

**NOTICE OF PROPOSED SETTLEMENTS OF
CLASS ACTION AND HEARING**

STATE OF NORTH CAROLINA
COUNTY OF NEW HANOVER

IN THE GENERAL COURT OF
JUSTICE
SUPERIOR COURT DIVISION
96 CVS 0059

WILLIAM ARTHUR RUFF and wife
BARBARA ANN RUFF, PETER T.
BROWN, and wife MARLEE MURPHY
BROWN, JOAN BOZEMAN, ROBERT
K. PENTZ, ERNEST L. LIBORIO, and
wife LOIS P. LIBORIO, MARY
FRANCES DILLON, DON CLARK, and
wife PATRICIA A. CLARK, and
ANDREW J. HUTCHINSON, and wife
CAROL A. HUTCHINSON, and
MILLER HOMES, f/k/a RUSTIC
HOMES OF WILMINGTON, INC.,
MARSH HARBOUR GOLF & YACHT
CLUB INTERVAL ASSOCIATION,
INC., and EDWARD A. DOWD and
wife, LEAH DOWD,

**NOTICE OF PROPOSED
SETTLEMENTS OF
CLASS ACTION AND
HEARING**

Plaintiffs,

v.
PAREX, INC., STO CORP., W.R.
BONSAL COMPANY, CONTINENTAL
STUCCO PRODUCTS, SENERGY,
INC., THOMAS WATERPROOF
COATINGS CO., DRYVIT SYSTEMS,
INC., UNITED STATES GYPSUM CO.,
and SHIELDS INDUSTRIES, INC.,

Defendants.

TO: ALL PERSONS OR ENTITIES WHO, AS OF SEPTEMBER 18, 1996, OWNED OR FORMERLY OWNED A ONE OR TWO FAMILY RESIDENTIAL DWELLING OR TOWNHOUSE IN THE STATE OF NORTH CAROLINA CLAD, IN WHOLE OR IN PART, WITH A W.R. BONSAI COMPANY, CONTINENTAL STUCCO PRODUCTS, INC., DRYVIT SYSTEMS, INC., STO CORP., OR PAREX, INC. EXTERIOR INSULATION AND FINISH SYSTEM ("EIFS").

THIS NOTICE MAY AFFECT YOUR RIGHTS.
PLEASE READ IT CAREFULLY

- [1. Why should I read this notice?](#)
- [2. What is the lawsuit about?](#)
- [3. What are EIFS?](#)
- [4. When, where and why is a hearing being held?](#)
- [5. Who is covered by the proposed settlements?](#)
- [6. How do I know if I have a settling Defendant's EIFS on my Property?](#)
- [7. What are the terms of the settlements?](#)
- [8. What do I need to do to participate in the benefits of the settlements?](#)
- [9. How do I make a claim?](#)
- [10. Who represents the parties?](#)
- [11. What are Class Counsel's reasons for the settlements?](#)
- [12. How will Class Counsel's fees and expenses be paid?](#)
- [13. What if the settlements are approved by the Court?](#)
- [14. What if the settlements are not approved by the Court?](#)
- [15. Where do I get additional information?](#)

IMPORTANT: This Notice summarizes separate settlement agreements between class members and defendants W.R. Bonsal Company, Continental Stucco Products, Inc., Dryvit Systems, Inc., Sto Corp. and Parex, Inc. only. While some of the terms of each settlement are similar, **the settlements are not identical.** Please read this Notice and any additional information regarding the Settlements carefully. **If your home is clad with Sto EIFS, pay particular attention to the time within which you must submit a Claim (before June 30, 2000) in order to receive benefits from the Sto Settlement.** The deadline for Claimants with homes clad with other Settling Defendants' EIFS is January 17, 2003. If your home is clad with Senergy Inc. or Thoro Systems Products, Inc. EIFS, there is a prior settlement which may apply to your house and the details of that Settlement and applicable deadlines can be found at <http://www.ncstucco.com> or by contacting the Senergy/Thoro Claims Administrator at 1-800-350-4730.

1.WHY SHOULD I READ THIS NOTICE?

The purpose of this Notice is to inform you that there are now pending in North Carolina proposed settlements (the "Settlements") on behalf of class members who, as of September 18, 1996, owned or formerly owned a one or two family residential dwelling or townhouse in North Carolina, on which a W.R. Bonsal Company ("Bonsal"), Continental Stucco Products, Inc. ("Continental"), Dryvit Systems, Inc. ("Dryvit"), Sto Corp. ("Sto") or a Parex, Inc. ("Parex") (collectively, the "Settling Defendants") Exterior Insulation and Finish System ("EIFS") was installed. The Settlements are pending in the Superior Court for New Hanover County, North Carolina, before the Honorable Judge Ben F. Tennille in a class action lawsuit known as *Ruff, et al. v. Parex, et al.* , Civil Action No.

96-CV-0059 (the "Action"). Nothing in this Notice is intended to relate to the rights and/or obligations of any parties in the Action except class members and Settling Defendants.

If, as of September 18, 1996, you owned or formerly owned a home clad, in whole or part, with a Settling Defendant's EIFS, your rights may be affected by the proposed Settlements. You should read this Notice to determine whether your rights are affected and the steps necessary to pursue your rights as a member of the class.

2. WHAT IS THE LAWSUIT ABOUT?

William Ruff and other homeowners (the "Plaintiffs") commenced the Action in January 1996. The Plaintiffs own or owned residential dwellings that have or had EIFS as part of the exterior wall or walls. Plaintiffs alleged, among other things, that EIFS are defective because they entrap water introduced into the exterior wall to the outside of the substrate, resulting in potential damage to homes. The Action seeks monetary relief from the named Defendants.

The Settling Defendants have denied, and continue to deny, Plaintiffs' claims and allegations. The Court has not ruled either on the merits of Plaintiffs' claims, or on the defenses asserted by Settling Defendants. This Notice does not imply that there has been or that there would be any finding that the Settling Defendants are liable for any reason or to any extent, or that any money could be recovered if the litigation were not settled. This is a partial settlement insofar as it settles class claims asserted only against Settling Defendants.

3. WHAT ARE EIFS?

EIFS are multi-layered exterior wall systems consisting of a finish coat, a base coat, reinforcing mesh, adhesive and insulation board all of which are secured to some form of substrate. EIFS can be used as a component of the exterior wall for residential structures. EIFS are available in various external textures designed to look like traditional stucco.

The Ruff action and these Settlements concern EIFS installed by attachment of the insulation board over plywood, oriented strand board, exterior grade gypsum or other non-masonry substrate on an exterior wall assembly. The Settlements do not concern EIFS used on commercial structures, or EIFS used as an interior cladding, or EIFS installed over substrates of cmu block, cement board, fiber cement board, brick or other masonry unit, or EIFS installed by mechanical attachment of the insulation board over a secondary weather barrier with drainage accessories. The Settlements also do not concern non-EIFS products such as direct applied systems ("DEFS"). To get additional information regarding a particular Settling Defendant's products and whether they are encompassed by this Action and the Settlements, see Section 15.

4. WHEN, WHERE AND WHY IS A HEARING BEING HELD?

A Fairness Hearing will be held on March 17, 2000 before the Honorable Ben F. Tennille, in Courtroom 317, New Hanover County Courthouse, Wilmington, North Carolina, to determine whether the proposed Settlements are fair, reasonable and adequate. The hearing also will address Plaintiffs' Class Counsel's application for an award of attorneys' fees and costs. The hearing may be continued by the Court without further written notice.

At the Fairness Hearing, any member of the class affected by the proposed Settlements may, pursuant to this Notice, appear in person or by counsel (at his or her own expense) and be heard to the extent allowed by the Court in support of, or in opposition to, the fairness, reasonableness and adequacy of the Settlements. In order to appear in opposition to the Settlements and to file papers or briefs for consideration by the Court, you must do two things on or before March 6, 2000: (A) file with the Clerk of the Court of New Hanover County a notice of your intent to appear in opposition, together with a statement that indicates (i) the basis for such opposition along with any supporting documentation, (ii) your name, address and telephone number, (iii) the street address, city and state, or other appropriate description of the Property you owned or formerly

owned that is subject to the Settlements, and (iv) that the EIFS on the Property was manufactured, sold, marketed and/or distributed by a Settling Defendant; and (B) file and serve copies of such notice, statement, and documentation together with copies of any other papers or briefs that you file with the Court, either in person or by first-class mail, upon each of Plaintiffs' Co-Lead Counsel and Counsel for the Settling Defendants, each of whom are identified below.

5. WHO IS COVERED BY THE PROPOSED SETTLEMENTS?

On December 23, 1999, the Court granted preliminary approval of the Settlements. The benefits of the Settlements are summarized in this Notice. The Settlements encompass all Persons who, as of September 18, 1996, owned or formerly owned any one or two family residential dwelling or townhouse in North Carolina clad, in whole or in part, with a Settling Defendant's EIFS.

The Settlements do not cover, for example, residential structures intended to accommodate more than two families, nor do they cover commercial structures. Structures with Bonsal's Surewall® FRP Insulation System are also excluded from the Settlements. Further, if your Property is clad in whole or in part with "Mixed Product," i.e., EIFS which is not in its entirety EIFS sold, marketed and/or distributed by a Settling Defendant, the portion clad with Mixed Product is not covered by the Settlement.

6. HOW DO I KNOW IF I HAVE A SETTLING DEFENDANT'S EIFS ON MY PROPERTY?

There are a number of ways you can determine whether your Property is clad with a Settling Defendant's EIFS. Documents such as a Settling Defendant's warranty, correspondence or bills of sale may indicate which, if any, Settling Defendant's EIFS is on your Property. You may have already had your home inspected for moisture intrusion, in which case the inspector may indicate which EIFS the inspector believes is on the Property. You may also be able to obtain assistance in identifying the EIFS on your home by contacting your builder, contractor or EIFS applicator.

7. WHAT ARE THE TERMS OF THE SETTLEMENTS?

The following is only a summary of the terms and conditions of the Settlements. For more information, you may obtain a copy of the Settlement Agreements from the Claims Administrator identified in Section 9, below, or by visiting <http://www.ncstucco.com>.

Plaintiffs in this Action entered into separate Settlement Agreements with each Settling Defendant, which are **not** identical.

A. For Claimants Whose Property Is or Was Clad With Bonsal, Continental, Dryvit or Parex EIFS.

Generally, subject to the specific terms and conditions of the respective Settlements, a Claimant who has not reclad his or her Property may be entitled to a recovery of Six Dollars (\$6.00) per square foot of EIFS installed on his or her Property (or Four Dollars (\$4.00) per square foot for Bonsal's SUREWALL® SBC Insulation System) if the Claimant can show that a Settling Defendant's EIFS was installed on his or her Property and an inspection report reveals two or more moisture readings of greater than 25% from separate Water Sources or two square feet of wall with evidence of loss of structural integrity of the sheathing.

A Claimant who has replaced the EIFS on the Property (hereinafter "reclad") prior to the Notice Date, may be entitled to a recovery if, in addition to the requirements described above, the claimant submits an affidavit that the Claimant has not been compensated for the reclad, in whole or in part, by a Settling Defendant. Former Owners also may be entitled to receive a monetary payment.

As part of the Settlement Agreement, Settling Defendants have paid for this and other forms of notice to the class, and further have agreed to: (a) hire or pay for a Claims Administrator to administer the claims process; (b) pay for the initial home inspection; (c) hire and train Independent Inspectors; and (d) pay all recovery determinations made by the Claims Administrator.

B. For Claimants Whose Property Is or Was Clad with Sto EIFS

For Property that is or was clad with Sto EIFS, a Claimant will be compensated based at least in part on the square feet of EIFS on the Property except for Former Owners who did not reclad who will be compensated either based upon square feet of EIFS or based upon a lump sum payment. Class Counsel will submit a Plan of Distribution to the Court either before or after all Claim Forms have been received which provides a more specific allocation of the Settlement Fund. Compensation for Claimants will be paid from a Settlement Fund of Two Million Five Hundred Thousand Dollars (\$2,500,000). *Claims*

Forms for the Sto

Settlement must be

submitted on or before

June 30, 2000.

C. Conditions of Settlements

There are various conditions to the Settlements, any one of which could result in termination of the Settlements. One condition of each Settlement is that the Court confirm it as fair, reasonable and adequate and in the best interests of the members of the class affected by the proposed Settlements.

8. WHAT DO I NEED TO DO TO PARTICIPATE IN THE BENEFITS OF THE SETTLEMENTS?

If you wish to participate in the Settlements, you must timely complete and submit a Claim Form. Your interests as a member of the class will be represented by Class Counsel without charge to you. You are not required to hire your own attorney. You will be bound by any judgment approving the Settlements.

Persons who would be class members, but previously elected to "opt out" of the Action pursuant to the notice of class action disseminated on or about July 25, 1997, or pursuant to the Court order dated June 16, 1999, may request to participate in this Settlement Agreement ("Opt In") by timely completing and submitting both the Claim Form and the Request for Revocation of Prior Election. Opt In requests will be allowed, if at all, at the absolute discretion of each Settling Defendant and shall not be effective until, and if, allowed by a Settling Defendant. The decision of the Settling Defendant whether to allow a person to Opt In is not subject to Alternative Dispute Resolution or other review. If you have previously released a Settling Defendant, whether or not you opted out of the Ruff action, you may have no claim under these Settlements.

9. HOW DO I MAKE A CLAIM?

To make a claim, you must complete, sign and submit a Claim Form, which has been included with this Notice. Send your completed Claim Form, along with the required and/or elective proof and documentation that is requested in the form, to:

Claims Administration, P.O. Box 4540, Portland, OR 97208-4540

Sto Claims should be sent to:

Sto Claims Administrator, P.O. Box 43143, Atlanta, GA 30336

You should submit a separate Claim Form for each Property you own. If you did not receive a Claim Form, or if you desire additional copies, you may obtain such copies by writing to the Claims Administrator or by visiting <http://www.ncstucco.com>.

By filing a Claim Form, each member of the Class submits himself or herself to the jurisdiction of the Superior Court for New Hanover County, North Carolina, for purposes of this Action only, and agrees that the information provided on the Claim Form may be subject to verification, investigation and further inquiry as may be necessary.

The Claims Administrator shall determine whether the claim is sufficiently complete for processing. If information relevant to the claim is incomplete, the Claims Administrator may request and you must provide any such additional information reasonably available to you, deemed necessary to process the claim. A failure to provide requested information may result in your claim being denied.

10. WHO REPRESENTS THE PARTIES?

Co-Lead Counsel for Plaintiffs and the class ("Class Counsel") are:

Marvin K. Blount, Jr. The Blount Law Firm, P.L. L.C. 400 West First Street Greenville, NC 27835	Gary K. Shipman Shipman & Associates 11 S. Fifth Street Wilmington, NC 28401	Everette L. Doffermyre Doffermyre, Shields, Canfield, Knowles & Devine 1600 The Peachtree 1355 Peachtree Street Atlanta, GA 30309
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Counsel For Settling Defendants:

W. Andrew Copenhaver F. Bruce Williams Womble Carlyle Sandridge & Rice, P.L.L. C. P.O. Box 831 Raleigh, NC 27602 <i>Dryvit Systems, Inc. and Sto Corp.</i>	Daniel G. Clodfelter Curtis J. Shipley Moore & Van Allen, P.L.L.C. 100 N. Tryon Street, 47th Floor Charlotte, NC 28202-4003 <i>W.R. Bonsal Company</i>
Steven W. Ouzts Turner, Padgett, Graham & Laney PO Box 1473 Columbia, SC 29202 <i>Parex, Inc.</i>	Stuart L. Egerton Patterson, Dilthey, Clay & Bryson, L.L.P. PO Box 2258 Wilmington, NC 28402-2258 <i>Continental Stucco Products, Inc.</i>

11. WHAT ARE CLASS COUNSEL'S REASONS FOR THE SETTLEMENTS?

Plaintiffs, through Class Counsel, have made a thorough investigation into the facts and circumstances relevant to the class claims in this case. Class Counsel also have considered the expense and length of time necessary to prosecute the Action through trial and any appeals; the uncertainties associated with the outcome of this or any litigation; and the benefit provided to the class by the proposed Settlements. Based upon these considerations, Plaintiffs and Class Counsel have concluded that it is in the best interests of the Plaintiffs and the class to settle with Settling Defendants on the terms outlined herein, as reached after extensive arms-length negotiations, and as more fully set forth in the Settlement Agreements.

12. HOW WILL CLASS COUNSEL'S FEES AND EXPENSES BE PAID?

Attorneys fees, costs and expenses, with the exception of Defendant Sto, shall be paid by each Settling Defendant, in addition to the amounts paid to class members, and payment of the attorneys' fees, costs and expenses awarded will not affect the amounts of payments to class members.

Parex has agreed to pay attorneys' fees, costs and expenses in the amount of \$1,750,000, subject to the Court's approval, and has agreed that this amount is fair and reasonable under the circumstances of this case.

Bonsal has agreed to pay attorneys' fees, costs and expenses in the amount of \$750,000, subject to the Court's approval, and has agreed that this amount is fair and reasonable under the circumstances of this case.

Continental has agreed to pay attorneys' fees, costs and expenses in the amount of \$571,500, subject to the Court's approval, and has agreed that this amount is fair and reasonable under the circumstances of this case.

Class Counsel and Dryvit were unable to reach an Agreement as to an award of attorneys' fees, costs and expenses to be paid to Class Counsel; therefore, the Parties have agreed that the issue of Class Counsel's attorneys' fees, costs and expenses to be paid by Dryvit shall be presented to the Court upon application by Class Counsel and, further, that in no event shall either the application or award exceed \$6,000,000 with the amount of any such award to be subject to the Court's discretion.

Class Counsel and Sto agreed that Plaintiffs' Class Counsel's fees, costs and expenses as awarded by the Court shall be paid from the Settlement Fund at such time and upon such conditions as determined by the Court. Plaintiffs' Class Counsel intends to apply for an award of attorney's fees, costs and expenses to be paid from, and in the amount of thirty percent (30%) of, the Settlement Fund. Sto has acknowledged that it has no interest in the amount of attorneys fees to be paid from the Settlement Fund and will remain silent on this issue. Plaintiffs' Class Counsel has agreed not to seek any additional fees, costs and expenses from Sto.

All payments to Class Counsel must be approved by the Court, and will be considered at the Fairness Hearing or at other hearings to be scheduled by the Court.

13. WHAT IF THE SETTLEMENTS ARE APPROVED BY THE COURT?

If the proposed Settlements are approved, they will be binding and will forever release Settling Defendants from any and all claims, including any claims for damages or equitable relief, arising out of or related to EIFS, that were or could have been asserted by members of the class affected by the proposed Settlements.

14. WHAT IF THE SETTLEMENTS ARE NOT APPROVED BY THE COURT?

If the Settlements are not approved by the Court as being fair, reasonable and adequate, the Settlement Agreements will be null and void and the parties will be returned to the same positions they occupied prior to the execution of the Settlement Agreements.

15. WHERE DO I GET ADDITIONAL INFORMATION?

Additional information is available by calling 1-800-378-4214. If you wish to communicate with or obtain information from Class Counsel, you may do so by writing to Class Counsel at one of the addresses listed in Section 10 above. DO NOT CONTACT THE COURT.

This Notice provides only a summary of matters regarding the case. You may seek the advice and guidance of your own private attorney, at your own expense, if you wish.

You may have additional legal remedies against other Persons who were involved in the construction or sale of your Property. You may consult with an attorney to discuss your rights against additional parties.

BY ORDER OF

THE HONORABLE BEN F. TENNILLE
NORTH CAROLINA SUPERIOR COURT JUDGE

DATED: December 23, 1999