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CIRCUIT COURT OF MOBILE COUNTY, ALABAMA

Re: Masonite Hardboard Siding Litigation

Dear Potential Class Member:

The enclosed Notice of Class Action Settlement is being sent to you at your request. A claim form is being mailed to you under separate cover.

Enclosed for your attention and consideration is a Notice of Class Action Settlement. As more fully described in the Notice, if you are a Class Member, the Settlement may affect your rights.

If you had or have exterior Masonite Hardboard Siding installed and incorporated into your property between January 1, 1980 and January 15, 1998, you may have a right to compensation for damage associated with your siding if you file a timely claim.

Your rights and the details of the Settlement are more fully described in the accompanying Notice of Class Action Settlement.

If you believe that you have Masonite Hardboard Siding on your home or structure, but have not yet experienced any damage, keep this notice and the claim form if or until you experience damage in the future.

You should read the enclosed Notice carefully. You may also obtain further information by calling the Independent Claims Administrator at 1-800-330-2722, Monday through Friday, between 8:00 a.m. and 4:30 p.m. Central Time.

CLAIMS FILING DEADLINES

Claims—Seven Year Program: January 15, 2005

Claims—Ten Year Program: January 15, 2008

IN THE CIRCUIT COURT OF MOBILE COUNTY, ALABAMA

JUDY NAEF, et al.,

Plaintiffs

vs.

)
)
)
)

NO. CV-94-4033

MASONITE CORPORATION, et al.,

NOTICE OF CLASS ACTION SETTLEMENT

Defendants.

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TO: OWNERS AND FORMER OWNERS OF HOUSES AND OTHER STRUCTURES ON WHICH EXTERIOR MASONITE
HARDBOARD SIDING HAS BEEN INSTALLED AND INCORPORATED BETWEEN JANUARY 1, 1980 AND JANUARY
15, 1998.

THIS NOTICE MAY AFFECT YOUR RIGHTS
PLEASE READ IT CAREFULLY

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[1. Why should I read this Notice?](#)

The purpose of this Notice is to inform you that your rights may be affected by the proceedings in the lawsuit known as Naef v. Masonite, CV-94-4033, heard before the Honorable Robert G. Kendall, in the Circuit Court of Mobile County, Alabama. This Notice is given pursuant to Alabama Rule of Civil Procedure 23 and by order of the Circuit Court of Mobile County, Alabama.

[2. What is the lawsuit about?](#)

In 1994, Judy Naef and other homeowners filed a lawsuit, called Naef, et al. v. Masonite Corp., et al., No. CV-94-4033. The Naef P

laintiffs, who own structures with exterior Masonite Hardboard Siding, brought the case as a class action against defendants Masonite Corporation and International Paper Company (together, "Masonite" or "Defendants") on behalf of all individuals or entities owning property in the United States on which Masonite Hardboard Siding has been incorporated and installed from January 1, 1980 to January 15, 1998.

Plaintiffs sought relief based on theories of negligence, breach of express warranties, and fraud. Plaintiffs alleged that hardboard siding manufactured by Masonite Corporation on or after January 1, 1980, and installed and incorporated into homes, any structures, and commercial and/or rental properties, will rot, buckle, discolor, deteriorate, and cause damage to other structural parts of the buildings into which it is incorporated, causing the Class Members to suffer and continue to suffer damages. Defendants vigorously denied these allegations and any and all liability for these claimed allegations. Defendants further denied that Class Members were generally entitled to damages or other relief from the Defendants.

On November 15, 1995, the Circuit Court of Mobile County, Alabama, issued an order certifying this action as a class action, defining the Class as: all persons and entities owning property in the United States on which Masonite Hardboard Siding has been incorporated and installed from January 1, 1980 to January 15, 1998. A notice of class certification was published, and Class Members were provided an opportunity to exclude themselves (opt out) from the class.

In August 1996, a Phase I jury trial was held on the issue of whether Masonite Hardboard Siding is "defective" as that term is legally defined by the laws of various states. The jury came back with a verdict, finding in Plaintiffs' favor under the laws of some states and in Defendants' favor under the laws of others. No determination was made on the issues of Defendants' liability or the amount of any damages. These questions were reserved for a Phase II trial.

On January 15, 1998, the Circuit Court of Mobile County, Alabama, granted final approval to a Settlement between Plaintiffs and Defendants. This Settlement is a compromise of disputed claims and is not to be taken as an indication of liability or that damages have been, or would be, found against Defendants if the action proceeded.

3. What is Masonite Hardboard Siding?

Masonite is a leading manufacturer of a product made from wood fiber, wax and resins that is widely known as hardboard siding. Masonite siding is distributed both in lap (board) and panel (sheet) applications, each available in various external textures designed to look like conventional lumber siding. Masonite markets its siding products for a variety of external construction uses, including exterior siding for residential and other structures.

This Settlement does not concern Masonite products used for interior, roof, wall substrate, plywood or deck sheathing, or for purposes other than exterior siding. This Settlement also does not concern OmniWood® Siding (oriented-strand board, "OSB") and Woodruf® Roofing. If you would like information concerning settlements involving OmniWood® Siding or Woodruf® Roofing, call 1-800-256-6990 to receive the appropriate notice and claim information.

4. Who is covered by the Settlement?

On November 15, 1995, the Court certified a nationwide plaintiff class under Alabama Rules of Civil Procedure 23(a)(1)-(4) and 23(b)(3), as a voluntary or "opt-out" Class. For settlement purposes, the Class is defined as all individuals and entities owning property in the United States on which exterior Masonite Hardboard Siding has been incorporated and installed from January 1, 1980 to January 15, 1998. The Class definition excludes from participation: (1) all persons who previously have timely opted-out of the Class; and (2) the Defendants.

On January 15, 1998, the Court granted final approval of the Settlement. The Settlement provides a program for eligible claimants to recover the costs associated with damage caused by the installation and incorporation of Masonite Hardboard Siding. If you have not opted out of the Class, you are entitled to make a claim, and your only recovery against Masonite will be through the Settlement.

5. How do I know if I have Masonite Hardboard Siding?

If you do not already know whether you have Masonite Hardboard Siding on your property, there are several steps you may take to make that determination. You may wish to contact the builder of your property; you may remove a board or sheet of the siding and inspect the reverse side; or, if you have a garage with the back side of the siding exposed, you may look there. Masonite siding is typically identified by a stamp of the name "Masonite" and/or the number "X-90" on the siding itself. You may also take a piece of your siding to your local building supply store, which may be able to assist you. As part of the claims process, you will be required to establish that you have Masonite Hardboard Siding on your property.

6. What are the terms of the Settlement?

The essential terms of the Settlement, given final approval by the Court on January 15, 1998, are:

a. Eligible Claimants

If you qualify as an Eligible Claimant, you may be entitled to recover under the Settlement Agreement. To be an Eligible Claimant, you must:

(1) own property in the United States or its territories in which Masonite Hardboard Siding has been incorporated and installed from January 1, 1980 to January 15, 1998, and have not assigned the claim regarding the alleged damage caused by Masonite Hardboard Siding;

or (2) be a subsequent purchaser of such property and have properly documented assignments determined to be valid under the Settlement Agreement;

or (3) own or have formerly owned such property and have made Prior Un-Reimbursed Expenditures as defined by the Settlement Agreement.

Eligible Claimants do not include persons, associations or entities who made claims or filed lawsuits against Defendants other than in the Naef class action, if they were represented by counsel other than Plaintiffs' Class Counsel in the Naef class action, and their claims or lawsuits were resolved by payment, release or judicial action.

b. Compensation Formula

(1) Basic Formula.

The Settlement Agreement contains a Compensation Formula, which will be the measure of payments to which an Eligible Claimant is entitled for the damage to a home or other structure. As agreed by the parties, the Compensation Formula will be based on (1) the average cost per square foot for siding replacement, including all material and labor as calculated by industry standards in your area, adjusted annually for inflation, or (2) the cost of appropriate refinishing as determined by industry standards in your area, also adjusted for inflation.

If more than 50% of a wall section is found to have compensable damage, then an Eligible Claimant will receive compensation, determined by the Compensation Formula, for that entire wall section. If 75% of the Masonite Hardboard Siding square footage of the structure qualifies for compensation, then an Eligible Claimant will receive compensation, as determined by the Compensation Formula, for the entire structure.

(2) Discontinued Masonite Hardboard Siding Products for Which There Are No Reasonable Substitutes.

As of January 1998, Masonite has discontinued the manufacture of certain specified hardboard siding products for which there are no substitutes that are reasonably similar in appearance. If an Eligible Claimant owns a structure with any of these discontinued products, and has sustained compensable damage to more than 25% of an elevation (side) of the structure, then the Eligible Claimant will be paid under the Compensation Formula for the entire structure. If Masonite discontinues manufacturing other hardboard siding products after January 15, 1998 but during the term of the Settlement, and there are no substitutes for such products that are reasonably similar in appearance, then an Eligible Claimant, who has not previously been paid, who owns structures with discontinued products will be paid as follows: (1) if 25% of an elevation (side) has compensable damage, then the Eligible Claimant shall receive payment under the Compensation Formula for that entire elevation; and (2) if 15% of the entire structure has compensable damage, then the Eligible Claimant will be paid under the Compensation Formula for that entire structure. In addition, hardboard siding products that Masonite does not sell or market in counties or parishes are considered to be discontinued, and Eligible Claimants owning property in these counties or parishes are

entitled to make claims for such discontinued products pursuant to the two-part formula set forth immediately above.

(3) Limited Age Deduction.

The Settlement Agreement also provides for an age deduction based on the number of years the Masonite Hardboard Siding has been installed and incorporated into the structure. For the first five (5) years following installation, there is no deduction and Eligible Claimants will be entitled to full payment. For each year thereafter, there will be a deduction of three percent (3%) per year for use of the Masonite Hardboard Siding, up to a maximum deduction of twenty-seven percent (27%).

c. Settlement Claims Program

(1) Claim Form and Procedures for Damage That Has Not Been Repaired and Product Identification.

To make a claim for damage that has not been repaired, a Class member must be an Eligible Claimant as defined above, and must submit a properly completed Claim Form to the Independent Claims Administrator, along with proof of product identification. Proof of the existence of the Masonite Hardboard Siding on an Eligible Claimant's property may be achieved by: (1) providing the Independent Claims Administrator with a 6" by 6" sample of hardboard siding on the home or property certified by the Claimant to have been from the structure in question that includes the lower drip edge for lap siding or the vertical groove for panel siding; or (2) a prior communication from Masonite that confirms that the siding in question is Masonite Hardboard Siding; or (3) submitting a Claim Form with a check for \$100.00 (one hundred dollars), which will be refunded if the Inspector determines the siding is a Masonite product; or (4) an invoice or warranty, along with photographs of the exterior walls of the structure, showing that the hardboard siding is a Masonite product; or (5) a photograph depicting the back of the Masonite siding and the Masonite product identification stamp.

(2) Inspection and Payment of Claim.

After receipt of a properly completed Claim Form, an Independent Inspector will inspect the Eligible Claimant's property to verify that he or she has compensable damage. All damage associated with siding that meets the agreed definitions of damage shall be compensable unless it is subject to one of the Causation Exceptions defined below. Inspectors are required to do an independent, objective inspection. If you request to be present for the inspection, an inspector will contact you. The inspector is not allowed to discuss your claim. After completion of the inspection, the Independent Inspector will forward his/her report to the Independent Claims Administrator, who will determine the amount of payment based on the information contained in the report of the Independent Inspector, according to the Compensation Formula defined above as applied to the damage compensable under the Settlement Agreement.

(3) Claim for Un-Reimbursed Expenditures.

Eligible Claimants also are entitled to make claims for Un-Reimbursed Expenditures associated with Masonite Hardboard Siding (1) if they made such Expenditures prior to January 15, 1998, or (2) if they, in good faith, had no knowledge of the Settlement Agreement or Claims Program established by this Agreement and if such Expenditures were made on or before May 1, 1999. To make such a claim, the Eligible Claimant must properly complete a Claim for Un-Reimbursed Expenditures and must provide satisfactory proof (1) that the siding that is the subject of the claim was Masonite Hardboard Siding, (2) that the siding was damaged, (3) that the damage that is the subject of the claim was repaired or replaced, and (4) of the costs of any such repair or replacement work. In seeking to satisfy the first and second proof requirements, an Eligible Claimant may submit both (i) photographs showing damaged Masonite Hardboard Siding, and (ii) invoices, bills or other documents identifying the siding as Masonite Hardboard Siding. Un-reimbursed expenditures made after May 1, 1999 are not covered under the Settlement.

(4) Definitions of Damage.

To be entitled to payment under the Settlement, an Eligible Claimant must be determined to have compensable Damage as defined by the Settlement Agreement. The

Settlement Agreement defines Damage as follows: (1) thickness swell exceeding a specified tolerance percentage; or (2) edge checking exceeding specified limits; or (3) fungal degradation which results in soft board in which moderate thumb pressure deforms or punches a hole in the board; or (4) buckling exceeding specified limits; or (5) wax bleed, or raised or popped fibers or fiber bundles; or (6) delaminated or cracked primer or primer peel or peeling, blistering or cracking of Colorlok siding finish; or (7) surface wetting, or swelling around nailheads. The existence of any one of these problems qualifies the siding for compensation. Damage does not include: (1) intentional, reckless or negligent damage to siding (unrelated to installation or maintenance); (2) conditions requiring routine painting, washing, caulking or similar maintenance; or (3) damage to siding to the extent resulting from natural disaster including, but not limited to, fire, hurricane, flood, earthquake, earth movement or other similar events.

(5) Causation Exceptions.

If an Eligible Claimant has compensable Damage as defined above, he or she will be entitled to recovery unless one or more of the Causation Exceptions contained in the Settlement Agreement is determined to apply. The Causation Exceptions include damage caused: (1) by framing misalignment; (2) by studs spaced more than 18 inches on center (or more than 26 inches on center for product where 24 inches on center was approved by Masonite); (3) by missing nails or nails which do not appear to penetrate framing members; (4) by permanently installed sprinkler systems having directly sprayed the affected area; (5) by siding within two inches of the ground, excluding contact with shrubbery; (6) by the absence of or improper roof/wall flashing; (7) by the failure of a chimney cricket to extend to the edge of the chimney; or (8) only around a window assembly, at the Independent Inspector's discretion.

For a Causation Exception to apply, the condition giving rise to the Exception must be clearly observable to the Independent Inspector without intrusive testing and must be determined to be the sole, independent cause of the damage. The benefit of any doubt will go to the homeowner. In addition, an Eligible Claimant will be compensated under the Compensation Formula for all damage associated with a particular board if any part of such damage is determined to be a result of product failure.

(6) Subsequent/Multiple Claims.

You are not limited to making a single claim during the life of the Settlement. If you experience additional compensable Damage subsequent to an initial claim that was not the subject of a previous claim, you may make additional claims in subsequent years during the life of the Settlement.

(7) Claims Periods and Deadlines.

The Settlement provides a seven (7) year/ten (10) year claims program. If you own Masonite Hardboard Siding installed and incorporated into a home or other structure between January 1, 1980, and December 31, 1989, you must file your claim(s) under the Seven Year Program by January 15, 2005. If you own Masonite Hardboard Siding installed and incorporated into a home or other structure between January 1, 1990 and January 15, 1998, you have ten years, until January 15, 2008 within which to file your claim(s). Once the Settlement expires, the remainder of Masonite's warranty, if any will remain in effect, and you may be entitled to receive compensation for siding that fails under the terms of Masonite's warranty program separate and apart from this Settlement.

7. Who pays the attorneys' fees and costs?

No Class Member's recovery will be reduced to pay attorneys' fees. In addition to payment to Class Members, Defendants have agreed to pay Class Councils' attorneys' fees in an amount equivalent to 15% of the actual claims paid during the life of the Settlement. Of this amount, Defendants have agreed to pay Class Council a nonrefundable initial payment of attorneys' fees of \$47.5 million, to be applied against the 15% of claims paid award. Defendants also have agreed to pay Class Councils' costs incurred in this litigation, in an amount not to exceed \$2.5 million. Unlike many settlements, this Settlement does not deduct attorneys' fees or costs from the class benefit, and Class Members have no responsibility to pay any hourly or contingent fees to Class Council.

8. Do I need to do anything to participate in the Settlement?

Yes. If you have damage associated with Masonite Hardboard Siding, you will need to complete a Claim Form to begin the processing of your claim. The claim form is being sent to you under separate cover. You are encouraged to submit your Claim Form or Claim for Un-Reimbursed Expenditures as soon as possible, and must do so before the end of your applicable claims deadline.

If you believe that you have Masonite Hardboard Siding on your home or structure, but have not yet experienced any damage, please retain this notice and claim form until you experience damage.

9. Can I exclude myself from the Settlement?

If you have not previously indicated that you wished to be excluded from Naef v. Masonite, you no longer are able to do so. Your rights are now those of a participating Class Member in the Settlement.

10. How do I make a claim?

If you believe you are an Eligible Claimant, in order to participate in the Settlement, you must make your claims by the applicable deadlines described above, and follow any procedures set by the Court and provide the information requested to support and verify your claim. To start your claims procedure you should complete the claim form and return it.

11. What if I have sold my house?

If you have sold your house, you are eligible to participate in the lawsuit if you previously repaired or replaced damage related to your siding without submitting a claim to Masonite, or if you submitted a claim which was not fully paid in accordance with the terms of this Settlement.

12. What if I settled a warranty claim with Masonite?

If you settled a warranty claim with Masonite and you were not represented by an attorney, you are eligible to file a claim. Under the settlement, you will receive the difference, if any, between what you are entitled to under the settlement and any payment previously made to you by Masonite.

If you were represented by an attorney in making a warranty claim against Masonite, you are not eligible to participate in this claims program.

13. Who represents the Class?

a. Class Representatives

Plaintiffs Judy Naef, John Brining, Mark Moseley, Gregory Stauffer, Judy Loumakis, Joseph Bashaw, and Harry Murphy have been designated as Class Representatives by the Court. They have presented this action on behalf of the Class since it was filed in late 1994. They have provided documents and information in support of Class Claims and represented the Class during the Phase I trial.

b. Class Counsel

In its November 15, 1995 order certifying the Class, and its September 12, 1997 order granting preliminary approval of the Settlement, the Court appointed the following attorneys as Class Counsel:

**CUNNINGHAM, BOUNDS, YANCE,
CROWDER & BROWN**

Richard T. Dorman
John T. Crowder
Robert T. Cunningham, Jr.
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San Francisco, California 94111-3339
Telephone: (415) 956-1000

14. Where do I get additional information?

The foregoing is only a summary of the circumstances surrounding the litigation, the claims asserted, the Settlement, and related matters. You may seek the advice and guidance of your own private attorney, at your own expense, if you desire. For more detailed information, you may review the pleadings, records, and other papers on file in this litigation, which may be inspected during regular business hours at Clerk's Office, Circuit Court of Mobile County, Alabama. Copies of the complaint, the Settlement and the papers filed in support of approval of the Settlement are available upon written request to Class Counsel.

Current information is available by calling the Independent Claims Administrator at 1-800-330-2722, Monday through Friday, between 8:00 a.m. and 4:30 p.m. Central Time. This information is available on the Internet at:

<http://www.masoniteclaims.com>. If you wish to communicate with Class Counsel identified above, you may do so by writing to (1) Class Counsel, c/o 275 Battery Street, 30th Floor, San Francisco, California 94111-3339, Fax: (415) 956-1008, or (2) any of the Class Counsel listed in Section 13.

REMINDER

Important Dates and Deadlines:

Claims—Seven Year Program:..... January 15, 2005

Claims—Ten Year Program:..... January 15, 2008

PLEASE DO NOT CONTACT THE COURT.

Notice

Dated: January 15, 1998

/s/The Honorable Robert G. Kendall
Judge, Mobile County Circuit Court

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