

CIVIL DISTRICT COURT FOR THE PARISH OF ORLEANS

STATE OF LOUISIANA
CASE NO. 2010-392 SECTION 7

DIVISION E

THE STATE OF LOUISIANA, *ex rel.* JAMES D. ("BUDDY") CALDWELL,
the Attorney General of Louisiana,

vs.

KNAUF GIPS KG; KNAUF INTERNATIONAL GMBH; KNAUF PLASTERBOARD (TIANJIN) CO. LTD.; KNAUF PLASTERBOARD (WUHU) CO. LTD.; GUANDONG KNAUF NEW BUILDING MATERIAL PRODUCTS CO.; LTD. KNAUF INSULATION, GMBH; BEIJING NEW BUILDING MATERIALS PLC; TAISHAN GYPSUM CO., LTD.; TAIAN TAISHAN PLASTERBOARD CO., LTD; INTERIOR EXTERIOR BUILDING SUPPLY, L.P.; METRO RESOURCES CORPORATION; ALL STAR FOREST PRODUCTS INC.; NORTH PACIFIC GROUP, INC.; PHOENIX IMPORTS CO., LTD.; ROTHCHILT INTERNATIONAL LTD.; USG CORPORATION; UNITED STATES GYPSUM COMPANY; USG INTERIORS, INC; FLY SYSTEM, INC.; L & W SUPPLY CORPORATION D/B/A SEACOAST SUPPLY; MAYEAUX CONSTRUCTION, INC.; SOUTHERN HOMES, LLC; and SUNRISE CONSTRUCTION AND DEVELOPMENT, LLC

FILED: _____

Deputy Clerk

PETITION

Plaintiff, the State of Louisiana, through James D. ("Buddy") Caldwell, the Attorney General of Louisiana ("the State"), brings this action on its own behalf and as *parens patriae*, against the following Defendants (the "Defendants"): Knauf Gips KG, Knauf International GmbH, Knauf Plasterboard (Tianjin) Co. Ltd., Knauf Plasterboard (Wuhu) Co. Ltd., Guandong Knauf New Building Material Products Co., Ltd., Knauf Insulation, GmbH (collectively sometimes referred to herein as the "Knauf entities"); Beijing New Building Materials, PLC; Taishan Gypsum Co. Ltd.; Taian Taishan Plasterboard Co., Ltd.; Interior Exterior Building Supply, L.P.; Metro Resources Corporation; All Star Forest Products Inc.; North Pacific Group, Inc.; Phoenix Imports Co., Ltd.; Rothchilt International Ltd.; USG Corporation, United States Gypsum Company, USG Interiors, Inc. (collectively sometimes referred to herein as "USG" or as the "USG entities"); Fly System, Inc., L & W Supply Corporation d/b/a Seacoast Supply; Mayeaux Construction Inc.; Southern Homes, LLC; and Sunrise Construction and Development, LLC. All facts contained in this Complaint are alleged upon information and belief and based upon the investigation of counsel.

INTRODUCTION

1. This action arises out of Defendants' manufacture, distribution, sale, and/or installation of defective, noxious, and toxic drywall from China that was installed in homes and other buildings in Louisiana in the rebuilding efforts following Hurricane Katrina and Hurricane Rita and also installed in new construction in Louisiana since that time.

2. In August, 2005, and September, 2005, Louisiana was devastated by Hurricanes Katrina and Rita. Countless homes and other buildings throughout Louisiana, including numerous State-owned or controlled buildings and buildings owned by political subdivisions of the State, were destroyed or damaged by the hurricanes.

3. In the aftermath of Hurricanes Katrina and Rita, the State of Louisiana has spent billions of dollars seeking to help the citizens of Louisiana rebuild homes, lives, and livelihoods. The State has also worked to rebuild the State's damaged economy and tourism following the hurricanes, both independently and in cooperation with local political subdivisions throughout the State.

4. Necessary to the post-Katrina and Rita rebuilding efforts of the State of Louisiana and its citizens was drywall.

5. Because of the massive damage caused by Hurricanes Katrina and Rita and also because of a building boom then existing throughout the United States, a critical shortage of domestic drywall arose. Prior to that time, very little Chinese produced and manufactured drywall had been imported into the United States. In pursuit of profit, Defendants proactively pushed their defective Chinese drywall into Louisiana in massive quantities, knowing that domestic supplies were very low and that Louisiana desperately needed drywall to commence its rebuilding efforts.

6. Defendants' drywall is and was inherently defective and not suitable for its intended use. It is and was defective, noxious, and toxic, and will remain so for a long but unknown span of years.

7. Upon information and belief, Defendants' drywall is inherently defective because it emits sulfur based chemicals and/or other harmful chemicals through a process generally referred to as "off-gassing."

8. Upon information and belief, Defendants' drywall corrodes, tarnishes, pits, or destroys electrical wiring, smoke alarms, security systems, electrical appliances, air conditioner

and refrigerator coils, computers, televisions, microwaves, faucets, metal fixtures, certain plumbing components, copper tubing, computer wiring, utensils, jewelry and other metals in the homes and other buildings containing Defendants' drywall.

9. Of tremendous concern is that such corrosion and/or damage to electrical wiring and equipment creates a dangerous fire hazard.

10. Defendants' drywall also emits foul, noxious, "rotten egg-like" odors.

11. Upon information and belief, the defect in Defendants' drywall is latent and existed in Defendants' drywall at the time it was manufactured, shipped, and installed regardless of the way the product was installed, maintained, and/or painted. There is no known repair that will correct the defect in Defendants' drywall. Because of the nature of drywall and the manner in which it must be installed in accordance with proper construction techniques, it is impossible to simply remove Defendants' defective drywall and return it to the seller or manufacturer substantially intact.

12. Defendants' drywall has caused, and is continuing to cause, damages to the State, to political subdivisions of the State and to the citizens of Louisiana including, but not limited to: essentially uninhabitable homes and buildings; emission of toxins, including carbon disulfide, carbonyl sulfide, and hydrogen sulfide within homes and buildings; corrosion or pitting of various metals, electrical wiring, smoke alarms, security systems, and electrical equipment within homes and buildings, which disrupt or interfere with the operation of electronic equipment within such homes and buildings and which create potential fire hazards; damage to or destruction of personal property; and respiratory and other ailments like headaches and nose bleeds requiring medical treatment, including the administration of steroids and nebulizers to minors residing in such homes.

13. As a result of the ongoing harm caused by Defendants' drywall, the State, the political subdivisions of the State and the citizens of Louisiana will require remediation of contaminated homes and buildings, and environmental testing and monitoring.

JURISDICTION

14. This Court has personal jurisdiction over the non-resident Defendants pursuant to La. Rev. Stat. § 13:3201. All Defendants transacted business in the State of Louisiana, contracted to supply drywall in the State of Louisiana, and/or manufactured and placed in the stream of commerce a product—drywall—for which it was intended and could be reasonably

expected to be eventually found in the State of Louisiana. Defendants have engaged in substantial and not isolated activity and transactions within this State. Additionally, the causes of action asserted herein all arise from Defendants, personally or through their agents or alter egos, causing injury to persons and property within the State of Louisiana. At the time of the injury, the defective Chinese drywall manufactured, distributed, supplied, installed, marketed, sold, or otherwise provided by Defendants was used and consumed within the State of Louisiana in the ordinary course of commerce, trade, or use.

PARTIES

15. Plaintiff, the State of Louisiana, through its Attorney General, James D. ("Buddy") Caldwell, brings this action both on behalf of the State's own proprietary interests, and as *parens patriae* for the State's local political subdivisions and all of its citizens, for the damage caused by the Defendants' conduct alleged herein. With respect to all claims and claimants herein, the Attorney General is authorized to bring this action by Article 4, Section 8 of the Louisiana Constitution, by La. R.S. 13:5036, by La. R.S. 51:1407 and by La. R.S. 51:1408.

16. Upon information and belief, Defendant Knauf Gips KG ("Knauf Gips") is a corporation organized under the laws of Germany doing business internationally, including the State of Louisiana, with its principal place of business located at Am Bahnhof 7, 97346 Iphofen, Germany.

17. Upon information and belief, Defendant Knauf International, GmbH ("Knauf International") is a corporation organized under the laws of Germany doing business internationally, including the State of Louisiana, with its principal place of business located at Bahnhof 7, 97346, Iphofen, Germany.

18. Upon information and belief, Defendants Knauf Gips and Knauf International are closely affiliated by common ownership, common control or otherwise such that each of them is the mere alter ego of the other with respect to all causes of action asserted herein.

19. Upon information and belief, Defendant Knauf Plasterboard (Tianjin) Co., Ltd. ("Knauf (Tianjin)") is a corporation organized under the laws of China doing business internationally, including the State of Louisiana, with its principal place of business located at North Yinhe Bridge, East Jingjin Road, RC-300400, Tianjin, P.R. China.

20. Upon information and belief, Defendant Knauf Plasterboard (Wuhu) Co., Ltd. (“Knauf (Wuhu)”) is a corporation organized under the laws of China doing business internationally, including the State of Louisiana, with its principal place of business located at No. 2 Gang Wan Road, RC-241009, Wuhu Anhui, P.R. China.

21. Upon information and belief, Defendant Guandong Knauf New Building Material Products Co. Ltd. (“Knauf (Dongguan)”) is a corporation organized under the laws of China doing business internationally, including the State of Louisiana, with its principal place of business located at No. 2 Xinsha Development Zone, RC-523147, Guangdong, P.R. China.

22. Upon information and belief, Defendant Knauf Insulation GmbH (Knauf (USA))” is a corporation organized under the laws of Germany doing business internationally, including in the State of Louisiana, from its headquarters in Shelbyville, Indiana. At all times relevant hereto, Knauf (USA) has had a Certificate of Admission to conduct business in Indiana, which Certificate imbues Knauf (USA) with the same rights and restrictions as a domestic corporation. In addition, upon information and belief, Knauf (USA) has had a registered agent for service of legal process in the United States at all times relevant hereto.

23. Upon information and belief, Defendants Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan) and Knauf (USA) are each direct or indirect subsidiaries of Defendants Knauf Gips or Knauf International, or they are each otherwise controlled by said Defendants.

24. Upon information and belief, Defendant Beijing New Building Materials Company PLC (“BNBM”) is a corporation organized under the laws of China doing business internationally, including in the State of Louisiana. Upon further information BNBM is “an agency or instrumentality” of the People’s Republic of China; BNBM and its subsidiaries hereinafter named are engaged in a “commercial activity carried on in the United States by a foreign state,” as those terms are defined in 28 USC § 1603.

25. Upon information and belief, Defendant Taishan Gypsum Co., Ltd., (“TGC”) is a corporation organized under the laws of China doing business internationally, including in the State of Louisiana, and is a subsidiary of Defendant BNBM.

26. Upon information and belief, Defendant Taian Taishan Plasterboard Co., Ltd. (“TTP”) is a corporation organized under the laws of China doing business internationally, including in the State of Louisiana, and is a subsidiary of Defendant BNBM.

27. Upon information and belief, Defendant Interior Exterior Building Supply, L.P. ("Interior Exterior") is a Louisiana limited partnership with its principal place of business located at 727 S. Cortez Street, New Orleans, Louisiana 70119.

28. Upon information and belief, Defendant Metro Resources Corporation ("Metro Resources") is a corporation organized under the laws of an unknown jurisdiction doing business internationally, including the State of Louisiana, with its principal places of business in the United States at 20700 Civic Center Drive, Suite 170, Southfield, MI 48076.

29. Upon information and belief, Defendant All Star Forest Products Inc. is a Mississippi corporation doing business in the State of Louisiana with its principal office address located at 5757 North McRaven Road, Jackson, MS 39209.

30. Upon information and belief, Defendant North Pacific Group, Inc. is an Oregon corporation qualified to do business and doing business in the State of Louisiana with its principal office address located at 10200 S.W. Greenburg Road, Portland, OR 97223.

31. Upon information and belief, Defendant Phoenix Imports Co., Ltd. is a foreign company doing business in the State of Louisiana whose principal place of business is unknown.

32. Upon information and belief, Defendant Rothchilt International Ltd. is a foreign corporation doing business in the State of Louisiana with its principal place of business located at N-510 Chia Hsin Bldg., Annex 96 Chung Shan N. Rd. Sec. 2, Taipei, Taiwan R.O.C.

33. Upon information and belief, Defendant Fly System, Inc. is a Florida corporation doing business in the State of Louisiana with its principal place of business located at 11481 South West Rossano Lane, Port Lucie, Florida 34987. At all relevant times, it was authorized to conduct business and conducted business in the State of Louisiana.

34. Upon information and belief, Defendant USG Corporation is a Delaware corporation with its principal place of business located at 550 W. Adams Street, Chicago, Illinois 60661. At all relevant times, it was authorized to conduct business and conducted business in the State of Louisiana.

35. Upon information and belief, Defendant United States Gypsum Company is a Delaware corporation with its principal place of business located at 550 W. Adams Street, Chicago, Illinois 60661. At all relevant times, it conducted business in the State of Louisiana.

36. Upon information and belief, Defendant L & W Supply Corporation d/b/a Seacoast Supply ("Seacoast"), is a Delaware corporation with its principal place of business

located at 550 W. Adams Street, Chicago, Illinois 60661. At all relevant times it conducted business in the State of Louisiana.

37. Upon information and belief, Defendant USG Interiors, Inc. is a Delaware corporation with its principal place of business located at 550 W. Adams Street, Chicago, Illinois 60661. At all relevant times, it conducted business in the State of Louisiana.

38. Upon information and belief, Defendant Mayeaux Construction, Inc. ("Mayeaux") is a Louisiana corporation with its registered office located at 14 Carolina Court, Covington, Louisiana 70433.

39. Upon information and belief, Defendant Southern Homes, LLC ("Southern") is a Delaware limited liability company authorized to do and doing business in the State of Louisiana with a principal business office in Louisiana at 2053 East Gause Boulevard, Slidell, Louisiana 70461.

40. Upon information and belief, Defendant Sunrise Construction and Development LLC ("Sunrise") is a Louisiana limited liability company with its registered office at 62250 West End Boulevard, Slidell, Louisiana 70461.

GENERAL ALLEGATIONS

Hurricanes Katrina and Rita

41. On Monday, August 29, 2005, Hurricane Katrina made landfall in Louisiana. Hurricane Katrina and its torrential winds and rains caused severe destruction throughout Louisiana. Damage from Hurricane Katrina was particularly extensive in southeastern Louisiana.

42. Less than a month after Hurricane Katrina's devastation, Hurricane Rita hit Louisiana on September 24, 2005. Damage from Hurricane Rita was particularly extensive in southwestern Louisiana.

43. Many buildings and homes which were not completely destroyed by the hurricanes and flooding nevertheless experienced extensive damage.

44. Almost all homes damaged by the hurricanes required replacement of their drywall components, in whole or in part.

Drywall Background

45. Drywall is a common manufactured building material used globally for the finish construction of interior walls and ceilings.

46. Drywall is also commonly known as gypsum board, wallboard, plasterboard, rock lath, "sheetrock" (a registered trademark of Defendant USG Corporation), gyproc, or simply board.

47. A drywall panel is made of a paper liner wrapped around an inner core made primarily from hardened gypsum plaster.

48. Drywall is typically available in 4 foot (1219 mm) wide sheets of various lengths. Newly formed sheets are cut from a belt, the result of a continuous manufacturing process.

49. The most commonly used drywall is one-half inch thick but can range from one quarter (6.35 mm) to one inch (25.4 mm) thick.

50. The core material of drywall, gypsum, is available in two forms: pure gypsum, which is naturally occurring, and synthetic gypsum, which is manmade.

51. Pure gypsum is usually a white to transparent mineral, but sometimes impurities color it grey, brown, or pink.

52. Synthetic gypsum is generally manufactured with byproducts of coal-fired power plants.

53. Coal combustion byproducts ("CCBs" or "CCPs") are the inorganic residues that remain after pulverized coal is burned.

54. The primary CCBs used in drywall are byproducts resulting from a utility's attempts to remove sulfur from flue gases.

55. In order to meet emission standards, many utilities have installed flue-gas-desulfurization ("FGD") equipment. Flue gas desulfurization is a chemical process to remove sulfur oxides from the flue gas at coal-burning power plants.

56. Various FGD methods have been developed that chemically combine the sulfur gases released in coal combustion by reacting them with a sorbent, such as limestone or lime.

57. As the flue gas comes in contact with the slurry of calcium salts, sulfur dioxide reacts with the calcium to form hydrous calcium sulfate, otherwise known as gypsum.

58. In order to form drywall, gypsum must be "calcined," or partially dehydrated by heating.

59. When gypsum is heated, it loses about three quarters of its water and becomes hemihydrate gypsum which is soft and can be easily ground to powder called hemihydrate gypsum plaster.

60. The gypsum powder is then mixed with water to form a paste or slurry.

61. While the hemihydrate gypsum plaster is in slurry form it is poured between two paper layers to make drywall.

62. Drywall is formed by sandwiching a core of wet gypsum between two sheets of heavy paper or fiberglass mats. When the core sets and is dried in a large drying chamber, the "sandwich" becomes rigid and strong enough for use as a building material.

63. The paste or slurry is typically mixed with fiber (usually paper and/or fiberglass), plasticizer, foaming agent, potash as an accelerator, starch or other chelate as a retarder, various additives that increase mildew and fire resistance (fiberglass or vermiculite), and water.

64. Drywall may consist of two other materials with sulfur content: alkyl ethoxy sulfates as foaming agents, and lignin or naphthalene sulfonates as dispersing agents.

The Defects of Defendants' Drywall

65. Upon information and belief, Defendants' defective drywall is off-gassing various dangerous gases, including formaldehyde, hydrogen sulfide and carbonyl sulfide.

66. Upon information and belief, Defendants' drywall contained both naturally mined gypsum and synthetic gypsum manufactured from CCBs.

67. Upon information and belief, some of Defendants' drywall was made with waste material from scrubbers on coal-fired power plants, also called "fly ash." These materials can leak into the air and emit one of several sulfur compounds including hydrogen sulfide and carbonyl sulfide.

68. Upon information and belief, all drywall manufacturers in China get their fly ash from Chinese coal-burning utilities. Upon information and belief, the fly ash used in Defendants' drywall was of poor quality, was not adequately inspected (if inspected at all), and, as a result, contained high levels of carbon, sulfur, and soot.

69. Improperly cleaned fly ash results in dirty gypsum, which contains high levels of sulfur, carbon, and soot, and which in the presence of high humidity and heat typical of Louisiana's climate leads to the off-gassing of dangerous sulfides.

70. Testing by or for the United States Environmental Protection Agency and the Consumer Product Safety Commission, which compared samples of imported Chinese drywall to samples of American-made drywall, showed there was sulfur in all the Chinese drywall samples, but none in the American drywall samples.

71. The problem of sulfide emissions from drywall is well understood in the drywall industry and has been studied for many years.

72. The level of sulfides emitted from drywall may depend, in part, on contamination of the drywall with sulfur materials or the use of contaminated gypsum materials.

73. Sulfide emissions from drywall have been a particular problem in landfills and, as such, many landfills refuse to accept drywall or place strict limitations on the amounts and on the ways in which drywall can be disposed.

74. According to a statement by general counsel for Defendant Knauf Gips, that company “believes the problem drywall came from a specific [gypsum] mine, which also supplied other manufacturers.” According to Knauf Gips, it stopped using the questionable mine in 2006.

75. According to published reports, however, some independent environmental testing firms and building experts have said a source of the drywall problem is waste materials from the scrubbers of coal-fired power plants used to make the drywall in China.

76. Upon information and belief, the Knauf entities received complaints from builders and contractors about “rotten egg” smells coming from its Chinese-manufactured drywall as far back as 2006.

77. Upon information and belief, the Knauf entities’ own testing revealed that its product released detectable, above-background levels of various sulfur containing compounds. In particular, the Knauf entities’ testing revealed the presence of iron disulfide from its Chinese drywall as the likely source of the sulfur smells. The Knauf entities’ testing agency declared: “These data indicate that certain naturally-occurring sulfur-containing compounds can be emitted from the Knauf Tianjin product at concentrations higher than present in background air.”

78. Neither the State nor the citizens of Louisiana could have discovered the existence of the defects in the Chinese-manufactured drywall until reports about the problems in Louisiana were released in 2009.

The Problems Created By Defendants’ Drywall

79. Upon information and belief, the off-gassing by Defendants’ drywall of various harmful chemicals is causing various health problems.

80. The Louisiana Department of Health and Hospitals has already received nearly one thousand reports of medical complaints believed to be caused by Defendants’ drywall.

81. The most frequent health complaints resulting from Defendants' drywall are difficult breathing, asthma attacks, respiratory problems, coughing, recurring headaches, heart disease, neuron-behavioral problems, sore throats, throat infection, eye irritation, irritated and itchy skin, bloody noses, runny noses, allergic reactions, and sinus infections.

82. Upon information and belief, Defendants knew or should have known that their use of substandard materials and their shoddy manufacturing and inadequate or non-existent quality-control processes would result in defective, noxious, and toxic drywall which emits a variety of dangerous chemicals.

83. In addition, evidence shows that Defendants' defective drywall is corroding or pitting electrical equipment. Such corrosion and pitting can cause electric failures and property damage.

84. When combined with moisture in the air, the compounds emitted by Defendants' drywall became highly corrosive. The corrosive nature of these compounds is known to dissolve solder joints and to corrode coils and copper tubing, thereby creating leaks, blackening coils, and causing electrical wiring, HVAC systems, refrigerators, computers, televisions, smoke alarms, security system and other electrical appliances and equipment to fail. These compounds have also been shown to corrode copper electrical wiring and plumbing components, blacken and corrode coils, and harm other metals such as chrome, brass, and silver.

85. Defendants' drywall can not only affect HVAC systems and refrigerators, but can affect and require replacement of all sorts of household items, including but not limited to smoke alarms, security systems, computers, televisions, microwaves, lighting fixtures, faucets, hardware and silverware. In addition, the defective drywall usually has a noxious odor, akin to the smell of rotten eggs.

86. Due to the corrosive effects of Defendants' drywall on wiring and household appliances, the defective drywall is creating possible fire hazards throughout Louisiana.

87. Defendants' drywall creates significant fire hazards in two different ways. It causes, first, corrosion to electrical wiring such as the wiring in electrical equipment and the conduit for gas lines or natural gas appliances, which could result in electrical or gas fires. Second, the corrosive effects of the off-gassed gases from Defendants' drywall could cause the wiring in smoke detectors, fire alarms, and sprinkler systems to malfunction, thus preventing the ability of life-saving devices to properly function in the case of a fire.

88. The longer that Defendants' drywall remains in the homes and buildings throughout Louisiana, the greater the fire risk.

The Entry of Defendants' Drywall into Louisiana

89. Due to a shortage of domestic supplies following Hurricane Katrina and Hurricane Rita, drywall made in China was imported to Louisiana and used in constructing and rebuilding homes and other buildings.

90. Defendants' drywall entered Louisiana mostly in 2006, when hurricane recovery in Louisiana and Florida combined with a national building boom to generate demand for drywall that could not be met by domestic manufacturers alone.

91. Louisiana's Port of New Orleans received a large number of shipments of Defendants' drywall.

92. Upon information and belief, over 1.1 million sheets of Defendants' drywall imported through the Port of New Orleans was used in the construction, repair, or rebuilding of Louisiana homes and buildings after Hurricanes Katrina and Rita.

Knauf Drywall

93. The overwhelming majority of the Chinese drywall installed in Louisiana homes and buildings came from the Knauf entities.

94. Many builders and contractors working in Louisiana (including Defendants Mayeaux, Southern and Sunrise) have admitted using Knauf's Chinese drywall in communities throughout Louisiana.

95. The Knauf entities are leading worldwide manufacturers of drywall, building materials and systems. They have more than 130 production plants in over 40 countries generating annual sales in excess of 4.8 billion Euros. They provide building materials and systems to customers in over 50 countries, including the United States, and more particularly, the State of Louisiana.

96. Knauf Gips or Knauf International is the direct or indirect parent company of Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and Knauf (USA).

97. In 1995, one or more Knauf entities began manufacturing drywall in China. Between 1997 and 2001, they established three drywall plants in China located in Wuhu (Anhui province), Tianjin, and Dongguan (Guangdong province).

98. Upon information and belief, at all relevant times, Knauf Gips and/or Knauf International supervised, operated, trained, and otherwise exercised control and/or had the right to control the operations and employees of Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and Knauf (USA).

99. Upon information and belief, the product quality of all Knauf plants in China, including Knauf (Tianjin), Knauf (Wuhu) and Knauf (Dongguan), is strictly supervised, overseen, and controlled according to the requirements set by Knauf Gips' and/or Knauf International's headquarters in Germany.

100. Upon information and belief, Knauf Gips and/or Knauf International supervises, monitors, and controls Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and Knauf (USA)'s daily conduct and operations, including the manufacturing, distribution, marketing and sale of Knauf (Tianjin), Knauf (Wuhu), and Knauf (Dongguan)'s drywall products.

101. Knauf Gips and/or Knauf International is, and was at all relevant times, responsible for implementing and supervising the quality control measures to be used by Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and Knauf (USA).

102. Upon information and belief, Knauf Gips' and/or Knauf International's sales and technical support teams support Knauf businesses throughout the world, including Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and Knauf (USA).

103. By establishing Knauf (Tianjin), Knauf (Wuhu), and Knauf (Dongguan) in China, and by exercising strict control over the conduct and operations of Knauf (Tianjin), Knauf (Wuhu), and Knauf (Dongguan), Knauf Gips and/or Knauf International acknowledged that Knauf (Tianjin), Knauf (Wuhu), and Knauf (Dongguan) would act on their behalf as their actual and/or apparent agents.

104. By exercising strict control over the conduct and operations of Knauf (USA), Knauf Gips and/or Knauf International acknowledged that Knauf (USA) would act on its behalf as its actual and/or apparent agent.

105. Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and Knauf (USA) each accepted the undertaking of acting on Knauf Gips' or Knauf International's behalf and as their agent.

106. Shipping records show coordination between Knauf's Chinese subsidiaries, such as sharing the same vessel to transport their product to the United States. For example, in April,

2006, the cargo ship *Yong An Cheng* transported three shipments from Knauf (Wuhu) and a fourth from Knauf (Dongguan) to the United States. All were imported by Defendant USG entities, which are the largest distributors of drywall and related building products in the United States. On information and belief, owners of Knauf Gips and/or Knauf International also held a substantial equity interest in Defendant USG Corporation at that time.

107. Knauf Gips and/or Knauf International individually participated, ratified, approved, and directed the improper or illegal acts and omissions of Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and/or Knauf (USA), described herein.

108. Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), Knauf (USA), and their employees, are all the actual or apparent agents of Knauf Gips and/or Knauf International.

109. Knauf Gips, Knauf International, Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), and Knauf (USA) also acted in joint enterprise, joint venture, and as each other's agent within the course and scope of said agency.

110. Upon information and belief, the Knauf entities have continuously and systematically distributed and sold drywall to numerous purchasers in the State of Louisiana with the knowledge and expectation that their drywall would be (and has been) installed in thousands of homes and other buildings in Louisiana.

111. Knauf Gips and/or Knauf International, through their agents, subsidiaries, and/or affiliates, including Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan) and Knauf (USA) manufactured, exported, distributed, delivered, supplied, inspected, marketed, and/or sold defective drywall directly or indirectly to certain suppliers in the State of Louisiana, including Interior Exterior, and that defective drywall was later installed into the homes and other buildings of the State and the citizens of Louisiana, thereby causing substantial damage.

112. Knauf Gips and/or Knauf International, through their agents, subsidiaries, and/or affiliates, including Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan) and Knauf (USA), also failed to provide adequate warnings in the United States regarding the hazardous and defective nature of their drywall.

113. All of the Knauf entities participated in and profited from the wrongful acts described herein.

114. Upon information and belief, the Knauf entities failed to conduct adequate inspection of their raw materials as part of the manufacturing process.

115. Upon information and belief, during 2006 the Knauf entities exported approximately 67.3 million pounds of Chinese drywall to the United States, which is enough to build approximately 7,500 average-size single-family homes.

116. Knauf (Tianjin) admits that it alone manufactured and exported at least 20% of the imported Chinese drywall that came into the United States in 2005, 2006 and 2007.

117. Shipping information for 2006 indicates that Knauf (Tianjin) sent at least 38.7 million pounds of Chinese drywall to the United States while Knauf (Wuhu) sent at least 28.6 million pounds of Chinese drywall. Based on United States Customs and Census information, these figures indicate that approximately 78 percent of Chinese drywall imports in 2006 came from these two Knauf plants. Drywall manufactured by Knauf (Dongguan) also reached the United States.

118. Upon information and belief the Knauf entities have sold around 23.5 million square feet of its drywall to Defendant Interior Exterior since Hurricanes Katrina and Rita.

119. Interior Exterior is in the business of distributing drywall and distributed drywall manufactured by Defendants.

120. Interior Exterior historically purchased its drywall from domestic sources. Hurricanes Katrina and Rita, however, devastated domestic drywall suppliers along the Gulf Coast. Two drywall plants in the New Orleans area closed down as a result of those hurricanes. Due to a building boom in 2005, which included rebuilding efforts in Louisiana following Hurricanes Katrina and Rita, local domestic drywall manufacturers could not keep up with the demand, nor could other United States drywall manufacturers. As a result, Interior Exterior was forced to purchase Chinese drywall beginning in October, 2005.

121. In 2005, an executive of Defendant Knauf (USA) named Jeff Brisley, acting as an agent of the Knauf entities, contacted Interior Exterior about the prospect of importing drywall from Knauf facilities in China. Seeking to profit from the desperation of Louisianans harmed by Hurricanes Katrina and Rita, Knauf (USA) urged Interior Exterior to purchase Chinese drywall from Knauf.

122. In October, 2005, just one month after Hurricane Rita, Interior Exterior entered into a contract with Knauf (Tianjin). This would not have occurred but for the actions of Knauf (USA). If not for Knauf USA's conduct, the defective drywall from Knauf (Tianjin) and later

from Knauf (Wuhu) would not have entered the State of Louisiana through Interior Exterior and would not have harmed the State and the citizens of Louisiana.

123. Throughout Interior Exterior's relationship with Knauf (Tianjin) and Knauf (Wuhu), Knauf (USA) acted as an agent of the Knauf entities.

124. Interior Exterior purchased drywall from Knauf (Tianjin) and Knauf (Wuhu) on five occasions between October, 2005, and July, 2006.

125. On or about October 21, 2005, Interior Exterior entered into an agreement with Knauf (Tianjin) to purchase 100,000 pieces of STD board measuring 1,220 x 3,660 x 12.5 mm at a price of \$4.20 each. On or about December 8, 2005, Knauf (Tianjin) shipped 100,030 pieces of tapered edge gypsum board measuring 4' x 12' x 1/2" at a price of \$4.20 each. The cargo was sent by ship from the Port of Tianjin, China, to the Port of New Orleans, Louisiana, by the China Marine Shipping Agency Tianjin Company, Ltd., acting as agents for and on behalf of STX Pan Ocean Company, Ltd. Knauf (Tianjin) certified that the gypsum boards were of good quality (certificate of warranty, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin). The cargo arrived at the Port of New Orleans on or about January 13, 2006.

126. On or about November 17, 2005, Interior Exterior entered into an agreement with Knauf (Tianjin) to purchase 150,000 pieces of STD board measuring 1,220 x 3,660 x 12.5 mm at a price of \$4.40 each. On or about December 23, 2005, Knauf (Tianjin) shipped 142,800 pieces of tapered edge gypsum board measuring 4' x 12' x 1/2" at a price of \$4.40 each. Knauf (Tianjin) certified that the gypsum boards were of good quality (certificate of warranty dated December 23, 2005, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin). The cargo was sent by ship from the Port of Tianjin, China, to the Port of New Orleans, Louisiana, by the China Marine Shipping Agency Tianjin Company, Ltd., acting as agents for and on behalf of STX Pan Ocean Company, Ltd. The cargo arrived at the Port of New Orleans on or about January 27, 2006.

127. On or about December 13, 2005, Interior Exterior entered into an agreement with Knauf (Tianjin) to purchase 100,000 pieces of STD board measuring 1,220 x 3,660 x 12.5 mm at a price of \$4.40 each. On or about March 3, 2006, Knauf (Tianjin) shipped 129,948 pieces of tapered edge gypsum board measuring 4' x 12' x 1/2" at a price of \$4.40 each. The cargo was sent by ship aboard the vessel *Dual Confidence* captained by Ador Vicente S. Cabarron from the

Port of Tianjin, China, to the Port of New Orleans, Louisiana, by the Tianjin Ligang Shipping Agency Company, Ltd. Knauf (Tianjin) certified that the gypsum boards were of good quality (certificate of warranty, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin). The cargo arrived at the Port of New Orleans on or about April 6, 2006.

128. On or about December 21, 2005, Interior Exterior entered into an agreement with Knauf (Tianjin) to purchase 100,000 pieces of STD board measuring 1,220 x 3,660 x 12.5 mm at a price of \$4.40 each. On or about March 3, 2006, Knauf (Tianjin) shipped 37,740 pieces of tapered edge gypsum board measuring 4' x 12' x 1/2" at a price of \$4.40 each. The cargo was sent by ship aboard the vessel *Dual Confidence* captained by Ador Vicente S. Cabarron from the Port of Tianjin, China, to the Port of New Orleans, Louisiana, by the Tianjin Ligang Shipping Agency Company, Ltd. Knauf (Tianjin) certified that the gypsum boards were of good quality (certificate of warranty, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin). The cargo arrived at the Port of New Orleans on or about April 6, 2006.

129. On or about July 5, 2006, Interior Exterior entered into an agreement with Knauf (Wuhu) to purchase 68,000 pieces of STD board measuring 1,220 x 3,660 x 12.5 mm at a price of \$10.27 each. On or about July 10, 2006, Knauf (Wuhu) shipped 68,000 pieces of STD board measuring 1,220 x 3,660 x 12.5 mm at a price of \$10.27 each. The cargo was sent by ship aboard the vessel *Alexandergracht* captained by Master Captain Scholtz from the Port of Shanghai, China, to the Port of New Orleans. Knauf (Wuhu) certified that the gypsum boards were of good quality (certificate of warranty, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin, all dated July 10, 2006). The cargo arrived at the Port of New Orleans on or about July 20, 2006.

130. With each sale to Interior Exterior, Knauf (Tianjin) provided a Certificate of Warranty, which warranted in writing: "THE GYPSUM BOARDS MANUFACTURED AND SOLD TO INTERIOR/EXTERIOR BUILDING SUPPLY, L.P. ARE WARRANTED TO BE FREE FROM DEFECTS IN MATERIALS AND WORKMANSHIP."

131. With its sale to Interior Exterior, Knauf (Wuhu) provided a Certificate of Warranty, which warranted in writing: "THE GYPSUM BOARDS MANUFACTURED AND

SOLD TO INTERIOR/EXTERIOR BUILDING SUPPLY, L.P. ARE GUARANTEED TO BE FREE FROM DEFECTS IN MATERIALS AND WORKMANSHIP.”

132. Contrary to their written warranties, the drywall provided by Knauf (Tianjin) and Knauf (Wuhu) was not free from defects in materials and/or workmanship.

133. With each sale to Interior Exterior, Knauf (Tianjin) provided a Certificate of Quantity, Quality, and Condition, which warranted in writing that its drywall was “IN GOOD CONDITION.”

134. With its sale to Interior Exterior, Knauf (Wuhu) provided a Certificate of Quantity, Quality, and Condition, which warranted in writing that its drywall was “IN GOOD CONDITION.”

135. Contrary to their written warranties, the drywall provided by Knauf (Tianjin) and Knauf (Wuhu) was not in good condition.

136. With each sale to Interior Exterior, Knauf (Tianjin) provided a Mill Certificate, which warranted in writing: “GYPSUM BOARDS WERE MANUFACTURED IN ACCORDANCE TO ASTM C36.”

137. With its sale to Interior Exterior, Knauf (Wuhu) provided a Mill Certificate, which warranted in writing: “GYPSUM BOARDS WERE MANUFACTURED IN ACCORDANCE TO ASTM C36.”

138. Upon information and belief, each piece of drywall manufactured and/or sold by Knauf (Tianjin) contained a written stamp warranting that the drywall complied with ASTM C36.

139. Upon information and belief, each piece of drywall manufactured and/or sold by Knauf (Wuhu) contained a written stamp warranting that the drywall complied with ASTM C36.

140. Upon information and belief, the Knauf entities provided with their drywall a CCIC (Chinese Government Inspection Certificate), which purported to “show these cargos quality meet with ASTM C36 standard.”

141. American Society for Testing and Materials (“ASTM”) specification standard ASTM C36 requires gypsum wallboard to be made of “noncombustible core, essentially gypsum, surfaced with paper bonded to the core.”

142. Upon information and belief, the defective drywall manufactured by Knauf (Tianjin), Knauf (Wuhu) and Knauf (Dongguan) did not meet standard ASTM C36.

143. The USG entities are in the business of distributing drywall, and imported into Louisiana drywall manufactured by the Knauf entities, including approximately 3,165 metric tons of drywall manufactured by Defendant Knauf (Dongguan) which entered the Port of New Orleans on or about June 7, 2006.

144. Upon information and belief, one or more of the Knauf entities have engaged experts and consultants in the State of Louisiana to investigate claims regarding defective drywall. Among other things, Knauf Gips, Knauf (Tianjin), Knauf (Wuhu), and/or Knauf (USA) have inspected several affected homes and have witnessed firsthand the effects of its defective drywall on, among other things, HVAC coils, electrical wiring, and plumbing.

145. Knauf Gips, Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan) and/or Knauf (USA) purposefully availed themselves of the jurisdiction of this Court by selling and shipping substantial quantities of drywall into the State of Louisiana and by hiring agents within the State of Louisiana to investigate the very allegations at issue in this lawsuit.

146. Knauf Gips, Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan) and Knauf (USA) have failed and refused to take responsibility for their defective product and to agree to repair or replace the defective drywall.

TTP (Taihe) Drywall

147. Upon information and belief, BNBM owns, directly or indirectly, all drywall plants in China not owned by the Knauf entities. BNBM, which is owned by and part of the People's Republic of China, owns Defendants Taian Taishaan Plasterboard Co., Ltd. ("TTP"), and Taishan Gypsum Co., Ltd. ("TGC"), as well as other Chinese manufacturers of drywall.

148. In addition to purchasing defective drywall directly from the Knauf entities, Interior Exterior also indirectly purchased defective drywall manufactured by Defendant TTP five times in 2006 through a broker, Defendant Metro Resources.

149. TTP sells drywall made in China under the brand name "Taihe."

150. Upon information and belief, TTP has continuously and systematically distributed and sold drywall to numerous purchasers in the State of Louisiana with the knowledge and expectation that its drywall would be (and was) installed in numerous homes and other buildings in Louisiana.

151. TTP has placed its drywall in the stream of commerce with the expectation that its drywall would be purchased by thousands of consumers, if not more, in the State of Louisiana.

152. Upon information and belief, TTP's Taihe plant did not regularly inspect the fly ash it obtained from seven different Chinese coal-burning utilities.

153. Upon information and belief, Metro Resources regularly conducts business in Louisiana.

154. On or about May 9, 2006, Interior Exterior entered into an agreement with Metro Resources, under which Metro Resources would act as a broker and acquire 1,512,000 square feet of paper faced regular gypsum plasterboard, made in China, measuring 4' x 12' x 1/2" at a price of \$.24 per square foot. Metro Resources acquired the drywall from TTP.

155. On or about June 20, 2006, Metro Resources shipped ten containers, each holding 660 pieces of 4' x 12' x 1/2" tapered edge gypsum board. The cargo was shipped from the Port of Qingdao, China, to the Port of New Orleans, Louisiana, through the Mediterranean Shipping Company, S.A., Geneva, acting with the SIIC Shanghai International Trade Group Pudong Company, Ltd. and the China Marine Shipping Agency Shandong Company, Ltd.

156. On or about June 26, 2006, Metro Resources shipped 3,300 pieces of tapered edge gypsum board measuring 4' x 12' x 1/2" to Interior Exterior at a price of \$11.52 each. Metro Resources certified that the gypsum boards were of good quality (certificate of warranty, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin, all dated June 26, 2006). On or around June 26, 2006, the cargo was shipped from the Port of Qingdao, China, to the Port of New Orleans, Louisiana, through the Mediterranean Shipping Company, S.A., Geneva, acting with the SIIC Shanghai International Trade Group Pudong Company, Ltd. and the China Marine Shipping Agency Shandong Company, Ltd.

157. On or about July 2, 2006, Metro Resources shipped 3,300 pieces of tapered edge gypsum board measuring 4' x 12' x 1/2" to Interior Exterior at a price of \$11.52 each. Metro Resources certified that the gypsum boards were of good quality (certificate of warranty, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin, all dated July 2, 2006). On or around July 2, 2006, the cargo was shipped from the Port of Qingdao, China, to the Port of New Orleans, Louisiana, through the Mediterranean Shipping Company, S.A., Geneva, acting with the SIIC Shanghai International Trade Group Pudong Company, Ltd. and the China Marine Shipping Agency Shandong Company, Ltd.

158. On or about July 30, 2006, Metro Resources shipped 19,800 pieces of tapered edge gypsum board measuring 4' x 12' x 1/2" to Interior Exterior at a price of \$11.52 each.

Metro Resources certified that the gypsum boards were of good quality (certificate of warranty, certificate of good condition, mill certificate, statement for letter of credit, certificate of origin, all dated July 30, 2006). The cargo was shipped from the Port of Qingdao, China, to the Port of New Orleans, Louisiana, through the Mediterranean Shipping Company, S.A., Geneva, acting with the SHIC Shanghai International Trade Group Pudong Company, Ltd. and the China Marine Shipping Agency Shandong Company, Ltd.

159. With each sale to Interior Exterior, Metro Resources Corporation provided a Certificate of Warranty, which warranted in writing: "METRO RESOURCES CORP. CERTIFYING THAT THE GYPSUM BOARDS MANUFACTURED ARE SOLD TO INTERIOR/EXTERIOR TO BE FREE FROM DEFECTS IN MATERIALS AND WORKMANSHIP."

160. With each sale to Interior Exterior, Metro Resources Corporation provided a Letter of Credit, which warranted in writing the following: "Made in China," "Meet or Exceed ASTM C 1396-04," and "All gypsum boards are non-defective."

161. Contrary to its written warranty, the drywall procured and provided by Metro Resources was not free from defects in materials and/or workmanship.

162. Upon information and belief, Defendants' drywall does not meet ASTM C 1396.

163. TTP manufactured, exported, distributed, delivered, supplied, inspected, marketed, and/or sold defective drywall directly or indirectly to suppliers in the State of Louisiana, including Interior Exterior.

164. Moreover, TTP purposefully availed itself of the jurisdiction of this Court by selling and shipping substantial quantities of drywall into the State of Louisiana.

165. Upon information and belief, defective drywall manufactured by TTP and imported by Metro Resources has been installed into the homes, businesses, and buildings of the State and the People of Louisiana, thereby causing substantial damage.

TGC Drywall

166. Upon information and belief, some of the defective Chinese drywall that is currently causing harm in Louisiana was manufactured by Defendant TGC.

167. Upon information and belief, TGC manufactured, exported, distributed, delivered, supplied, inspected, marketed, and/or sold defective drywall directly or indirectly to certain

suppliers in the State of Louisiana and that defective drywall has been installed into the homes and other buildings of the State and citizens of Louisiana, thereby causing substantial damage.

168. Upon information and belief, TGC has continuously and systematically distributed and sold drywall to numerous purchasers in the State of Louisiana with the knowledge and expectation that its drywall would be (and was) installed in numerous homes, businesses, and buildings in Louisiana.

169. TGC placed its drywall within the stream of commerce with the expectation that the drywall would be purchased by thousands of consumers, if not more, in the State of Louisiana.

170. Moreover, TGC purposefully availed itself of the jurisdiction of this Court by selling and shipping substantial quantities of drywall into the State of Louisiana.

Distribution and Installation of Defendants' Defective Drywall in Louisiana

171. Defective Chinese drywall manufactured by the Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), BNBM, TTP and TGC was imported and distributed throughout Louisiana by Defendants Knauf entities, Interior Exterior, USG entities, Seacoast, Metro Resources, All Star Forest Products Inc., North Pacific Group, Inc., Phoenix Imports Co., Ltd., Fly System, Inc. and Rothchilt International, Ltd.

172. Defendants' defective drywall was installed in new or renovated homes in the State of Louisiana by or under the authority of various home builders and contractors, including Defendants Mayeaux, Southern, and Sunrise Homes.

173. Upon information and belief, thousands of other Louisiana homes and buildings were also repaired, improved, modified, or constructed in the aftermath of Hurricanes Katrina and Rita using Defendants' drywall.

174. Upon information and belief, Louisiana homeowners, or contractors working on the homeowners' behalf, also purchased Defendants' drywall over the counter at building supply store for use in the homes of citizens of Louisiana.

The Effects of Defendants' Drywall on the State, on its Local Political Subdivisions and on Its Private Citizens

175. The Defendants' drywall poses a threat to the health of every person living, working, or visiting a home or building containing their drywall.

176. The citizens of Louisiana have suffered and will continue to suffer personal injuries and resultant expenses for health care expenses, testing and monitoring because of

Defendants' drywall, including, but not limited to, allergic reactions, coughing, sinus and throat infection, eye irritation, respiratory problems, and other health concerns.

177. Due to the health problems caused by Defendants' drywall, the State has also paid out and will continue to pay out large sums of money for health care expenses, testing, monitoring and other necessary assistance to eligible citizens throughout Louisiana for the treatment of Chinese drywall-related injuries, illnesses, and health problems. The effects of Defendants' drywall will increase the cost of such programs and render them less efficient.

178. Having the Medicaid and Medicare programs operated in an efficient and cost-effective manner also improves the general health and welfare of the people of Louisiana.

179. Due to the imminent fire danger caused by corrosion from Defendants' drywall, the Defendants' drywall also poses a potential threat to the safety of every person living, working, or visiting a home or building containing such drywall.

180. As a result of the Defendants' drywall, the State, local political subdivisions and citizens of Louisiana also have suffered and continue to suffer property damages as a result of Defendants' drywall and the corrosive effects of its sulfur compounds. These damages include, but are not limited to, the costs of inspection, testing and monitoring, the costs and expenses necessary to remove, remediate and replace the defective drywall itself and also to remove or remediate its sulfur compounds in migratory locations such as electrical wiring, appliances, fixtures, interior finishes, and personal property.

181. Defendants' drywall is also devastating property values across Louisiana both in contaminated and, to a lesser extent, uncontaminated buildings, all of which have been stigmatized by the actual or perceived possible presence of Defendants' drywall.

182. In addition, Louisiana homeowners who attempt to file claims with their insurers due to defective drywall or who vacate their homes either so that they can be remediated or out of concern for the effect on their health of continued exposure to it, risk losing their insurance and, as a result, their homes. Upon information and belief, insurance carriers, upon learning that there is Chinese drywall in an insured's home, are cancelling policies because the homeowners vacate them or because of the increased fire risk caused by Defendants' drywall or they are refusing to renew policies until the problem is fixed. Because mortgage companies almost always require homeowners to adequately insure their properties, such homeowners are then also at risk of having more expensive "force placed" insurance added to their mortgage or, worse,

foreclosure. Thus, the presence of Defendants' drywall is also causing Louisiana homeowners to lose their insurance, their homes and ultimately their financial security.

183. Owners of contaminated homes whose insurance is cancelled by private companies can be expected to seek replacement coverage from the State's captive property insurer, Citizens Property & Casualty Insurance Company ("CPC"). Doing so will, by law, inevitably require homeowners to incur higher insurance rates. To the extent, CPC incurs losses, these losses will be subsidized by owners of uncontaminated homes with private insurance policies who will be assessed to defray CPC losses. Ultimately, the State itself will suffer a direct loss of its income tax revenues, since homeowners receive a dollar for dollar credit on such CPC assessments on their personal income tax returns.

184. Due to the harms caused by Defendants' drywall, tax assessors in Louisiana have greatly reduced or entirely eliminated assessments for homes containing Chinese drywall. Parish and municipal building permit offices are also reducing or waiving permit fees for the repair of homes containing Defendants' drywall in an effort to aid affected homeowners.

185. The declining (or non-existent) property values of homes and buildings due to the presence of Defendants' drywall is thus reducing the amount of property taxes and permit fees the State and local taxing authorities will collect, which in turn harms Louisiana's public schools, law enforcement, fire protection, parks and recreation, libraries, public retirement systems, local health services and all other public services funded in whole or part through property taxes that are generated by local political subdivisions.

186. To the extent the declines in assessments on properties contaminated by Defendants' drywall are offset by increased millage rates, the owners of property which are not contaminated are forced to assume an unfair portion of the total property tax burden.

187. Defendants' drywall is also harming Louisiana's overall economy and general economic well-being.

188. Since Hurricanes Katrina and Rita, the State has been making massive efforts to help homes and businesses rebuild and jump start the State's hard hit economy. For example, through the Road Home program the State has distributed approximately \$8 billion to approximately 125,000 Louisiana homeowners harmed by Hurricanes Katrina and/or Rita to help them rebuild or repair their damaged homes. To the extent that any homes rebuilt through the

Road Home program used Defendants' drywall, those rebuilt homes are essentially worthless and uninhabitable unless they are remediated again.

189. In addition to helping individual homeowners recover from Hurricanes Katrina and Rita, the State has sought to help the State's overall economy by encouraging tourists and business conventions to return to Louisiana. The ongoing harms of Defendants' drywall, as well as the national media exposure of these harms, creates a stigma that is hindering the State's efforts to encourage tourists and business conventions, and to fund infrastructure and improve the quality of life of its citizens.

190. The Defendants should bear the costs of all damage caused by their drywall, including all consequential and incidental damages. By avoiding and refusing to perform their own duties to stand financially responsible for the harm done by their drywall, the Defendants wrongfully have forced the State to perform such duties. As a result, the Defendants have been unjustly enriched.

PROPRIETARY CLAIMS BY STATE

191. Defendants' drywall has caused and will continue to cause injury and damage to the sovereign and proprietary interests of the State and all departments, divisions, boards, commissions, agencies and other political subdivisions and offices which are part of state government (hereinafter referred to as the State's "Proprietary Claims").

192. The State itemizes its Proprietary Claims as follows:

- a. All expenses incurred and to be incurred by the State in connection with the inspection and testing of State buildings to determine the presence or absence of Defendants' drywall.
- b. All expenses incurred and to be incurred by the State in connection with removal, disposal and replacement of Defendants' drywall found in State buildings, together with repair or replacement of all furniture, fixtures and equipments therein (including electrical wiring and appliances) which have been damaged by exposure to Defendants' drywall, and together with such other remediation measures as may be necessary to fully and finally eliminate the health and safety risks created by Defendants' drywall.
- c. All expenses incurred and to be incurred by the State in connection with testing and monitoring of homes and other businesses in the State for the presence of Defendants' drywall, and in developing remediation procedures for its effects.
- d. All expenses incurred and to be incurred by the State to supervise and insure that Defendants' drywall is ultimately disposed of in a safe and environmentally appropriate manner.
- e. Additional medical insurance expenses incurred and to be incurred by the State to provide medical insurance coverage for State employees

and their covered dependents for testing, treatment and monitoring of health problems caused by their exposure to Defendants' drywall.

f. Additional payroll expenses incurred and to be incurred by the State to compensate State employees for loss of work due to absences arising from testing, treatment and/or monitoring of health problems caused by their exposure to Defendants' drywall.

g. Additional medical expenses incurred and to be incurred by the State under Medicare, Medicaid and other federal and state programs to provide medical treatment to eligible citizens for testing, treatment and/or monitoring of health problems caused by their exposure to Defendants' drywall.

h. Previous and future losses of expected State income tax, sales tax and other revenues caused by the negative impact of the presence of Defendants' drywall on the State's general economy, and caused by the stigmatizing effect of the presence of such drywall on the State's vacation, travel, convention, hotel, hospitality and motion picture/television industries, and general business retention and development.

i. Previous and future losses to the State's Road Home Program incurred as a result of loans, advances or grants previously made by it to homeowners who received such funding as a result of Hurricanes Katrina, Rita, Gustav or Ike to repair homes which are now essentially worthless because of the presence and toxic effects of Defendants' drywall.

j. Diminished creditworthiness of the State and resultant increases in interest cost on its indebtedness and/or reduction in borrowing capacity.

k. Other similar losses, damages and expenses incurred and to be incurred by the State which are the foreseeable result of the presence of Defendants' drywall in any home or building in the State (regardless of by whom owed), but whose existence cannot yet be ascertained.

PARENS PATRIAE CLAIMS

193. In addition to asserting its Proprietary Claims set forth above, the State also appears herein in its quasi-sovereign *parens patriae* capacity as trustee, guardian and representative on behalf of all citizens of the State of Louisiana and on behalf of all parishes, municipalities and other local political subdivisions of Louisiana (collectively, the "Local Subdivisions") which have been injured by the presence of Defendants' drywall in this State (the "*Parens Patriae* Claims").

194. The Attorney General of the State of Louisiana is authorized to assert and allege the *Parens Patriae* Claims on behalf of the State of Louisiana pursuant to Article 4, §8 of the Louisiana Constitution and pursuant to his statutory authority as Louisiana's Attorney General including, but not by way of limitation, La. R.S. 13:5036 and the Unfair Trade Practices and Consumer Protection Law (La. R.S. 51:1401-1426).

195. Unless hereinafter specifically reserved or excepted in Paragraph 198 hereinbelow, it is the intention of the State and its Attorney General to assert any and all claims

of its citizens and Local Subdivisions arising from the presence of Defendants' drywall in this State which may be recoverable under their *parens patriae* authority. Subject to the foregoing and to any applicable limitations on *parens patriae* authority necessarily arising under federal or state constitutional or statutory law, the *Parens Patriae* claims are itemized as follows:

Local Subdivisions

196. Under its *parens patriae* authority, the State seeks recovery for damages, losses and injuries already caused and hereafter to be caused to all of its Local Subdivisions by reason of the presence of Defendants' drywall both within the geographic boundaries of the Local Subdivisions and elsewhere within the State, including but not limited to:

- a. All expenses incurred and to be incurred by a Local Subdivision in connection with the inspection and testing of the Local Subdivision's buildings to determine the presence or absence of Defendants' drywall.
- b. All expenses incurred and to be incurred by a Local Subdivision in connection with removal, disposal and replacement of Defendants' drywall found in the Local Subdivision's buildings, together with repair or replacement of all furniture, fixtures and equipments therein (including electrical wiring and appliances) which have been damaged by exposure to Defendants' drywall, and together with such other remediation measures as may be necessary to fully and finally eliminate the health and safety risks created by Defendants' drywall.
- c. All expenses incurred and to be incurred by a Local Subdivision in connection with testing and monitoring of homes and other businesses in the Local Subdivision for the presence of Defendants' drywall, and in developing remediation procedures for its effects.
- d. All expenses incurred and to be incurred by a Local Subdivision to supervise and insure that Defendants' drywall is ultimately disposed of in a safe and environmentally appropriate manner.
- e. Additional medical insurance expenses incurred and to be incurred by a Local Subdivision to provide medical insurance coverage for the Local Subdivision's employees and their covered dependents for testing, treatment and monitoring of health problems caused by their exposure to Defendants' drywall.
- f. Additional payroll expenses incurred and to be incurred by a Local Subdivision to compensate the Local Subdivision's employees for loss of work due to absences arising from testing, treatment and/or monitoring of health problems caused by their exposure to Defendants' drywall.
- g. Additional medical expenses incurred and to be incurred by a Local Subdivision under Medicare, Medicaid and other federal and state programs to provide medical treatment to eligible citizens of the Local Subdivision for testing, treatment and/or monitoring of health problems caused by their exposure to Defendants' drywall.
- h. Past and future losses of expected ad valorem (property) tax, sales tax, permit fees and other revenues caused by the negative impact of the presence of Defendants' drywall on a Local Subdivision's general economy, and caused by the stigmatizing effect of the presence of such drywall on a Local Subdivision's vacation, travel, convention, hotel,

hospitality and motion picture/television industries, and general business retention and development.

i. Diminished creditworthiness of the Local Subdivisions and resultant increases in interest cost and/or reduction in borrowing capacity.

j. Other similar losses, damages and expenses incurred and to be incurred by a Local Subdivision which are the foreseeable result of the presence of Defendants' drywall in any home or building in the Local Subdivision (regardless of by whom owed), but whose existence cannot yet be ascertained.

Claims on Behalf of All Louisiana Citizens

197. Under its *parens patriae* authority, the State seeks recovery for damages, losses and injuries already caused and hereafter to be caused to all of its citizens by reason of the presence of Defendants' drywall anywhere in the State (regardless of the parish of a citizen's residence, or whether he or she owns or occupies a home contaminated with Defendants' drywall), including but not limited to:

a. Past and future reductions in reasonably expected services provided by local schools, law enforcement, fire protection, health providers and other public service agencies caused by declining property and sales tax revenues and the negative impact of the presence of Defendants' drywall on the State's general economy, and caused by the stigmatizing effect of the presence of such drywall on the State's vacation, travel, convention, hotel, hospitality and motion picture/television industries.

b. As to citizens who do not own homes contaminated by Defendants' drywall, an unjust share of his or her property tax burden in the event of a property tax millage increase necessitated by the reduction or elimination of property taxes on other homes contaminated with Defendants' drywall.

c. As to citizens owning and insuring their homes (whether or not contaminated by Defendants' drywall), past and future increased premiums on their existing insurance coverage, higher premiums in the event coverage has to be changed to Citizens Property and Casualty Insurance Company, and/or statutorily required assessments charged to citizens on their private insurance to defray losses incurred by Citizens Property and Casualty Insurance Company.

d. Loss or decline of value to homes in communities throughout Louisiana (whether or not contaminated by Defendants' drywall) caused by the presence of other homes which were abandoned and/or foreclosed upon as a result of their contamination with Defendants' drywall, or which were caused by the real or imagined stigma that his or her home was or might still be contaminated by Defendants' drywall.

e. Other similar past and future losses, damages and expenses incurred and to be incurred by the citizens of this State, generally, which are the foreseeable result of the presence of Defendants' drywall in any home or building in the State (regardless of by whom owed), but whose existence cannot yet be ascertained.

198. Numerous private lawsuits, including yet uncertified class actions, have already been filed in state and federal courts by private counsel to protect the individual rights of owners

and occupants of homes in Louisiana which are contaminated with Defendants' drywall. Many of those lawsuits are presently consolidated in the Eastern District of Louisiana in Multi-District Litigation proceedings titled "In Re: Chinese-Manufactured Drywall Products Liability Litigation", Docket No. 2:09-md-02047. The Attorney General believes that the filing of such private lawsuits by counsel chosen by individual homeowners is the appropriate method of protecting their private rights. Accordingly, nothing contained in this Petition shall be construed to duplicate or otherwise assert any claim for relief properly asserted in such lawsuits on behalf of owners or occupants of homes in Louisiana which are contaminated with Defendants' drywall, or which may be properly asserted in any similar lawsuits hereafter filed by or on behalf of owners or occupants of homes in Louisiana which are contaminated with Defendants' drywall. Likewise, nothing in this Petition shall be deemed or construed as a claim by the State on behalf of any citizen for:

- a. Any damages recoverable by a homeowner or occupant for losses arising from the presence of Defendants' drywall in his or residence, including the contents thereof.
- b. Any damages recoverable by a citizen for health-related losses or issues from exposure to Defendants' drywall.

CAUSES OF ACTION

FIRST CAUSE OF ACTION

(Redhibitory Vices - La. Civ.Code art. 2520 *et seq.* – Against All Defendants)

199. Defendants were responsible for manufacturing, inspecting, distributing, selling, and/or installing drywall which contains a vice or defect which renders it useless or its use so inconvenient that buyers would not have purchased it.

200. Defendants' drywall possessed a redhibitory defect because it was not manufactured and marketed in accordance with industry standards and/or was unreasonably dangerous, as described above, which renders the drywall useless or so inconvenient that it must be presumed that a buyer would not have bought the drywall had the buyer known of the defect. The State is therefore entitled to the equitable remedies of rescission of the sale of Defendants' drywall and restitution of the price paid therefor. Due to the nature of drywall and the manner of its installation, it is impossible to return Defendants' drywall in the form received, and tender thereof to Defendants should be excused.

201. Alternatively, the drywall at issue possesses a redhibitory defect because it was not manufactured and marketed in accordance with industry standards and/or was unreasonably dangerous, as described above, which diminished the value of the drywall so that it must be presumed that a buyer would only have bought it for a lesser price, if at all. In this alternative, the State, is entitled to the equitable remedy of reduction of the purchase price.

202. Because of the very nature of the defects, they existed at the time of delivery, but were not known at the time of the sale or readily apparent to purchasers.

203. All Defendants are liable as bad faith sellers for selling a defective product with actual or personal knowledge of the defect and thus are liable for the purchase price of the drywall with interest from the purchase date, reimbursement for reasonable expenses occasioned by the purchase of the defective drywall, damages, and attorneys' fees.

204. As the manufacturers of the drywall, under Louisiana law, Defendants Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), BNBK, TGC and TTP are deemed to know that the drywall possessed a redhibitory defect. *See* La.C.C. art. 2545.

SECOND CAUSE OF ACTION
(Violation of the Louisiana Unfair Trade Practices and Consumer Protection Law, La. Rev. Stat. § 51:1401 *et seq.* – Against All Defendants)

205. This is an action for relief under the Louisiana Unfair Trade Practices and Consumer Protection Law ("LUTPA"), La. Rev. Stat. § 51:1401, *et seq.*

206. As fully set forth below in the Seventh Cause of Action (which is incorporated herein by reference), Defendants fundamentally misrepresented material facts regarding the characteristics of the drywall and omitted other material facts that should have been disclosed. These misrepresentations and omissions were made recklessly and with the intent of defrauding members of the public for profit.

207. Defendants fraudulently represented to the public that their drywall was safe, efficacious, well tested, of high quality and free of defects.

208. Defendants' drywall was installed in reliance on the veracity of the above-mentioned fraudulent representations.

209. The above-specified acts and omissions by Defendants constitute unfair, deceptive, unethical, oppressive, unscrupulous acts and practices in violation of La. R.S. 51:1401 *et seq.* These acts and/or practices have caused, and will continue to cause, substantial injuries to Louisiana consumers.

210. Defendants' drywall was unreasonably dangerous at the time it left the manufacturers' control, subsequently causing substantial damage upon installation. The damage arose from a reasonable anticipated use of the drywall.

211. Defendants' drywall deviated in a material way from the manufacturers' specification or performance standards or from identical products manufactured by Defendants.

212. The Defendants' acts and omissions, which were substantially injurious to Louisiana consumers and which were done with fraud, deceit, or misrepresentations, constitute unfair and deceptive trade practices.

213. The Defendants' violations of LUTPA have caused the State, actual damages for which it is entitled to relief, including treble damages, attorneys' fees, and costs.

THIRD CAUSE OF ACTION
(Breach of Louisiana Products Liability Act, La. Rev. Stat. 9:2800.51 et seq. – Against All Defendants)

214. Defendants' drywall described herein is unreasonably dangerous in construction, manufacture and/or composition under La. Rev. Stat. 9:2800.55, and/or is unreasonably dangerous in design under La. Rev. Stat. 9:2800.56, and/or is unreasonably dangerous because of inadequate warnings under La. Rev. Stat. 9:2800.57.

215. At the time the drywall left the Defendants' control, an alternative design was available which would not have caused the damages complained of herein. This alternative design was not only feasible but well known to the Defendants. Defendants' failure to adopt this feasible alternative design was solely to defraud the public for profit.

216. Defendants knew or should have known of the harmful nature of their products. However, Defendants failed to provide an adequate warning to all users and handlers prior to the time the drywall left Defendants' control or upon subsequently learning that their products contain dangerous characteristics. Instead, Defendants misrepresented that their drywall was safe, efficacious, well tested, of high quality, and free of defects.

217. Defendants' violations of the Louisiana Products Liability Act directly and proximately caused damages to the State for which Defendants are liable to it for all damages caused by the unreasonable characteristics of the drywall they manufactured, distributed or installed.

FOURTH CAUSE OF ACTION
(Breach of Express Warranty, La. Rev. Stat. 9:2800.58 – Against Defendants, Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan), Knauf (USA), Knauf Gips, Knauf International and Metro Resources)

218. As fully set forth hereinabove, Defendants Knauf (Tianjin), Knauf (Wuhu), Knauf (Dongguan) Knauf (USA), Knauf Gips, Knauf International and Metro Resources expressly warranted that the drywall they manufactured, distributed, and/or sold was in good condition, safe, free from defects in materials and workmanship, and complied with relevant ASTM standards. Such express warranties induced purchasers to use their drywall.

219. By manufacturing, distributing and/or selling defective, unsafe, and poorly manufactured drywall, said Defendants have breached their express warranty, in violation of La. Rev. Stat. 9:2800.58.

220. Said Defendants knew or should have known that their warranties were specious.

221. Purchasers of said Defendants' drywall relied on these express warranties to their detriment.

222. As a direct result of this breach of express warranty, physical and economic damages have been, and continue to be, incurred by the State, its Local Subdivisions and citizens.

FIFTH CAUSE OF ACTION
(Breach of Implied Warranty – Against All Defendants)

223. When Defendants manufactured, distributed, sold, and/or installed their drywall, Defendants implicitly warranted that the product was safe, well tested, of high quality, free of defects, and fit for the purpose for which it was intended to be used.

224. The State, its Local Subdivisions and the citizens of Louisiana were the intended beneficiary of these warranties.

225. By manufacturing, distributing, selling, and/or installing a defective, unsafe, unfit, and poorly manufactured drywall product, Defendants have breached their implied warranties.

226. These implied warranties were relied on by the State, its Local Subdivisions and the citizens of Louisiana.

227. As a direct result of this breach of implied warranty, physical and economic damages have been, and continue to be, incurred by the State, its Local Subdivisions and the citizens of Louisiana.

**SIXTH CAUSE OF ACTION
(Negligence – Against All Defendants)**

228. Defendants owed a duty to the State, its Local Subdivisions and citizens of Louisiana to exercise reasonable care in the a) design, b) manufacturing, c) exporting, d) importing, e) distributing, f) delivering, g) supplying, h) inspecting, i) testing j) installation, k) marketing, and/or l) selling drywall, including a duty to adequately warn of its failure to do the same. Defendants' duties include, but are not limited to the following:

- a. using reasonable care in the design of the drywall to prevent it from containing defects as set forth herein;
- b. using reasonable care in the manufacturing of the drywall to prevent it from containing defects as set forth herein;
- c. using reasonable care in the exporting of the drywall to prevent it from containing defects as set forth herein;
- d. using reasonable care in the importing of the drywall to prevent it from containing defects as set forth herein;
- e. using reasonable care in the distributing of the drywall to prevent it from containing defects as set forth herein;
- f. using reasonable care in the delivering of the drywall to prevent it from containing defects as set forth herein;
- g. using reasonable care in the supplying of the drywall to prevent it from containing defects as set forth herein;
- h. using reasonable care in the inspection and testing of the drywall to prevent it from containing defects as set forth herein;
- i. using reasonable care in the marketing of the drywall to prevent it from containing defects as set forth herein;
- j. using reasonable care in the selling of the drywall to prevent it from containing defects as set forth herein;
- k. using reasonable care in the installation of the drywall to prevent it from containing defects as set forth herein;
- l. adequately warning and instructing the State and the local political subdivisions and citizens of Louisiana of the defects associated with drywall;
- m. properly manufacturing the drywall to prevent it from containing the defects as set forth herein;
- n. properly selecting gypsum that did not contain excessive levels of sulfur;
- o. recalling or otherwise notifying users at the earliest date that it became known that the drywall was dangerous and defective;
- p. advertising and recommending the use of drywall with sufficient knowledge as to its manufacturing defect and dangerous propensities;

- q. not misrepresenting that the drywall was safe for its intended purpose when, in fact, it was not;
- r. not manufacturing drywall in a manner which was dangerous to its intended and foreseeable users;
- s. not exporting and/or importing drywall in a manner which was dangerous to its intended and foreseeable users;
- t. not distributing, delivering, and/or supplying drywall in a manner which was dangerous to its intended and foreseeable users;
- u. not concealing information from the State, its Local Subdivisions and citizens of Louisiana regarding reports of adverse effects associated with drywall;
- v. not improperly concealing and/or misrepresenting information from the State, its Local Subdivisions and citizens of Louisiana concerning the severity of risks and dangers of Defendants' drywall and/or the manufacturing defects; and
- w. otherwise exercising reasonable care in the design, manufacturing, exporting, importing, distributing, delivering, supplying, inspecting, testing, marketing, and/or selling drywall to prevent it from containing defects as set forth herein.

229. Defendants were negligent and breached their duties set forth in the previous paragraph.

230. As a direct and proximate cause of Defendants' acts and omissions, the State, its Local Subdivisions and citizens of Louisiana have incurred economic and other damages and are entitled to recover monetary damages.

231. Defendants knew or should have known that their wrongful acts and omissions would result in economic, incidental, and consequential damages in the manner set forth herein.

**SEVENTH CAUSE OF ACTION
(Fraudulent Concealment – Against Defendants Knauf
(Tianjin), Knauf (Wuhu), Knauf (Dongguan), Knauf Gips, Knauf
International, Knauf (USA) and Metro Resources)**

232. In connection with its sale and shipment of Chinese drywall to Interior Exterior in Louisiana, Knauf (Tianjin) falsely stated in Certificates of Warranty dated November 23, 2005, December 23, 2005, March 3, 2006, and March 3, 2006 that the gypsum boards were “free from defects in materials and workmanship.”

233. In connection with its sale and shipment of Chinese drywall to Interior Exterior in Louisiana, Knauf (Tianjin) falsely stated in Certificates of Quantity, Quality, and Condition dated November 23, 2005, December 23, 2005, March 3, 2006, and March 3, 2006 that the drywall was “in good condition” and “in accordance to ASTM C36.”

234. In connection with its sale and shipment of Chinese drywall to Interior Exterior in Louisiana, Knauf (Tianjin) falsely stated in Mill Certificates dated November 23, 2005, December 23, 2005, March 3, 2006, and March 3, 2006 that the “gypsum boards were manufactured in accordance to ASTM C36.”

235. In connection with its sale and shipment of Chinese drywall to Interior Exterior in Louisiana, Knauf (Wuhu) falsely stated in a Certificate of Warranty dated July 20, 2006 that the gypsum boards were “free from defects in materials and workmanship.”

236. In connection with its sale and shipment of Chinese drywall to Interior Exterior in Louisiana, Knauf (Wuhu) falsely stated in a Certificate of Quantity, Quality, and Condition dated July 20, 2006 that the drywall was “in good conditions” and “in accordance to ASTM C36.”

237. In connection with its sale and shipment of Chinese drywall to Interior Exterior in Louisiana, Knauf (Wuhu) falsely stated in a Mill Certificate dated July 20, 2006 that the “gypsum boards were manufactured in accordance to ASTM C36.”

238. The entry of defective Chinese drywall from the Knauf entities into Louisiana would not have occurred but for the affirmative actions of Knauf (USA) executive Jeff Brisley who, acting as an agent of the Knauf entities, induced Interior Exterior to purchase Chinese drywall from the Knauf entities.

239. In connection with the sale and shipment of Chinese drywall from TTP to Interior Exterior in Louisiana, Metro Resources falsely stated in Certificates of Warranty dated June 20, 2006, June 26, 2006, July 2, 2006, and July 30, 2006 that the gypsum boards were “free from defects in materials and workmanship.”

240. In connection with the sale and shipment of Chinese drywall from TTP into Louisiana, Metro Resources falsely stated in Letters of Credit dated June 20, 2006, June 26, 2006, July 2, 2006, and July 30, 2006 that “All gypsum boards are non-defective.”

241. In connection with the sale and shipment of Chinese drywall from TTP into Louisiana, Metro Resources misrepresented in Letters of Credit dated June 20, 2006, June 26, 2006, July 2, 2006, and July 30, 2006 that all gypsum boards “Meet or Exceed ASTM C1396-04.”

242. At all relevant times, the Knauf entities and Metro Resources knew that the above-mentioned representations made to members of the public, including Interior Exterior,

were specious, false, and fraudulent. These representations were made recklessly and with the intent of defrauding members of the public for profit.

243. At all relevant times, said Defendants knew or should have known that their drywall was defective, unsafe, and poorly manufactured.

244. Said Defendants fraudulently concealed that their drywall was defective, unsafe, and poorly manufactured. The concealments were made with the intent of defrauding members of the public for profit.

245. Said Defendants knew or should have known that their drywall would cause corrosion of, among other things, electrical wiring, air conditioner coils, plumbing, and other personal property throughout the affected homes and other buildings.

246. Said Defendants fraudulently concealed that their drywall caused damage to, among other things, electrical wiring, air conditioner coils, plumbing, and other personal property throughout the affected homes and other buildings.

247. Said Defendants fraudulently concealed that they had received and/or otherwise learned of complaints regarding their drywall product.

248. The Knauf entities fraudulently concealed from the public the results of testing of their Chinese drywall products by the Fraunhofer Institute.

249. Said Defendants' above-mentioned concealments of key facts regarding their drywall resulted in physical and economic damages that have been, and continue to be, incurred by the State, its Local Subdivisions and all of its citizens.

250. As a result of the Defendants' fraudulent concealments regarding their drywall product, physical and economic damages have been, and continue to be, incurred by the State, its Local Subdivisions and all of its citizens.

EIGHTH CAUSE OF ACTION
(Fraudulent Misrepresentation – Against Defendants Knauf
(Tianjin), Knauf (Wuhu), Knauf (Dongguan), Knauf Gips, Knauf
International, Knauf (USA) and Metro Resources)

251. The State repeats and realleges all allegations of its Seventh Cause of Action and they are incorporated hereby by reference.

252. Defendants in this Cause of Action fraudulently represented to the public, including Interior Exterior, that their Defendants' drywall was safe, efficacious, well tested, of high quality, and free of defects.

253. Said Defendants' drywall was installed in Louisiana in reliance on the veracity of the above-mentioned fraudulent representations.

254. As a result of said Defendants' fraudulent representations regarding their drywall product, physical and economic damages have been, and continue to be, incurred by the State, its Local Subdivisions and all of its citizens.

**NINTH CAUSE OF ACTION
(Negligent Misrepresentation – Against All Defendants)**

255. All Defendants fundamentally misrepresented material facts regarding the characteristics of their drywall and omitted other material facts that should have been disclosed.

256. In disseminating information regarding their drywall, all Defendants negligently caused statements to be made which they knew or should have known were inaccurate and untrue.

257. Defendants' drywall was installed in Louisiana in reliance on the veracity of these negligent misrepresentations.

258. As a direct consequence of Defendants' negligent misrepresentations and omissions of material facts regarding their defective drywall, the State, its Local Subdivisions and all of its citizens have incurred and will continue to incur physical and economic damages.

**TENTH CAUSE OF ACTION
(Unjust Enrichment – Against All Defendants)**

259. All Defendants knew or should have known of the damages their defective drywall would cause as described herein.

260. All Defendants, individually and collectively, profited from the sale of their defective drywall in the State of Louisiana, receiving payment themselves or through an agent. Defendants have retained those sums to the detriment of the State, its Local Subdivisions and all of its citizens.

261. Defendants' receipt and retention of the profits gained by sale of their defective drywall used in Louisiana is unjust and inequitable.

262. As a direct and proximate cause of Defendants' acts and omissions, the State, its Local Subdivisions and all of its citizens have incurred and will continue to incur physical and economic damages.

Equitable Tolling on Applicable Statutes of Limitations

263. The running of any statute of limitations has been tolled by reason of Defendants' fraudulent concealment. Defendants, through failing to disclose a known defect in their drywall and misrepresenting their drywall as safe for its intended use, actively concealed the true risks associated with it.

264. Upon information and belief, the Knauf entities in 2007 retained the Fraunhofer Institute for Building Physics ("Fraunhofer Institute") of Valley, Germany to study Chinese drywall manufactured by the Knauf Entities which emitted "unpleasant sulfur like odor" and the gypsum material mined in China from which that drywall was manufactured.

265. Upon information and belief, in late 2007 or early 2008, the Fraunhofer Institute informed the Knauf entities that its Chinese drywall and the raw material from which that drywall was manufactured were the source of the "unpleasant sulfur like odor" and that the compounds formed "had never been reported as odor active compounds released by building products" before.

266. The Knauf entities concealed this information and did not communicate the findings of the Fraunhofer Institute to anyone outside the Knauf entities, including importers, distributors, installers and homeowners with Knauf Chinese drywall products that were imported into the State of Louisiana, and ultimately incorporated into homes and other buildings throughout Louisiana.

267. As a result of Defendants' actions, the State, its Local Subdivisions and its citizens could not reasonably know or have learned through reasonable diligence of the manufacturing defects in Defendants' drywall, that they had been exposed to the risks alleged herein, or that those risks were a direct and proximate result of Defendants' acts and omissions.

268. Furthermore, Defendants are estopped from relying on any statute of limitations because of their fraudulent concealment of the defective nature of their drywall, which was either known or should have been known by all Defendants. Defendants were under a duty to disclose the true character, quality, and nature of their products because this was non-public information over which the Defendants had, and continue to have, exclusive control, and because Defendants

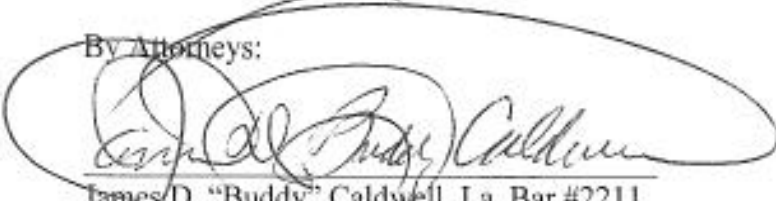
knew that this information was not available to the State, its Local Subdivisions or citizens of Louisiana.

PRAYER FOR RELIEF

WHEREFORE, the State of Louisiana, through its Attorney General requests judgment against all Defendants in accordance with the several Counts of this Petition and that this Honorable Court grant the following relief on its proprietary and *Parens Patriae* claims asserted herein:

1. All actual, incidental, consequential, treble, exemplary, punitive and/or statutory damages to which the State may be entitled in the premises, in an amount to be determined at trial;
2. Reimbursement, restitution, disgorgement of profits and all other equitable relief to which the State may be entitled in the premises;
3. The cost of disposing and waste monitoring of Defendants' defective drywall;
4. Costs and expenses of this litigation, including but not limited to attorneys' fees, expert fees, filing fees, and costs;
5. Pre-judgment and post-judgment interest; and
6. Such other relief as the Court may deem just and appropriate.

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Pro Hac Vice

PLEASE SERVE THE FOLLOWING:

1. **Knauf Gips KG**
Service Information To Be Provided
2. **Knauf International GMBH**
Service Information To Be Provided
3. **Knauf Plasterboard (Tianjin) Co., Ltd.**
Service Information To Be Provided
4. **Knauf Plasterboard (WUHU) Co., Ltd.**
Service Information To Be Provided
5. **Guandong Knauf New Building Material Products Co, Ltd.**
Service Information To Be Provided
6. **Knauf Insulation, GMBH**
Service Information To Be Provided
7. **Beijing New Building Materials PLC**
Service Information To Be Provided
8. **Taishan Gypsum Co., Ltd.**
Service Information To Be Provided
9. **Taian Taishan Plasterboard Co., Ltd.**
Service Information To Be Provided
10. **Interior/Exterior Building Supply, L.P.**
Through Its General Partner, Interior/Exterior Enterprises, LLC
Through Its Registered Agent for Service
Clayton C. Geary
727 S. Cortez St.
New Orleans, LA 70119

11. **Metro Resources Corporation**
Service Information To Be Provided
12. **All Star Forest Products Inc.**
Service Information To Be Provided
13. **North Pacific Group, Inc.**
Through Its Registered Agent for Service
C. T. Corporation System
5615 Corporate Blvd., Ste. 400B
Baton Rouge, LA 70808
14. **Phoenix Imports Co., Ltd**
Service Information To Be Provided
15. **Rothchilt International Ltd.**
Service Information To Be Provided
16. **USG Corporation**
Service Information To Be Provided
7. **United States Gypsum Company**
Through Its Registered Agent for Service
C.T. Corporation System
5615 Corporate Blvd., Ste. 400B
Baton Rouge, LA 70808
18. **USG Interiors, Inc.**
Service Information To Be Provided
19. **Fly System, Inc.**
Service Information To Be Provided
20. **L & W Supply Corporation D/B/A Seacoast Supply**
Through Its Registered Agent for Service
C.T. Corporation System
5615 Corporate Blvd., Ste. 400B
Baton Rouge, LA 70808
21. **Mayeaux Construction, Inc.**
Through Its Registered Agent for Service
Phillip G. Mayeaux
14 Carolina Ct.
Covington, LA 70433
22. **Southern Homes, LLC**
Through Its Registered Agent for Service
Adrian Kornman
2053 E. Gause Blvd., Ste. 200
Slidell, LA 70461
23. **Sunrise Construction and Development, LLC**
Through Its Registered Agent for Service
David C. Loeb
643 Magazine Street, Suite 300
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