

**Term Sheet Agreement for  
the Knauf Entities Settlement Agreements with Homebuilders**

This term sheet agreement ("term sheet") reflects the terms of an agreement between the PSC and the Knauf Entities as those terms are defined in the Settlement Agreement For the Demonstration Remediation of Homes With KPT Drywall entered into on October 14, 2010 (the "Demonstration Remediation Agreement").

WHEREAS, without any admission of liability by the Knauf Entities, the Demonstration Remediation Agreement establishes a pilot program ("the Program");

WHEREAS, the Demonstration Remediation Agreement provides that counsel are entitled to a singular attorney fee (to be allocated between individually retained counsel for a homeowner whose home was included in the Program and common benefit counsel, *i.e.*, the PSC) and reasonable and appropriate expenses, collectively defined as Attorneys' Fees in Paragraph IX (A), to be paid by the Knauf Entities;

WHEREAS, separate from the Demonstration Remediation Agreement, the Knauf Entities have entered into settlement agreements with individual homebuilders ("Homebuilders") whereby the Knauf Entities have and/or agreed to reimburse the Homebuilders for their remediation of homes containing KPT board ("Homebuilder Agreements"). There are approximately 945 homes that have been or may be reimbursed by Knauf Entities pursuant to existing or pending Homebuilder Agreements. Exhibit A to this Agreement is a list of homes covered by the pending or existing Homebuilder Agreements with Knauf. Exhibit A will be filed under seal and will be designated "Highly Confidential" pursuant to PreTrial Order 16. Additionally, to the extent that some pending or existing Homebuilder Agreements prohibit the disclosure of information identifying the address, homeowner, and/or homebuilder by Knauf, then fictitious names will be entered until the affected Homebuilder is put on notice and the MDL Court orders the disclosures to be made;

WHEREAS, separate from the Demonstration Remediation Agreement, the Knauf Entities also reasonably anticipate that they will enter into settlement agreements with Homebuilders, and the Knauf Entities will partially reimburse the Homebuilders for their remediations of homes containing KPT board ("Future Homebuilder Agreements"); and

WHEREAS, the Homebuilders, in settling with individual homeowners and remediating such homeowners' homes, are not acting as agents or representatives for the Knauf Entities;

NOW, THEREFORE, for the good and valuable consideration described below, the sufficiency of which is hereby acknowledged, the parties have agreed as follows:

I. Potentially Eligible Homes

- A. Exhibit B contains a list of potentially eligible homes that may be covered by this agreement. Homes on attached Exhibit B containing only KPT board will be remediated pursuant to the Homebuilder Agreements that the Knauf Entities may enter into following execution of this term sheet . The homes on attached Exhibit

B are subject to a confirmatory inspection and approval by the Knauf Entities to determine which homes contain KPT as the only defective Chinese board ("All KPT Homes") and which contain KPT and other defective Chinese drywall ("Mixed Homes").

II. Application of Homebuilder Agreements

- A. To the extent that Knauf enters agreements with Homebuilders that dictate reimbursement terms by Knauf to the Homebuilder, the Knauf Entities will require that (1) the homes subject to such agreements will be remediated, by the Homebuilder, consistent with the Scope of Work set forth in Exhibit D to the Demonstration Remediation Agreement or otherwise previously contemplated by agreements between Knauf and the Homebuilders, and (2) the Homeowners of such homes will receive relocation benefits contemplated by Paragraph III(B)(1) of the Demonstration Remediation Agreement.
- B. Under this Agreement, a participating Homeowner through his/her counsel will provide a release of the Homebuilder, the Knauf Entities, and any party that supplied, installed or facilitated and/or assisted in such supply or installation of KPT drywall and/or other Chinese board in the homeowner's home, and without limitation, their successors, predecessors, assigns, affiliates, shareholders, investors, their past and present officers, past and present directors, past and present partners, past and present attorneys, past and present agents, past and present employees, parent companies, partnerships, subsidiaries, sister corporations and past and present representatives (collectively, "Released Parties") from and against all claims and future claims relating to the homeowner's home, except for the following claims (1) as against the Knauf Entities, (a) claims by the homeowner for bodily injury; and (b) claims by counsel for the homeowner for Attorneys' Fees, as that term is defined in Paragraph IX (A) of the Demonstration Remediation Agreement; and (2) as against the Homebuilder, claims in connection with the performance of, and any obligations arising under, the agreement between Homebuilder and the homeowner to remediate the home, including but not limited to, warranty claims and punch list items ("Reserved Claims"). A sample form of Release is attached as Exhibit C.
- C. Except as to the Reserved Claims, as further consideration for the above, Future Homebuilder Agreements as defined above will require the homeowner to agree and covenant to forever indemnify, defend and hold harmless the Homebuilder and the Knauf Entities, and all of their past, present, and future parents, subsidiaries, affiliates, controlling person, officers, directors, employees, shareholders, suppliers, distributors, contractors, agents, servants, counsel, and insurers from and against all claims and future claims relating to the Chinese board in the homeowner's home.
- D. Mixed Homes shall only be included under this Agreement to the extent that the Knauf Entities are able to confirm reimbursement terms with Homebuilders which allow for the Knauf Entities to pay a discounted sum to the Homebuilders for both construction and non construction costs (rent, relocation and other soft costs)

based on the percentage of KPT board over all defective Chinese board in a Mixed Home.

III. Attorneys' Fees

- A. Attorneys' Fees for the Knauf Entities' contribution to Homebuilders' remediation of homes pursuant to existing or pending Homebuilder Agreements (Exhibit A homes) and/or Future Homebuilder Agreements (Exhibit B homes) shall be determined according to the procedures set forth in Paragraphs IX and X of the Demonstration Remediation Agreement.
- B. With respect to Mixed Homes, attorneys' fees shall be paid in an amount determined according to the procedures set forth in Paragraph X of the Demonstration Remediation Agreement multiplied by the percentage of KPT board over all defective Chinese board in a Mixed Home. The PSC reserves its rights to recover the remainder of fees from the other manufacturers, and/or other entities in the supply chain.
- C. The Knauf Entities shall be entitled to retain any defenses they contend pertain to attorneys' fees, including the right to object to any fees, subject to the procedures of Paragraphs IX and X of the Demonstration Remediation Agreement.

IV. Termination

This agreement may be terminated by the Knauf Entities at their discretion and without cause at any time by written notice to the PSC signatories to this agreement. In the event of such termination, the provisions of this agreement shall remain in full force and effect as to any home on Exhibit A and as to those homes on Exhibit B as to which actual remediation by the Homebuilder, as of the date of the termination notice, has at least reached the stage where a Certificate of Occupancy has been issued but shall not apply to any other home on Exhibit B.

V. No Admission of Liability

Nothing in this term sheet shall constitute (1) an admission of liability or fault of any kind on the part of the Knauf Entities, who expressly deny any liability to the Homebuilders and homeowners and who are entering into this term sheet agreement to avoid the expense and uncertainty of litigation; (ii) an admission of or consent to jurisdiction or waiver of any defenses, jurisdictional or otherwise, except as provided for in Paragraph X of the Demonstration Remediation Agreement; and (iii) consent to service by the Knauf Entities. Neither this term sheet nor any agreement shall be admissible in evidence in any proceedings except in an action to enforce the terms of this term sheet.

VI. Entire Agreement

The parties acknowledge that this term sheet and, pursuant to the above, the applicable sections of the Demonstration Remediation Agreement, is the entire agreement between the PSC and the Knauf Entities. The parties have not received or relied on any agreements or promises other than as contained in writing in this term sheet and applicable sections of the Demonstration Remediation Agreement.

VII. Court Approval & Oversight

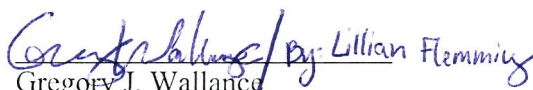
Solely and exclusively for purposes of this agreement, and the obligations incurred thereunder, the Knauf Entities consent to the jurisdiction of the MDL Court, which will approve and oversee implementation of this agreement. Any rulings of the MDL Court in connection with this agreement shall be non-appealable. All other jurisdictional defenses, arguments and rights are fully reserved by the Knauf Entities and nothing in this agreement is intended to prejudice the assertion in any forum against any party of those jurisdictional defenses, arguments and rights.

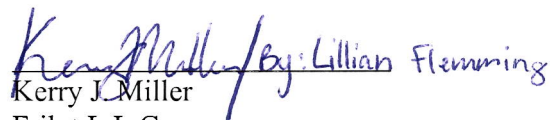
VIII. Audit by PSC

The Knauf Entities will provide the PSC with access to all costs covered by the settlements encompassed in this agreement. Any audit of the costs by the PSC shall be conducted upon reasonable notice, and any costs incurred as a result of the audit shall be paid by the PSC. In the event a dispute arises, then the dispute shall be resolved by a mediator and the mediator may tax costs, including costs of the audit, as the mediator may deem just and proper. If the cost of remediation issue cannot be agreed upon in mediation, then the parties may petition the MDL Court for a final, non-appealable decision.

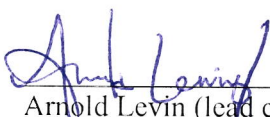
Dated: September 1, 2011

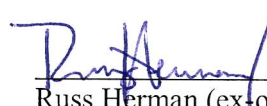
On Behalf of the Knauf Entities:

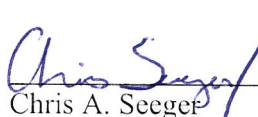
  
Gregory J. Wallance  
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Phone: 212-836-8878  
Email: gwallance@kayescholer.com

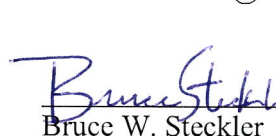
  
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On Behalf of, and with the Full Authority of the Plaintiffs' Steering Committee:

  
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**CONFIDENTIAL HOMEOWNER RELEASE**

This CONFIDENTIAL RELEASE ("Release"), dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011 is entered into by [name of homeowner] \_\_\_\_\_ (hereinafter "Claimant(s)") (Social Security Number(s) \_\_\_\_\_), owner of the property located at \_\_\_\_\_,

which Claimant(s) acquired title to on [date] \_\_\_\_\_.

WHEREAS, on or about \_\_\_\_\_, Claimant(s) commenced a lawsuit on his/her own behalf against one or more of Knauf Plasterboard (Tianjin) Co., Ltd. ("KPT"), Knauf Plasterboard (Wuhu) Co. Ltd., Guandong Knauf New Building Material Product Co. Ltd., Knauf International GmbH, Knauf Insulation GmbH (referred to in MDL 2047 as Knauf Insulation USA), Knauf AMF GmbH & Co. KG, Knauf do Brasil Ltda., Gebr. Knauf Verwaltungsgesellschaft, PT.Knauf Gypsum Indonesia, or Knauf Gips KG (collectively "Knauf Defendants"), and the builder, supplier, installer, and insurer defendants (collectively "the [Builder] [Supplier] [Installer] [Insurer] Defendants". (The Knauf Defendants and the [Builder] [Supplier] [Installer] [Insurer] Defendants, collectively are the "Released Parties.").

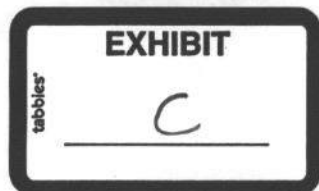
Claimant(s)' action was filed as:

\_\_\_\_\_ [case caption] \_\_\_\_\_

in the \_\_\_\_\_ [Court] \_\_\_\_\_

(hereinafter "Action"); and

WHEREAS, on October 14, 2010, the Knauf Defendants and the MDL Plaintiffs' Steering Committee (the "PSC") in *In re: Chinese Manufactured Drywall Products Liability Litigation*, MDL No. 2047 (the "MDL") have entered into a Settlement Agreement For the



Demonstration Remediation of Homes with KPT Drywall (the "Demonstration Remediation Agreement") to create a program (the "Program") to remediate homes that contain all or substantially all KPT drywall board ("KPT Drywall"); and

WHEREAS, the Claimant(s) hereby represents that he/she is authorized under applicable law to represent and bind all other relevant parties, including any and all representatives, agents, successors, assigns, beneficiaries, heirs, or executors of the Claimant(s), his/her estate, or the estate of any of them, who are not signatories to this Release and by signing this Release does so bind; and

WHEREAS, the Claimant(s) and the Released Parties believe it would be in their respective best interests to settle the Claim by including Claimant's home in the Program and avoid the risk, expense, inconvenience, and distraction of continued litigation; and

WHEREAS, Claimants' counsel has explained to Claimant(s), and Claimant(s) understands, (i) the terms of this Release and (ii) the conditions set forth in the Demonstration Remediation Agreement;

NOW, THEREFORE, in consideration of the obligations of Released Parties both under the Demonstration Remediation Agreement and pursuant to confidential settlement agreements entered into between the Knauf Defendants and the [Builder] [Supplier] [Installer] [Insurer] Defendants ("the Confidential Agreements"), whereby such defendants have agreed to contribute funds to offset the costs of the remediation of Claimant's home pursuant to the Program, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, each and all intending to be legally bound, hereby stipulate and agree as follows:

1. The Undersigned Claimant(s) represents that they own and occupy the above listed property and that no other individual or entity has any direct or indirect ownership interest in the above listed property other than a mortgagee or other lien holder, and further represents that any such mortgagee or lien holder has not commenced foreclosure proceedings or acquired an ownership interest in such property and that Claimant(s) is/are not in default on any financial obligations for which the property is security or collateral for repayment of such obligations.
2. The Undersigned Claimant(s) agrees that the consideration and actions performed by the Released Parties in satisfying their obligations under the Demonstration Remediation Agreement and the Confidential Agreements, will constitute full compensation and settlement arising out of or related to claims asserted in the action or to the KPT Drywall in the Claimant(s)'s home, and that he/she will not seek anything further, including any other payment, from Released Parties, or any other person or entity related to the Action, except as described below.
3. The Claimant(s) and the Released Parties further agree that in exchange for the consideration that is described in the Demonstration Remediation Agreement, including but not limited to the offer of home remediation followed by delivery of a Certificate of Occupancy and Environmental Certificate pursuant to Paragraph V of the Demonstration Remediation Agreement, the Claimant(s) will dismiss with prejudice the Action.
4. The Claimant(s) unconditionally release and relinquish all rights they have or may have against Released Parties arising out of or relating to claims asserted in the Action and/or the KPT Drywall in his/her home, any and all persons or entities who furnished services



for, or in any way facilitated or assisted in, the installation of KPT drywall in the Claimant's home, including without limitation, any actual or potential defendants, including but not limited to, contractors, builders, suppliers, designers, real estate agents, hangers, and/or consultants, and their respective insurance carriers; and all of their past, present, and future parents, subsidiaries, affiliates, controlling persons, officers, directors, employees, shareholders, suppliers, distributors, contractors, agents, servants, counsel, and insurers; and all predecessors, successors, assigns, heirs, executors, estate administrators, any person who may have a claim of indemnity or contribution against Released Parties, and personal representatives of each of the foregoing, separately or collectively. This general release includes without limitation past, present, and future remediation, construction, reconstruction, repair or claims for any and all damages, compensatory and/or punitive and/or other, penalties, costs, expenses, attorney's fees, and interest, pre-judgment and/or post-judgment, and includes those KPT Drywall-related damages of the Claimant(s) of which the Claimant(s) are not aware, and those the Claimant(s) do not anticipate, with the sole exception of claims ("the Reserved Claims") against the Knauf Defendants by (i) the claimant(s) for bodily injury, (ii) by the claimants' counsel for "Attorneys' Fees" as defined in Paragraph IX of the Demonstration Remediation Agreement, and (iii) claims in connection with the performance of, and any obligations arising under, the Demonstration Remediation Agreement, including, but not limited to, warranty claims and performance of punch list items. The Knauf Defendants reserve all defenses, including jurisdictional defenses, as to bodily injury claims. Other than as to the Reserved Claims, this is a full, final and absolute general release and covenant not to sue.

5. This Release is effective immediately with exception that it shall be effective as to the Knauf Defendants upon (i) compliance by the Knauf Defendants with Paragraph V of the Demonstration Remediation Agreement concerning the Certificate of Occupancy and Environmental Certificate, (ii) "Substantial Completion" as that term is defined in the Work Authorization Agreement, and (iii) receipt by the Claimant(s) of a final release of lien or liens, or such other sufficient evidence, demonstrating that any actual or potential liens filed in relation to the remediation of the home have been either released or bonded off such that the Claimant's title is clear of all liens related to the remediation. In the event that the Program is terminated before remediation of the home has commenced, this Release, in its entirety and as to all Released Parties, will be null and void, and any amount paid by a Released Party will be refunded.
6. The Claimant(s) understand and acknowledge the significance and consequence of releasing all of the Claimants' KPT Drywall-related causes of action and/or claims (including presently existing, but unknown, unasserted, unsuspected, or undiscovered KPT Drywall-related causes of action and/or claims), and hereby assume full risk and responsibility for any and all injuries, losses, damages, assessments, penalties, charges, expenses, costs, and/or liabilities that the Claimant(s) may hereinafter incur or discover that in any way arise out of or relate to such causes of action. To the extent that any law, statute, ordinance, rule, regulation, case or other such legal provision or authority may purport to preserve the Claimant(s) right hereafter to assert presently existing but unknown, unasserted, unsuspected, or undiscovered KPT drywall-related causes of action and/or claims, which would otherwise be barred by the terms of this Release, the

Claimant(s) hereby specifically and expressly waive their rights under such law, statute, ordinance, rule, regulation, case or other such legal provision or authority.

7. The Claimant(s) and their counsel, and every person employed or retained by them who has any knowledge of any term of this Release or of any settlement, release, or waiver referred to herein (the "Restricted Persons") shall keep STRICTLY CONFIDENTIAL and agree not to disclose to any other party, person or entity the terms of remediation or amount of this settlement, any of the terms of this Release, or the amount received by any Claimant(s), or the amounts of money offered, demanded or discussed during the course of settlement negotiations (the "Confidential Information"), except as required by law, and then only to the extent necessary.
8. Except as permitted in the preceding paragraph, no Restricted Person shall offer in evidence in any civil, criminal, administrative or other action or proceeding, or otherwise publicly refer to any of, the Confidential Information other than as may be necessary to consummate or enforce this Release. If the subject of such Confidential Information should arise in any legal proceedings, other than a proceeding to consummate or enforce this Release, the Restricted Persons will, to the extent possible, give Released Parties notice and an opportunity to intervene and oppose, file under seal any documents disclosing the Confidential Information, and take all reasonable measures to ensure that it is kept confidential and that any disclosure thereof takes place *in camera*.
9. No Restricted Person will rely on or attempt to rely on this Release, or any portion of the contents thereof, or any amount provided herein, or any amount received by any Claimant(s), in any proceeding other than a proceeding to consummate or enforce this

Release. No Restricted Person will attempt to lift, or to cause any court or other body to lift, the confidentiality provisions of this Release for any purpose.

10. Claimant(s), and each of them, hereby represent and warrant that they have not disclosed prior to the execution of this Release terms of this settlement, or any substance of the settlement negotiations to any person to whom disclosure is not authorized hereunder.
11. In further consideration of the foregoing, and with the exception of the Reserved Claims, Claimant(s) and their undersigned counsel further agree and covenant to forever indemnify, defend and hold harmless the Released Parties, and without limitation, their successors, predecessors, assigns, affiliates, shareholders, investors, and their past, present and future officers, directors, partners, attorneys, agents, employees, parent companies, partnerships, subsidiaries, sister corporations and representatives from and against all claims and future claims relating to the KPT Drywall in his/her home.
12. The Claimant(s) is/are bound by this Release. Anyone who succeeds to his/her rights and responsibilities, including any and all representatives, agents, successors, assigns, beneficiaries, heirs, or executors of the Claimant(s), his/her estate, or the estate of any of them is also bound. This Release is made for the benefit of the Claimant(s) and the Released Parties.
13. The Claimant(s) authorizes and instructs his/her counsel to deliver to Released Parties a Notice of Dismissal with prejudice of the Action, which shall be "so ordered" by the Court where the Action is pending, as against all defendants in accordance with the provisions herein and the terms of the Agreement. The Claimant(s) and his/her counsel shall cooperate with Released Parties in any additional way reasonably necessary to

obtain such dismissal with prejudice. Such delivery of the Notice of Dismissal shall be made to Kerry J. Miller, Frilot L.L.C., Suite 3700, 1100 Poydras Street, New Orleans, Louisiana 70163.

14. The Claimant(s) acknowledge that they have not received or relied on any agreements or promises other than as contained in writing in this Release. In executing this Release the Claimant(s) have relied on his/her own or his/her counsel's analysis of the facts and information of which they are independently aware, and assumes the risk that there may prove to be facts or information different from or in addition to what they now know or believe.
15. Nothing in this agreement shall constitute any admission of liability or fault of any kind on the part of Knauf Defendants who expressly deny any liability to the Claimant(s) and who are entering this agreement to avoid the expense and uncertainty of litigation; (ii) an admission of or consent to jurisdiction or waiver of any jurisdictional defenses, except as provided in the Demonstration Remediation Agreement; and (iii) or consent to service by the Knauf Defendants. Neither this Release nor any Agreement shall be admissible in evidence in any proceedings except in an action to enforce the terms of the Release or the Demonstration Remediation Agreement.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Claimant

\_\_\_\_\_  
Claimant SS #

\_\_\_\_\_  
Counsel

Law Firm: \_\_\_\_\_

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_

I certify that on \_\_\_\_\_, 2010, \_\_\_\_\_ personally came before me and acknowledged under oath, to my satisfaction, that this person (a) is named in and personally signed this document; and (b) signed, sealed and delivered this document by her act and deed.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
[Printed Name of Notary]

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Counsel

LAW FIRM: \_\_\_\_\_