

## **W.R. Grace to Settle Asbestos Claims For \$1.8 Billion, Start New Chapter**

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Specialty chemical company W.R. Grace agreed yesterday to settle outstanding asbestos-related claims with cash, future payments to a victims' trust and 10 million warrants that would allow claimants to buy company stock at a favorable price.

The deal, worth about \$1.8 billion, would allow W.R. Grace to move forward with its reorganization, with the aim of emerging from seven years of bankruptcy protection by the end of the year, company officials said. W.R. Grace's stock rose \$1.98 after the announcement, closing at \$26.83.

"We wanted to do what we do best and that's make specialty chemical products to serve our customers and get on with life," said chief executive Fred Festa. "If we continued down the path we were on, we could still be tied up in litigation for another two or three years."

John D. Cooney, an attorney for the plaintiffs, said the settlement "represents a fair resolution for both the victims and Grace. . . . It is appropriate at this time to remember that countless lives were lost and families damaged because of the needless use of asbestos products for many decades."

W.R. Grace filed for bankruptcy in 2001, after it had been hit with about 110,000 lawsuits from people who said they were sickened by exposure to asbestos, a fire-retardant material that can cause lung cancer.

The filing put the claims on hold while the company worked to gauge its liability and to structure a trust for victims. At the same time, it rigorously fought plaintiffs, alleging that in many cases attorneys hired screening companies or physicians to produce diagnoses that would serve as grounds for asbestos lawsuits.

Lester Brickman, a professor at Cardozo School of Law in New York, has written about the screenings, which have also been used in fen-fen, silicone breast implant, silica and welding fume lawsuits. He called the proposed settlement "one of least expensive settlements negotiated among the many scores of asbestos-related bankruptcies."

"Grace's aggressive defense, and its continuing attempts to demonstrate that tens of thousand of the pending non-malignant asbestos-related claims were bogus, factored significantly, in my judgment, into the incentives for settlement," said Brickman, who previously served as an expert witness for an asbestos maker.

If U.S. Bankruptcy Judge Judith Fitzgerald approves the plan, W.R. Grace would immediately pay \$250 million into a trust for the victims. Beginning in 2019, it would pay \$110 million annually for five years to the trust, and then \$100 million per year for 10 years beginning in 2024.

The legal bill for resolving more than 700,000 asbestos claims nationally has topped \$70 billion and driven dozens of bankruptcy cases, according to the Rand Corp. Most of those claims involved cases where no malignant cancer was found, according to Rand, and nearly 30 percent of all settlements have gone to attorneys.

Under the agreement, plaintiffs would be eligible to buy 10 million shares of Grace common stock for \$17 per share for one year after the company's reorganization. In a conference call with investors, Festa said the company would borrow up to \$1.5 billion to pay the claims, and would no longer have liability for its products. Future lawsuits would be settled by the fund.