitors were acting on their behalf, and the steps taken by the plaintiffs to pursue such claims. If any plaintiff is arguing that he/she was suffering from a disability and incapable of managing his/her affairs, then it would be interesting to see how and why such plaintiffs had the opportunity of instructing the solicitors to make a VCT claim on their behalf in the past.

(iv) Consideration needs to be given to the filing of an Offer of Compromise in relation to each of the plaintiffs and/or collectively in the proceedings as a whole given that the proceedings have been consolidated. If the case for the plaintiffs is being lawyer driven, as one suspects, then on the assumption that the plaintiffs are not being funded by Legal Aid, one way of reducing the motive of the lawyers to continue with this litigation would be by attacking their ability to recover costs of the proceedings, if they are so acting on a contingency basis. If in fact the matter is being funded by Legal Aid, then one way of reducing liability for the payment of costs, if any of the plaintiffs is successful, would be by making an Offer of Compromise and achieving a result which is better than any such offer made.

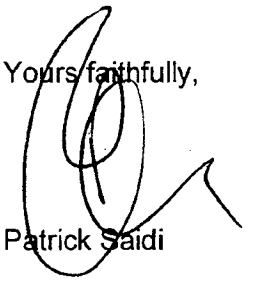
It is my view that, at least by way of making an Offer of Compromise which the defendant is likely to better with respect to each of the plaintiffs, at least some protection can be obtained in terms of what are very likely to be substantial costs in these proceedings.

It is my view that a number of the plaintiffs, if not the majority of them, are nowhere near as interested in the pursuit of these proceedings as their lawyers may be. One would suspect that some of the plaintiffs would accept any reasonable offer made in these proceedings. This would be especially so if such plaintiffs are as impecunious as has been made out to the court in the past. One says this not to belittle any of the plaintiffs in any way, but more as a fact supporting the approach that a reasonable offer of settlement attractive to the plaintiffs should be made at a very early stage by way of Offer of Compromise.

One notes that the defendant is still awaiting the receipt of the further particulars to be provided by the plaintiffs in these proceedings.

As can be seen from the above, there are serious issues which need to be discussed at the forthcoming conference.

Yours faithfully,



Patrick Saidi