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August 23, 2001

Ms. Margarite McNeill
1008 S. Farner Avenue
Tempe, ARIZONA 85281

Re: McNeill v. Sulzer

Dear Ms. McNeill:

This letter is to bring you some further information regarding your complaint against Sulzer Orthopedics. Briefly, we have obtained, organized, and reviewed most of your medical records and bills relating to both your initial hip implant surgery and the subsequent revision surgery. We have also met with your surgeon in order to discuss your case, both in terms of what happened in the past and what he expects in the future. Additionally, we have also retained, interviewed and met with an expert in biomedical implantation devices.

Overall Sulzer has had multiple complaints filed against it in many states, and since that process began it has asked that most of those complaints be moved into Federal District Court where it was allowed to under the rules. This has happened with many cases. In turn, because of the large number of complaints in Federal Court those cases have all been certified for a process called multi-district litigation. Under that process, they have all been assigned to a Federal Judge in Ohio for management.

At the same time, several groups of attorneys, both for Sulzer and for people with claims against Sulzer, have been meeting since earlier this year to attempt to reach a resolution of this matter for everyone. One of the main problems has been that Sulzer only has \$225,000,000.00 in insurance. Given the large number of claims, and the nature of the claims, most people involved in the litigation do not deem that amount to be sufficient to pay all of the claims. As a result, bankruptcy is a possibility, but one that Sulzer would rather avoid. While Sulzer Orthopedics does have a parent company, Sulzer Medica, that parent company is located in Switzerland. The corporate arrangement creates a number of difficulties for claimants. These include, but are not limited to, actually achieving service on a Swiss corporation, and the insulation from lawsuits often afforded parent corporations under the law. As a result of these meetings, these groups of attorneys have asked the Federal Court in Ohio to certify a class action for all claims in the nation, stop all proceedings at both the State and Federal level throughout the nation, and approve a proposed settlement of all claims.

The proposed settlement is as follows:

a) all plaintiffs that have a recalled implant, but have not had it revised because revision has not been indicated or called for will receive \$750.00 cash, plus three hundred ninety two (392) American Depository Receipts "ADRs" (these are roughly similar to stock, are valued at \$5.10 each and can be sold or kept; 392 ADRs equal approximately \$2,000);

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b) all plaintiffs that have had a revision due to the defect will receive \$37,500.00 cash plus three thousand nine hundred twenty two (3922) ADRs (approximate value \$20,000);

c) all plaintiffs that have had more than one revision due to the defect will receive \$63,500.00 cash plus six thousand six hundred sixty seven (6667) ADRs (approximate value \$34,000.00);

d) spouses of revision claimants will receive \$5000.00 cash, spouses of non-revision claimants will receive \$500.00 cash;

e) for persons with extraordinary injuries due to the defect there will be a fund established (of reportedly \$30,000,000.00), and a decision matrix will be set up to distribute that money;

f) reportedly up to \$25,000.00 per claimant will be available for unreimbursed medical expenses;

g) a medical monitoring fund will be established (of reportedly \$20,000,000.00); and

h) attorney's fees will be paid directly to the attorney from the company separately from the above amounts.

As you can see, this proposed resolution is a compromise reached in the middle of what is a bad situation for the patients such as yourself and Sulzer. It still leaves several questions unanswered. For example, it is not clear at this time whether or not any claimed liens by your insurance company will be paid by Sulzer, when the payments would be made, or when the ADRs will be distributed. It is clear there will be an opportunity to "opt-out" of the class action. Under such an option an individual claimant may choose not to accept the settlement, and instead proceed with their own separate action. A decision to opt-out comes with its own risks and benefits, which we will discuss with you shortly as the situation becomes clearer.

You should also be aware that the ADRs cannot be sold immediately. Six months after receipt, one half of the ADRs provided to any person can be sold. After another six months, the remaining ADRs may be sold.

None of this is finalized at this time. But we thought it might prove helpful to update you on the situation and to allow you some time to consider what is occurring and what action you may wish to take. We will continue to do so in the future, but in the meantime, please call if you have any questions.

Very truly yours,

James R. Studwell