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RYLAND PROTESTS  
SETTLEMENT

✓ Lieff, Cabraser, Heimann & Bernstein LLP  
Plaintiffs' Class Counsel  
275 Battery Street, 30<sup>th</sup> Floor  
San Francisco, California 94111

Re: **Settlement Agreement for Naef, et al., Plaintiffs v.  
Masonite Corporation, et al., No. CV-94-4033**

Gentlemen:

This letter is to provide comments on the proposed Settlement Agreement for the captioned case. I am Associate General Counsel of The Ryland Group, Inc. ("Ryland"), a national high volume builder that has used Masonite products and specifically "Masonite Hardboard Siding" as defined in the Settlement Agreement. Ryland's concern is that the Settlement Agreement does not address the issues as they relate to builders who may have homeowners who have damaged Masonite Hardboard Siding on their homes.

As with the settlement with the Louisiana-Pacific Inner Seal Siding Products Liability Litigation, I would expect that the Settlement Agreement would be intended to be the sole remedy for any class member who claims injury as a result of damage to Masonite Hardboard Siding, regardless of whether redress

for that injury is sought against Masonite or anyone else in the "chain of distribution." If the results were otherwise and a claimant were able to sue parties other than Masonite on the claims related to Masonite Hardboard Siding, Masonite would not receive the benefit of the settlement since it would be at risk of being sued as a cross-defendant in those actions. The whole point of the Settlement Agreement is to provide the claimant with a quick, effective remedy for damage to Masonite Hardboard Siding regardless of the cause of that damage.

The Settlement Agreement provides that a "Settled Claim" is any claim . . . that the Releasing Party had, or may have, against any of the Defendants, . . . regardless of legal theory and the type of relief or damages claimed, claims of damage to Class Members' homes or other structures or for injunctive or declaratory relief as a result of the installation and incorporation of Masonite Hardboard Siding. . ." (Emphasis added). Nonetheless, the Settlement Agreement also provides that payment will be made under the Compensation Formula unless the Damage is caused by one or more "Causation Exceptions." The Causation Exceptions should be eliminated because they are unworkable and are inconsistent with obtaining a release for the people in the chain of distribution of Masonite siding.

Another problem with the Settlement Agreement is that the Compensation Formula for replacing portions of the siding does not allow for painting. If the Compensation Formula allows for the replacement of a portion of a wall, it should also allow for repainting the entire wall, because if a piece is replaced, it is reasonable to expect that the replacement and the existing sections of siding will need to be painted in order to make the remaining sections of the wall match. Homeowners will expect no less.

The net effect of the application of the Causation Exceptions and the fact that painting is not accounted for in the Compensation Formula, is that homeowners who go through the process will be dissatisfied with the outcome because it will not afford them sufficient compensation to repair their homes to an acceptable condition. Thus, they will look to their builder for additional compensation for the issue. Builders who have opted out of the Settlement Agreement because they perceive that the Settlement Agreement does not protect them, will in turn sue Masonite on an indemnity or contribution theory and the whole settlement will have been for naught.

Builders are not protected because there is not a concomitant release in the release Section 13.1 which would provide for a release of a builder or anyone else in the chain of distribution of the Masonite Hardboard Siding to the extent that the claim becomes a "Settled Claim." I suggest that language, similar to the language that appeared in the Settlement Agreement for the L-P Siding Litigation, be included in Section 13.1:

to the extent that Claims become Settled Claims, the Releasing Parties shall be deemed to and do hereby release and forever discharge those persons or entities in the chain of distribution from claims based solely on distribution, handling, installation, specification or use of the Masonite Hardboard Siding.

The notice that was sent to potential Class Members did not clearly make this point in plain English, and to the extent that the Court includes this language in the Settlement Agreement, the notice must be resent with this information contained in the plain English version.

To the extent a builder is a Class Member, and would ultimately be protected by the settlement, a builder would not opt out of the Class except in the event that a Class Member who owned a home constructed by the builder opted out. It is impossible for a builder to determine who of the builder's homeowners may opt out prior to December 31, 1997. The Settlement Agreement should provide that to the extent a homeowner opts out of the Settlement Agreement, the builder or any other person or entity involved in the chain of distribution should be deemed to also have opted out as relates to that specific Property.

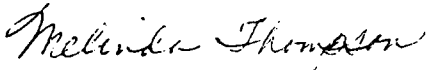
You must consider carefully the suggestions in this letter in order to bring order to the chaos that now exists in the geographical areas where the Masonite Hardboard Siding product is a problem. Homeowners are looking for assistance wherever they can find it and they begin with the builders. If the builders and others in the chain of distribution are not protected properly under the terms of the Settlement Agreement, there may as well not be a Settlement Agreement.

This letter is notice that The Ryland Group, Inc., Ryland Homes of Texas, Inc., Scott Felder Homes, M.J. Brock & Sons, Inc., and all other subsidiary, sister or related companies (herein collectively "Ryland"), opt out of the class action and the Settlement Agreement for each Property to the extent that any homeowner Class Member opts out who may have a claim against "Ryland" for issues covered by the class action.

Robert Shulman, Esquire  
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"Ryland" also opts out of the class action and Settlement Agreement to the extent "Ryland" is not protected by releases obtained by Masonite for claims relating to Ryland as an entity in the chain of distribution of Masonite siding and/or any other claim for which "Ryland" would have a claim or cause of action against Masonite Corporation and International Paper Company, for contribution and/or indemnity.

Very truly yours,

  
M. Melinda Thompson

cc: Clerk of the Court  
Circuit Court of Mobile County  
Mobile, Alabama

David Jaffe, Esquire  
National Association of Homebuilders