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TO CLIENTS AND FRIENDS OF MATTHIESEN, WICKERT & LEHRER, S.C.:

This monthly electronic subrogation newsletter is a service provided exclusively to clients and friends of Matthiesen, Wickert & Lehrer, S.C. The vagaries and complexity of nationwide subrogation have, for many lawyers and insurance professionals, made keeping current with changing subrogation law in all fifty states an arduous and laborious task. It is the goal of Matthiesen, Wickert & Lehrer, S.C. and this electronic subrogation newsletter, to assist in the dissemination of new developments in subrogation law and the continuing education of recovery professionals. If anyone has co-workers or associates who wish to be placed on or removed from our e-mail mailing list, please provide their e-mail addresses to Rose Thomson at rthomson@mwl-law.com. We appreciate your friendship and your business.

***** SUBROGATION ALERT BULLETIN *****

PROPERTY AND HEALTH SUBROGATION

SUBROGATING CHINESE DRYWALL CLAIMS

By Ryan L. Woody



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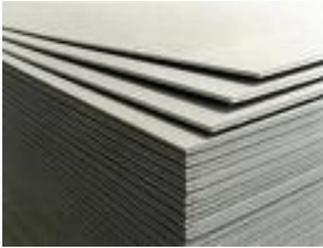
Matthiesen, Wickert & Lehrer (“MWL”) is publishing this alert as a bulletin for our clients who already have or may have incoming property damage and even health subrogation claims as a result of defective Chinese drywall. This alert is designed to give you the tools to spot these claims and respond quickly to recover significant subrogation dollars.

Claims are beginning to come in from owners of new homes, mainly in Florida, that have been complaining of drywall that smells like rotten eggs. Reports indicate that the drywall emits a sulfur compound that corrodes wiring, air conditioning coils and other metals, and may cause health problems from chronic exposure. It has been determined that the drywall responsible for these problems was imported from China.



MWL is actively investigating these complaints, and we have seen how devastating the problems caused by defective Chinese drywall can be. Many people have been driven from their homes by the putrid smell. First and foremost, there are concerns that the fumes being emitted by the Chinese drywall could cause respiratory and other health problems. Many property insurers have been forced to pay thousands to repair or replace wiring, air-conditioning units and other systems destroyed by the fumes.

MWL is working with the lead counsel for this class action lawsuit in order to identify insurers who may be inundated with these claims. MWL is setting up a team that will work to make sure that our clients are able to recover through subrogation against the builders, suppliers and manufacturers responsible for this defective Chinese drywall.



Drywall is the board used to make interior walls. Usually, it is manufactured in the United States, but a shortage between 2004 and 2006 prompted many builders to buy drywall from China. Our firm's investigation has confirmed that most of the reported problems stem from drywall imported from China during Florida's construction boom years of 2004-2005. One official with a large building supply company recently told a Florida newspaper that more than 10-million square feet of the Chinese drywall was imported to southwest Florida during that time.

In some Florida developments, the drywall issue emerged after months of failures in heating and cooling systems. Air-conditioning evaporator coils, which are supposed to last a decade or more, are corroding and failing in homes only a couple of years old. Pipes and wiring may also be deteriorating because of the Chinese drywall fumes.

Knauf Plasterboard Tianjin Co. Ltd. of China, a subsidiary of German-based manufacturer Knauf, is the company at the center of Florida's drywall problems. Reports have indicated that some of the drywall may have been kept on barges at sea for months awaiting permission for importation to the United States. There is speculation that the humidity the material was exposed to while at sea may have something to do with the drywall's fume problems.



Knauf has issued a statement insisting that the sulfur-like smell coming out of its drywall poses no dangers. The company maintains that the damage done to air conditioning and electrical wiring is the result of drywall made by some other company - though it has been unable to name which one. Knauf has also insisted that the drywall problems are confined to Florida, but there are similar reports coming out of a dozen other states.

Many of the Florida homes that are the subject of Chinese drywall complaints were built by Lennar Corp., the nation's second-largest builder by volume. According to a report in *The Wall Street Journal*, Lennar is testing, and continues to test, a dozen of its Florida developments and has shared results with the state health department. The company has relocated several families in order to rip out and replace the drywall in their homes.



There are even significant health concerns that the horrible smell coming from Chinese drywall is an indication that the material is emitting toxins that could be dangerous to the health of residents. According to a report on Environmental-Expert.com, the drywall is made from gypsum, a natural material. The problems appear to be related to the presence of iron disulfide (FeS₂ pyrite). Hydrogen sulfide (H₂S), carbonyl sulfide, sulfur dioxide (SO₂), and carbon sulfide (CS₂) are also suspected as culprits, the website said.

U.S. lawmakers and health officials are still trying to determine what health problems these fumes might cause. A toxicologist for the State of Florida recently told one newspaper that the odor causes

FAST FACTS

DRYWALL COMPLAINTS SOARING

Complaints to the Florida Department of Health about Chinese drywall have soared in recent months, jumping to over 300 by late April. According to an April 30 DOH report which lists 327 complaints in total, Florida counties with the most complaint filings were:

- ▶ **Lee:** 49
- ▶ **Saint Lucie:** 42
- ▶ **Palm Beach:** 38
- ▶ **Manatee:** 32
- ▶ **Broward:** 31

There are at a dozen other states with drywall issues, according to the U.S. Consumer Product Safety Commission.

As of April 30, the commission said it had received reports of health issues or corrosion of metal from residents in Louisiana, Virginia, Wisconsin, Ohio, Alabama, Mississippi, Missouri, California, Washington, Wyoming, Arizona, Tennessee, and the District of Columbia.

people to experience mild and moderate respiratory irritation that clears up when they leave the homes. Some residents are experiencing headaches that go away when they leave their homes. Other symptoms being reported included irritated eyes, coughing, sneezing, difficulty breathing, and symptoms similar to bronchitis and asthma. Especially worrisome is the possibility that the Chinese drywall is emitting hydrogen sulfide fumes. Exposure to 50 parts per million of hydrogen sulfide for more than ten minutes can cause extreme irritation. Inhalation of 500 to 1,000 parts per million can cause unconsciousness and death through respiratory paralysis and asphyxiation, according to environmental experts. Health officials are most concerned that the Chinese drywall fumes could be especially dangerous for sensitive populations, which include the very young and elderly. People with asthma and chemical sensitivities would be at greatest risk. These worries have caused many people to flee their homes in an effort to preserve their health.

As you can see, there are multi-millions of subrogation dollars at stake. We urge those of you with potential health and property claims from exposure to Chinese drywall to contact Ryan Woody at rwoody@mwl-law.com to discuss including your subrogation claims in the class action lawsuit.



This electronic newsletter is intended for the clients and friends of Matthiesen, Wickert & Lehrer, S.C. It is designed to keep our clients generally informed about developments in the law relating to this firm's areas of practice and should not be construed as legal advice concerning any factual situation. Representation of insurance companies and/or individuals by Matthiesen, Wickert & Lehrer, S.C. is based only on specific facts disclosed within the attorney/client relationship. This electronic newsletter is not to be used in lieu thereof in any way.