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MAR 22 1984

Dr. Layton B. Dorman
Executive Director
Jefferson-Blount-St. Clair
Mental Health/Mental
Retardation Authority
3820 Third Avenue South, Suite 100
Birmingham, Alabama 35222

Public Corporations - Attorneys Fees -
Contracts

Under the circumstances described, the
Jefferson-Blount-St. Clair Mental
Health/Mental Retardation Authority
may enter into a contingency fee
contract with a law firm.

Dear Dr. Dorman:

This is in reply to your request for an opinion of the
Attorney General. In your opinion request, you state the
following pertinent facts.

In 1982, the Jefferson-Blount-St. Clair Mental Health/
Mental Retardation Authority, (Authority), incorporated
pursuant to section 22-51-1, et seq. Code of Alabama 1975,
purchased land and built a facility to be operated by
Alcoholism Recovery Services, Inc., to provide alcoholism
services within a three county region. The facility became
occupied in February, 1983.

In December, 1983, a sinkhole developed under a portion of
the aforementioned facility. Emergency measures were taken to
minimize damage to the building, but additional emergency repairs
which are estimated to exceed \$200,000 in cost are to be
undertaken soon. In order to prevent further sinkhole develop-
ment at the site, additional subterranean work will be required

which is estimated to exceed \$300,000 in cost.

All policies owned by the Authority insuring the facility and land specifically excluded from coverage claims for loss resulting from sinkhole development. Therefore, the Authority has sought legal advice regarding the potential liability of other parties for the damage caused by the sinkhole. The Authority has been advised that because of the nature of the cause of damage, recovery for the damage is uncertain.

Because of the uncertainty of the claim, the Authority wishes to enter into a contingency fee contract with a law firm to represent the Authority's interests. According to the provisions of such contract, if recovery is had by settlement, the attorneys fees would be one third of the recovery. If recovery was obtained as a result of a trial verdict, the attorneys fees would be forty percent of the recovery. The Authority would also be liable for any reasonable and necessary expenses of litigation.

The Authority has asked whether it is permissible for the Authority to enter into a contingency fee contract as described above.

The Authority is incorporated pursuant to the provisions of Section 22-51-1 et seq., Code of Alabama 1975. Section 22-51-11(2) specifically provides that any corporation organized pursuant to that provision has the power to construct and maintain facilities and §22-51-11(14) provides that the corporation may make and execute contracts necessary or convenient to the exercise of its powers. Such provisions empower the authority to enter into a contingency fee contract with a private law firm.

It is, therefore, the opinion of the Attorney General in the situation here described where it has been determined that the Authority's claim for damages may not result in recovery, that the Authority may enter into a contingency fee contract as long as the terms of the contract are reasonable. It is also the opinion of the Attorney General that the percentages of compensation contained in the contingency fee contract into which the Authority proposes to enter are reasonable under the circumstances.

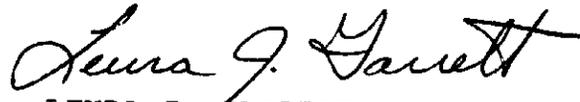
Dr. Layton B. Dorman
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We hope this response sufficiently answers your question.
If we may be of further assistance, please do not hesitate to
contact us.

Very truly yours,

CHARLES A. GRADDICK
Attorney General

By-



LEURA J. GARRETT
Assistant Attorney General

LJG/mi