Judge Urged To Approve Chinese Drywall Settlements

Michael Kunzelman, Associated Press

NEW ORLEANS (AP) — Attorneys for thousands of Gulf Coast property owners urged a federal judge Tuesday to give his final approval to a proposed class-action settlement that calls for a Chinese drywall manufacturer to pay hundreds of millions of dollars to repair homes damaged by its product.

U.S. District Judge Eldon Fallon in New Orleans held a hearing to help him gauge the fairness of five separate but related settlement agreements between plaintiffs' lawyers and companies that made, supplied or installed Chinese drywall. Fallon didn't immediately rule at the conclusion of the "fairness hearing."

Plaintiffs' attorney Arnold Levin said the settlements are worth an estimated $1.1 billion. Most of that would be paid by Chinese drywall manufacturer Knauf Plasterboard Tianjin Co.

Knauf "came to the table and did the right thing," Levin said. "They provided us with the ability to get people back to their homes and enjoy the lives all of us want."

Knauf agreed to create an uncapped fund to pay for repairing roughly 5,200 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.

"This is a settlement that offers real, tangible relief. It is bricks and mortar," Knauf attorney Kerry Miller said.

A total of about 300 plaintiffs have opted out of the five settlements, according to Levin.

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.

Knauf attorney Jay Mayesh said the company had no way of knowing that its drywall was defective before it was shipped to the U.S.

"Nobody did anything wrong or could have foreseen what happened," he said.

But the company decided to settle the claims because it wanted to "stand behind its product," Mayesh added.

"Rather than stand on all of its defenses that this peculiar situation offered it, it decided to do the right thing," 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.

Fallon, who presides over more than 10,000 claims involving Chinese drywall, refused in September to dismiss property owners' claims against a different Chinese drywall maker, Taishan Gypsum Co. Ltd.

Taishan, which argues that U.S. courts don't have jurisdiction over claims against it, appealed Fallon's ruling.

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