Settlement Reached In Gulf Chinese Drywall Cases

Michael Kunzelman, Associated Press

NEW ORLEANS (AP) — A Chinese drywall manufacturer has agreed to pay hundreds of millions of dollars to resolve court claims by thousands of Gulf Coast property owners who say the product corroded pipes and wires and otherwise wrecked their homes, the largest settlement of its kind so far.

The deal announced Thursday by U.S. District Judge Eldon Fallon calls for Knauf Plasterboard Tianjin Co. to create an uncapped fund to pay for repairing roughly 4,500 properties, mostly in Florida, Louisiana, Mississippi and Alabama. A separate fund capped at $30 million will pay for other types of losses, including those by people who blame drywall for health problems.

Russ Herman, a lead attorney for the plaintiffs, said the settlement is worth between $800 million and $1 billion, although an attorney for the Chinese company disputed that estimate.

"We're very thankful for our clients," Herman said. "What we've given them, hopefully, is a happy holiday season."

Knauf attorney Kerry Miller said the company "decided to step up and settle these claims and do the right thing."

"They want to get this unfortunate incident behind them so they can focus on manufacturing first-class building products," he said.

Herman said around 55 percent of the people who would benefit from the settlement live in Florida, while roughly 35 percent live in Louisiana. The deal would resolve cases filed in both state and federal court.

Chinese drywall was used in the construction of thousands of homes, mainly in the South, after a series of destructive hurricanes in 2005 and before the housing bubble burst. The problems it has caused range from a foul odor to corrosion of pipes and wiring.

Steven Roberts, a plaintiff who built a home in Boynton Beach, Fla., in 2005 with Knauf drywall, said the first sign of trouble was a foul odor that smelled like "bitter sulfur." His family didn't suspect a more serious problem until electrical appliances started failing and corrosion formed on mirrors and bathroom fixtures.

Roberts, 37, a veterinarian, said he can't afford to repair all the damage or move his wife and daughter out, so he hopes the settlement can finally end their ordeal.

"It would be a huge weight lifted off our shoulders," he said. "It's been extremely challenging for my wife, very stressful. It's definitely a relief to potentially have the end in sight."

Virginia homeowners also filed many claims over drywall damage, but Herman said few of them would benefit from the deal because most received their drywall from other Chinese companies that haven't responded to lawsuits.

"They're the victims, innocent victims, of corporate malfeasance," Herman said. "To them we pledge, 'Keep the faith.' Our journey does not end here."

Fallon must sign off on the settlement before any money is distributed. Although the judge could give his preliminary approval to the deal in January, it will likely take several more months for money to reach homeowners.

Knauf agreed to initially deposit $200 million in the repairs fund, which would be replenished as needed. Greg Wallance, an attorney for the company, said Herman's estimate that the deal could be worth up to $1 billion is "pure speculation."

"It isn't going to be anything approaching that," he said.

Attorneys' fees and costs paid by Knauf are capped at $160 million and will not be deducted from homeowners' shares of the settlement money.

New Orleans Saints head coach Sean Payton was one of the plaintiffs in the Knauf litigation. His attorney, Daniel Becnel Jr., said Payton already has fixed the suburban New Orleans home his family had to vacate. Knauf reimbursed him for the repairs.

Fallon presides over more than 10,000 claims involving Chinese drywall. The cases were consolidated in the New Orleans federal court in 2009.

Thursday's settlement isn't the first, but it offers the most to homeowners, so far. In June, plaintiffs reached a $55 million settlement with Banner Supply Co. — a Miami-based supplier of Chinese drywall — along with several related companies and Banner's insurers.

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